
QUERY FROM SGX

Unless otherwise defined, capitalised terms used herein shall bear the same meaning as in the announcements of the Company on 23 June 2011 and 2 September 2011

We refer to SGX queries on the Company's annual report and append further explanations below:

1) Rule 1013(3)(a) of the listing manual provides that:

"Where the profit guarantee or the profit forecast has been met, the issuer should immediately announce this via SGXNET. Where the profit guarantee or the profit forecast has not been met, the issuer should immediately announce via SGXNET the following:

- (i) the variance between the profit guarantee or the profit forecast and the actual profit, and the reason for the variance;**
- (ii) any variation of the rights of the issuer; and**
- (iii) the possible course(s) of action by the issuer to protect the interests of the shareholders of the issuer, if any. Notwithstanding this, the issuer must provide timely updates on the specific course of action including its progress and outcome of the action."**

We note that the Company had not made any announcement on the aforesaid, notwithstanding that the Profit Target was not met. In this respect, please disclose the information required under Rule 1013(3)(a).

- (i) The variance between the profit guarantee and the actual profit is USD2,254,000. The reason for the variance was due to lower sales than expected for the vehicle traction devices mainly as a result of unfavourable weather conditions for the Company's products and increasing competition in the South Korean market as well as unexpected difficulties in entering new markets in other countries.

(ii) & (iii)

As disclosed under Note 35(D) to the Company's Annual Report, on 21 March 2014, the Company executed a supplemental shareholders agreement with the Existing Shareholders ("Supplemental Agreement"). The salient terms of the Supplemental Agreement are as follows:

- (a) the Company shall be entitled to the Existing Shareholders' share of dividends declared from future profits of Autotrax and its subsidiaries until the Shortfall is satisfied. In this regard, "Shortfall" is defined as 'the remaining balance of the Adjusted Retention Sum of negative USD2,500,000 after deducting the Retention Sum of USD475,000 and Shin's Shareholder Loan of USD1,000,000'.



- (b) Autotrax shall repay the Company's shareholders' loan of USD2,500,000 outstanding as at 31 December 2013.
 - (c) Upon full satisfaction of (a) and (b) above, for the payment of every USD1 thereafter by Autotrax:
 - (i) USD0.50 will be paid to the Company up to the amount of USD1,475,000 consisting of (i) the contingent consideration of USD475,000; and (ii) the remaining Existing Shareholders' loan of USD1,000,000; and
 - (ii) USD0.50 will be paid to the Company and the Existing Shareholders (based on their respective shareholding in Autotrax) for any further dividends declared by Autotrax.
 - (d) the put option granted by the Company to the Existing Shareholders is cancelled as at 31 December 2013.
- 2) **Rule 1207(6)(c) of the Listing Manual requires a statement that the issuer complies with Rule 712, and Rule 715 or 716 in relation to its auditing firms. Please disclose whether the Company has complied with Rule 712 and Rule 715 or 716.**

The Group has complied with Rules 712 and 715 of the Listing Manual issued by the SGX-ST in relation to its auditors.

- 3) **Paragraph 11.3 of the Code of Corporate Governance 2012 (the "Code") states that the Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, in the company's Annual Report.**

As required under Rule 710, please make disclosures on the Company's risk management systems as recommended in paragraph 11.3 of the Code or otherwise explain the reason(s) for the deviation from the following Code recommendations.

Further to the disclosures under page 23 of the Company's Annual Report for FY2013, based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by Management, various Board committees and the Board, the AC and the Board are of the opinion that the Group's internal controls including financial, operational, compliance, informational technology controls, and risk management systems, were adequate as at 31 December 2013.

On behalf of the Board of Directors of

LH Group Limited
Tan Hai Peng Micheal
Executive Chairman

Dated: 23 April 2014