



Securities Investors Association (Singapore)

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GST Reg No: M90367530Y

Issuer: Stamford Tyres Corporation Limited

Security: Stamford Tyres Corporation Limited

Meeting details:

Date: 30 Aug 2018

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 Mart and Tyre Mart outlets that offer a range of tires, wheels, batteries, car audio products, 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)

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

- (i) **Stamford Tyres Dongguan:** With operations starting only in August 2017, the new distribution centre in Dongguan accounted for approximately \$11-12 million (estimated based on Note 39 – Segment information) in revenue. This accounted for 5% of the group’s revenue in FY2018 and helped the group to report a higher year-on-year revenue to offset the ~\$5 million drop in revenue in South East Asia. **Can management help shareholders understand the size of the addressable market in Dongguan/Guangdong? What is the geographical reach of the current distribution centre in Dongguan? Are there plans to further expand to other cities/provinces? For the benefit of both new and old shareholders, can management provide shareholders with a holistic overview of its strategic expansion plans for the Chinese market?**

- (ii) **India:** Revenue from the India joint venture (JV) slipped by approximately a quarter with the introduction of Goods & Services Tax and the JV reported a loss of \$(838,000) for the year. An impairment loss of \$2.5 million for the investment in the India JV has been recognised as the carrying amount exceeded its recoverable amount determined by its value-in-use. Since FY2014, the JV has reported accumulated losses of \$(5.8) million although the JV was profitable in FY2016 and FY2017 prior to the introduction of GST. **Can management confirm that the impact of the GST is one-off and the performance of the JV is expected to improve? Can management also update shareholders on the prospects of the India JV? What are management’s pro-active efforts to improve the profitability of the JV?**

- (iii) **Inventories:** The level of inventories has decreased gradually from the \$102-104 million level in FY2014/2015 to \$77.9 million as at the end of FY2017. As seen in Note 16 (page 82 – Inventories), the carrying value of inventories as at 30 April 2018 increased by 13% to \$87.9 million. **Would management clarify if this increase were mainly attributed to the new operations in Dongguan?**

2. The “Allowance for doubtful debts” is a key audit matter highlighted by the Independent Auditor in their report on the Audit of the Financial Statements. Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

As disclosed in Note 17 (page 83 – Trade receivables), the group has \$60.2 million in trade receivables as at 30 April 2018, of which \$24.9 million are past due but not impaired. The analysis of the aging of the trade receivables is shown in the table below:



	Group	
	2018	2017
	\$'000	\$'000
Trade receivables past due:		
Lesser than 30 days	9,705	11,801
30 - 60 days	5,177	7,030
61 - 90 days	2,721	3,664
91 - 120 days	1,743	1,085
More than 120 days	5,558	6,734
	<u>24,904</u>	<u>30,314</u>

(Source: Company annual report)

While the group has improved on its collection of trade receivables, the amount of trade receivables past due by more than 120 days but not impaired still amounts to \$5.6 million (as at 30 April 2018).

- (i) **Can management provide a more meaningful analysis by specifying the upper limit to the aging (with the appropriate breakdown)?**
- (ii) In the Financial and operations review, the group has committed to, *inter alia*, rationalising its current assets. **Can management elaborate on its efforts to further improve on the collection of trade receivables? Specifically, what are management's plans to collect on the trade receivables that are past due by more than 120 days but not impaired?**

3. On 6 August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 Code"). As a consequence of the revised 2018 Code, the Singapore Exchange will be making amendments to its Listing Rules. The Listing Rule changes will come into effect on 1 January 2019, except for the rules on the 9-year tenor for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022.

As noted in the company's Corporate Governance report, as at 30 April 2018, three 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.

The details of the dates of initial appointments of the directors are as follows:

Name of Director	Date of initial appointment
Sam Chong Keen	9 Dec 1994
Wee Kok Wah	11 Oct 1989
Mrs Dawn Wee Wai Ying	11 Oct 1989
Tay Puan Siong	2 Jun 1994
Goh Chee Wee	29 Oct 1998
Dr Wee Li Ann	9 Dec 2009
Leslie Mah Kim Loong	1 Dec 2012
Kazumichi Mandai	1 Dec 2012

(Source: Company annual report)

As Mr Leslie Mah Kim Loong and Mr Kazumichi Mandai were both appointed as independent directors in December 2012, they would have passed the nine years mark in 2022 as well.

Should all 5 independent directors remain on the board beyond 2022, all 5 independent directors would have exceeded the nine years mark and would be subject to a two-tier shareholders' vote.

- (i) Has the board evaluated the impact of the 2018 Code and the changes to the Listing Rules on the board?**
- (ii) Would the board, especially the nominating committee, help shareholders better understand how it intends to take into account the need for progressive renewal of the board notwithstanding the fact that the directors may have developed significant insights into the group's business and operations and have demonstrated independent judgement, integrity, professionalism and objectivity?**

A copy of the questions for the Annual Reports for the financial years ended 30 April 2017 and 30 April 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Stamford%20Tyres%20Corporation%20Ltd>

The company's response for financial year ended 30 April 2017 could be found here:

https://sias.org.sg/media/qareport/1512966275_Stamford-Tyres-Reply-to-SIAS---29-August-2017.pdf