

Issuer: Stamford Tyres Corporation Limited

Security: Stamford Tyres Corporation Limited

Meeting details:

Date: 28 August 2017

Time: 3.00 p.m.

Venue: 19 Lok Yang Way, Singapore 628635

Company Description

Stamford Tyres Corporation Limited, an investment holding company, engages in the wholesale and retail of tires and wheels in South East Asia, North Asia, Africa, and internationally. The company offers tires for high performance cars, passenger cars, SUVs, light trucks, and truck radials; and radials for sports and passenger cars, light trucks, trucks, and bus radials, as well as for military, agriculture, and industrial solid tires. It also provides tires for the construction and mining industry; industrial and construction tires for use in skid steer, backhoes, and forklifts; and nylon bias tires for light truck, truck, agriculture, and earthmover applications. In addition, the company engages in the design and contract manufacturing of tires for proprietary brands, tire retreading, equipment trading, and servicing of motor vehicles; manufacture and sale of aluminum alloy wheels; and property holding activities. Further, the company distributes Falken, Dunlop, Continental, and Maxam branded tires, as well as offers its proprietary brands, such as Sumo Firenza, Sumo Tire, and SSW wheels. Additionally, it operates a retail network in Singapore and Malaysia with Mega Marts and Tyre Marts outlets that offer a range of tires, wheels, batteries, car audio, and auto accessories, as well as workshop and tire services. Stamford Tyres Corporation Limited was incorporated in 1989 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=S29)

Q1. As noted in the “Letter to Shareholders” (page 2 of the annual report), the group’s “gross profit margin increased to 26.2% in FY2017, compared to 22.1% and 24.7% in FY2015 and FY2016, respectively”. This was attributed to the group’s focus in defending the gross profit margin and “focusing on improving the contribution from value-added activities from the Group’s Stamford Tyres retail chain and truck centres as well as the offering of total tyre management services to commercial fleet and mining operators in Southeast Asia.”

An overview of the group’s revenue breakdown, based on the “Financial and operations review (pages 12-14), is shown in the table below.

Country	Share of total revenue (FY2017)	Activities
Singapore	31.0%	Retail chain operations, truck tyre centres, local wholesaling as well as the export of tyres and wheels
Malaysia	24.0%	Wholesale (including commercial tyre sale)
Thailand	16.0%	Wholesale (including commercial tyre sale), manufacturing of aluminum alloy wheels
Indonesia	12.9%	Wholesale (including commercial tyre sale)
South Africa	7.2%	Wholesale (including commercial tyre sale)
Others (Australia, Vietnam, Hong Kong)	8.8%	-

(Source: Company Annual Report 2017)

- a) **Can management help shareholders understand what is the average gross profit margin in the wholesale segment? Also, is the group able to command better gross profit margin for its commercial tyre sales?**
- b) Based on the listing in “Our Presence” (page 10), there are currently 5 truck centres in Singapore and 1 in Malaysia. **Are there plans to expand the network to other countries/cities?**
- c) **What is the scale of the group’s “Total tyre management services”? Can management elaborate further on the potential and growth opportunities of this offering?**
- d) The Australian operations continue to suffer losses. **Can management provide better visibility into the prospects of the Australian market? What are management’s priorities and targets in this market for the near future?**

Q2. While the group has increased its gross profit margin and continues to report profits, the group’s turnover has continued to creep down. In FY2017, revenue dipped by 1.7% to \$235.8 million.

Following the sale of Sumitomo Rubber Industries Tyre Pacific (SRITP), the group currently has exposure to the Chinese market primarily through its joint venture, Tyre Pacific (HK) Limited (“Tyre Pacific”). For FY2017, Tyre Pacific contributed \$2.4 million in net profit. This is about 30% of the group’s total profit for the financial year. The Chinese market is the largest automotive market and more than 28 million cars were sold in 2016.

- a) **Can management help shareholders understand the role it plays in the joint venture, Tyre Pacific (HK) Limited? How much influence/ management oversight is there?**
- b) **What is the current scale of the operations of the joint venture? Can management share on the strategic direction of the JV?**

- c) The JV reported a 10% drop in revenue to \$41.2 million but total comprehensive income increased by 40% to \$4.9 million (page 81). **Can management elaborate further on the key drivers of performance for the JV?**
- d) **How else is the group tapping the growth of the huge Chinese automotive market?**

Q3. As disclosed in the Corporate Governance report (page 21), three of the independent directors, namely Mr Sam Chong Keen, Mr Tay Puan Siong and Mr Goh Chee Wee, have served on the Board for more than nine years. Mr Sam, Mr Tay and Mr Goh were appointed to the board on 9 Dec 1994, 2 Jun 1994 and 29 Oct 1998 respectively and have served on the board for 23 years, 23 years and 19 years respectively.

Mr Sam and Mr Goh are seeking re-election at the Twenty-Eighth Annual General Meeting of the Company.

As noted in the CG disclosure (page 22), the Nominating Committee (NC) has “recommended the re-election of Mr Sam Chong Keen and Mr Goh Chee Wee, who are retiring by rotation pursuant to Article 99 of the Company’s Constitution... Each member of the NC has abstained from voting on any resolutions and making any recommendation and/or participating in respect of matters in which he is interested.” And the board has accepted the recommendations.

The NC comprises Mr Sam Chong Keen (as Chairman), Mr Tay Puan Siong and Mr Wee Kok Wah.

Notwithstanding that “the Board, in concurrence with the NC, is of the view that the three independent directors remain independent in their exercise of judgment and objectivity on Board matters”, Guideline 2.4 of the 2012 Code of Corporate Governance issued by the Monetary Authority of Singapore calls for the board to “also take into account the need for progressive refreshing of the Board”.

- a) **Could the directors who are put up for re-election help shareholders understand their contributions to the board and to the company (including their self-assessment of their performance and their own effectiveness as a director)?**
- b) **Given that company had last appointed new Independent directors in December 2012, can the board provide more detail on its plans to ensure the progressive refreshing of the board?**
- c) **Please also disclose the company’s search and nomination process for new independent directors.**