

29 September 2021

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 FY2021 posted on your website and are pleased to respond as follows:

**1. Replies to Query #1:**

- i. As disclosed under the "Commitment To The Group's Strategies" on page 2 of the Annual Report, the president outlined the two main strategies of the Group: (i) Brand and product diversification by way of continuous adjustment to its product offerings in response to changes in market demand; and (ii) Value-adding by way of expansion of the Stamford Tyres Mart chain and mobile tyre services to better reach-out to our end-customers as well as our commercial and fleet customers.
- ii. The strategic context of the Stamford Tyres Mart chain expansion is as disclosed in page 15 of the Annual Report: There are currently 17 Stamford Tyres Mart retail centres and workshops in Singapore providing customers with services such as wheel balancing, wheel alignment, car maintenance programs and aerodynamic kits. These are complemented by the introduction of three 24-hour mobile service vans, with the capability to perform tyre change and balancing as well as battery and oil change on-site, to reach out to our end customers in Singapore. With this expansion, even if there is cannibalisation of existing sales, we expect overall sales to increase.
- iii. As explained in prior years and highlighted on page 2 of the Annual Report, the operating environment of the Group remains challenging due to tyre oversupply and intense competition, particularly within the South East Asia markets, which made up 88% of the Group's tyres and wheels distribution businesses. Furthermore, in FY21, the operating environment of the Group was impacted by the Covid-19 pandemic outbreak.

As explained in relation to the preceding question, one of the key leverages the Group has is to tap into its sourcing strength to continuously broaden its product line-up and seek new value-adding opportunities in all its markets. As explained on page 2 of the Annual Report, under such challenging environment, the Group remains focused on its financial strategies of current assets rationalisation and operating costs containment, in order to strengthen its financial position and maintain profitability.

- iv. The manufacturing segment refers to the sales of the proprietary brand wheels of the Group. Strategically, the growth of this segment is driven by local distribution via existing wholesale and retail sales channels, as well as third-party exports. The revenue range listed above was due to combination of various factors such as manufacturing capacity, aluminium ingot costs, production and logistics costs, changes in targeted market segments, and foreign exchange. These can be managed and therefore we do not believe

that we have reached a plateau. These factors were highlighted accordingly under the "Financial and Operations Review" section of the Annual Report over the years.

**2. Replies to Query #2:**

- i. (ii) and (iii): As disclosed in the Principle 10 of the Corporate Governance Report, the AC has consistently disclosed the specific area of coverage for the internal auditors for the financial year under review, in accordance with the group's internal audit workplan. The internal audit workplan covers all key operating cycles of the business unit under review. As disclosed on page 45 of the Annual Report, the AC also reviewed the effectiveness of the measures taken by management in response to the recommendations made by the internal auditors. The systems of internal controls and risk management are continually being reviewed and refined by management, the AC and the Board.
- iv. As disclosed in Note 2.25 of the financial statements, the Group is organised into operating segments based on their regions which are independently managed by the respective segment managers. Additional disclosures in accordance with FRS108 are made in Note 40 of the financial statements. The AC, together with the group auditors, have considered the relevance of the operating segments based on the reporting processes within the group in accordance with FRS108 and are satisfied that the required standards have been met.

**3. Replies to Query #3:**

- i. As the Chairman's statement (or equivalent) in the annual report is to provide a balanced and readable summary of the Company's performance and prospects, which represents the collective view of the board, this statement has historically been issued by the President.
- ii. As Chairman of the Board, Mr Sam provides objective and independent counsel and guidance to the Board and management to facilitate sound decision-making. He ensures that all key issues and strategies are thoroughly reviewed and discussed by all Board members and constructively challenged by all the Independent Directors to enable the Board to exercise objective judgment independently from the Executive Directors and as such no individual or small group of individuals dominate the decisions of the Board. The Non-Executive Independent Directors constructively challenged and helped Management develop proposals on business strategies for the Company and the Group, taking into consideration the long-term interests of the Group and its stakeholders. The Non-Executive Independent Directors also reviewed the performance of management in achieving agreed goals and objectives for the Company and the Group, and monitored the reporting of performance. All Board Committees are chaired by Independent Directors.
- iii. The Board, and in particular the NC, recognises that renewal of the Board is important and as such, is continually on the lookout for suitable candidates with the appropriate expertise and experience for the appointment as a new director. The NC intends to continue to search for potential candidates widely and beyond directors/management recommendations, business associates or trade organisations.

In addition to the above, we have also addressed substantial and relevant questions by shareholders in relation to the Annual Report 2021. We have uploaded our responses via the SGXNet on 29 September 2021.

Thank you for your interest in our Company.

Kind regards



Dr Wee Li Ann  
Executive Director  
Stamford Tyres Corporation Ltd