LTC CORPORATION LIMITED
(Company Registration No. 196400176K)
(Incorporated in the Republic of Singapore)

RESPONSES TO QUESTIONS RAISED BY SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

The board of directors (the "**Board**") of LTC Corporation Limited (the "**Company**") wishes to announce the following in response to the questions raised by Securities Investor Association (Singapore) ("**SIAS**") in respect of the Company's Annual Report for the financial year ended 30 June 2018 (the "Annual Report"):

1. Would the board/management provide shareholders with better clarity on the following operational and financial matters? Specifically:

(i) **Steel trading:** From Note 39 (page 84 – Segment information), the steel trading segment reported revenue of $121 million and a segment profit of $6.1 million. The 5-year trend of the steel trading segment is shown in the table below.

	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000
Segment Revenue	146,019	136,223	92,898	107,475	120,976
Operating profit	11,440	2,378	(2,537)	6,117	6,097

Can management help shareholders understand the key factors that determine the profitability of the segment? For instance, revenue increased by 13% in 2018 but the operating profit remained steady at about $6.1 million. Compared to 2015, the operating profit margin in 2017 and 2018 is substantially higher even though revenue is higher in 2015. **Also, please state management's priorities for FY2019.**

Company Response:

The key factors that affect profitability of the steel segment are:-

1) Mix of fixed price versus fluctuating price contracts

If steel prices are rising, it is more profitable to have fluctuating price contracts than fixed price contracts.

If steel prices are falling, it is more profitable to have fixed price contracts than fluctuating price contracts.

For fluctuating price contracts, the selling price is adjusted on a monthly basis to market prices as per the BCA Monthly Material Price Indices.

2) Value add content (i.e. fabrication) in sales contracts

The profit margins on value add services are significantly more than that for trading. It is also critical to have sufficient value add content to recover the factory overheads.

3) International steel price fluctuation

Like most of our local competitors, we import from overseas steel mills and our raw material cost is determined by international steel prices. Local selling prices (hence also the BCA Index) will largely reflect international steel prices.

4) Foreign currency exchange rates

The steel segment expanded its business volume in Malaysia significantly in FY2015. The volatility of the Malaysian Ringgit affects the profits of the holding company in Singapore as the steel supplied to the Malaysian subsidiary is denominated in Malaysian Ringgit.

Management's priority is to secure contracts to achieve a good balance of fixed and fluctuating price contracts and sufficient contracts with value add services to achieve optimal production capacity.

(ii) **Development property (Singapore):** In the Chairman's Statement, it was mentioned that the group "will continue to look out for opportunities to acquire development property" (page 2). **Can management tell shareholders if it had been actively looking for development land bank/opportunities in the past year? Did the group participate in any government tenders or were in advance stages of negotiating any en-bloc/collective sales? What is the group's niche as a property developer?**

Company Response:

The group was in advance negotiations for a development property. The deal did not go through as the enbloc/collective sales fever caught on and the owner raised the price.

The group does not participate in tenders for GLS or collective sales as the quantum is beyond what the group is prepared to commit to property development.

The group's niche as a property developer is to seek landed residences suitable for redevelopment.

(iii) **Retail operations:** With the first phase of the renovation of its flagship store completed, the company reported "positive sales growth" in the retail operations. Revenue of the joint venture company increased by 0.5% to \$61.17 million. **Can management disclose the store's performance in constant currency basis?** Once the amortisation of goodwill is factored in, USP contributed \$6,000 to the group's bottom line in 2018 (2017: a loss of \$(849,000) as share of results of joint venture companies after adjustment (page 65)). **Has the segment met management's expectations? Can management also confirm that the joint venture company will be funding the second and the third stores with internally generated resources?**

Company Response:

Comparing the 2 financial years, revenue for the department store decreased by 9.5% for July to October (before the renovation was completed) but increased by 5.7% from November to June.

The growth of the business in terms of new stores is going according to plan and within management's expectations. The joint venture company is expected to be able to fund the expansion.

