LION ASIAPAC LIMITED
(Co. Reg. No. 196800586R)
(Incorporated in the Republic of Singapore)

Response to questions from the Securities Investors Association (Singapore)

The Board of Directors of Lion Asiapac Limited (the "**Company**" and together with its subsidiaries, the "**Group**" wishes to provide the following response to the questions raised by the Securities Investors Association (Singapore) ("**SIAS**") on 22 November 2021.

Question 1

In the financial highlights (page 9 of the annual report), it can be seen that the segment loss in the steel consumables trading segment was $(757,000) while the segment loss in the investment holding/others segment was $(513,000) for the financial year ended 30 June 2021.

Financial Highlights

Consolidated Statement of Comprehensive Income	30 June 2021 S$'000	30 June 2020 S$'000
Continuing Operations		
Revenue		
– Lime manufacturing	17,130	16,826
– Steel consumables trading	2,196	–
	19,326	16,826
Profit before income tax	1,076	680
Total profit	937	541
Segmental result		
– Lime manufacturing	–	(179)
– Steel consumables trading	(757)	(915)
– Investment holding/others	(513)	(639)
	(1,270)	(1,733)

(Source: company annual report)

(i) **Can management confirm that it achieved breakeven in the lime manufacturing segment? It is not clear what "-" means in the table above.**

Company's Response

The lime manufacturing segment achieved a breakeven result.

(ii) Would the board consider adding a detailed operational and financial review in the annual report to help shareholders better understand the performance of the group?

Company's Response

It is the Group's normal practice to include a financial review for every result announcement. The review of the full-year result was included in the announcement made to the SGX on 27 September 2021.

The Board will consider the suggestion to add a detailed operational and financial review in subsequent annual reports.

As shown above, all 3 operating segments were not profitable in FY2021 and in FY2020. In fact, all the operating segments were also loss-making in FY2019, FY2018, FY2017, FY2016 and FY2015 (the last annual report available on SGXNet). It does not appear that the group has any competitive advantage in the 3-4 operating segments (including property development in the earlier years).

(iii) Can the board/management help shareholders understand the group's competitive advantages in its main operating segments of lime manufacturing and steel consumables trading? What is the business model and how does the group create value for shareholders?

Company's Response

The Group has been producing quicklime since 2007 before offering hydrated lime in 2011, when the market for quicklime was becoming saturated. Most recently, quicklime powder was added as a downstream product in 2020, when a potential demand in the market was identified.

By constantly reviewing the relevance of existing and new products, and their markets' demands, the Group expects to stay at the front end of the market trend.

We aim to remain one of the few lime producers to offer premium quality lime products. Additionally, the Group is partnering with one of the leading steel producers, to supply steel consumables to the latter, although the success of the business is determined by the transactions volume.

The business model we adopt defines how we deliver value to our clients at a reasonable cost, while ensuring we make a profit.

Through the above, we aim to create value for shareholders.

(iv) Has the board considered divesting the group's assets and to return the capital/proceeds to shareholders?

Company's Response

The Group has established itself as one of the leading producers of lime products with many productive plants, which should yield profits for many years. It does not make sense to divest these productive assets.

The Board sees potential in the lime industry and believes that further expanding the business is the best way to enhance shareholders' value.

Question 2

In the chairman's message to shareholders, it was stated that the group has a "healthy" balance sheet, with working capital of $72.2 million. From Note 17 (page 77 – Cash and cash equivalents), it can be seen that cash and cash equivalents amounted to $64.2 million as at 30 June 2021. Further in Note 17A (page 77 - Cash and cash equivalents in the statement of cash flows), it was disclosed that cash subjected to foreign exchange control, i.e. in the PRC, amounted to $35.1 million.

(i) Can the board confirm that the group does not have any meaningful operations in the PRC in the past 4+ years since the disposal of the group's subsidiary in Yangzhou, PRC in June 2017?

Company's Response

There have been no operations since the disposal of Yangzhou Lion in June 2017. Nevertheless, the Board has been actively searching for suitable investment projects.

(ii) What is the reason that the company has not repatriated the RMB from China?

Company's Response

As the Board strongly believes in the growth potential of China, the funds in China are kept as a resource for potential investments.

In addition, it was stated that $35.1 million is subjected to foreign exchange control in Note 17A (page 77) although the company only stated that $15.7 million is held by the group in RMB as cash and cash equivalents (Note 24G – Foreign currency risks; page 88).

(iii) Can the board help shareholders reconcile the two different figures in Note 17A and in Note 24G?

