
STAMFORD TYRES

# ANNUAL REPORT | 2019

STAMFORD TYRES CORPORATION LIMITED

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# CORPORATE INFORMATION

Established in the 1930s with over 80 years of existence, Stamford Tyres has grown from a small tyre shop to a global distributor of tyres and wheels spanning over 90 countries and with our own wheel factory. In the course of our progress, the company weathered and overcame cyclical business fluctuations, the Asian Financial Crisis of the 90's and the Global Financial Crisis of the millennium.

Our expertise lies in our international distribution competence, which we have expanded throughout the world. We also have regional retail operations as well as truck and off-the-road tyre management services. We have further expanded our capabilities in the manufacturing of alloy wheels and proprietary tyre brands contract manufacturing.

The Group's international distribution network currently spans across 10 countries in Asia Pacific, Africa and Australia. Our main business activities are in the distribution of major international tyre brands – Falken, Dunlop, Continental and Maxam. We have also strengthened our product development capabilities and introduced innovative proprietary brands, Sumo Firenza tyres, Sumo Tire and SSW wheels, which are sold globally.

We operate the most extensive retail network in Singapore and Malaysia. Through our Mega Mart and Tyre Mart outlets, we offer a comprehensive range of products that include tyres, wheels, batteries and auto accessories. We also offer workshop and tyre services.

Stamford Tyres was listed on the Second Board of Singapore Stock Exchange (then known as SGX-Sesdaq) in 1991, and was upgraded to the Main Board of the Singapore Exchange Securities Trading Limited (SGX-ST) in April 2003. Today, Stamford Tyres is one of the largest independent tyres and wheels distributor in South East Asia.

**BOARD OF DIRECTORS**

**President**
Wee Kok Wah

**Executive Directors**
Mrs Dawn Wee Wai Ying
Dr Wee Li Ann

**Non-Executive & Independent Chairman**
Sam Chong Keen

**Independent Directors**
Tay Puan Siong
Goh Chee Wee
Leslie Mah Kim Loong
Kazumichi Mandai

**AUDIT COMMITTEE**

**Chairman**
Tay Puan Siong

**Members**
Sam Chong Keen
Leslie Mah Kim Loong

**REMUNERATION COMMITTEE**

**Chairman**
Sam Chong Keen

**Members**
Goh Chee Wee
Leslie Mah Kim Loong

**NOMINATING COMMITTEE**

**Chairman**
Sam Chong Keen

**Members**
Tay Puan Siong
Wee Kok Wah

**COMPANY SECRETARIES**

Lo Swee Oi
Michelle Fiona Heng

**REGISTERED OFFICE**

19 Lok Yang Way
Singapore 628635
Telephone: (65) 6268 3111
Facsimile: (65) 6264 4708 / (65) 6264 0148
Email: stcl@stamfordtyres.com
Website: www.stamfordtyres.com

**SHARE REGISTRAR**

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

**AUDITOR**

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Audit Partner: Vincent Toong
(since the financial year ended 30 April 2015)

**PRINCIPAL BANKERS**

United Overseas Bank Limited
Malayan Banking Berhad
TMB Bank Public Company Limited
Bangkok Bank Public Company Limited
Kasikornbank Public Company Limited
The Hong Kong and Shanghai Banking Corporation Limited

# LETTER TO SHAREHOLDERS

Dear Shareholders,

Financial year 2019 was one of the most challenging we have encountered in recent memory. I will try to give a clear picture of how things went. The South East Asian markets have been going through consolidation as the ASEAN-China Free Trade Agreement lowered tariffs for hundreds of products, including tyres, from China. This created a more open market environment with increased competition and oversupply in South East Asia, which made up 83% of the Group's tyre and wheels distribution business.

In response, we have added Chinese tyre brands into our line-up of offerings, and they make up 30% of our budget tyre sales, mainly for truck and commercial tyres. I am pleased that our car fleet and leases businesses have been expanding, and that's where we see increased demand for our budget tyres.

To adapt to the changing environment, we also have consolidated our position by tightening operating costs and focused on improving customer service and continued to provide value-added services.

Malaysia continues to be one of the more important and profitable markets for us. Particularly in Malaysia, we have encountered strong competition and an oversupply of tyres. We will continue to find more value-adding opportunities to improve the profitability of the Group.

## FINANCIAL RESULTS

All told, Stamford Tyres' group revenue dipped 5.5% year-on-year in FY2019 to $234.2 million primarily due to lower sales in South East Asia and North Asia. We have exited the China market due to continued losses for the past one and a half years.

Group gross margin fell from 25.0% in FY2018 to 21.8% in FY2019. This drop of nearly 3 percentage points may not appear impactful but against the large absolute revenue of our Group, the effect on our pre-tax profit was significant. Basically, we were selling proportionately more budget tyres to meet the market demand and there was no shortage of tyres in the markets.

So, pre-tax profit fell 72.8% to $2.2 million, out of which we then paid a hefty $1.8 million as tax. As a result, the Group's net profit after tax attributable to equity holders came in at $0.5 million, a 90.9% fall.

Given the tough business environment, we took steps to right-size our operations and this is reflected in the lowering of operating costs. Total operating expenses decreased by 11.0% to $52.9 million in FY19 compared to $59.4 million in FY18. The decrease was mainly due to lower staff costs, as well as lower operating lease rentals, upkeep and maintenance, marketing and distribution costs and write-back of inventory obsolescence. Please refer to the Financial and Operations Review section of this annual report for more information.

## OUTLOOK

While the dynamics of the South East Asian market, especially Malaysia, have evolved, we remain cautiously optimistic, given the growing

# LETTER TO SHAREHOLDERS

budget segment for truck and commercial tyres. We have broadened our product line-up and expanded our distribution base, and we continue to seek new value-adding opportunities such as fleet servicing.

In Indonesia, Stamford Tyres, which has been operating there for many years, should continue to do well. We supply specialised and high-value tyres for mining equipment and the all-important value-added services such as off-the-road tyre repair, vehicle inspection services, logistics and warehousing.

**DIVIDEND**

Despite the challenging past year, I am pleased that Stamford Tyres continues its practice of regularly paying dividends to shareholders. The Board of Directors has proposed a dividend of 1 Singapore cent a share (FY2018: 1 Singapore cent), subject to shareholders' approval at the upcoming Annual General Meeting.

**APPRECIATION**

I am grateful to customers, suppliers, bankers and business associates for their support and confidence in us. I would also like to thank the Board of Directors for their counsel. We look forward to telling you more about our business and answering your questions at the Annual General Meeting. As usual, we have arranged shuttle buses to and from our office in Lok Yang Way, Jurong.

**WEE KOK WAH**
President

# BOARD OF DIRECTORS

## Sam Chong Keen
*Non-Executive & Independent Chairman*

Following his invaluable contributions while on the Board when Comfort Group Limited was a substantial shareholder, Mr Sam was appointed as an Independent Director of Stamford Tyres Corporation Limited in 1994. On 23 August 2012, Mr Sam was appointed as Non-Executive Chairman of Stamford Tyres Corporation Limited. Mr Sam is also Chairman of the Remuneration Committee and Nominating Committee and sits on the Board's Audit Committee. He has a wealth of management experience, having worked at senior positions in the Singapore Government Administrative Service, National Trade Union Congress (NTUC) and Intraco Limited as well as CEO positions at Comfort Group Limited, VICOM Limited, Lion Asiapac Limited, Lion Teck Chiang Limited, A-Smart Holdings Limited (formerly known as Xpress Holdings Limited) and Jade Technologies Holdings Limited. He was also the Political Secretary to the Minister for Education from 1988 to 1991. He served on various government boards and committees, including the Central Provident Fund Board and the National Co-operative Federation. Mr Sam is also the Non-Executive Chairman of Lion Asiapac Limited and sits on the Board of A-Smart Holdings Limited as an Independent Director. Mr Sam holds a Bachelor of Arts (Honours) from the University of Oxford.

## Wee Kok Wah
*President*

Mr Wee has propelled Stamford Tyres forward as its CEO since the 1970s after taking over the helm from his father, who had founded the first Stamford Tyres entity in the 1930s as a petrol pump service station and tyre retail shop. Using his stellar business acumen and relentless passion, Mr Wee went on to steer Stamford Tyres to a public listing in 1991, and steadily expanded its business into what it is today – an international operation in the distribution and retailing of tyres and wheels, and manufacturing of wheels. His passion for, and in-depth knowledge of, the tyre business inspire his team to achieve – and have gained him international recognition in the industry. Highly regarded in the tyre industry and the business world, he was selected as a finalist for the Ernst & Young Entrepreneur of the Year award (under the category of Services and Business products) in 2004, one of the most prestigious awards for entrepreneurs. Mr Wee is a member of the Nominating Committee.

Mr Wee holds a Bachelor of Social Science in Economics and Law from the then University of Singapore (now known as National University of Singapore).

## Mrs Dawn Wee Wai Ying
*Executive Director*

Mrs Dawn Wee Wai Ying, the spouse of Mr Wee Kok Wah and his supportive business partner, has been a Director of the Stamford Tyres Group since 1982 playing a key role in the Group's operations. Recognised as a thought leader, she cross leads functional teams and currently oversees the Group's support functions. Prior to joining Stamford Tyres, she worked as an officer in a major local bank for eight years. Mrs Wee holds a Bachelor of Social Science (Honours) in Economics from the University of Singapore.

## Tay Puan Siong, JP
*Independent Director*

Mr Tay Puan Siong, JP has been an independent Director of Stamford Tyres since 1994. He chairs the Audit Committee and is a member of the Nominating Committee. Mr Tay was an Independent Non-Executive Director of Times Publishing Limited from 2001 to 2015. He was also an Independent Non-Executive Director and Chairman of the Audit and the Executive Resource and Compensation Committees of Superior Multi-Packaging Limited from 1997 to 2012. From 1999 to 2016, Mr Tay was an Independent Non-Executive Director of GMG Global Limited and was Chairman of the Audit Committee and a member of both the Nominating and Remuneration Committees. Mr Tay graduated from the University of Singapore with a Bachelor of Business Administration degree in 1971 and attended the Harvard Business School Program for Management Development in 1984. He is also a member of the Chartered Institute of Logistics and Transport. Mr Tay was appointed a Justice of the Peace in 1995.

## Goh Chee Wee
*Independent Director*

Mr Goh Chee Wee was appointed as an Independent Director of Stamford Tyres in 2003, after his appointment as a nominated director of substantial shareholder Comfort Group Limited in 1998. He is also a member of the Remuneration Committee. Mr Goh was formerly a Member of Parliament and Minister of State for Trade & Industry, Labour & Communications. He is a Director of a number of public-listed companies, including, Beng Kuang Marine Limited, King Wan Corporation Limited, Sin Ghee Huat Corporation Limited and Chailease Holding Company Limited. Mr Goh holds a Bachelor of Science (First-Class Honours) degree from the then University of Singapore and a Master of Science (Engineering) degree from the University of Wisconsin, USA.

# BOARD OF DIRECTORS

## Leslie Mah Kim Loong
*Independent Director*

Mr Leslie Mah was appointed as an Independent Director of Stamford Tyres Corporation Limited on 1 December 2012 and sits on the Board's Audit and Remuneration Committee. Mr Mah served as the Executive Director of Eu Yan Sang International Limited prior to his retirement in 2009. He was Company Secretary and Executive Director of Cerebos Pacific Limited. from 1986 to 2001. Prior to Cerebos, he served as Finance Director of Harpers Gilfillan for 10 years. Mr Mah was an Independent Director of Falcon Energy Group Limited and Goodpack Limited. He is currently a Non-Executive Independent Director of Hotel Properties Limited. and Lam Soon (M) Bhd. He is a Lifetime Member of the Institute of Singapore Chartered Accountants.

## Kazumichi Mandai
*Independent Director*

Mr Kazumichi Mandai was appointed as an Independent Director of Stamford Tyres Corporation Limited on 1 December 2012. Mr Mandai started his career with Sumitomo Rubber Industries Limited (SRI) in 1974 after graduating from Kobe City University of Foreign Studies. In 2002, he was appointed as Managing Director of Sumitomo Rubber Asia (Tyre) Private Limited, Singapore, a position he held until 2007. From 2007 to 2008, Mr Mandai served as Sales Director of SRI Tire Trading Co., Tokyo. During that year, Mr Mandai completed a MBA course under SRI's Internal Curriculum run by Globis Management Institute, Tokyo. In 2009, Mr Mandai was appointed as President of Sumitomo Rubber Latin America LTDA, Chile. Mr Mandai held this position until he reached his maximum age for retirement from Sumitomo Rubber Industries Limited in 2011.

## Dr Wee Li Ann
*Executive Director*

Dr Wee Li Ann, the eldest of Mr and Mrs Wee Kok Wah's three children, was appointed a Non-Executive Director of Stamford Tyres Corporation Limited in December 2009 and took on an executive role in the Company on 1 September 2018. She worked for Parkway Group Healthcare from 2003-2007 as a Family Physician and previously worked as a Broadcast Correspondent for Singapore Press Holdings from 2000-2003. She worked in healthcare management at Parkway Pantai Group from 2012-2015. She is a family physician in private practice. She is also a Director of Wah Holdings Pte Limited, a substantial shareholder of the Company, where she manages the portfolio. Dr Wee graduated from Harvard's Kennedy School of Government with a Master of Public Administration. She holds a medical degree from Cambridge University and Bachelor of Arts from Johns Hopkins University.

# MANAGEMENT TEAM

## Cham Soon Kian

*Executive Vice President, CEO of Malaysia*

Soon Kian joined Stamford Tyres in 1991 as a management trainee. The following year, he was assigned to Malaysia to head the Malaysian operations. Under his leadership, the Malaysian operations grew to become an integrated set-up with value-added services including retail, fleet tyre management and retread facilities. Soon Kian was promoted to Senior Vice President in 2006 and rose to the position of Executive Vice President in 2014. Soon Kian is an ASEAN scholar and graduated with a Bachelor of Accountancy degree from the National University of Singapore. He is also an active member of the Selangor and Federal Territory Tyre Dealers and Retreaders Association.

## Clare Law Lay Kian

*Senior Vice President, Head of Singapore Operations and Supply Chain*

Clare joined Stamford Tyres in 1994. She was appointed Senior Vice President in 2006 and is in charge of the Group's supply chain management system and operations in Hong Kong, Vietnam and China. With more than 20 years of experience in purchasing, Clare is also responsible for the Group's collaboration with major suppliers and contract manufacturers. Clare holds a Bachelor of Business Degree in Transport from the Royal Melbourne Institute of Technology, Australia.

## Conson Tiu Sia

*Senior Vice President, Deputy CEO of Malaysia*

Conson began his career with Stamford Tyres in 1993, heading the Group's operation in the Philippines. He was the Group Chief Financial Officer from 2001to 2013. In 2013, he began overseeing the expansion and development of the Group's South Africa operations until 2019.

Conson, being equipped with operations and financial experiences, is currently the Deputy CEO of the Malaysia operations. He holds a Bachelor of Science in Commerce from the University of Santo Tomas, Philippines and is a Certified Public Accountant.

# MANAGEMENT TEAM

## Colin Choo Nee Ann
*Senior Vice President, Head of Thailand Operations*

Colin joined Stamford Tyres in 2002 and was appointed as General Manager of Stamford Tires Distributor Co. Ltd in 2005. He was promoted to Senior Vice President in April 2014, overseeing all the divisions of Stamford Tires Distributor Co. Ltd and Stamford Sport Wheels Co. Ltd, which are our subsidiaries in Thailand. Colin graduated from the International Islamic University with a Bachelor of Accounting (BACC) in 1994. The following year, he was awarded Association of Chartered Certified Accounts (ACCA). With his vast experience as an accountant, he was made a Member of The Malaysian Institute of Accountants (MIA). In 1998, Colin obtained The Malaysian Institute of Certified Public Accountants (MICPA).

## Frank Ng Tse Lim
*Group Financial Controller*

Frank joined the Stamford Tyres Group as Finance Manager in September 2008. In 2013, He was elevated to the position of Group Financial Controller. He is currently responsible for the Group's financial operations which include compliance with accounting and regulatory standards, and corporate governance. He plays a critical role in ensuring the smooth operation of the Group's risk and management framework which covers finance, operations, statutory compliance and information technology. Frank holds a Bachelor of Business, Double Major in Accounting and Information Technology (University of Technology, Sydney, Australia) and is also a Certified Public Accountant since 2005.

# MANAGEMENT TEAM

## Brian U'ren

*Vice President, President's Office*
Stamford Tyres Corporation Ltd, Singapore

Brian joined Stamford Tyres in 1993 as a management trainee and rose to the rank of Assistant Vice President before he left in 2006. He re-joined in 2009 as the General Manager of Stamford Tyres Australia. He was appointed as Vice President in 2014 and is currently overseeing the Group's operations in South Africa, Indonesia and joint venture in India with Sumitomo Rubber Industries. Brian graduated from National University of Singapore with a Bachelor of Arts majoring in Economics and Political Science.

