Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Stamford Tyres Corporation Limited

Stock code: S29

Meeting details:
Date: 29 September 2021
Time: 3.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. The group commemorated the opening of its Serangoon Gardens Mega Mart in July 2021 (page 14). The local media had also featured the president and highlighted the group's new outlet and its expansion plans for 20 retail outlets by next year, despite the pandemic (ST, Jul 10, 2021, Pandemic puts Stamford Tyres' expansion plan back on track[1]).

In contrast, in his letter to shareholders, the president provided shareholders with general statements which were short on details of the group's outlook (pages 2 & 3):

> *The group is constantly expanding into its key markets its sourcing advantage to build up a strong and comprehensive portfolio of tyre offerings, consisting of both major brands and budget tyre brands… These include the expansion of the Stamford Tyres Mart retail chain and the mobile tyre services to better reach-out to our end-customers as well our commercial and fleet customers … The ongoing Covid-19 pandemic is expected to continue to have an adverse impact on our key markets. The group will continue to implement safe management measures in its operations. In response to the challenging environment, and in line with the strategies outlined above, the group will continue to broaden its product line-up and seek new value-adding opportunities.*

(i) **Would the board be reviewing the company's communications with shareholders, especially in the annual report, so as to provide shareholders with greater clarity of the group's achievements, strategies and specific growth plans?**

(ii) **In particular, please help shareholders understand the rationale for its retail expansion plans (including the pace of its expansion) in Singapore. Does management expect the new retail outlets to cannibalise sales from the existing stores?**

(iii) **Revenue:** As seen from the financial highlights (page 19; reproduced below), total revenue has declined for four years, to $189.6 million. **Would management help shareholders understand if it has maintained or improved its competitiveness, and has the right products to meet the needs of the markets?** In the FY2018 annual report, it was reported that management recognised that China was a competitive market but it was "*too big to ignore*". However, by FY2019, the group reported that it has *"exited the China market due to continued losses for the past one and a half years".* **What are the bright sparks, if any, in the operating environment that the group is working to capitalise on to reverse the drop in revenue?**

[1] https://www.straitstimes.com/life/motoring/pandemic-puts-stamford-tyres-expansion-plan-back-on-track-0

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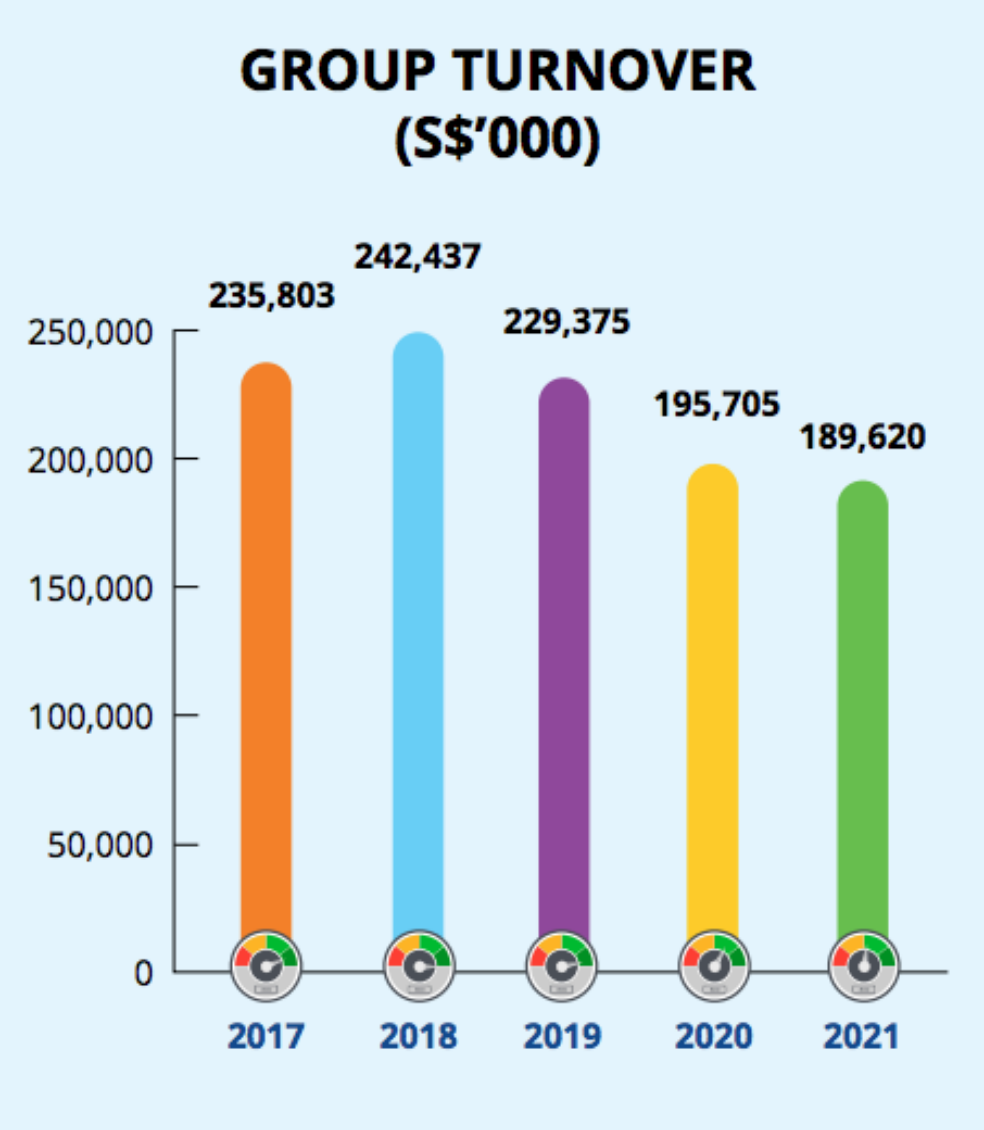