Company's Response

About S$15.7 million in RMB, comprising S$6.6 million in China and S$9.1 million in Singapore, was held by Singapore's subsidiaries, whose functional currency were

Singapore dollar. Consequently, both these amounts were exposed to foreign currency risks as disclosed in Note 24G.

The Group also had S$28.5 million in RMB, held by its China's subsidiaries, whose functional currency were RMB. Together with the above-mentioned S$6.6 million, this amounted to S$35.1 million, which was subjected to foreign exchange control as disclosed in Note 17A.

Question 3

The attendance of directors at board and board committee meetings is shown on page 11 and reproduced below:

The number of meetings attended by the directors during the financial year ended 30 June 2021 is set out as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee	General Meeting
Number of meetings held:	**5**	**7**	**1**	**1**	**1**
Number of meetings attended:					
Sam Chong Keen	5	7	1	1	1
Loh Kgai Mun	5	n.a.	n.a.	n.a.	1
Tan Sri Cheng Heng Jem	3	n.a.	n.a.	n.a.	1
Cheng Theng How	5	7	1	1	1
Dr Chua Siew Kiat	5	7	1	1	1
Lee Whay Keong	5	n.a.	n.a.	n.a.	1

(Source: company annual report)

It can be seen that Tan Sri Cheng Heng Jem attended 3 out of 5 board meetings in FY2021.

In fact, Tan Sri Cheng Heng Jem has missed the following board meetings from FY2015 to FY2020:
- missed 1 out of 5 board meetings in FY2020
- missed 1 out of 5 board meetings in FY2019
- missed 1 out of 6 board meetings in FY2018
- missed 2 out of 8 board meetings in FY2017
- missed 1 out of 6 board meetings in FY2016
- missed 3 out of 7 board meetings in FY2015

(i) Are there any extenuating circumstances that led the said director to miss board meetings annually from FY2015 to FY2021?

Company's Response

Over the years, owing to unavoidable circumstances, Tan Sri Cheng could not attend a few of the board meetings highlighted above.

For those meetings which Tan Sri Cheng did not attend, he had reviewed all board papers, discussed and communicated with other directors his views before the board meetings. Additionally, he has had post-board meeting discussions with the directors.

(ii) Can the company and the company secretary help shareholders understand if board meetings are scheduled in advance to allow directors to block out their calendars?

Company's Response

The Company has a practice of planning board meetings one year in advance to facilitate maximum attendance by all board members.

(iii) How can the company secretary and the company work together with the board to improve the attendance of directors at board meetings?

Company's Response

Generally, the Directors have an excellent record of Board attendance. Since 2019, the Company's new Constitution has allowed a director to participate at a meeting of directors by telephone conference, video conference, audiovisual, or by means of similar communications equipment. Going forward, the Company would take full advantage of these alternative means of participation in its conduct of board meetings.

In addition, as noted in the corporate governance report, the board is responsible for the overall strategy and direction of the group. It also provides entrepreneurial leadership and sets strategic goals.

(iv) Has the board evaluated if the strategies of the group have created shareholder value in the past 5-10 years?

Company's Response

Strategies were regularly discussed, reviewed and evaluated at Board meetings. Since the inception of the manufacturing plant, the formation of strategies to produce quicklime, hydrated lime, and most recently quicklime powder, and the trading of steel consumables have all aimed at creating value for shareholders.

(v) What is the return on equity (ROE) achieved by the group in the past 5 years, 10 years and 15 years?

Company's Response

The return on equity achieved by the Group were (3%), 2% and 6%, respectively, for the past 5 years, 10 years and 15 years.

(vi) Is the board satisfied with the performance of the group? Has it carried out any benchmarking or analysis?

Company's Response

For the lime industry, the past years have not been a smooth ride. Many lime kiln operators have folded. Nevertheless, we have been successful in mitigating all the economic turbulence and avoiding massive losses.

In the absence of any unforeseen circumstances, the Board is cautiously optimistic of an economic pickup post-pandemic.

In view of the inherent challenges in the lime industry, the Board considers the performances of the Group to be satisfactory and lime production remains a viable business.

(vii) Have the directors evaluated the group's capital structure and determined the optimal capital structure that is appropriate for the group's operations and growth opportunities?

Company's Response

The Board regularly evaluates the capital structure of the Group and has concluded that there is capacity for expansion of existing business activities as well as financing of new business ventures.

By Order of the Board
Lion Asiapac Limited

Lah Ling San
Company Secretary

Singapore, 29 November 2021