# MANAGEMENT CONSULTANT

## Patrick James Berriman

*Management Consultant*

Pat is a veteran in the Australia tyre industry and joined the Group as Senior Vice President of Sales and Marketing in 2005. In May 2016, He relinquished his position as Senior Vice-President. He currently serves as Management Consultant to the Group, mainly overseeing and supervising its operations in Australia, as well as any other Group-related projects assigned by the President. Before joining Stamford Tyres, Pat was the General Manager (Supply Chain) of South Pacific Tyres. He has extensive experience in all aspects of the global tyre and automotive industry.

# BUSINESS UNIT HEADS

**Ivan Reijan Rajoo**
*Head of Fleet & Retail*
Stamford Tyres International Pte Ltd, Singapore

**Larry Lee Hsin Miao**
*Head of International Distribution*
Stamford Tyres International Pte Ltd, Singapore

**Wong Siew Peng**
*Head of Wholesale*
Stamford Tyres International Pte Ltd, Singapore

**Erwin Chua**
*General Manager*
PT Stamford Tyres Distributor Indonesia, Indonesia

**Kasem Buretjittinun**
*General Manager*
Stamford Tires Distributor Co Ltd, Thailand

**Gladys Barrios**
*Deputy General Manager*
Stamford Sport Wheels Co Ltd, Thailand

**Chng Lee Lee**
*Head of Finance and Operations*
Stamford Tyres (M) Sdn Bhd, Malaysia

**Marius Simpson**
*General Manager*
Stamford Tyres (Africa) (Pty) Ltd, South Africa

**Ng Wee Liong**
*General Manager*
Tyre Pacific (Vietnam) Co Ltd, Vietnam

**Tan Ser Koon**
*General Manager*
Stamford Tyres (Vietnam) Co Ltd, Vietnam

# SENIOR PERSONNEL

**Ng Mei Ling**
*Operations Manager, Fleet*
Stamford Tyres International Pte Ltd, Singapore

**Nelson Yap Yen Kuan**
*Sales Manager Fleet*
Stamford Tyres International Pte Ltd, Singapore

**Michael Yiew**
*Retail Mega Mart Manager*
Stamford Tyres International Pte Ltd, Singapore

**Johan Bin Taib**
*Branch Manager*
*Jurong Retail Centre, Retail*
Stamford Tyres International Pte Ltd, Singapore

**Chia Kiang Mun**
*Senior Sales Manager, Passenger Car Tyre*
Stamford Tyres (M) Sdn Bhd, Malaysia

**Chiang Chia Heng**
*Assistant Sales Manager, Truck Tyre*
Stamford Tyres (M) Sdn Bhd, Malaysia

**Ang Beng Loo**
*Sales Manager, Rovelo Brand & Wheels*
Stamford Tyres (M) Sdn Bhd, Malaysia

**Arif Putranto**
*Branch Manager*
PT Stamford Tyres, Indonesia
Timika, Indonesia

**Conwil Soh**
*Branch Manager*
PT Stamford Tyres Distributor, Indonesia, Balikpapan, Indonesia

# SENIOR PERSONNEL

**Benka**
*National Sales Manager*
PT Stamford Tyres Distributor Indonesia, Indonesia

**Promharit Pornworanit**
*Sales Manager, Commercial Tyre*
Stamford Tires Distributor Co Ltd, Thailand

**Sebastian Wong Wan Sing**
*Corporate Manager*
Stamford Tyres (Africa) (Pty) Ltd, South Africa

**Dinesh Singh**
*Falken Brand Manager*
Stamford Tyres (Africa) (Pty) Ltd, South Africa

**Jason Davey**
*Senior Sales Manager*
Stamford Tyres Australia Pty Ltd, Australia

**Liria Zhang Hua Li**
*Branch Manager*
Stamford Tyres (Hong Kong) Limited, Hong Kong

**June Er Chui Hoon**
*OSB Manager*
Stamford Tyres Corporation Ltd, Singapore

**Tang Kay Kay**
*Senior Purchasing Manager*
Stamford Tyres International, Pte Ltd, Singapore

**Chan Wei Sze**
*Marketing and Corporate Communications Manager*
Stamford Tyres International Pte Ltd, Singapore

# OUR PRODUCTS

## OUR PREMIUM BRANDS

### FALKEN

Falken is manufactured by Sumitomo Rubber Industries, a leading Japanese designer and manufacturer of tyres. The Falken range has tyres for high performance cars, passenger cars, SUVs, light truck and truck radials. Falken continually introduces new and exciting products and as part of its R&D programme, Sumitomo supports many race and rally teams round the world, outfitting their competition machines with Falken Tyres. Sumitomo Rubber Industries announced their sponsorship of Liverpool Football Club through the Falken brand in July 2017. The deal sees Falken as a Global Partner and Official Tyre partner of the Club.

Stamford Tyres distributes Falken in Singapore, Malaysia, Thailand, Indonesia, Brunei, Vietnam, Cambodia, Myanmar, Laos, South Africa, Namibia, Botswana, Lesotho, Eswatini, Hong Kong, India, Bangladesh, Pakistan, Mauritius, Reunion, East Timor, Nepal and New Caledonia.

### Continental

Continental is a range of top-quality tyres designed and manufactured by the company of the same name headquartered in Hanover, Germany. The Continental range covers radials designed for sports and passenger cars, light truck, truck and bus radials as well as military, agriculture and industrial solid tyres. Continental supplies original equipment (OE) tyres for world-leading cars such as Porsche, BMW, Mercedes Benz and Volkswagen. Their tyres also come installed as OE on commercial vehicles such as DAF, Volvo, MAN and Scania.

Stamford Tyres distributes Continental in Singapore.

### DUNLOP

Dunlop has been at the forefront of tyre innovations, with over 130 years of tyre industry experience. Today, Dunlop has grown to become one of the world's biggest and most trusted brands. Committed to delivering superior tyres, Dunlop constantly pushes for development of new compounds and technologies through the rigours of two and four-wheeled motorsports. The product range that Dunlop offers include passenger car, SUVs, light truck, truck and bus radial, as well as industrial, agricultural, aircraft and motorcycle tyres. Dunlop supplies OE tyres for popular Japanese and European luxury vehicles such as BMW, Audi, Mercedes, Maserati, Volkswagen, Toyota, Honda, Subaru and Mazda.

Stamford Tyres, through its joint venture Tyre Pacific, distributes Dunlop in Hong Kong, Macau, Vietnam, Cambodia and Laos.

### MAXAM®
ENGINEERED IN EUROPE

Maxam is a niche tyre manufacturer, specialising in tyres for the construction and mining industries since the mid-1950s. With its HQ in Birmingham, UK, this forms a cost-effective manufacturing base for European design and technical experience. Personnel from Europe are based on site and the factory is equipped with modern, state-of-the-art technology and machinery.

On the product front, Maxam has recently introduced a wide range of industrial and construction tyres for applications such as skid steer, backhoes and forklifts, plus there are more exciting innovations in the pipeline. Maxam have complete range of giant radial off-the-road tyres, for rims up to 57" in diameter.

Stamford Tyres distributes Maxam in South East Asia.

## OUR PROPRIETARY BRANDS

### SSW® PERFORMANCE WHEELS

Stamford Sport Wheels, or SSW, is our proprietary brand of alloy wheels. Our wheels are designed, manufactured and tested in-house. Our designers have created a line of wheels that offer exciting style, looks and road performance. SSW has models with diameters of 13" to 26" tailored for passenger cars and SUVs. Our wheels are produced in Thailand using the latest low pressure and tilt gravity casting methods and in accordance with internationally recognized quality and safety standards.

### SUMO FIRENZA

Sumo Firenza is our proprietary premium budget range of performance tyres, SUVs, light truck and truck/bus radials. The Sumo Firenza range consists of more than 100 models and the tyres are produced in China, Thailand and Vietnam in factories that have been selected for their consistent quality standards.

Stamford Tyres has a team of engineers and tyre designers who provide technical support and quality assurance for our tyres which are popular in Europe, Middle East, Africa, Latin America, Australia, South Africa and Asia.

### SUMO TIRE

Sumo Tire is our line of nylon bias tyres for light truck, truck, agriculture and earthmover applications. The tyres are designed in-house and in accordance with internationally recognised standards.

Sumo Tire is made in Asia and we offer a wide range of sizes and specifications to customers that need tyres for demanding round-the-clock operations at affordable prices.

The tyres are designed for heavy duty industrial application and are well-received internationally.

# OUR PRESENCE

### SINGAPORE
**Stamford Tyres International Pte Limited**
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E-mail: stipl@stamfordtyres.com

### MALAYSIA
**Stamford Tyres (M) Sdn Bhd**
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Shah Alam, Selangor,
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Fax: +60 3 5569 3096
E-mail: enquiry_my@stamfordtyres.com

### INDONESIA
**PT Stamford Tyres Distributor Indonesia**
Jl. Boulevard Raya PA 19,
No. 4-5, Kelapa Gading Permai,
Jakarta Utara, 14240,
Indonesia
Tel: +62 21 450 4388
Fax: +62 21 4587 7123
E-mail: info@stamfordtyresind.co.id

**PT Stamford Tyres Indonesia**
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99920, Indonesia
Tel: +62 901 301889,
+62 901 462297
Fax: +62 901 301890
E-mail: ptsti@stamfordtyresind.com

### THAILAND
**Stamford Tires Distributor Co, Limited**
133/135 Narathiwas Rachanakharin Road,
Chongnonsi Yannawa,
Bangkok, 10120, Thailand
Tel: +662 678 2355
Fax: +662 678 2351
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### SOUTH AFRICA
**Stamford Tyres (Africa) (Pty) Limited**

**Cape Town Office**
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Montague Gardens,
Milnerton, Cape Town,
South Africa, 7441
Tel: +2721 790 1302
Fax: +2710 001 7339
E-mail: telesales@stamford.co.za

**Durban Office**
No. 9 Leeukop Road,
Mahogany Ridge,
Pinetown, Durban
South Africa, 3600
Tel: +27 31 700 5942
Fax:+27 31 700 3179

**Johannesburg Office**
ERF 460, Cnr Horn Street
4 Brine Avenue,
Chloorkop Ext 1, Kempton Park, Johannesburg, South Africa 1619
Tel: +2711 393 7124/5
Fax: +2786 514 2816

### AUSTRALIA
**Stamford Tyres Australia Pty Limited**
Unit 1, 1 Dupas Street,
Smithfield,
NSW 2164, Australia
Tel: +61 2 9756 5355
Fax: +61 2 9756 5388
E-mail: australia@stamfordtyres.com

### VIETNAM
**Stamford Tyres Vietnam Company Limited**
4th Floor No. 20/13
Nguyen Truong To Street,
District 4 HCM City, Vietnam
Tel: +84 8 3943 0558 /
+84 8 6686 4900
Fax: +84 8 3943 0557

### HONG KONG
**Stamford Tyres (Hong Kong) Limited**
560 Kam Tin Road, Shek Kong, Yuen Long, New Territories, Hong Kong
Tel: +852 2406 2381
Fax: +852 2406 7100
Email: general@stctyreshk.com

### BRUNEI
**Stamford Tyres (B) Sdn Bhd**
Unit 4, 5 & 6 Lot No 47701, EDR No BD40018, Spg 128-11-26,
Jalan Tungku Link,
Kg. Pangkalan Gadong,
Bandar Seri Begawan,
Negara Brunei Darussalam
Tel: +673 2428194
Fax: +673 2428094

### INDIA
**Stamford Tyres Distributors India Private Limited**
C/O. Jai Prakash Upadhayay
Off. No.3, Mezzanine Floor,
12/14, Maharashtra Bhavan,
Bora Masjid Street, Fort
Mumbai, Maharashtra
400001 India
Tel: +91 22 31927771 /
+91 22 31927773

## MANUFACTURING PLANT

### THAILAND
**Stamford Sport Wheels Company Limited**
111/2, 5,8,9 Moo 2,
Highway 340
Suphanburi Road,
Tambon Saiyai Amphur Sainoi,
Nonthaburi, 11150
Thailand
Tel: +662 967 7109
Fax: +662 985 5847
E-mail: sales@stamfordwheels.com

## JOINT VENTURE COMPANIES

### HONG KONG
**Tyre Pacific (HK) Limited**
15th Floor, Sandoz Centre
178/182 Texaco Road,
Tsuen Wan, N.T.
Hong Kong, SAR
Tel: +852 2407 8268
Fax: +852 2407 5020

### INDIA
**Falken Tyre India Private Limited**
Unit No 312 (J,K,L,M,N, P & Q)
Centrum Plaza, Golf Course Road, Sector – 53
Gurgaon – Haryana
122002, India
Tel: +91 0124-4638989
Email: Info@falkentyre.in

## STAMFORD TYRES TRUCK CENTRES

### SINGAPORE
**Truck Centres**
Opening Hours:
8:30am – 6:00pm
(Mon – Sat)
*Closed on Public Holidays
E-mail: stipl@stamfordtyres.com

**Jurong Truck Centre**
21 Lok Yang Way
Singapore 628636
Tel: +65 6268 3112
Fax: +65 6262 1027

**Changi Truck Centre**
31 Loyang Way
Singapore 508729
Tel: +65 6862 2289
Fax: +65 6542 8078

**Woodlands Truck Centre**
10 Admiralty St #01-78
North Link Building
Singapore 757695
Tel: +65 6481 9906
Fax: +65 6481 9160

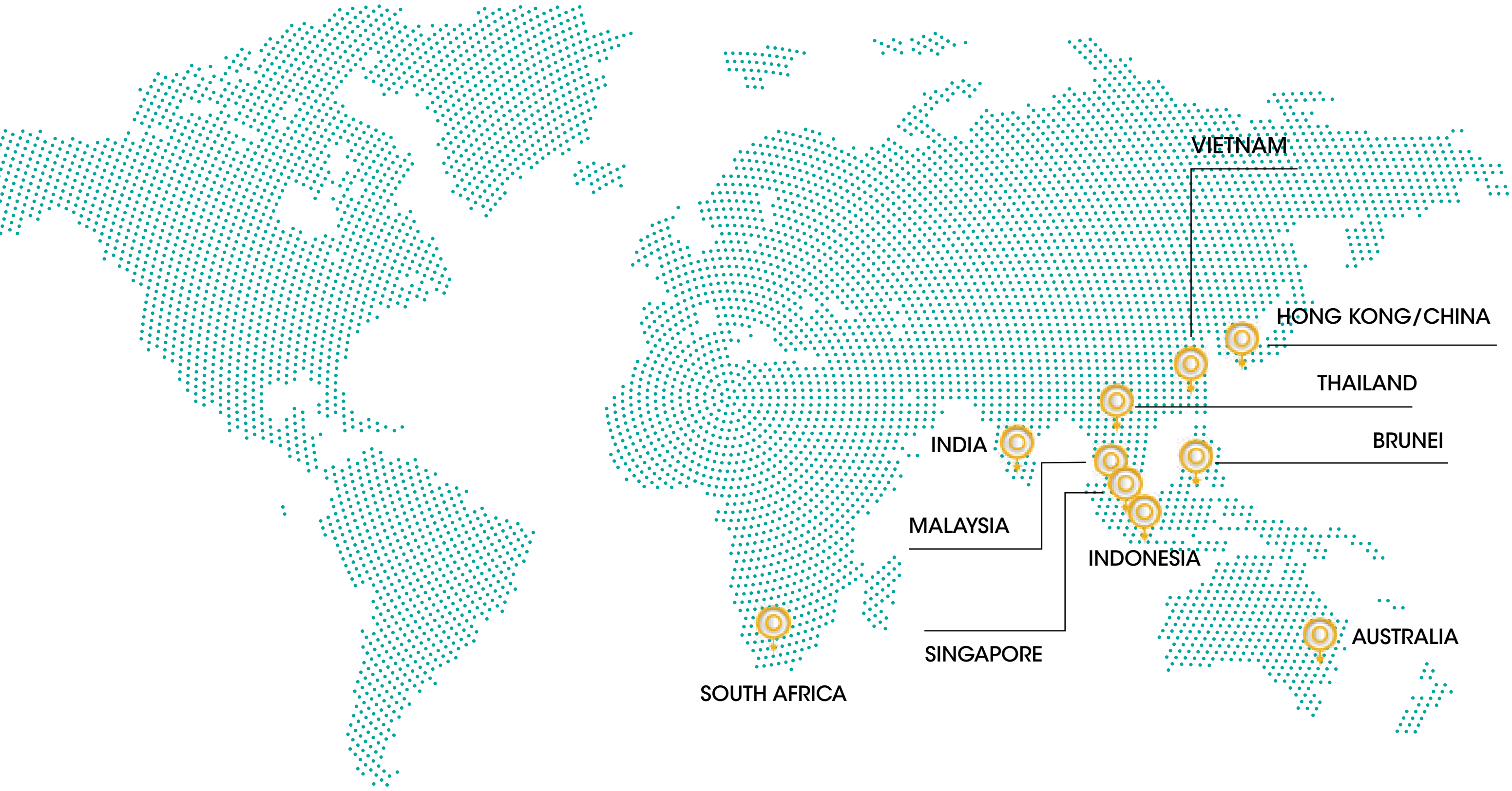
**Tuas Truck Centre**
110 Tuas Souh Avenue 3
#01-02/03 The Index,
Singapore, 637369
Tel: +65 6265 7680
Fax: +65 6265 7685

