

29 August 2017

The Securities Investors Association (Singapore)
7 Maxwell Road #05-03
MND Building Annexe B
Singapore 069111

Attention: Mr David Gerald

Dear David,

We refer to the questions relating to our Annual Report for FY2017 posted on your website and wish to respond as follows:

1. As explained in the Financial And Operations Review of the Group's Annual Report, the improved gross profit margin to 26.2% in FY17 from 24.7% in FY16 is attributable to the Group's continued drive to do more valued-added services and offering total tyre management services to commercial fleet and mining operators in Southeast Asia.

As explained in the Letter To Shareholders, our truck centres cater to the total tyre management needs of commercial fleet operators. In addition to this, we are continuously improving our offerings of specialty and mining tyres, logistical and warehouse support to our mining customers. Going forward, management will continue to balance gross profit margins against volume growth, while managing the Group's operating costs.

As explained in the Letter To Shareholders, our Australian operations narrowed its losses significantly on the back of higher topline from more product offerings via its local distribution network. Management's priority is to achieve breakeven by continuously driving topline growth in this market while optimising gross profit margin and containing its operating costs.

2. Tyre Pacific (HK) Ltd ("TPHK") is a 50-50 joint venture ("JV") with Advance Pacific Holdings Ltd ("APH"), a subsidiary company of the Tan Chong International Group. The operations of TPHK is jointly-managed by equal Board representation between Stamford Tyres Corporation Ltd and APH.

The principal activity of TPHK is the wholesale of tyres in Hong Kong, Macau, Vietnam, Cambodia and Laos. As explained in the Financial And Operations Review of the Group's Annual Report, management will continue to balance gross profit margins against volume growth, while managing the operating costs in these markets.

3. As non-Executive Independent Directors, both Mr Sam and Mr Goh contribute to the Board process by monitoring and reviewing Management's performance and provide a non-executive and alternative perspective to the Group's business and contribute to a balance of viewpoints on Board deliberations. When challenging Management's proposals or decisions, they bring independent judgment to bear on business activities and transactions involving conflicts of interests and other complexities. They have continually discharged their duties and responsibilities with the utmost commitment in upholding the interest of all shareholders. They have expressed individual viewpoints, debated issues and objectively scrutinized and challenged Management. They have sought clarification and amplification as they deemed necessary, including through direct access to the Management.

Taking into account the above, and also having weighed the need for the Board's refreshment against tenure for relative benefit, the Board are of the view that Mr Sam and Mr Goh continue to bring a valuable range of experience and expertise to contribute to the development of the Group strategy and the performance of its business. The Board is of the view that institutional memory and experience are important for the long term stability of the Group, especially in the face of challenges from rampant competition in the market and volatility in business environment over the last few years. As long serving members of the Stamford Tyres Board of Director, Mr Sam and Mr Goh have developed significant insights in the Group's business and operations, and continue to provide noteworthy and valuable contribution objectively to the Board as a whole. This institutional knowledge needs to be preserved and passed on with a proper process of bringing in new directors periodically and rotating longer serving directors as and when it is appropriate.

The Board recognises that renewal of the Board is important and new directors with the relevant skill sets and competencies can provide fresh input, help formulate strategies and reinvigorate the Stamford Tyres Group. The Board has delegated to the Nominating Committee the responsibility of identifying and recommending to the Board appropriate or potential candidates after considering the necessary and desirable competencies for new Board members.

The NC is responsible for examining the size and composition of the Board and Board Committees. The NC will consider the scope and nature of the Group's businesses, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees. At present, more than 60% of the Board comprise independent non-executive directors, which exceed the one-third Board strength recommended by the Code of Corporate Governance 2012. The Board believes that its current board size and the existing composition of the Board Committees effectively serve the Group. It provides sufficient diversity without interfering with efficient decision-making.

The NC is responsible for identifying candidates and reviewing all nominations for the appointments of new directors. When an existing director chooses to retire or the need for a new director arises, either to replace a retiring director or to enhance the Board's strength, the NC, in consultation with the Board will evaluate and determine the selection criteria so as to identify candidates with the appropriate expertise and experience for the appointment as new director. The NC seeks potential candidates widely and beyond directors/ management recommendations, business associates or trade organisations and is empowered to engage external parties, such as professional search firms, to undertake research on or assessment of candidates as it deems necessary. After an initial assessment of the CVs, a verification check will be conducted before the NC meets with shortlisted potential candidates with the appropriate profile to assess suitability at a formal interview. The candidates will be made aware of the expectation and the level of commitment required, before the NC nominates the most suitable candidate to the Board for approval and appointment as director.

In addition to the above, we have also addressed key issues which we think are of interest to our shareholders and interested investors in our Management Presentation during our Annual General Meeting on 28 August 2017. We have uploaded the presentation slides via the SGXNet together with the results of the AGM.

Kind regards



Dr Wee Li Ann
Director
Stamford Tyres Corporation Ltd