(Source: company annual report)

(iv) **Manufacturing:** In FY2014-15, the manufacturing segment generated revenue of $35-37 million in revenue. In FY2020-2021, revenue was between $25.4 million and $28.0 million. A decade ago, in FY2010-11, revenue from manufacturing amounted to $27.3 and $31.9 million respectively. **Can management elaborate further on the growth drivers in the manufacturing segment? Has the group reached a plateau in the manufacturing segment? What guidance has the board given to management with regard to the long-term growth plans for the manufacturing segment?**

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Q2. As disclosed in the corporate governance report, the internal audit function has been outsourced to Yang Lee & Associates ("YLA"). YLA is guided by the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and staffed with professionals with the relevant qualifications and experience. The audit committee (AC) is satisfied that the company's internal audit function is independent, effective and adequately resourced to perform its functions and is staffed by suitably qualified and experienced professionals.

(i) **Can the AC clarify if the internal audit plan covered all its the foreign operations?**

(ii) **What is the scope of the group's internal audit workplan for FY2021 and FY2022?**

(iii) **What are the key findings from the internal auditors?**

In addition, in its segment reporting, the company identified four reportable segments, with South East Asia reported as one operating segment accounting for 85% of the group's total revenue. Singapore, Malaysia, Thailand and Indonesia accounted for 34%, 21%, 15% and 13% of the group's revenue respectively.

(iv) **Can the AC clarify if each of these key markets meets the threshold of being a reportable segment on its own in accordance with the Singapore Financial Reporting Standards (International)? Would the AC consider making the segment reporting more useful to shareholders by reporting on the four countries individually?**

Q3. The board comprises six directors, of whom three are independent directors, including Mr Sam Chong Keen as the independent chairman. Mr Sam Chong Keen was first appointed to the board on 9 December 1994 and was re-appointed as an independent director following a two-tier vote by shareholders at the previous annual general meeting on 30 September 2020.

(i) **As the independent chairman, did Mr Sam Chong Keen think that it would be appropriate for him to address shareholders in the annual report?** The company has stated on page 30 that "the chairman leads the board and is responsible for the strategic direction of the group, the workings of the board and *communicating the performance of the company and the group to the board and shareholders*" [emphasis added]. **Has the chairman fulfilled his responsibilities as stated in the company's corporate governance report?**

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(ii) **Would the chairman help shareholders understand the board dynamics amongst the directors as the three executive directors are family members who are also the largest shareholders?**

The nominating committee has stated that it has taken into account and has weighed the need for board refreshment against tenure for relative benefit. At the annual general meeting to be held on 29 August, the other long-tenured non-executive directors, namely Mr Leslie Mah Kim Loong and Mr Kazumichi Mandai, would be seeking their continued appointment as independent directors through a two-tier vote.

(iii) **Can the nominating committee help shareholders understand if there are near-term plans for a progressive renewal of the board, despite the "relative benefit" of long-tenured non-executive directors?** A well-planned, staggered board renewal would avoid undue disruption to the board and help to maintain institutional knowledge and continuity in the board.

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

Join our mailing list here to receive latest news and upcoming events.

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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