### MALAYSIA
**Port Klang Truck Centre**
Lot 9, Lingkaran Sultan Mohamad 1, 42000, Pelabuhan Klang,
Selangor, Malaysia
Tel: +60 12215 4881

## STAMFORD TYRES RETAIL OUTLETS

### SINGAPORE
Opening Hours:
9:00am – 7:00pm
(Monday – Saturday)
10.30am – 3.30pm
(Sunday and Public Holidays)
E-mail: stipl@stamfordtyres.com

**Jurong Mega Mart**
19 Lok Yang Way, Jurong
Singapore 628635
Tel: +65 6262 3355
Fax: +65 6262 1494
Opening Hours:
Monday to Saturday
8:30am to 7:00pm
*Open on Sunday and Public Holidays




**Changi Mega Mart**
31 Loyang Way
Singapore 508729
Tel: +65 6542 3355
Fax: +65 6543 1403
*Open on Sunday and Public Holidays

**East Coast Mega Mart**
355 East Coast Road,
Caltex Service Station
Singapore 428972
Tel: +65 6440 3355
Fax: +65 6345 1547
*Open on Sunday
*Closed on Public Holidays

**MacPherson Mega Mart**
455 MacPherson Road
Singapore 368173
Tel: +65 6841 3355
Fax: +65 6742 8167
*Open on Sunday and Public Holidays

**Woodlands Mega Mart**
No. 10 Admiralty Street #01-85
Northlink Building
Singapore 757695
Tel: +65 6555 3355
Fax: +65 6481 6103
*Open on Sunday
*Closed on Public Holidays

**Bukit Batok Mega Mart**
50 Bukit Batok St.23
#02-19 Midview Building
Singapore 659578
Tel: +65 6261 3355
Fax: +65 6267 8912
*Open on Sunday
*Closed on Public Holidays

**Ang Mo Kio Mega Mart**
Blk 10 #01-14 Ang Mo Kio Industry Park 2A
Ang Mo Kio Auto Point
Singapore 568047
Tel: +65 6483 3355
Fax: +65 6481 5370
*Closed on Sunday and Public Holidays

**Kaki Bukit Synergy Mega Mart**
23 Kaki Bukit Rd 4
#01-12/13
Singapore 417801
Tel: +65 6702 3355
Fax: +65 6341 6993
*Closed on Sunday and Public Holidays

**Kaki Bukit Mega Mart**
Kaki Bukit Industrial Estate
10 Kaki Bukit Road 2,
#01-11 & #01-12
First East Centre
Singapore 417868
Tel: +65 6636 3355
Fax: +65 6636 4751
*Closed on Sunday and Public Holidays

**Tampines Mega Mart**
Blk 9006 Tampines St 93
#01-196
Singapore 528840
Tel: +65 6286 3355
Fax: +65 6784 4202
*Closed on Sunday and Public Holidays

## TYRE MART EXPRESS

**Havelock (Shell) Tyre Mart**
548 Havelock Road
Shell Havelock Service Station
Singapore 169637
Tel: +65 6733 0129
Fax: +65 6694 5805
*Closed on Sunday and Public Holidays

## STAMFORD TYRES IN-HOUSE WORKSHOP SERVICES

**Tan Chong & Sons Motor (Nissan)**
913 Bukit Timah Road
Singapore 589623
*Closed on Sunday and Public Holidays

**Tan Chong & Sons Motor (Nissan)**
25 Leng Kee Road
Singapore 159097
*Closed on Sunday and Public Holidays

**Lion City Rentals @ Carros Centre**
60 Jln Lam Huat, Level 4,
#04-01 Singapore 728862
*Closed on Sunday and Public Holidays

## STAR VANS

**Stamford Tyres Auto Rescue Vans**
24 hours Mobile Van Service
Available 24 hours a day,
7 days a week, 365 days a year
Tel: +65 8797 3355

### MALAYSIA

**Cheras Tyre Mart**
No. 182, Jalan Mahkota,
Taman Maluri Cheras, 55100
Kuala Lumpur, Malaysia
Tel: +60 3 9285 0918
Fax: +60 3 9285 0946
E-mail: enquiry_my@stamfordtyres.com

**Glenmarie Tyre Mart**
16 Jalan Jurunilai U1/20
Section U1 Hicom Glenmarie Industrial Park
40150 Shah Alam,
Selangor, Malaysia
Tel: +60 3 5569 5810
Fax: +60 3 5569 3096
E-mail: enquiry_my@stamfordtyres.com

### INDONESIA

**Kelapa Gading Tyre Mart**
Jl. Boulevard Raya PA 19
No. 4-5 Kelapa Gading Permai
Jakarta 14240, Indonesia
Tel: +62 21 451 5682 / 450 4388
Fax: +62 21 450 4384
E-mail: info@stamfordtyresind.co.id

# FINANCIAL AND OPERATIONS REVIEW


**AUGUST 2018 | FALKEN AZENIS FK510 Launch in Malaysia**
*From Left to Right: Cham Soon Kian (Executive Vice President, CEO of Malaysia, Stamford Tyres), Satoru Ushida (Managing Director, Falken Tyre India Private Limited (FTI)), Satoru Yamamoto (President & CEO, Sumitomo Rubber Industries), Wee Kok Wah (President, Stamford Tyres), Dawn Wee Wai Ying (Executive Director, Stamford Tyres), Datin Anne Huang (Non-Executive Director, Stamford Tyres Malaysia)*

The Group faced a challenging business environment in FY2019. The South East Asia ("SEA") markets have been going through consolidation as the ASEAN-China Free Trade Agreement lowered tariffs on imported tyres from China. This created a more open market environment in the SEA region with increased competition and tyre oversupply.

For the financial year ended 30 April 2019, the Group's revenue was S$229.4 million compared to S$242.4 million last year. Revenue derived from the distribution of tyres and wheels accounted for 86% of total revenue and manufacturing of wheels accounted for 14%. By geography, South East Asia continued to be the core market of the Group, accounting for 83% of its revenue.

Demand for major brand tyres that the Group distributes, namely Falken, Dunlop, Continental and Maxam remained strong. Sumo Firenza proprietary brand tyres and SSW proprietary brand wheels continue to enjoy stable demand in Singapore, Malaysia, Indonesia and Thailand. In response to the changing markets, the Group have diversified its topline and sourcing of Sumo Firenza and Chinese budget tyres, mainly in the truck and commercial tyres segment.

Gross profit for the Group was lower at S$50.0 million compared to S$60.6 million in the last financial year. Gross profit margin decreased from 25.0% in FY18 to 21.8% in FY19, mainly due to higher cost of tyres and higher proportion


**AUGUST 2018 | CITEXPO 2018 in Shanghai, China**

# FINANCIAL AND OPERATIONS REVIEW


**APRIL 2019 | Singapore Motor Fest 2019 in Singapore**
*From Left to Right: Sylvester Lim (Workshop Specialist Manager, Stamford Tyres), Conson Sia (Deputy CEO of Malaysia, Stamford Tyres), Ivan Reijan (Head of Retail & Fleet, Stamford Tyres), Mohamed Abdullah Alhabshee (First Gentleman of Singapore), Wee Kok Wah (President, Stamford Tyres), Roy Lee (Senior Manager, Stamford Tyres), Derrick Loh (Corporate Sales Executive, Stamford Tyres)*


**APRIL 2019 | Drifting Event at Singapore Motor Fest 2019**

of budget tyres sales in response to market demand.

In light of the challenging business environment, the Group implemented cost-savings measures during the year to right-size its operations. Operating expenses decreased by 11.0% to S$52.9 million compared to S$59.4 million in the last financial year due to lower staff costs, as well as lower operating lease rentals, upkeep and maintenance, marketing and distribution costs and write-back of inventory obsolescence.

The share of results of joint ventures amounted to a net profit of S$0.3 million, compared to a net profit of S$1.6 million last year, mainly due to a net loss from our India joint venture.

The Group's net profit for FY2019 was S$0.5 million compared to S$5.2 million in FY18.

**THE GROUP**
The distribution network of the Group comprises over 6,000 dealers and distribution centres in 10 countries. These distribution centres are located in Singapore, Malaysia, Indonesia, Thailand, South Africa, Australia, Vietnam, Hong Kong, Brunei and India.

**SINGAPORE**
Total revenue generated in Singapore includes retail chain operations, truck tyre centres, local wholesaling as well as the export of tyres and wheels to countries other than the 10 countries mentioned above. Singapore contributed 34% to the Group's total revenue.

There are currently 14 Stamford Tyres Mart retail centres and workshops island-wide, providing customers with services such as wheel balancing, wheel alignment, car maintenance programs and aerodynamic kits. We have also complemented our retail operations with the introduction of three 24-hour mobile service vans (STAR VANS) to reach out to our customers nationwide, with the capability to perform tyre change and balancing as well as battery and oil change on-site.

For commercial customers, Stamford Tyres provides total tyre management services and support to fleet owners to help them reduce vehicle downtime. Besides our existing truck centres in Jurong, Woodlands, Changi and Tuas, we have a fleet of 10 mobile service trucks to provide our commercial customers with emergency tyre change on-the-road.

**MALAYSIA**
Malaysia remained a significant market to the Group, contributing 21% of the Group's revenue. Our dealers in the country totalled in excess of 1,000.

During the year, we diversified our tyre offerings and sourcing to improve the competitiveness of our tyre and wheels distribution business in Malaysia by leveraging on our existing distribution and warehousing capabilities. We have optimised our tyre logistics

# FINANCIAL AND OPERATIONS REVIEW

**NOVEMBER 2018 | Motor Expo 2018 in Bangkok Thailand**

operations by operating out of our consolidated warehouse facility at Kapar, Selangor.

As the market is becoming more open in Malaysia, we have managed to grow our sales of truck and commercial tyres domestically, particularly in the budget segment. We are continuously looking for opportunities to do more value-added services in Malaysia.

## THAILAND

We have two operating subsidiaries in Thailand:

- Stamford Sport Wheels Co Limited ("SSW"), which operates two factories manufacturing aluminium alloy wheels; and
- Stamford Tires Distributor Co Limited ("STD"), a wholesaler of tyres and wheels.

High aluminium ingot costs which led to higher wheels production costs, as well as the strengthening of the Thai Baht impacted the profitability of the SSW factory in FY19. On a positive note, SSW products continued to enjoy strong demand in South East Asia, particularly in Thailand, as we continue to build on our SSW branding and marketing in the digital space. We have approximately 700 dealers for Falken tyres and Sumo Firenza (made in Thailand) tyres, SSW and commercial tyres in our local distribution network.

**APRIL 2019 | Thailand FALKEN Dealers Incentive Trip to Liverpool, United Kingdom**

The combined revenue of both subsidiaries contributed 17% to the Group's revenue. We are continuously working on enhancing our marketing and branding activities to improve the sale of tyres and wheels in Thailand, as well as enhancing the product design and sale of SSW wheels into export markets.

## INDONESIA

Indonesia contributed 10% to the Group's revenue. The Group continues to capitalise on the strong consumer demand in Indonesia and to strengthen its passenger tyre and wheels distribution network. We currently have a comprehensive network of warehouses and distribution points within Indonesia covering Jakarta, Surabaya, Semarang, Medan, Balikpapan, Banjarmasin, Makassar, Manado and Timika.

# FINANCIAL AND OPERATIONS REVIEW

Tyre retreading in Singapore


An earthmover tyre inspection on-site in Kalimantan, Indonesia

Earthmover tyre repair works at Timika, Indonesia

Indonesia will continue to extend its network to be closer to its commercial fleet and mining customers and to provide more direct and value-added services. We are currently offering bigger-sized radial earthmover tyres up to 57" to support the mining sector. In Timika, Irian Jaya, we have expanded our services to include off-the-road tyre repair and fitment, heavy vehicle inspection, vehicle assets logistics and management as well as on-site technical tyre and equipment manpower management. We have set up tyre consignment and technical centres in Central Sulawesi and Morowali and a total tyre management centre in Halmahera, North Maluku Islands.

## SOUTH AFRICA

South Africa remains an important region outside South East Asia for the Group, contributing 6% of the Group's revenue. We have three major warehouses in three cities (Cape Town, Durban and Johannesburg) and approximately 700 dealers. The passenger car tyres market is stable and truck and earthmover tyres remain our key focus segments with the recovery of the mining sector.

## GOING FORWARD

The Group will focus on its core strength in the distribution of tyres and wheels in South East Asia, as well as the markets covered by our joint-venture companies, namely Hong Kong, Macau, Indo-China and India.

**MAY 2018 | A State of Stance Event in Durban, South Africa**

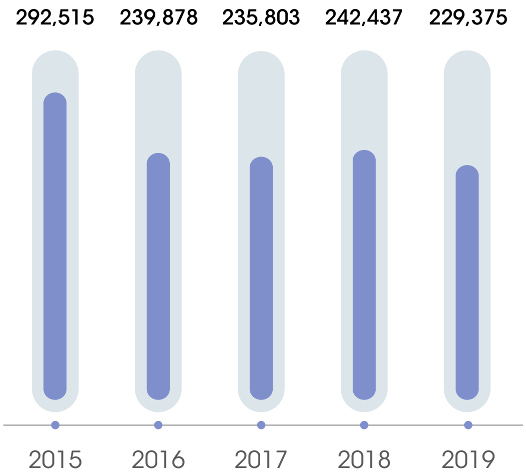

**JULY 2019 | Dunlop New Product LM705 Launch in Hong Kong**

We will continue to:

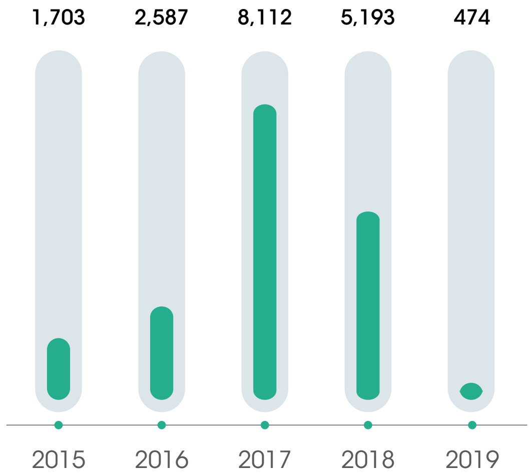
- Drive organic topline growth via brand and product diversification.
- Deliver timely response to market needs and trends.
- Defend gross profit margin.
- Contain operating costs and rationalise current assets.

# FINANCIAL HIGHLIGHTS

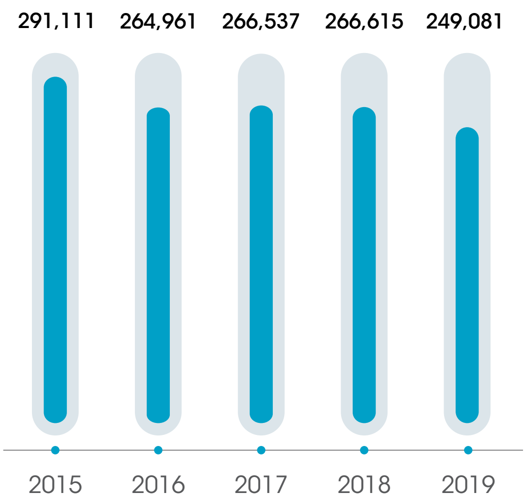
## Group Turnover (S$'000)



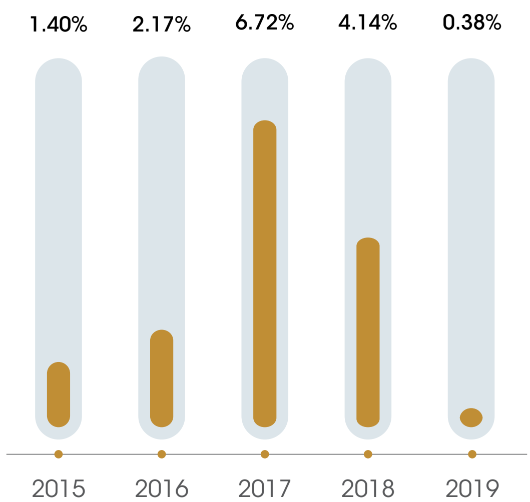

## Profit After Tax (S$'000)




## Total Assets (S$'000)




## Return on Shareholders Equity (%)



# CORPORATE GOVERNANCE

Stamford Tyres Corporation Limited (the "Company") is committed to maintaining high standards of corporate governance and sound corporate practices within the Company and its subsidiaries (the "Group") to ensure that effective self-regulation practices are in place to enhance corporate performance and accountability. This Report describes the Company's corporate governance practices with specific reference to the Code of Corporate Governance 2012 (the "Code").

The Board is pleased to confirm that for the financial year ended 30 April 2019, the Group has adhered to the principles and guidelines as set out in the Code and in so far as any principle and/or guideline has not been complied with, the reason has been provided.