2. As noted in the Corporate Governance Report, the independent directors, namely Mr Ong Teong Wan, Mr Chay Yee and Dato' Mazlan Bin Dato' Seri Harun, have served on the board for more than nine years.

Mr Ong, Mr Chay and Dato' Mazlan were first appointed to the board on 28 July 1998, 24 February 1997 and 31 January 1986 respectively. As at the date of the Annual General Meeting, Mr Ong, Mr Chay and Dato' Mazlan have served on the board for more than 20 years 3 months, 21 years 6 months and 32 years 8 months respectively.

(i) Can the board help shareholders understand how the (particularly) "rigorous review" was carried out to assess the independence of the long tenured directors?

Company Response:

Each independent director is subjected to a rigorous review yearly. The independent directors will have to complete a declaration on the "Independent Director's Checklist" which will then be submitted to the Nominating Committee ("NC"). The NC will then have a process to review their independence. Thereafter, the Board will again determine each independent director's independence taking into account the recommendations of the NC.

(ii) Can the board confirm that no director was involved in the review of his own independence?

Company Response:

The Board confirmed that no independent director was involved in the review of his own independence.

The board has stated that continuity and stability of the board is important and it is not currently in the interests of the company and shareholders to require directors who have served for nine years or longer to retire.

(iii) Can the board, especially the nominating committee (NC), explain in greater detail if it had considered a staggered approach to ensure stability and board renewal?

Company Response :

The NC has not considered the staggered approach and will be reviewing it in the future.

(iv) What deliberations did the NC and the board have on the issue of "the need for progressive refreshing of the board"?

Company Response:

The NC and Board are of the opinion that the current three independent directors' length of service has not, in any way diminished their independence and ability to serve as directors. The Directors have gained valuable insight and a good understanding of the Company through their years of involvement in the Company and together with their diverse experiences and expertise, will be able to continue to greatly benefit the Company by providing impartial and autonomous views, advice and judgement.

(v) Has the NC also reviewed the group's succession plans for the executive directors (including the executive chairman) and key management personnel (including the chief executive officer/managing director)?

Company Response:

The NC is kept informed and fully aware of the succession plan for the executive directors and key management personnel. This is an ongoing process. The NC is of the view that the existing team has provided a core element to the company's growth in terms of each individual's deep industry knowledge and experiences. Thus, they are valuable assets to the Company.

3. On 10 September 2018, the company announced that the directors who are considered independent for the purposes of the exit offer have appointed Xandar Capital Pte Ltd as the independent financial adviser (IFA) to advise them for the purposes of the exit offer. This follows the proposed voluntary delisting of the company by Mountbatten Resources Pte. Ltd. from the official list of the Singapore Exchange Securities Trading Limited ("SGX-ST") pursuant to Rule 1307 and Rule 1309 of the listing manual of the SGX-ST.

(i) Can the directors help shareholders understand how Xandar Capital was selected as the IFA? What were the criteria used to select the IFA?

(ii) What will be the directors' role in determining the scope of the IFA's work?

(iii) Will the directors and/or the IFA be reviewing the structure of the offer, including the use of Mountbatten Resources Pte. Ltd. as the offeror by Mountbatten Enterprises Pte. Ltd. (a controlling shareholder and a consortium member)?

(iv) For good governance, would the directors who are considered independent for the purpose of the exit offer consider requesting the controlling shareholders to abstain from the voting at the delisting EGM?

Company Response:

This AGM is not the appropriate forum for discussing the Delisting Proposal and the Exit Offer. An EGM to approve the Delisting Proposal has been scheduled to be held on 14 November 2018. We will respond to these questions and all other questions relating to the Delisting Proposal at the EGM so that we may address all questions fully at the appropriate forum. In the meantime, we invite shareholders who may have questions on the Delisting Proposal to email their questions to enquiry@ltcgroup.com.sg and we will address them accordingly at the EGM.

BY ORDER OF THE BOARD

Silvester Bernard Grant
Company Secretary
30 October 2018