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 2016

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 2016 (the "Annual Report"):-

SIAS's Question 1.

In November 2015, the Group completed the acquisition of a 50% interest in USP Equity Sdn. Bhd. (which owns a 90% interest in Sogo (K.L.) Department Store Sdn. Bhd.). The rationale given for the acquisition was to "generate additional income streams and diversify its asset and revenue base. Brick and mortar retail face extraordinary threats from e-commerce and online shopping. With no obvious synergy to the group's other businesses, the group acquired 50% interest in USP for a total consideration of $23.1 million, paying a provisional goodwill amount of $10.5 million (until the Purchase Price Allocation is finalized in November 2016).

a) Can the board share in greater detail the degree and extent of its deliberation and due diligence through before it approved the acquisition?

Company's Response:

An international accounting firm and a legal firm had been appointed by the Board to conduct financial and legal due diligence respectively.

The Board had taken cognisance of the due diligence reports from both the accountants and lawyers and deliberated in the board meeting before approving the acquisition.

The Group also believes that there will still be a place for physical retail and that malls are becoming huge compelling social destinations that offer many complementary activities to draw the crowds.

When the acquisition of USP was considered, the net profit attributable was $3.1 million (as disclosed in the circular dated 29 July 2015). The group is paying an estimated price-earnings ratio of more than 15x for a retail business. Since the completion of the acquisition of the retail business in November 2015, the Retail Operations contributed $0.5m to the bottom-line of the Group for the 8 months ending FY2016 (page 5 of the annual report).

b) Has the JV performed up to the board/management's expectation? Since the acquisition was completed in November 2015 (11 months ago), what are the new insights gleaned about the retail business?

If the group diversifies into new businesses purely for the sake of diversification, especially into areas where it has neither the expertise nor the experience to value-add, **then shareholders would like the board to re-examine its capital structure so as to maximise value for all shareholders.**

Company's Response:

The acquisition of USP was set at a price earnings ratio of 7X. The $3.1m profit was attributable to a 50% share of the JV.

When the company diversified into the retail business, the board/management had anticipated that time was required to be given to the new venture to produce the expected results due to the decrease in sales with the GST implementation in April of 2015.

In this regard, an experienced team has been assembled for this new venture wherein, the Managing Director, the Chief Executive Officer, the Chief Operating Officer and the Head of Store Development, each has more than 25 years of experience in the retail industry.

What the new venture and the new team will bring to the company is a reach of new sites and locations for new store expansion and to grow the business going forward. In this respect the results of the new venture are within the expectations.

SIAS Question 2.

The steel trading segment incurred a loss. Steel turnover decreased by $43.3m from $136.2 million to $92.9 million due to lower steel prices and tonnage delivered. Net operating profit for steel decreased from a profit of $2.4 million in 2015 to a loss of ($2.5) million in 2016. As recently as 2014, net operating profit for steel was $11.4 million.

a) Can management explain in greater detail what are the particular challenges in the past two years?

Company's Response:

Construction demand for steel has slowed down significantly for private sector projects with the bulk of demand coming from public sector infrastructure projects. Competition amongst suppliers is intense as there are fewer albeit very sizeable projects available now and also in anticipation of weak demand ahead.

The entrance of new players to the market drawn by the boom a few years back has amplified the current excess capacity, keen competition and reduced margins.

The volatility of steel prices also poses a challenge especially if the size and duration of a fixed price project makes it impracticable to make matching purchase commitments.

The Group has also expanded significantly into Malaysia. However the weaker Malaysian ringgit has also led to exchange losses.

In response to the tough conditions, the Group will make efforts to reduce costs and stay lean.

b) The volatility of steel prices was cited in the Chairman's statement as a reason for the poor performance. What are the pro-active measures that group can take to mitigate such risks?

Company's Response:

The Group's policy on steel purchases is that sales contracts with fixed prices should be backed with matching purchases wherever feasible. For variable price contracts, the stock level and purchase commitments will be maintained around the projected near-term delivery requirements of the contracts.

c) The group has also entered into variable-price contracts ("VPC") with its customers. What is management doing to make sure that these will not become onerous contracts as steel prices drop? Should the group reduce the VPC exposure?

Company's Response:

Most public sector projects such as MRT, expressways, hospitals, etc are based on variable prices. In fact, variable price contracts reduce the price risk to the supplier as the price is reset every month. As such, variable price contracts are less likely to become onerous as purchase and selling prices will move in tandem with the market.

The Group also has to take into account its fixed overheads and to undertake sufficient projects subject to market demand, whether the projects available are private (fixed price) or public (variable price).

SIAS Question 3

The three independent directors were appointed to the board in 1986, 1997 and 1998. Globally, many traditional industries are being challenged as the business environment evolves at an alarming rate. Digital disruption continues to upend many industries, especially retail where the group had just acquired a joint venture stake. **Can the board tell shareholders about its renewal plans**? New director with the relevant experience and competencies (such retail/e-commerce) can help the group to relook its strategy and refresh its product and services.

Company Response:

The Board is of the opinion that the 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.

The Board also holds the view that continuity and stability of the Board is important and considers it is not currently in the interest of the Company to require the directors to retire. The Board nevertheless will on a continual basis, review the need for progressing refreshing of its board.

As for the strategy and operation of the retail business, the Board has appointed Datuk Cheng Yoong Choong ("Datuk Cheng") as the Director of Business Development in charge of retail operations. Datuk Cheng has over 25 years of retail experience and has also assembled a retail leadership team who are experienced in both retail and e-commerce.

BY ORDER OF THE BOARD

Silvester Bernard Grant
Company Secretary
27 October 2016