**Board Matters**
**Principle 1: Board's Conduct of Affairs**

*Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.*

The Board of Directors (the "Board") oversees the business affairs of the Group and sets overall corporate strategy and direction. It approves the Group's strategic plans, key business initiatives and financial objectives, major investment and divestment and funding proposals. The Board also monitors the operating and financial performance and oversees the processes for risk management, financial reporting and compliance and evaluating the adequacy of internal controls. It approves nominations to the Board. The Board sets the Group's values and standards and ensures that obligations to shareholders and others are understood and met. The Board also considers sustainability issues e.g. environmental and social factors, as part of its strategic formulation. Matters specifically reserved for Board's decisions are those involving material acquisitions and disposal of assets, corporate or financial restructuring, share issuances and dividends. The Board has adopted a set of internal guidelines on these matters. The Board has delegated certain functions to the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC") to assist in the execution of its responsibilities. All Board Committees are chaired by Independent Directors and each Committee has its own written terms of reference which clearly sets out its objectives, duties, powers and responsibilities and are in line with the Code. Minutes of all Board Committees are circulated to the Board so that Directors are aware of and are kept updated as to the proceedings and matters discussed during the Committee meetings.

Directors are regularly updated on the Group's business and regulatory and industry specific environments in which the Group operates. Directors also have the opportunity to visit the Group's operational facilities here and overseas and meet with Management to gain a better understanding of the Group's global business operations. The Board as a whole is updated regularly on risk management, corporate governance and key changes in the relevant regulatory requirements and accounting standards. New releases issued by the SGX-ST and the Accounting and Regulatory Authority which are relevant to the Directors are circulated to the Board. To keep abreast with developments in corporate, financial legal and other compliance requirements, Directors are encouraged to attend relevant courses, conferences and seminars funded by the Company. Appropriate external trainings will be arranged where necessary.

In order to ensure that the Board is able to fulfil its responsibilities prior to the Board meetings, Management provides the Board with adequate and timely information containing relevant background or explanatory information required to support the decision-making process.

The Board conducts regular scheduled meetings on a quarterly basis. Ad-hoc meetings will be convened as warranted by circumstances. In between the meetings, important matters concerning the Group may be put to the Board for its decision via circular resolutions for the Directors' approval. Management has access to the Directors for guidance or exchange of views outside of the formal environment of the Board meetings.

All Directors exercise due diligence and independent judgement and make decisions objectively in the best interests of the Group.

Directors are briefed on regulatory changes, especially those on the Company's or Director's disclosure obligations. In order to ensure that the Board is able to fulfill its responsibilities, prior to the Board meetings, Management provides the Board with information containing relevant background or explanatory information required to support the decision-making process.

Newly-appointed Directors will be given a formal letter explaining his duties and obligations as a Director. They will also be briefed by Management on the Group's business, its strategic directions as well as its corporate governance policies. Orientation programmes and familiarisation visits are organised, if necessary, to facilitate a better understanding of the Group's operations. Newly appointed directors will also be recommended by the NC to attend training on the roles and responsibilities of a listed company director if they do not have any prior experience.

The Board has separate and independent access to the Company Secretary at all times. The Company Secretary's appointment and removal is a matter for the Board as a whole. The Company Secretary or her representative attends Board and Committees' meetings and is responsible for ensuring that Board procedures are followed. The Board also has access to independent professional advice, where necessary, at the Company's expense.

**Principle 2: Board Composition and Guidance**

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*There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.*

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The Board comprises eight Directors as follows:

| | Board | Audit Committee | Nominating Committee | Remuneration Committee |
|---|---|---|---|---|
| Sam Chong Keen | Chairman | Member | Chairman | Chairman |
| Wee Kok Wah | Member | - | Member | - |
| Mrs Dawn Wee Wai Ying | Member | - | - | - |
| Tay Puan Siong | Member | Chairman | Member | - |
| Goh Chee Wee | Member | - | - | Member |
| Dr Wee Li Ann | Member | (1)Member | - | (1)Member |
| Leslie Mah Kim Loong | Member | Member | - | (2)Member |
| Kazumichi Mandai | Member | - | - | - |

(1) *Following her appointment as Executive Director on 1 September 2018, Dr Wee Li Ann stepped down as a member of the Audit Committee and Remuneration Committee.*
(2) *Mr Leslie Mah was appointed as a member of the Remuneration Committee on 1 September 2018.*

Mr Sam Chong Keen is the Non-Executive and Independent Chairman. Mr Wee Kok Wah ("the President"), Mrs Dawn Wee Wai Ying and Dr Wee Li Ann are Executive Directors of the Company. Mr Tay Puan Siong, Mr Goh Chee Wee, Mr Leslie Mah Kim Loong and Mr Kazumichi Mandai are Non-Executive and Independent Directors. There are no Alternate Directors on the Board. In recognising the importance and value of gender diversity in the composition of the Board, there are two female Directors on the Board.

The Company's Constitution permits the Directors to attend meetings through the use of audio-visual communication equipment.

The attendance of Directors at Board & Committee Meetings held since May 2018 while they were members as well as at the annual general meeting of the Company in August 2018 are set out below:

| | Board of Directors | | Audit Committee | | Nominating Committee | | Remuneration Committee | | Annual General Meeting |
|---|---|---|---|---|---|---|---|---|---|
| | No. of Meetings Held | No. of Meetings Attended | No. of Meetings Held | No. of Meetings Attended | No. of Meetings Held | No. of Meetings Attended | No. of Meetings Held | No. of Meetings Attended | |
| Sam Chong Keen | 4 | 4 | 4 | 4 | 1 | 1 | 1 | 1 | 1 |
| Wee Kok Wah | 4 | 4 | - | - | 1 | 1 | - | - | 1 |
| Mrs Dawn Wee Wai Ying | 4 | 4 | - | - | - | - | - | - | 1 |
| Tay Puan Siong | 4 | 4 | 4 | 4 | 1 | 1 | - | - | 1 |
| Goh Chee Wee | 4 | 4 | - | - | - | - | 1 | 1 | 1 |
| Dr Wee Li Ann(1) | 4 | 4 | 4 | 1 | - | - | 1 | 1 | 1 |
| Leslie Mah Kim Loong(2) | 4 | 4 | 4 | 4 | - | - | - | - | 1 |
| Kazumichi Mandai | 4 | 4 | - | - | - | - | - | - | 1 |

(1) *Dr Wee Li Ann stepped down as a member of the Audit Committee and Remuneration Committee on 1 September 2018.*

(2) *Mr Leslie Mah was appointed a member of the Remuneration Committee on 1 September 2018.*

In addition to the above, the AC also meets with the internal auditors and external auditors without the presence of the Executive Directors or Management at least once annually.

There is strong and independent element on the Board. The Board is able to exercise objective judgment independently from Management and no individual or small group of individuals dominate the decisions of the Board.

The Non-Executive and Independent Directors contribute to the Board by monitoring and reviewing Management's performance against goals and objectives. Their views and opinions provide different perspectives to the Group's business. While challenging Management's proposals or decisions, they bring independent judgement to bear on business activities and transactions involving conflicts of interest and other complexities. Where appropriate and necessary, the Non-Executive Directors would also meet without the presence of Management.

The NC and the Board reviews the size of the Board from time to time. The NC and the Board are of the view that the current Board size and composition are appropriate taking into account the nature and scope of the Group's operations, the depth and breadth of knowledge, expertise and business experiences of the Directors to govern and manage the Group's affairs effectively and that a majority of Board is independent. Each Director has been appointed on the strength of his or her calibre, experience and stature and not based on gender or age and is expected to bring a valuable range of experience and expertise to contribute to the development of strategies of the Group and the performance of its business.

The Board has no dissenting view on the President's Letter to Shareholders for the financial year in review.

**Principle 3: Chairman and President**

*There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Company's business. No one individual should represent a considerable concentration of power.*

The Chairman is a non-executive appointment and is separate from the office of the President. There is a clear segregation of the roles and responsibilities between the Chairman and the President. As the Chairman and President are not related, no Lead Independent Director was appointed.

The Chairman provides strategic guidance and leads the Board. He is responsible for ensuring the effectiveness of the Board and its governance processes, including the responsibilities of scheduling and setting agendas for Board meetings and control over the quality, quantity and timeliness of information flow between the Board and Management.

The President provides overall vision and bears full executive responsibility for the Group's operations, including making key day-to-day operational decisions.

**Principle 4: Board Membership**

*There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.*

**Principle 5: Board Performance**

*There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board.*

The NC comprises three Directors, two of whom, including the Chairman, are Independent Directors. The Committee Chairman is Mr Sam Chong Keen and the other members are Mr Tay Puan Siong and Mr Wee Kok Wah.

The NC's written key terms of reference describe its responsibilities and these include:

- reviewing and assessing candidates for directorships (including executive directorships) before nominating such candidates to the Board for approval;
- reviewing and recommending to the Board the re-election of Directors under the retirement provisions and the appointment of Director, if required, in accordance with the Company's Constitution at each annual general meeting ("AGM");
- reviewing the composition of the Board annually to ensure that the Board has an appropriate balance of Independent Directors and ensuring an appropriate balance of expertise, skills, attributes and abilities among the Directors;

- reviewing and determining annually if a Director is independent in accordance with the Code and any other salient factors;
- where a Director has multiple board representations, deciding whether the Director is able to and has been adequately carrying out his duties as Director; and
- reviewing the succession plan for Directors and key executives of the Group.

The NC also determines the independence of Directors and evaluates and assesses the effectiveness of the Board taking into consideration appropriate performance criteria.

The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board possess the background, experience and knowledge in technology, business, finance and management skills critical to the Group's businesses and that each Director, through his unique contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

The search and nomination process for new Directors, if any, will be through search companies, contacts and recommendations that go through the normal selection process, to cast its net as wide as possible for the right candidates. New Directors are appointed by the Board after the NC has reviewed and recommended their appointment.

The NC recommends all appointments and re-nominations of Directors to the Board and Board Committees. The Company's Constitution provides for one-third of the Directors to retire by rotation and be subject to re-election at every AGM. A newly appointed director must also subject himself to retirement and re-election at the AGM immediately following his appointment. The NC, in considering the nomination of any Director for re-election will evaluate the performance of the Director involved.

The NC has assessed the independence of the Directors based on the definition of independence as set out in the Code. The NC also requires all the Independent Directors to confirm their independence and their relationships with the other Directors, Management and 10% shareholders of the Company by a declaration in writing annually.

As at 30 April 2019, three Independent Directors have served on the Board for more than nine years. They are Mr Sam Chong Keen, Mr Tay Puan Siong and Mr Goh Chee Wee.

The Board recognises that Independent Directors may over time develop significant insights into the Group's business and operations and can continue to provide noteworthy and valuable contributions objectively to the Board as a whole. The Board is of the view that the independence of the Independent Directors must be based on the substance of their professionalism, integrity and objectivity and not merely on the number of years which they have served on the Board. The NC, with the concurrence of the Board also weighed the need for Board refreshment against tenure for relative benefit.

Accordingly, in subjecting the independence of Mr Sam Chong Keen, Mr Tay Puan Siong and Mr Goh Chee Wee to particularly rigorous review, the NC and the Board placed more emphasis on whether each of them has demonstrated independent judgement, integrity, professionalism and objectivity in engaging and challenging Management in the best interests of the Group as he performs his duties in good faith, which are more critical measures in ascertaining his independence than the number of years served on the Board. Notwithstanding that the Board does not impose a limit on the length of service of the Independent Directors, the Board and NC will exercise due and careful review, taking into consideration other factors, in assessing the independence of a Director. These factors include, inter alia, if the Director has any interest, business, relationship and/or any other material contractual relationships with the Group which could reasonably be perceived to compromise his independence and interfere with the exercise of his independent business judgment with a view to the best interest of the Group.

After due consideration and careful assessment, the Board, in concurrence with the NC, is of the view that the three Independent Directors remain independent in their exercise of judgment and objectivity in Board matters as each of them has continued to demonstrate strong independence in character and judgement in the discharge of their responsibilities as a Director of the Company. They have not hesitated to express their respective viewpoints, objectively raise issues or seek clarification as and when necessary from the Board, Management and the Group's external advisers on matters pertaining to their area of responsibilities whether on Board or on the Committees. It is noted that each of them is able to exercise objective judgment on corporate matters independently, in particular from Management and 10% shareholders, notwithstanding that each of them has served more than 9 years on the Board. The Company has also benefited from their years of experience in their respective fields of expertise. Mr Sam Chong Keen, Mr Tay Puan Siong and Mr Goh Chee Wee have each abstained from the discussion and deliberation during the review of their respective independence.

The NC and the Board are of the opinion that the Directors, who have been classified as independent under the Board Composition section, are indeed independent and the current size of the Board is adequate for the purposes of the Group.

The NC has established a formal appraisal process to assess the performance and effectiveness of the Board as a whole annually. It focuses on a set of performance criteria which includes the evaluation of the size and composition of the Board, the Board's access to information and Board accountability. The findings of such evaluations were analyzed and discussed with a view to identifying areas for improvement and implementing certain recommendations to further enhance the effectiveness of the Board. In its evaluation, the NC considers the expertise and experience of each Board member, their attendance, participation and contributions to the Board both inside and outside of Board meetings which can be in many forms, including Management's access to him for guidance or exchange of views outside the formal environment of the Board. No external facilitator was engaged by the Board for this purpose.

The NC has assessed that each Director in the Company is able to and has been adequately carrying out his duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments. The Committee also took into consideration the Company's existing regime of directors being assessed by each other as an additional check and balance on the performance of individual Directors and that a Director should have self-responsibility to determine whether he is able to discharge his duties properly and effectively as a Director when taking on additional listed company board seats. The NC, with concurrence from the Board, has adopted a guide that a Director should not have in aggregate more than five (5) listed company board representations so as to be able to devote sufficient time and attention to the affairs of the Company. None of the Directors have exceeded this limit.

The NC has recommended the re-election of Dr Wee Li Ann, Mr Leslie Mah Kim Loong and Mr Kazumichi Mandai, who are retiring by rotation pursuant to Article 111 of the Company's Constitution. The retiring Directors have offered themselves for re-election/re-appointment. The Board has accepted the recommendations of the NC.

Key information of each director is set out on pages 4 to 6 of this report and the dates of their initial appointment and last re-appointment/re-election are set out below:

| **Name of Director** | **Date of initial appointment** | **Date of last re-appointment/re-election** |
|---|---|---|
| Sam Chong Keen | 9 Dec 1994 | 28 Aug 2017 |
| Wee Kok Wah | 11 Oct 1989 | N.A.* |
| Mrs Dawn Wee Wai Ying | 11 Oct 1989 | 30 Aug 2018 |
| Tay Puan Siong | 2 Jun 1994 | 30 Aug 2018 |
| Goh Chee Wee | 29 Oct 1998 | 28 Aug 2017 |
| Dr Wee Li Ann | 9 Dec 2009 | 30 Aug 2016 |
| Leslie Mah Kim Loong | 1 Dec 2012 | 30 Aug 2016 |
| Kazumichi Mandai | 1 Dec 2012 | 30 Aug 2016 |

** Managing Director is not subject to retirement by rotation (Article 107 of the Company's Constitution).*

The Board believes in carrying out succession planning for itself and its key management staff to ensure continuity of leadership. Currently, there is an informal succession plan in place and the NC reviews the succession plans for the Board as well as key management staff on a regular basis.

**Principle 6: Access to Information**

*In order to fulfil their responsibilities, Directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.*

Directors are given independent and full access to the Management team and Company Secretary, all Board and Board Committees' minutes and all approval and information papers. In between Board meetings, important matters concerning the Company are also put to the Board for its decision by way of circular resolutions in writing for the Directors' approval together with supporting memoranda to enable the Directors to make informed decisions. The Company supports the Directors, either individually or as a group, if they require independent professional advice in furthering their duties to the Company and the cost of such advice will be borne by the Company subject to the Board's approval.

**Remuneration Matters**
**Principle 7: Procedures for Developing Remuneration Policies**

*There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.*

**Principle 8: Level and Mix of Remuneration**

*The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.*

**Principle 9: Disclosure on Remuneration**

*Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the Company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key management personnel, and performance.*

The RC comprises three Non-Executive and Independent Directors. It is chaired by Mr Sam Chong Keen and the members are Mr Goh Chee Wee and Mr Leslie Mah Kim Loong.

The RC's written key terms of reference describe its responsibilities and these include:

- recommending to the Board, in consultation with the Board Chairman, for endorsement, a comprehensive remuneration policy framework and guidelines for remuneration of the Directors and key executives of the Group;
- recommending specific remuneration packages for each of the Directors and the Executive Directors;
- in the case of service agreements, considering what compensation commitments the directors' or key executives' contracts of service, if any, would entail in the event of early termination with a view to be fair and avoid rewarding poor performance and to recognise the duty to mitigate loss;
- approving performance targets for assessing the performance of each of the key executives of the Group and recommending such targets as well as employee specific remuneration packages for each of such key executive for endorsement by the Board; and
- administering the share incentive plans of the Company, if any.

