

31 August 2018

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 FY2018 posted on your website and are pleased to respond as follows:

1. Replies to Query #1:

- i. The Guangdong market is approximately the size of the Malaysian market. As explained in the Financial And Operations Review of the Group's Annual Report, we will continue to build up our distribution and warehousing capabilities in Guangdong, as well as look for other product and brand opportunities for distribution therein, with Dongguan as the primary base of operations.
- ii. Notwithstanding the impact from the post-implementation of the GST in India, the immediate priority of management is to improve the sales productivity of our India joint venture ("JV") together with our JV partner, Sumitomo Rubber Industries Ltd, in order to improve the revenue and profitability of the JV.
- iii. The increase in inventory balances were in line with stock-ups in anticipation of diversified sales base and stock-up for new Dongguan business.

2. Replies to Query #2:

- i. Management will take the suggestion into consideration.
- ii. Collection of trade receivables is an ongoing effort and management remains focused on collecting all trade accounts in accordance with credit terms granted. As can be observed from Note 17 of the Annual Report, the debts that are past due by more than 120 days but not impaired were still being collected on the basis of extended credit terms granted.

3. Replies to Query #3:

- i. As the 2018 Code and amendments to the Listing Rules were only announced by MAS and the SGX respectively on 6 August 2018, the Board has not yet formally addressed the changes that will impact the Company and its Board.
- ii. The Board, and in particular the NC, recognises that renewal of the Board is important and as such, are 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 seek for potential candidates widely and beyond directors/ management recommendations, business associates or trade organisations and may look into the possibility of engaging external parties, such as professional search firms.

Whilst new directors with the relevant skill sets and competencies may provide fresh input, help formulate strategies and reinvigorate the Group, the Board is of the view that institutional memory and experience is important and essential for the long-term stability of the Group, especially in the face of challenges from rampant competition in the market and volatility in its business environment over the last few years. 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 appropriate.

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 30 August 2018. We have uploaded the presentation slides via the SGXNet together with the results of the AGM.

Thank you for your interest in our Company.

Kind regards



Dr Wee Li Ann
Director
Stamford Tyres Corporation Ltd