The RC reviews and recommends to the Board the framework of remuneration for key executives and for Directors serving on the Board and Board Committees. The review of specific remuneration packages includes fees, salaries, bonuses and incentives. It also administers the Company's Employee Share Option Schemes and Performance Share Schemes, if any.

Remuneration for key executives are based on corporate and individual performance with certain key executives entitled to profit-sharing bonuses based on certain profit on a realized basis. There are appropriate and meaningful measures in place for the purposes of assessing the performance of the Executive Directors and key management personnel. Although the recommendations are made in consultation with Management, the remuneration packages are ultimately approved by the Board. No Director is involved in deciding his own remuneration.

In performing its function, the RC endeavours to establish an appropriate remuneration policy to attract, retain and motivate the Executive Directors and key management personnel whilst at the same time ensuring that the reward in each case takes into account individual performance as well as corporate performance.

Executive Directors have service contracts which include terms for termination under appropriate notice. Non-Executive Directors are remunerated based on basic fees for serving on the Board and Board Committees. Such fees are recommended for approval by shareholders as a lump sum payment at the AGM.

At the moment, the Company does not use any contractual provisions to reclaim incentive components of remuneration from Executive Directors and key management executives in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The RC will consider, if required, whether there is a requirement to institute such contractual provisions to allow the Company to reclaim the incentive components of the remuneration of the Executive Directors and key management executives paid in prior years in such exceptional circumstances.

# CORPORATE GOVERNANCE (CONT'D)

The RC has access to expert professional advice on remuneration matters whenever there is a need to obtain such advice. During the financial year, the RC did not require the service of an external remuneration consultant.

Details of the Company's Share Performance Schemes, if any, will be provided in the Directors' Statement.

The Board supports and is aware of the need for transparency. However, after deliberation and debate, the Board is of the view that full disclosure of the specific remuneration of each individual Director and the Group's key management personnel (who are not Directors) is not in the best interest of the Company and therefore shareholders. Inter alia, the Board has taken into account the very sensitive nature of the matter, the relative size of the Group, the highly competitive business environment the Group operates in and the irrevocable negative impact such disclosure may have on the Group.

Details of remuneration and benefits of Directors for the financial year ended 30 April 2019 which will provide sufficient overview of the remuneration of Directors are set out below:-

| | **Directors' fees*** | **Fixed salary and benefits** | **Performance related bonus** | **Total** |
|---|---|---|---|---|
| | % | % | % | % |
| **Executive Directors** | | | | |
| ***Between $750,000 and $1,000,000*** | | | | |
| Wee Kok Wah | - | 55 | 45 | 100 |
| ***Between $250,000 and $500,000*** | | | | |
| Mrs Dawn Wee Wai Ying | - | 69 | 31 | 100 |
| **Non-Executive Directors** | | | | |
| ***Below $250,000*** | | | | |
| Sam Chong Keen | 100 | - | - | 100 |
| Tay Puan Siong | 100 | - | - | 100 |
| Goh Chee Wee | 100 | - | - | 100 |
| Dr Wee Li Ann | 30 | 68 | 2 | 100 |
| Leslie Mah Kim Loong | 100 | - | - | 100 |
| Kazumichi Mandai | 100 | - | - | 100 |

** Directors' Fees are subject to shareholders' approval at the AGM to be held on 30 August 2019.*

**Key Management Personnel**

Given the highly competitive industry conditions in which the Group operates in and in the interest of maintaining good morale and a strong spirit of teamwork within the Group, the Company has weighed the advantages and disadvantages of the disclosure relating to the remuneration of the 5 top key management personnel (who are not Directors) of the Group for the financial year ended 30 April 2019 and believe that such disclosure may be prejudicial to its business interest given the highly competitive business environment it is operating in as well as the competitive pressures in the talent market. Their profiles are found on pages 7 to 9 of this Report.

**Immediate family members of Directors:**

There is no employee who is an immediate family member of a Director or the President and whose remuneration exceeded S$50,000 in the Group's employment for the financial year ended 30 April 2019.

**Accountability and Audit**
**Principle 10: Accountability**

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*The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.*

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The Board is mindful of the obligation to provide shareholders with a balanced and understandable assessment of the Company's performance, position and prospects including information on all major developments that affect the Group and strives to maintain a high standard of transparency.

Management provides all members of the Board with management accounts which present a balanced and understandable assessment of the Group's performance, position and prospects on quarterly basis.

**Principle 11: Risk Management and Internal Controls**

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*The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.*

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**Principle 12: Audit Committee**

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*The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.*

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**Principle 13: Internal Audit**

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*The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.*

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The AC comprises three Non-Executive and Independent Directors. It is chaired by Mr Tay Puan Siong and the members are Mr Sam Chong Keen and Mr Leslie Mah Kim Loong. No former partner or Director of the Company's existing auditing firm or auditing corporation is a member of the AC.

The AC has full authority to investigate matters relating to the Group and any matters within its terms of reference.

The AC's written key terms of reference describe its responsibilities and these include:

- assisting the Board of Directors in discharging its statutory responsibilities on financing and accounting matters;
- reviewing significant financial reporting issues and judgements to ensure the integrity of the financial statements and any formal announcements relating to financial performance;
- reviewing the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditor;
- reviewing and evaluating with internal auditors, the adequacy and effectiveness of the system of internal controls, including financial, operational, compliance and information technology controls, and risk management policies and framework;
- reviewing any interested person transactions as defined in the Listing Manual;
- appraising and reporting to the Board on the audits undertaken by the external auditor and internal auditors, the adequacy of disclosure of information, and the appropriateness and quality of the system of management and internal controls;
- making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and internal auditors, and approving the remuneration and terms of engagement of the external auditor and internal auditors; and
- reviewing whistle-blowing investigations within the Group and ensuring appropriate follow-up action, if required.

The AC has discussed with management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements.

# CORPORATE GOVERNANCE (CONT'D)

The following significant issues were discussed with management and the External Auditor and reviewed by the AC in relation to the financial statements during the year ended 30 April 2019:

| **Significant matters considered** | **How these issues were addressed by the AC** |
|---|---|
| **Impairment assessment of investments in subsidiaries, joint ventures and associates** | The AC considered management's approach and analysis in assessing for impairment of its investments in subsidiaries, joint ventures and associates.<br><br>The AC also considered the reasonableness of the assumptions used and judgements made on cash flow forecasts, discount rates and growth rates used, and was satisfied that these were appropriate.<br><br>The External Auditor has included the impairment of assessment of investments in subsidiaries, joint ventures and associates as a key audit matter in its Auditor's Report for the year ended 30 April 2019. This is on page 45 of the Annual Report. |
| **Allowance for inventory obsolescence** | The AC considered the approach and methodology applied to the allowance for inventory obsolescence.<br><br>The AC discussed the above with the External Auditor to consider the reasonableness, appropriateness of analysis and assessments made by management, and was satisfied that these were appropriate.<br><br>The External Auditor has included the allowance for inventory obsolescence as a key audit matter in its Auditor's Report for the year ended 30 April 2019. This is on page 45 of the Annual Report. |
| **Allowance for doubtful debts** | The AC considered the approach and methodology relating to the monitoring and collectability of trade receivables and management's assessment in providing allowance for doubtful debts.<br><br>The AC discussed the above with the Management and External Auditor to consider the reasonableness of the assessment and was satisfied that these were appropriate.<br><br>The AC also reviewed the audit report and findings presented by the External Auditor at the year-end meeting.<br><br>The External Auditor has included the allowance for doubtful debts as a key audit matter in its Auditor's Report for the year ended 30 April 2019. This is on page 46 of the Annual Report. |

The AC reviews the scope, the audit plan, the results and effectiveness of both the External and Internal Auditors and has met with the External Auditor and Internal Auditor separately without the presence of management for the year in review. In addition, updates on the changes in accounting standards and treatment are prepared by the External Auditor and circulated to members of the AC periodically for information.

To keep abreast of the changes in financial reporting standards and related issues which have a direct impact on financial statements, discussions are held with the External Auditor where applicable, when they attend the AC Meetings.

The AC confirms that it has reviewed the nature and extent of all audit and non-audit services performed by Ernst & Young LLP ("EY") and EY member firms, including fees paid in respect of the year ended 30 April 2019, to establish if their independence and objectivity as External Auditor of the Company had in any way been compromised. EY did not provide any non-audit services in the financial year ended 30 April 2019. The fees payable to the External Auditor are disclosed on page 91 of this Annual Report.

The AC has also reviewed and confirmed that EY is a suitable audit firm to meet the Company's audit obligations, having regard to the adequacy of resources and experience of the firm and the assigned audit engagement partner, EY's other audit engagements, size and complexity of the Stamford Tyres Group, number and experience of supervisory and professional staff assigned to the audit. Accordingly, the AC recommended to the Board the re-appointment of EY as External Auditor of the Group for the year ending 30 April 2019. EY has been engaged to audit the accounts of the Company and its Singapore-incorporated subsidiaries. The accounts of the significant foreign-incorporated subsidiaries are audited by EY member firms in the respective countries. The Group has complied with Rules 712 and 715 of the Listing Manual in relation to its auditing firms.

As proper risk management is a significant component of a sound system of internal control, the Group has put in place a strategic enterprise risk management ("ERM") framework since FY2007. The Board recognises the importance of establishing a formal ERM Framework to facilitate the governance of risks and monitoring the effectiveness of internal controls.

The Board is cognizant of its responsibility for maintaining a sound system of internal controls to safeguard the investment of its shareholders and the assets and business of the Group. The internal audit function is outsourced to an external professional firm, Yang Lee & Associates ("YLA"). The Internal Auditor conducts regular audit of internal control systems of the Group's companies, recommends necessary improvements and enhancements, and reports directly to the AC. 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 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.

The AC examines the effectiveness of the Group's internal control systems. The many assurance mechanisms operating are supplemented by the Internal Auditor's reviews of the effectiveness of the Group's material internal controls, including financial, operational and compliance and information technology controls. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The AC reviews the effectiveness of the actions taken by Management on the recommendations made by the Internal Auditor in this respect.

In addition, the Group has set up an executive Risk Management Committee ("RMC") to oversee that appropriate risk management policies are put in place and there are processes to evaluate the risks monitored under the ERM framework. The RMC, comprising members of the Senior Management team, is responsible for setting the direction of corporate risk management and monitoring the implementation of risk management policies and procedures.

The RMC has established an enhanced risk management policy to provide guidance to Management on key risk parameters. The significant risks in the Group's business, including mitigating measures, were also reviewed by the RMC and reported to the AC and the Board. Risk registers are maintained by the business and operational units which identify the key risks facing the Group's business and the internal controls in place to manage those risks. These risks have been categorized as strategic, operational, financial or compliance risks and the main areas of financial risk, faced by the Group are foreign currency exchange risk, interest rate risk, credit risk and liquidity risk.

The RMC together with the President and Group Financial Controller have confirmed to the AC and the Board the adequacy and effectiveness of the risk management system and internal controls.

The AC, with the assistance of the Internal and External Auditors, reviews and reports to the Board on the adequacy of the Company's system of internal controls, including financial, operational, compliance and information technology controls and taking into consideration the risk management perspective.

The AC may examine whatever aspects it deems appropriate of the Group's financial affairs, its internal and external audits and its exposure to risks of a regulatory or legal nature. It keeps under review the effectiveness of the Company's system of accounting and internal financial controls, for which the Directors are responsible. It also keeps under review the Company's programme to monitor compliance with its legal, regulatory and contractual obligations.

The Board has received written assurance from the President and Group Financial Controller:

(a) that the financial records have been properly maintained and the financial statements give true and fair view of the Group's operations and finances; and

(b) regarding the effectiveness of the Group's risk management and internal control systems.

Based on the internal controls established and maintained by the Group, work performed by the Internal Auditor, and the statutory audit conducted by the External Auditor, and reviews performed by Management, Risk Management Committee and various Board committees, the Board, with the concurrence of the AC, is of the opinion that the framework of internal controls, including financial, operational, compliance and information technology controls and risk management, were adequate and effective as at 30 April 2019 to meet the needs of the Group's existing business objectives, having addressed the risks which the Group considers relevant and material to its operations. While acknowledging their responsibility for the system of internal controls, the Directors are aware that such a system is designed to manage, rather than eliminate risks, and therefore cannot provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors or mis-statements, poor judgment in decision-making, human errors, losses, fraud or other irregularities.

Quarterly and full year results are reviewed by the AC prior to their submission to the Board as are interested person transactions that fall within the scope of Chapter 9 of the Listing Manual of the SGX-ST.

The AC has put in place a "whistle blowing" or Corporate Ethics Compliance policy. The policy provides a channel for staff to confidentially report violations of the Group's Code of Ethics, business conduct, and improprieties in financial accounting, trade practices, conflict of interest, employee discrimination and health & safety. Reports can be made on an anonymous basis directly to the AC. Appropriate investigation will be carried out and the informant (if not anonymous) will be informed of the results.

**Risk management policies**

The Group has set up objectives to manage the risks that arise from the normal course of its operations. The significant risks are summarised below:

(i) General business risk

The Group's major business is distribution of tyres and wheels. The Group is reliant on a few key suppliers for the supply of certain major brand of tyres. Some of these suppliers have granted exclusive distribution rights. Although the Group has a strong relationship with the principals (some exceeding 30 years), there is no assurance that the principals will continue to appoint the Group as their exclusive distribution agent in the future. Should any of the major principals decide to discontinue the distribution rights in the future, the Group could lose some of its market share and this could then have adverse financial impact on the Group. To mitigate this risk, the Group has been focusing on developing its own range of proprietary 'in-house' brands like Sumo Firenza, Sumo Tire and SSW to become less reliant on its principals.

As in any other business environment, the Group's assets are exposed to various risks arising from normal operations and natural disasters. Especially, the Group's inventory is highly flammable and susceptible to the risk of fire. It is the Group's practice to annually assess these risks and/or exposure to ensure that the Group is protected from potential monetary loss. In addition to other preventive measures, the Group ensures that adequate insurance coverage is maintained at all times to mitigate such risks except where the cost of insuring the asset is considered prohibitive in relation to the risks identified.

(ii) Product liability claims

The Group is exposed to claims from its customers from products sold by the Group which contain defects or found to be unfit for their intended use. The Group may be required to make financial compensation to its customers in such circumstances. The Group's principals are well established in the market place and their products are usually tested for safety before being marketed. The Group continues to spend considerable effort in ensuring the quality of its products and services. The Group provides its employees with relevant training, on a regular basis, to uphold the quality of services provided to its customers. The Group has no history of any significant claim made by its customers.

(iii) Credit and inventory risk

The Group faces normal business risks associated with collection of trade receivables and inventory obsolescence. The Group's exposure to credit risks arises mainly from sales made to distributors and retailers in various geographical locations. The Group has tight credit control policies and procedures to evaluate the credit worthiness of customers before credit is granted and to prevent significant concentration of credit risk. The Group also has adequate policies and procedures to minimise the risk of inventory obsolescence. The risk of inventory obsolescence may arise from changes in consumer preference and technology. It is the Group's policy to maintain optimum inventory level at all times. Inventory level is monitored regularly and slow moving inventories are quickly identified for early disposal. The Group has also put in place a 'supply chain management' system to procure inventories in an effective manner to prevent excess inventories on hand.

The financial risk management objectives and policies are discussed in Note 35 to the financial statements.

**Communication with Shareholders**
**Principle 14: Shareholders' Rights**

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*Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.*

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**Principle 15: Communication with Shareholders**

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*Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.*

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**Principle 16: Conduct of Shareholders' Meetings**

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*Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.*

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The Company does not practice selective disclosure. Shareholders are kept informed of the developments in the Group's businesses and operations through announcements via SGXnet as well as through the annual report. Announcements are made as soon as possible to ensure timely dissemination of the information to shareholders and the public. Results and the annual reports are announced or issued within the mandatory periods. To further enhance its communication with investors, the Company's website www.stamfordtyres.com allows the public to access information on the Group directly.

Shareholders are encouraged to attend the Company's general meetings to ensure a greater level of shareholder participation and for them to be kept up to date on the strategies and goals of the Group. Annual reports, notices of annual general meetings and circulars and notices pertaining to any Extraordinary General Meetings of the Company are sent to all shareholders by post or by electronic transmission in accordance with the Companies Act, Cap. 50, the SGX-ST Listing Manual and the Company's Constitution.

To facilitate participation by shareholders, the Company's Constitution allows shareholders to attend and vote at general meetings of the Company by proxies. A shareholder who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the general meetings while a member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the general meetings through proxy forms deposited 72 hours before the meeting. Notices of general meetings are also advertised in newspapers and available on the SGX-ST's website.

Every matter requiring shareholders' approval is proposed as a separate resolution. Each item of special business included in the notice of meeting is accompanied, where appropriate, by an explanation for the proposed resolution. As authentication of shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, facsimile or email. Participation of shareholders is encouraged at the AGM through the open question and answer session. The Directors, Management and External Auditor are available to address any queries or concerns on matters relating to the Group and its operations.

For greater transparency, the Company implemented poll voting since 2012. This entails shareholders being invited to vote on each resolution by poll thereby allowing all shareholders present or represented at the meeting to vote on a one share, one vote basis. The detailed voting results of all votes cast for, or against, each resolution tabled, are announced at the meeting and via SGX-ST's website.

**Dividend Policy**

While the Company has not formally instituted a dividend policy, it has a good track record of paying annual dividends to shareholders. In proposing any dividend payout and/or determining the form, frequency and/or the amount of such dividend payout, the Board will take into account, inter alia, the Group's financial position, retained earnings, results of operation and cash flow, the Group's expected working capital requirements, the Group's expected capital expenditure and future expansion and investment plans and other funding requirements, general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group.

The Board endeavours to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend payout.

The declaration and payment of any dividend will be recommended by the Directors and the final dividend (if any) will be subject to approval by shareholders.

**Internal Code on Dealings With Securities**

The Group has adopted an internal code which prohibits the Company, directors and employees of the Group from dealings in securities of the Company while in possession of price-sensitive information, and during the period commencing two weeks and one month before the announcement of the quarterly and full year results respectively, and ending on the date of announcement. In addition, Directors and employees are expected to observe insider trading laws at all times even when dealing in securities within the permitted period.

It also discourages dealings on short-term considerations. Directors and employees are required to report securities dealings to the Company Secretary who will assist to make the necessary announcements.

**Interested Person Transactions**

The Group has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are conducted at arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Company and its shareholders. All interested person transactions are subject to review by the AC to ensure compliance.

During the year, the following interested person transactions were entered with a company in which the Executive Directors are also Directors/shareholders and have substantial financial interest:-

| Name of interested person | Aggregate value of all interested person transactions conducted during the financial year (excluding transactions below $100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920) | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) |
|---|---|---|
| | S$'000 | S$'000 |
| Wah Holdings Pte Ltd (1) | 182,400 | Nil |

*(1) Mr Wee Kok Wah, Mrs Dawn Wee Wai Ying and Dr Wee Li Ann are Directors/shareholders of Wah Holdings Pte Ltd.*

The Company does not have a shareholders' mandate for interested person transactions pursuant to Rule 920 of the Listing Manual.

**Other Disclosure Requirements**

There were no material developments after the preliminary announcement that would affect the performance of the Group.

# DIRECTORS' STATEMENT

The Directors are pleased to present their statement to members together with the audited consolidated financial statements of Stamford Tyres Corporation Limited (the "Company") and its subsidiary companies (collectively, the "Group"), and the balance sheet and statement of changes in equity of the Company for the financial year ended 30 April 2019.

**Opinion of the Directors**

In the opinion of the Directors,

(i) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity, and consolidated statement of cash flow together with notes thereto are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 April 2019 and of the financial performance of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Group and the Company will be able to pay its debts as and when they fall due.

**Directors**

The Directors of the Company in office at the date of this statement are:

| | |
|---|---|
| Sam Chong Keen | (Chairman) |
| Wee Kok Wah | (President) |
| Mrs Dawn Wee Wai Ying | (Executive Director) |
| Dr Wee Li Ann | (Executive Director) |
| Tay Puan Siong | |
| Goh Chee Wee | |
| Leslie Mah Kim Loong | |
| Kazumichi Mandai | |

**Directors' interests in shares and debentures**

The following Directors, who held office at the end of the financial year had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, (the "Act") an interest in shares and share options of the Company, as stated below:

| | Direct interest | | Deemed interest | |
|---|---|---|---|---|
| **Name of Director** | **At 1.5.2018** | **At 30.4.2019** | **At 1.5.2018** | **At 30.4.2019** |
| **Ordinary shares of the Company** | | | | |
| Wee Kok Wah | 41,954,554 | 42,254,554 | 49,551,319 | 49,851,319 |
| Mrs Dawn Wee Wai Ying | 13,637,567 | 13,937,567 | 77,868,306 | 78,168,306 |
| Dr Wee Li Ann | 10,000 | 10,000 | 10,000 | 10,000 |
| Leslie Mah Kim Loong | – | – | 1,150,000 | 1,150,000 |
| Tay Puan Siong | 2,500 | 2,500 | 2,500 | 2,500 |

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 May 2019.

**Directors' interests in shares and debentures (cont'd)**

By virtue of Section 7 of the Act, Mr Wee Kok Wah and Mrs Dawn Wee Wai Ying are deemed to have an interest in the ordinary shares of all the subsidiary companies at the beginning and at the end of the financial year.

No other director who held office at the end of the financial year had interests in shares or debentures of the Company's subsidiary companies.

**Share Options and Performance Shares**

No options were issued by the Company or any of its subsidiaries during the financial year. As at 30 April 2019 and 30 April 2018, there were no options on the unissued shares of the Company or any of its subsidiaries which were outstanding.

Following the approval by shareholders at the extraordinary meeting held on 30 August 2018, the Company granted awards consisting of 1,800,000 Shares pursuant to the Stamford Tyres Performance Share Plan 2017 (the "PSP 2017") to the following Directors/Controlling Shareholders.

The information on the Directors/Controlling Shareholders who accepted the grant of awards and the details of the movement in the awards are as follows:

| Name of Director/ Controlling Shareholder | Aggregate Performance Shares | | | |
|---|---|---|---|---|
| | Awarded during the financial year under review | Awarded since commencement of scheme to end of financial year under review | Vested since commencement of scheme to end of financial year under review | Outstanding as at end of financial year under review (shares not yet vested) |
| Wee Kok Wah | 900,000 shares | 900,000 shares | 300,000 shares | 600,000 shares |
| Mrs Dawn Wee Wai Ying | 900,000 shares | 900,000 shares | 300,000 shares | 600,000 shares |

**Arrangements to enable Directors to acquire shares and debentures**

Except as disclosed below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

**Audit Committee**

The Audit Committee comprises Non-Executive and Independent Directors, Mr Tay Puan Siong (who chairs the Audit Committee), Mr Sam Chong Keen and Mr Leslie Mah Kim Loong.

The Committee meets at least 4 times a year and performs its functions in accordance with the Act.

**Audit Committee (cont'd)**

The Committee reviews the overall scope of both internal and external audits and the assistance given by the Company's officers to the auditor. It meets with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Group's system of internal accounting and financial controls. The Committee also reviews the annual financial statements of the Company and of the Group and the auditor's report thereon before submission to the Board, as well as interested person transactions. All major findings and recommendations are brought to the attention of the Board of Directors.

**Auditor**

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board of Directors,

Wee Kok Wah
Director

Mrs Dawn Wee Wai Ying
Director

31 July 2019

# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 April 2019
To the members of Stamford Tyres Corporation Limited

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of Stamford Tyres Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 30 April 2019, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 April 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

**Basis for Opinion**

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

**Impairment assessment of investments in subsidiaries, joint ventures and associate**

The Group and the Company have significant investments in subsidiaries, joint ventures and an associate. The carrying amounts of these investments can be found in Notes 13, 14 and 15 to the financial statements respectively.

The financial performance of the subsidiaries, joint ventures and associate are dependent on the economic and market conditions in which they operate in. Management monitors the performance of these entities and an assessment for impairment is carried out when there are indicators of impairment, such as when the returns on the investments are lower than anticipated. The impairment assessments involve the preparation of discounted cash flow forecasts to determine the recoverable amounts of these investments. The assessment for impairment is considered a key audit matter as Management exercises significant judgement in making assumptions and estimates for the preparation of the discounted cash flow forecasts. The Group's accounting policies on impairment of these investments are disclosed in Note 2.9 and 2.10 to the financial statements. The critical accounting estimates and judgements made in arriving at the assumptions used in the preparation of the discounted cash flow forecasts by management are stated in Note 3(a) (iii) to the financial statements.

We assessed whether there is any impairment indicators for the investments in subsidiaries, joint ventures and associates, as well as the loan and other receivables from subsidiaries. For those entities with indicators of impairment, we reviewed the process by which management's discounted cash flow forecasts were prepared. We tested the robustness of management's discounted cash flow forecasts by comparing previous forecasts to actual results and validated key inputs used, such as the discount and growth rates, to historical and external market data to assess the reasonableness of the forecast. We assessed the sensitivity of the discounted cash flow forecasts based on changes to the key assumptions and also checked the mathematical accuracy of the underlying calculations.

Finally, we assessed the adequacy of the disclosures on the impairment of investments in subsidiaries, joint ventures and associate in Notes 13, 14 and 15 to the financial statements respectively.

**Allowance for inventory obsolescence**

The Group has significant inventories and makes an allowance for inventory obsolescence when there is a risk that the inventories may not be sold at above their carrying amounts. The carrying amounts of inventories and the allowance for inventory obsolescence are included in Note 16 to the financial statements.

The Group's allowance for inventory obsolescence is subject to changes in the economic and market conditions which may result in excess, slow-moving or obsolete inventories that may be sold at prices below costs. The allowance for inventory obsolescence is a key audit matter as significant judgement is required for the estimation of the net realisable value ("NRV") of inventories and the resultant allowance for obsolescence. The estimation is made after taking into consideration movement in rubber prices, current and expected consumer demand and competitors' pricing for similar products. The Group's accounting policy on inventory and the critical accounting estimates and judgements are disclosed in Note 2.14 and Note 3(a)(ii) to the financial statements respectively.

As part of our audit, we evaluated the appropriateness of assumptions and estimates made by management in determining the allowance for inventory obsolescence, including economic and market conditions, expected consumer demand. We analysed the aging profile of the inventory on hand, disaggregated by type, which is then corroborated with management's identification and assessment of allowance for inventory obsolescence. We assessed the determination of NRV for selected samples by comparing them to the unit selling price subsequent to the year end and management's obsolescence allowance. For inventories with negative gross margins, we assessed if the allowance for these inventories are adequate. We also assessed the adequacy of the disclosures related to inventory in Note 16 to the financial statements.

**Allowance for doubtful debts**

The Group has significant trade receivables and makes an allowance for doubtful debts where there is a risk that the amounts are not collectable. The carrying amounts of trade receivables and the allowance for doubtful debts are included in Note 17 to the financial statements.

The collectability of trade receivables is a key element of the Group's working capital management, and is managed on an ongoing basis by management. The Group determines impairment of trade receivables by using the expected credit losses ("ECLs") model that uses a provision matrix for the remaining group of debtors that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic conditions. As the assessment of allowance of doubtful debts requires significant judgement, we determined this to be a key audit matter. The Group's accounting policy on allowance for doubtful debts is disclosed in Note 2.12 to the financial statements and the critical accounting estimates and judgements are stated in Note 3(b)(iii) to the financial statements.

We evaluated the processes and controls relating to the monitoring of trade receivables and considered ageing to identify collection risks. We requested for confirmations and checked for evidence of receipts subsequent to the year end for selected debtors. We discussed with management about the status of long outstanding trade receivables balance and management's consideration of debtors' specific profiles and risks. We also evaluated management's assumptions and inputs used in the computation and historical loss rates and assessed the reasonableness of management's assumptions used in establishing the forward-looking adjustments. We also assessed the adequacy of the Group's disclosures on the trade receivables and the related risks such as credit risk and liquidity risk in Notes 17 and 35 to the financial statements.

**Other Information**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Directors for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

**Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)**

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Vincent Toong.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
31 July 2019

# CONSOLIDATED INCOME STATEMENT

For the financial year ended 30 April 2019
(In Singapore Dollar)

| | Note | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|---|
| Revenue | 4 | 229,375 | 242,437 |
| Other revenue | 5 | 4,799 | 5,418 |
| **Total revenue** | | 234,174 | 247,855 |
| **Less: Costs and expenditure** | | | |
| Cost of goods sold | 6 | 179,335 | 181,853 |
| Salaries and employees benefits | 7 | 22,891 | 24,613 |
| Marketing and distribution | | 7,086 | 7,945 |
| Utilities, repairs and maintenance | | 6,031 | 6,511 |
| Finance costs | 8 | 4,161 | 4,050 |
| Depreciation of property, plant and equipment | | 4,848 | 5,042 |
| Operating lease rentals | | 4,186 | 5,062 |
| Other operating expenses | | 3,698 | 6,190 |
| **Total expenditure** | | (232,236) | (241,266) |
| Share of results of joint ventures | 14 | 297 | 1,637 |
| **Profit before taxation** | 9 | 2,235 | 8,226 |
| Taxation | 10 | (1,761) | (3,033) |
| **Profit for the financial year** | | 474 | 5,193 |
| **Attributable to:** | | | |
| Equity holders of the Company | | 474 | 5,193 |
| **Earnings per share:** | | | |
| - basic and diluted (cents) | 11 | 0.20 | 2.20 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 April 2019
(In Singapore Dollar)

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Net profit for the financial year** | 474 | 5,193 |
| **Other comprehensive income:** | | |
| *Item that may be reclassified subsequently to profit or loss* | | |
| Foreign currency translation adjustments arising on consolidation | (316) | 1,227 |
| **Other comprehensive income for the year, net of tax** | (316) | 1,227 |
| **Total comprehensive income for the year** | 158 | 6,420 |
| **Total comprehensive income attributable to:** | | |
| Equity holders of the Company | 158 | 6,420 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# BALANCE SHEETS

As at 30 April 2019
(In Singapore Dollar)

| | Note | Group 30.4.2019 $'000 | Group 30.4.2018 $'000 | Group 1.5.2017 $'000 | Company 30.4.2019 $'000 | Company 30.4.2018 $'000 | Company 1.5.2017 $'000 |
|---|---|---|---|---|---|---|---|
| **Non-current assets** | | | | | | | |
| Property, plant and equipment | 12 | 63,451 | 69,155 | 70,679 | – | – | – |
| Investment in subsidiaries | 13 | – | – | – | 43,746 | 44,764 | 40,764 |
| Amounts due from subsidiary companies | 13 | – | – | – | 14,265 | 14,324 | 14,311 |
| Joint venture companies | 14 | 16,693 | 17,049 | 16,862 | 2,867 | 4,067 | 6,567 |
| Associated company | 15 | 242 | 238 | 233 | – | – | – |
| Deferred tax assets | 28 | 2,790 | 3,071 | 3,109 | – | – | – |
| | | 83,176 | 89,513 | 90,883 | 60,878 | 63,155 | 61,642 |
| **Current assets** | | | | | | | |
| Inventories | 16 | 91,850 | 87,905 | 77,869 | – | – | – |
| Trade receivables | 17 | 54,722 | 60,191 | 67,467 | – | – | – |
| Derivatives | 18 | 46 | 96 | 70 | 25 | 69 | 54 |
| Other receivables | 19 | 3,077 | 4,499 | 4,665 | 94 | 92 | 96 |
| Prepayments and advances | 19 | 2,501 | 2,534 | 3,890 | 22 | 28 | 21 |
| Cash and cash equivalents | 20 | 13,709 | 21,877 | 21,693 | 300 | 686 | 1,225 |
| | | 165,905 | 177,102 | 175,654 | 441 | 875 | 1,396 |
| **Less: Current liabilities** | | | | | | | |
| Trade payables | 21 | 17,445 | 26,404 | 20,865 | – | – | – |
| Trust receipts (secured) | 22 | 42,781 | 41,349 | 50,808 | – | – | – |
| Derivatives | 18 | 23 | 19 | 20 | – | – | – |
| Other payables | 23 | 14,672 | 17,366 | 18,711 | 617 | 526 | 605 |
| Amount due to subsidiary company | 13 | – | – | – | – | 2,000 | – |
| Loans (secured) | 24 | 16,279 | 15,213 | 17,980 | – | – | – |
| Hire-purchase liabilities | 25 | 182 | 907 | 807 | – | – | – |
| Provisions | 26 | 509 | 506 | 689 | – | – | – |
| Provision for taxation | | 2,487 | 2,938 | 2,742 | 31 | 36 | 12 |
| | | 94,378 | 104,702 | 112,622 | 648 | 2,562 | 617 |
| **Net current assets/(liabilities)** | | 71,527 | 72,400 | 63,032 | (207) | (1,687) | 779 |
| **Non-current liabilities** | | | | | | | |
| Amounts due to subsidiary companies | 13 | – | – | – | 19,087 | 15,541 | 14,219 |
| Hire-purchase liabilities | 25 | 73 | 284 | 882 | – | – | – |
| Provisions | 26 | 834 | 861 | 861 | – | – | – |
| Long-term loans (secured) | 27 | 28,277 | 32,894 | 27,375 | – | – | – |
| Deferred tax liabilities | 28 | 1,893 | 2,033 | 1,842 | 108 | 108 | 108 |
| | | 31,077 | 36,072 | 30,960 | 19,195 | 15,649 | 14,327 |
| | | 123,626 | 125,841 | 122,955 | 41,476 | 45,819 | 48,094 |
| **Equity** | | | | | | | |
| Share capital | 29 | 35,896 | 35,722 | 35,722 | 35,896 | 35,722 | 35,722 |
| Reserves | 30 | 87,730 | 90,119 | 87,233 | 5,580 | 10,097 | 12,372 |
| | | 123,626 | 125,841 | 122,955 | 41,476 | 45,819 | 48,094 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 April 2019
(In Singapore Dollar)

| | Note | Equity, total | Equity attributable to owners of the Company, total | Share capital | Revenue reserve | Other reserves, total | Capital reserve | Foreign currency translation reserve | Discount on acquisition of non-controlling interest |
|---|---|---|---|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Group** | | | | | | | | | |
| Balance at 1 May 2017 *(As previously reported)* | | 123,893 | 123,893 | 35,722 | 104,742 | (16,571) | 424 | (17,197) | 202 |
| Effect of adoption of SFRS(I) 1 | | (538) | (538) | – | (538) | – | – | – | – |
| Effect of adoption of SFRS(I) 15 | | (400) | (400) | – | (400) | – | – | – | – |
| Balance at 1 May 2017 *(As restated)* | | 122,955 | 122,955 | 35,722 | 103,804 | (16,571) | 424 | (17,197) | 202 |
| Profit for the financial year | | 5,193 | 5,193 | – | 5,193 | – | – | – | – |
| Other comprehensive income for the financial year | | 1,227 | 1,227 | – | – | 1,227 | – | 1,227 | – |
| Total comprehensive income for the financial year | | 6,420 | 6,420 | – | 5,193 | 1,227 | – | 1,227 | – |
| *Contributions by and distributions to owners* | | | | | | | | | |
| Transfer from revenue reserve to capital reserve | | – | – | – | (22) | 22 | 22 | – | – |
| Dividend on ordinary shares | 31 | (3,534) | (3,534) | – | (3,534) | – | – | – | – |
| Total contributions by and distributions to owners | | (3,534) | (3,534) | – | (3,556) | 22 | 22 | – | – |
| Balance at 30 April 2018 *(As restated)* | | 125,841 | 125,841 | 35,722 | 105,441 | (15,322) | 446 | (15,970) | 202 |

The details of the nature of the reserves are set out in Note 30.

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# STATEMENTS OF CHANGES IN EQUITY (CONT'D)

For the financial year ended 30 April 2019
(In Singapore Dollar)

| | Note | Equity, total | Equity attributable to owners of the Company, total | Share capital | Revenue reserve | Other reserves, total | Capital reserve | Share-based compensation reserve | Foreign currency translation reserve | Discount on acquisition of non-controlling interest |
|---|---|---|---|---|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Group** | | | | | | | | | | |
| Balance at 1 May 2018 *(As previously reported)* | | 126,779 | 126,779 | 35,722 | 106,379 | (15,322) | 446 | – | (15,970) | 202 |
| Effect of adoption of SFRS(I) 1 | | (538) | (538) | – | (538) | – | – | – | – | – |
| Effect of adoption of SFRS(I) 15 | | (400) | (400) | – | (400) | – | – | – | – | – |
| Effect of adoption of SFRS(I) 9 | | (300) | (300) | – | (300) | – | – | – | – | – |
| Balance at 1 May 2018 *(As restated)* | | 125,541 | 125,541 | 35,722 | 105,141 | (15,322) | 446 | – | (15,970) | 202 |
| Profit for the financial year | | 474 | 474 | – | 474 | – | – | – | – | – |
| Other comprehensive income for the financial year | | (316) | (316) | – | – | (316) | – | – | (316) | – |
| Total comprehensive income for the financial year | | 158 | 158 | – | 474 | (316) | – | – | (316) | – |
| *Contributions by and distributions to owners* | | | | | | | | | | |
| Share issuance under performance share plan | | – | – | 174 | – | (174) | – | (174) | – | – |
| Share-based compensation expenses | | 283 | 283 | – | – | 283 | – | 283 | – | – |
| Dividend on ordinary shares | 31 | (2,356) | (2,356) | – | (2,356) | – | – | – | – | – |
| Total contributions by and distributions to owners | | (2,073) | (2,073) | 174 | (2,356) | 109 | – | 109 | – | – |
| Balance at 30 April 2019 | | 123,626 | 123,626 | 35,896 | 103,259 | (15,529) | 446 | 109 | (16,286) | 202 |

The details of the nature of the reserves are set out in Note 30.

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# STATEMENTS OF CHANGES IN EQUITY (CONT'D)

For the financial year ended 30 April 2019
(In Singapore Dollar)

| | Note | Equity, total | Equity attributable to owners of the Company, total | Share capital | Revenue reserve | Other reserves, total | Share-based compensation reserve |
|---|---|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Company** | | | | | | | |
| Balance at 1 May 2017 | | 48,094 | 48,094 | 35,722 | 12,372 | – | – |
| Profit for the financial year | | 1,259 | 1,259 | – | 1,259 | – | – |
| Total comprehensive income for the financial year | | 1,259 | 1,259 | – | 1,259 | – | – |
| *Contributions by and distributions to owners* | | | | | | | |
| Dividend on ordinary shares | 31 | (3,534) | (3,534) | – | (3,534) | – | – |
| Total contributions by and distributions to owners | | (3,534) | (3,534) | – | (3,534) | – | – |
| Balance at 30 April 2018 and 1 May 2018 | | 45,819 | 45,819 | 35,722 | 10,097 | – | – |
| Loss for the financial year | | (2,270) | (2,270) | – | (2,270) | – | – |
| Total comprehensive income for the financial year | | (2,270) | (2,270) | – | (2,270) | – | – |
| *Contributions by and distributions to owners* | | | | | | | |
| Shares issuance under performance share plan | | – | – | 174 | – | (174) | (174) |
| Share-based compensation expenses | | 283 | 283 | – | – | 283 | 283 |
| Dividend on ordinary shares | 31 | (2,356) | (2,356) | – | (2,356) | – | – |
| Total contributions by and distributions to owners | | (2,073) | (2,073) | 174 | (2,356) | 109 | 109 |
| Balance at 30 April 2019 | | 41,476 | 41,476 | 35,896 | 5,471 | 109 | 109 |

The details of the nature of the reserves are set out in Note 30.

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# CONSOLIDATED STATEMENT OF CASH FLOW

For the financial year ended 30 April 2019
(In Singapore Dollar)

| | Note | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Profit before taxation | | 2,235 | 8,226 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 12 | 7,275 | 7,698 |
| Gain on disposal of property, plant and equipment | 9 | (105) | (115) |
| Fair value loss/(gain) on derivatives | 9 | 54 | (27) |
| Bad debts recovered | 17 | (8) | (5) |
| Foreign currency translation adjustment | | (428) | 1,981 |
| Interest income | | (256) | (197) |
| Provision for/(write-back of) product warranties | 26 | 206 | (21) |
| Write-back of impairment loss on property, plant and equipment | 12 | (9) | (8) |
| Interest expense | 8 | 4,161 | 4,050 |
| Share of results of joint ventures | 14 | (297) | (1,637) |
| **Operating cash flows before changes in working capital** | | 12,828 | 19,945 |
| Increase in inventories | | (3,945) | (10,036) |
| Decrease in receivables | | 6,932 | 8,803 |
| (Decrease)/increase in payables | | (11,862) | 4,021 |
| **Cash flows from operations** | | 3,953 | 22,733 |
| Interest received | | 256 | 197 |
| Interest paid | | (4,161) | (4,050) |
| Income tax paid | | (2,071) | (2,607) |
| **Net cash flows (used in)/generated from operating activities** | | (2,023) | 16,273 |
| **Cash flows from investing activities:** | | | |
| Proceeds from disposal of property, plant and equipment | | 857 | 151 |
| Dividend received from joint venture company | 14 | 1,042 | 352 |
| Purchase of property, plant and equipment | | (2,604) | (4,927) |
| **Net cash flows used in investing activities** | | (705) | (4,424) |
| **Cash flows from financing activities:** | | | |
| Proceeds from long-term loans | | – | 17,560 |
| Proceeds from/(repayment of) trust receipts | | 1,549 | (9,629) |
| Proceeds from short-term loans | | 1,104 | 1,371 |
| Repayment of hire-purchase creditors | | (887) | (864) |
| Dividend paid to shareholders | | (2,356) | (3,534) |
| Repayment of long-term loans | | (4,492) | (16,575) |
| **Net cash flows used in financing activities** | | (5,082) | (11,671) |
| Net (decrease)/increase in cash and cash equivalents | | (7,810) | 178 |
| Cash and cash equivalents at beginning of financial year | | 21,877 | 21,693 |
| Effects of exchange rate changes on cash and cash equivalents at beginning of financial year | | (358) | 6 |
| **Cash and cash equivalents at end of financial year** | 20 | 13,709 | 21,877 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

## 1. Corporation information

Stamford Tyres Corporation Limited is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

Its registered office and principal place of business is at 19 Lok Yang Way, Singapore 628635.

The principal activity of the Company is that of an investment holding company and the principal activities of the subsidiary companies consist of the wholesale and retail of tyres and wheels, design and contract manufacturing of tyres for proprietary brands, tyre retreading, equipment trading, servicing of motor vehicles, and manufacturing and sale of aluminium alloy wheels. Details of the subsidiary companies are set out in Note 40.

## 2. Summary of significant accounting policies

### 2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

For all periods up to and including the year ended 30 April 2018, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 30 April 2019 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

The financial statements have been prepared on a historical cost basis except for certain financial instruments and financial assets that have been measured at their fair values.

The financial statements are presented in Singapore Dollar ("$") and all values are rounded to the nearest thousand ("$'000") except when otherwise indicated.

### 2.2 *First-time adoption of Singapore Financial Reporting Standards (International)*

The financial statements for the year ended 30 April 2019 are the first Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared the financial statements that comply with the SFRS(I) applicable as at 30 April 2019, together with the comparative period data for the year ended 30 April 2018, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheet were prepared as at 1 May 2017, the Group and the Company's date of transition to SFRS(I).

**2. Summary of significant accounting policies (cont'd)**

***2.2 First-time adoption of Singapore Financial Reporting Standards (International) (cont'd)***

The principal adjustments made by the Group on adoption of the new standards that are effective on 1 May 2018 are disclosed below.

**Exemptions applied on adoption of SFRS(I)**

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- SFRS(I) 3 *Business Combinations* has not been applied to either acquisitions of subsidiaries that are considered businesses under SFRS(I), or acquisitions of interests in associates and joint ventures that occurred before 1 May 2017. The carrying amounts of assets and liabilities at the date of transition to SFRS(I) is the same as previously reported under FRS.

- SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I). Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

- The comparative information do not comply with SFRS(I) 9 Financial Instruments or SFRS(I) 7 Financial Instruments: Disclosures to the extent the disclosures relate to items within the scope of SFRS(I) 9.

- Following the withdrawal Recommended Accounting Practice (RAP) 8 *Foreign income not remitted to Singapore*, the Group recognised an additional deferred tax liabilities of $538,000 for foreign income not remitted to Singapore by adjusting the retained earnings as at 1 May 2017.

**New accounting standards effective on 1 May 2018**

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 May 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

<u>SFRS(I) 9 *Financial Instruments*</u>

On 1 May 2018, the Group adopted SFRS(I) 9 Financial instruments, which is effective for annual periods beginning on or after 1 May 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 May 2019. The comparative information was prepared in accordance with the requirements of FRS 39.

## 2. Summary of significant accounting policies (cont'd)

### 2.2 *First-time adoption of Singapore Financial Reporting Standards (International) (cont'd)*

SFRS(I) 9 *Financial Instruments (cont'd)*

**Classification and measurement**

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL"). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 May 2018, and then applied retropectively to those financial assets that were not derecognied before 1 May 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. The Group has a mixed business model. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9. For debt instruments that were measured at FVOCI previously, the Group's business model is to hold the debt instrument to collect contractual cash flows and sell, and accordingly measured at FVOCI when it applies SFRS(I) 9. There is no significant impact arising from measurement of these instruments under SFRS(I) 9.

SFRS(I) 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income.

**Impairment**

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of SFRS(I) 9, the Group recognised additional impairment on the Company's trade receivables of $300,000. The additional impairment recognised arising from adoption of FRS 109 above resulted in a corresponding decrease in retained earnings of $300,000 as at 1 May 2018.

**2. Summary of significant accounting policies (cont'd)**

***2.2 First-time adoption of Singapore Financial Reporting Standards (International) (cont'd)***

SFRS(I) 9 *Financial Instruments (cont'd)*

**Impairment (cont'd)**

The reconciliation for loss allowance for the Group are as follows:

| | **Trade receivables** |
|---|---|
| | $'000 |
| At 1 May 2018 | 5,381 |
| Amount restated through opening retained earnings | 300 |
| Adjusted loss allowance | 5,681 |

SFRS(I) 15 *Revenue from contract with customers*

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 May 2018. The Group has applied SFRS(I) 15 retrospectively with the cumulative effect of initially applying SFRS(I) 15 recognised at the date of initial application as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application (i.e. 1 May 2017).

The Group is in the business of the wholesale and retail of tyres and wheels, design and contract manufacturing of tyres for proprietary brands, tyre retreading, equipment trading motor vehicle servicing and sale of aluminium alloy wheels. Revenue is recognised when the performance obligation is satisfied at one point, namely upon shipments or collections of goods and rendering of services. There is no significant impact arising from the adoption of SFRS(I) 15 except for the impact arising from complementary services to be provided in future as described below.

The Group sells tyres with complementary tyre rotation services to be provided in future. In addition, the Group also engages in bill-and-hold sales with customers which includes custodial services of the tyres before the customer takes delivery. Under SFRS(I) 15, the Group accounts for these complementary services in the future as a separate performance obligation to which the Group allocates a portion of the transaction price. The portion of the transaction price allocated to the complementary services in the future is initially recorded as a contract liability and recognised as revenue when the obligation is fulfilled.

Upon adoption of SFRS(I) 15, the Group recognised contract liabilities of $400,000 related to unfulfilled complementary services to be performed in the future as at 1 May 2017. The Group had also reclassified advances due from customers as contract liabilities of $1,105,000. As such, this resulted in the increase of contract liabilities of $1,483,000, the decrease in advances due from customers of $1,105,000 and a corresponding decrease in retained earnings of $378,000.

## 2. Summary of significant accounting policies (cont'd)

### 2.2 *First-time adoption of Singapore Financial Reporting Standards (International) (cont'd)*

The following is the reconciliation of the impact arising from the adoption of SFRS(I) 1 and SFRS(I) 15 on 1 May 2017 to the balance sheet of the Group.

| | 30.4.2017 | SFRS(I) 1 adjustments | SFRS(I) 15 adjustments | 1.5.2017 |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Non-current assets** | | | | |
| Property, plant and equipment | 70,679 | – | – | 70,679 |
| Joint venture companies | 16,862 | – | – | 16,862 |
| Associated company | 233 | – | – | 233 |
| Deferred tax assets | 3,109 | – | – | 3,109 |
| | 90,883 | – | – | 90,883 |
| **Current assets** | | | | |
| Inventories | 77,869 | – | – | 77,869 |
| Trade receivables | 67,467 | – | – | 67,467 |
| Derivatives | 70 | – | – | 70 |
| Other receivables | 4,665 | – | – | 4,665 |
| Prepayment and advances | 3,890 | – | – | 3,890 |
| Cash and cash equivalents | 21,693 | – | – | 21,693 |
| | 175,654 | – | – | 175,654 |
| **Current liabilities** | | | | |
| Trade payables | 20,465 | – | 400 | 20,865 |
| Trust receipts (secured) | 50,808 | – | – | 50,808 |
| Derivatives | 20 | – | – | 20 |
| Other payables | 18,711 | – | – | 18,711 |
| Loans (secured) | 17,980 | – | – | 17,980 |
| Hire-purchase liabilities | 807 | – | – | 807 |
| Provision | 689 | – | – | 689 |
| Provision for taxation | 2,742 | – | – | 2,742 |
| | 112,222 | – | 400 | 112,622 |
| **Net current assets** | 63,432 | – | (400) | 63,032 |
| **Non-current liabilities** | | | | |
| Hire-purchase liabilities | 882 | – | – | 882 |
| Provisions | 861 | – | – | 861 |
| Long-term loans (secured) | 27,375 | – | – | 27,375 |
| Deferred tax liabilities | 1,304 | 538 | – | 1,842 |
| | 30,422 | 538 | – | 30,960 |
| **Net assets** | 123,893 | (538) | (400) | 122,955 |
| **Equity** | | | | |
| Share capital | 35,722 | – | – | 35,722 |
| Reserves | 88,171 | (538) | (400) | 87,233 |
| | 123,893 | (538) | (400) | 122,955 |

## 2. Summary of significant accounting policies (cont'd)

### 2.2 *First-time adoption of Singapore Financial Reporting Standards (International) (cont'd)*

The following is the reconciliation of the impact arising from the adoption of SFRS(I) 1, SFRS(I) 9 and SFRS(I) 15 on 1 May 2018 to the balance sheet of the Group.

| | 30.4.2018 | SFRS(I) 1 adjustments | SFRS(I) 15 adjustments | 1.5.2018 | SFRS(I) 9 adjustments | 1.5.2018 |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Non-current assets** | | | | | | |
| Property, plant and equipment | 69,155 | – | – | 69,155 | – | 69,155 |
| Joint venture companies | 17,049 | – | – | 17,049 | – | 17,049 |
| Associated company | 238 | – | – | 238 | – | 238 |
| Deferred tax assets | 3,071 | – | – | 3,071 | – | 3,071 |
| | 89,513 | – | – | 89,513 | – | 89,513 |
| **Current assets** | | | | | | |
| Inventories | 87,905 | – | – | 87,905 | – | 87,905 |
| Trade receivables | 60,191 | – | – | 60,191 | (300) | 59,891 |
| Derivatives | 96 | – | – | 96 | – | 96 |
| Other receivables | 4,499 | – | – | 4,499 | – | 4,499 |
| Prepayment and advances | 2,534 | – | – | 2,534 | – | 2,534 |
| Cash and cash equivalents | 21,877 | – | – | 21,877 | – | 21,877 |
| | 177,102 | – | – | 177,102 | (300) | 176,802 |

**2. Summary of significant accounting policies (cont'd)**

***2.2 First-time adoption of Singapore Financial Reporting Standards (International) (cont'd)***

| | 30.4.2018 | SFRS(I) 1 adjustments | SFRS(I) 15 adjustments | 1.5.2018 | SFRS(I) 9 adjustments | 1.5.2018 |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Current liabilities** | | | | | | |
| Trade payables | 26,004 | – | 400 | 26,404 | – | 26,404 |
| Trust receipts (secured) | 41,349 | – | – | 41,349 | – | 41,349 |
| Derivatives | 19 | – | – | 19 | – | 19 |
| Other payables | 17,366 | – | – | 17,366 | – | 17,366 |
| Loans (secured) | 15,213 | – | – | 15,213 | – | 15,213 |
| Hire-purchase liabilities | 907 | – | – | 907 | – | 907 |
| Provision | 506 | – | – | 506 | – | 506 |
| Provision for taxation | 2,938 | – | – | 2,938 | – | 2,938 |
| | 104,302 | – | 400 | 104,702 | – | 104,702 |
| **Net current assets** | 72,800 | – | (400) | 72,400 | (300) | 72,100 |
| **Non-current liabilities** | | | | | | |
| Hire-purchase liabilities | 284 | – | – | 284 | – | 284 |
| Provisions | 861 | – | – | 861 | – | 861 |
| Long-term loans (secured) | 32,894 | – | – | 32,894 | – | 32,894 |
| Deferred tax liabilities | 1,495 | 538 | – | 2,033 | – | 2,033 |
| | 35,534 | 538 | – | 36,072 | – | 36,072 |
| **Net assets** | 126,779 | (538) | (400) | 125,841 | (300) | 125,541 |
| **Equity** | | | | | | |
| Share capital | 35,722 | – | – | 35,722 | – | 35,722 |
| Reserves | 91,057 | (538) | (400) | 90,119 | (300) | 89,819 |
| | 126,779 | (538) | (400) | 125,841 | (300) | 125,541 |

(In Singapore Dollar)

**2. Summary of significant accounting policies (cont'd)**

**2.3 *Standards issued but not yet effective***

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

| Description | Effective for annual periods beginning on or after |
|---|---|
| SFRS(I) 16 *Leases* | 1 January 2019 |
| SFRS(I) INT 23 *Uncertainty over Income Tax Treatments* | 1 January 2019 |
| Amendments to SFRS(I) 9: *Prepayment Features with Negative Compensation* | 1 January 2019 |
| Annual improvement to SFRS(I)s 2015-2017 | 1 January 2019 |
| Amendment to References to the Conceptual Framework in SFRS(I) Standards | 1 January 2020 |
| Amendments to Illustrative Examples, Implementations Guidance and SFRS(I) Practice Statements | 1 January 2020 |
| Amendments to SFRS(I) 3: *Definition of a Business* | 1 January 2020 |
| Amendments to SFRS(I) 1 & SFRS(I) 8: *Definition of Material* | 1 January 2020 |
| SFRS(I) 7 *Insurance Contracts* | 1 January 2021 |
| Amendments to SFRS(I) 1-28: *Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* | To be determined |

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below.

**2. Summary of significant accounting policies (cont'd)**

**2.3 *Standards issued but not yet effective (cont'd)***

SFRS(I) 16 *Leases*

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 May 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 May 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 May 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 May 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 May 2019
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

The Group is currently assessing the impact of the new standards and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, earnings before interest, taxes, depreciation and amortisation ("EBITDA") and gearing ratio.

**2. Summary of significant accounting policies (cont'd)**

***2.4 Basis of consolidation and business combinations***

(a) *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

**2. Summary of significant accounting policies (cont'd)**

***2.4 Basis of consolidation and business combinations (cont'd)***

(b) *Business combinations and goodwill*

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS(I).

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

**2. Summary of significant accounting policies (cont'd)**

**2.5 *Transactions with non-controlling interest***

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

**2.6 *Foreign currency***

The Group's consolidated financial statements are presented in Singapore Dollar, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on monetary items that for part of the Group's net investment in foreign operations are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

**2. Summary of significant accounting policies (cont'd)**

***2.6 Foreign currency (cont'd)***

(b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into Singapore Dollar ("SGD") at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

***2.7 Property, plant and equipment***

All items of property, plant and equipment are initially recorded at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.18.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably.

The initial cost of property, plant and equipment comprises its net purchase price after deducting for any trade discount and rebates, including import duties and non-refundable purchase taxes, any directly attributable costs of bringing the asset to its working condition and location for its intended use. The costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period of purposes other than to produce inventories during that period are capitalised. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to profit or loss in the period in which the costs are incurred.

In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of property, plant and equipment.

(In Singapore Dollar)

**2. Summary of significant accounting policies (cont'd)**

***2.7 Property, plant and equipment (cont'd)***

Depreciation is calculated so as to write off the cost of the assets on a straight line basis over the estimated useful lives of the assets concerned. The principal rates used for this purpose are:

| | | |
|---|---|---|
| Leasehold land and buildings | – | over their lease period, ranging from 1.7% to 5.6% per annum |
| Leasehold improvements | – | 5% to 10% per annum |
| Motor vehicles | – | 20% per annum |
| Plant and equipment | – | 10% to 20% per annum |
| Computer hardware and software | – | 33⅓% per annum |
| Furniture and fittings | – | 10% per annum |

Freehold land has an unlimited useful life and is therefore not depreciated. No depreciation is provided for construction-in-progress until it is completed and available for use.

Depreciation expense is charged in profit or loss up to the month of disposal or write-off. Fully depreciated assets are retained in the financial statements until they are no longer in use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at the end of each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

***2.8 Impairment of non-financial assets***

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

**2. Summary of significant accounting policies (cont'd)**

***2.8 Impairment of non-financial assets (cont'd)***

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

***2.9 Subsidiaries***

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiary companies are accounted for at cost less any impairment losses. Details of the subsidiary companies are set out in Note 40.

***2.10 Joint ventures and associate***

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

The Group account for its investments in associate and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

**2. Summary of significant accounting policies (cont'd)**

***2.10 Joint ventures and associate (cont'd)***

Under the equity method, the investment in associate or joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate or joint ventures. The profit or loss reflects the share of results of the operations of the associate or joint ventures. Distributions received from joint ventures or associate reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associate or joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate or joint venture. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

The most recent available audited financial statements of the associated companies or joint ventures are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not co-terminous with those of the Group, the share of results is arrived at from the last audited financial statements available and unaudited management financial statements to the end of the accounting period. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognises the retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

If the Group's ownership interest in an associate or joint venture is reduced, but the Group continues to apply the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

In the Company's separate financial statements, investments in associated companies or joint ventures are accounted for at cost less impairment losses. Details of the associated company and joint ventures are set out in Note 40.

**2. Summary of significant accounting policies (cont'd)**

**2.11 *Financial instruments***

The below accounting policies are effective before 1 May 2018:

(a) *Financial assets*

*Initial recognition and measurement*

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

(i) <u>Financial assets at fair value through profit or loss</u>

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group. Derivatives, including separated embedded derivatives are also classified as held for trading.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

**2. Summary of significant accounting policies (cont'd)**

***2.11 Financial instruments (cont'd)***

(a) *Financial assets (cont'd)*

*Subsequent measurement (cont'd)*

(ii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

The Group classifies the following financial assets as loans and receivables:

- cash and cash equivalents;
- trade and other receivables, amounts due from the subsidiary companies.

*De-recognition*

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

*Regular way purchases and sales*

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(b) *Financial liabilities*

*Initial recognition and measurement*

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

**2. Summary of significant accounting policies (cont'd)**

***2.11 Financial instruments (cont'd)***

(b) *Financial liabilities (cont'd)*

*Subsequent measurement*

The measurement of financial liabilities depends on their classification as follows:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

(ii) Financial liabilities at amortised cost

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

*De-recognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

**2. Summary of significant accounting policies (cont'd)**

***2.11 Financial instruments (cont'd)***

The below accounting policies are effective after 1 May 2018:

(a) *Financial assets*

*Initial recognition and measurement*

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

*Subsequent measurement*

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

(ii) Financial assets at fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

**2. Summary of significant accounting policies (cont'd)**

***2.11 Financial instruments (cont'd)***

*(a) Financial assets (cont'd)*

*Subsequent measurement (cont'd)*

Investments in debt instruments (cont'd)

(iii) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

*De-recognition*

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

*(b) Financial liabilities*

*Initial recognition and measurement*

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

*Subsequent measurement*

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

*De-recognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

**2. Summary of significant accounting policies (cont'd)**

**2.12 *Impairment of financial assets***

The below accounting policies are effective before 1 May 2018:

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

(a) *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

**2. Summary of significant accounting policies (cont'd)**

***2.12 Impairment of financial assets (cont'd)***

(b) *Financial assets carried at cost*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

The below accounting policies are effective after 1 May 2018:

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default ("a lifetime ECL").

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Group uses the probability of default approach for non-trade amounts and loans due from ultimate holding company and related companies. To estimate the loss allowance for credit losses, the Group perform recoverability assessments to derive the difference between contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, including cash flows from the sale of collateral that are integral to the contractual terms. The fair value of the collateral and forecast economic conditions in the recoverability assessment is a significant estimate where changes in which can result in different levels of allowances.

## 2. Summary of significant accounting policies (cont'd)

### 2.13 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

### 2.14 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average cost method and includes all costs in bringing the inventories to their present location and condition. In the case of manufactured and retread products, and work-in-progress, cost includes all direct expenditure and production overheads based on normal operating capacity. Net realisable value is the price at which the inventories can be realised in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from the existing state to a finished condition.

An allowance is made where necessary for obsolete, slow moving and defective inventories.

### 2.15 *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### 2.16 *Government grants*

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Grants in respect of specific expenses are taken to profit or loss in the same year as the relevant expenses.

### 2.17 *Financial guarantees*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

**2. Summary of significant accounting policies (cont'd)**

***2.18 Borrowing costs***

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

***2.19 Employee benefits***

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution schemes are recognised as an expense in the period in which the related service is performed.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the end of each reporting period.

(c) *Performance share plan*

Employees of the Group receive remuneration in the form of share awards as consideration for services rendered. The cost of these equity-settled share based payment transactions with employees is measured by reference to the fair value of the awards at the date on which the awards are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share based payment reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of awards that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period is recognised in employee benefits expense.

The employee share-based payment reserve is transferred to retained earnings upon expiry of the share plan.

## 2. Summary of significant accounting policies (cont'd)

### 2.20 *Hire-purchases*

Hire-purchases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the hire-purchase item, are capitalised at the present value of the minimum hire-purchase payments at the inception of the hire-purchase term. Any initial direct costs are also added to the amount capitalised. Hire-purchase payments are apportioned between the finance charges and reduction of the hire-purchase liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss. Depreciation on the relevant assets is charged to profit or loss on the basis outlined in Note 2.7.

### 2.21 *Operating leases*

*As lessee*

Leases where substantially all the risks and benefits of ownership of the lease effectively remain with the lessor are classified as operating leases.

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight line basis.

### 2.22 *Revenue recognition*

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) *Sales and services of tyres and wheels*

The Group sells and provides services of tyres and wheels. Revenue is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied. The amount of revenue recognised is based on the estimated transaction price, which comprises the contractual price.

The Group accounts for complementary services to be performed in the future as a separate performance obligation to which the Group allocates a portion of the transaction price. The portion of the transaction price allocated to the complementary services to be performed in the future is initially recorded as a contract liability and recognised as revenue when the obligation fulfilled.

## 2. Summary of significant accounting policies (cont'd)

### 2.22 *Revenue recognition (cont'd)*

(a) *Sales and services of tyres and wheels (cont'd)*

For its bill-and-hold arrangements, even though the Group has not yet delivered the goods to the customer, it has satisfied its performance obligation as control of the good has been transferred to the customer, and all of the following criteria are met: the reason for the bill-and-hold arrangement is substantive, the product is identified separately as belonging to the customer, the product currently is ready for physical transfer to the customer, and the Group does not have the ability to use the goods or to direct it to another customer.

(b) *Rental income*

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(c) *Dividend income*

Dividend income is recognised when the Group's right to receive payments is established.

(d) *Interest income*

Interest income is recognised using the effective interest method.

### 2.23 *Taxes*

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

**2. Summary of significant accounting policies (cont'd)**

***2.23 Taxes (cont'd)***

(b) *Deferred tax (cont'd)*

*Deferred tax liabilities are recognised for all taxable temporary differences, except:*

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss: and

- In respect of taxable temporary differences associated with investments in subsidiaries, associate and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and

- In respect of the deductible temporary differences associated with investments in subsidiaries, associate and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill or acquisition.

**2. Summary of significant accounting policies (cont'd)**

***2.23 Taxes (cont'd)***

(c) *Sales tax*

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

***2.24 Derivative financial instruments***

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to manage its risks associated with foreign currency and interest rate fluctuations.

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

***2.25 Segment reporting***

For management purposes, the Group is organised into operating segments based on their regions which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 39, including the factors used to identify the reportable segments and the measurement basis of segment information.

***2.26 Share capital and share issuance expenses***

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

**2. Summary of significant accounting policies (cont'd)**

**2.27 *Dividends***

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

**2.28 *Contingencies***

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

**3. Significant accounting estimates and judgements**

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

(a) *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

**3. Significant accounting estimates and judgements (cont'd)**

(a) *Key sources of estimation uncertainty (cont'd)*

(i) Useful lives of leasehold improvements, motor vehicles and plant and equipment

The cost of plant and equipment is depreciated on a straight-line basis over their respective estimated economic useful lives. Management estimates the useful lives of these leasehold improvement, motor vehicle and plant and equipment to be within 3 to 20 years. The carrying amount of the Group's total leasehold improvement, motor vehicles and plant and equipment as at 30 April 2019 was $16,734,000 (30 April 2018: $19,537,000, 1 May 2017: $20,115,000). Changes in the expected level of usage, technological developments as well as consumer preferences could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised and could have an impact on the profit in future years.

(ii) Allowance for inventories' obsolescence

Allowance for inventories' obsolescence is estimated based on the best available facts and circumstances at the end of each reporting period, including but not limited to, the inventories' own physical conditions, their expected market selling prices, estimated costs of completion and estimated costs to be incurred for their sales. The allowance is re-evaluated and adjusted as additional information received affects the amount estimated. The carrying amount of the inventories as at 30 April 2019 is $91,850,000 (30 April 2018: $87,905,000, 1 May 2017: $77,869,000).

(iii) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. An impairment loss of S$1,200,000 (30 April 2018: S$2,500,000, 1 May 2017: Nil) in the investment in a joint venture and an impairment loss of S$2,000,000 (30 April 2018: Nil, 1 May 2017: S$25,000) in the investment in a subsidiary was recognised for the Company in the financial year, further details are given in Note13 and 14 to the financial statements.

**3. Significant accounting estimates and judgements (cont'd)**

(a) *Key sources of estimation uncertainty (cont'd)*

(iv) Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The carrying amount of the Group's trade receivables after allowance for doubtful debts as at 30 April 2019 is \$54,722,000 (30 April 2018: \$60,191,000, 1 May 2017: \$67,467,000).

The information about the ECLs on the Group's trade receivables are disclosed in Note 35(c).

(b) *Critical judgements made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

(i) Income taxes

Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's provision for taxation, deferred tax assets and deferred tax liabilities at 30 April 2019 were \$2,487,000 (30 April 2018: \$2,938,000, 1 May 2017: 2,742,000), \$2,790,000 (30 April 2018: \$3,071,000, 1 May 2017: 3,109,000) and \$1,893,000 (30 April 2018: \$2,033,000, 1 May 2017: \$1,842,000), respectively.

**3. Significant accounting estimates and judgements (cont'd)**

(b) *Critical judgements made in applying accounting policies (cont'd)*

(ii) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

**4. Revenue**

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | $'000 | $'000 |
| Tyres and wheels: | | |
| - Wholesale and distribution | 183,488 | 194,902 |
| - Retail and fleet | 45,887 | 47,535 |
| | 229,375 | 242,437 |

The satisfaction of performance obligation over the above revenue stream is at a point in time.

Judgement and methods used in estimating revenue

For sale of tyres with complementary services, the Group uses its historical experience with the utilisation rates to estimate the number of tyre rotation services that are expected to be provided in the future.

For bill and hold sales of tyres, management has exercised judgement in the estimation of the amount of expected custodial services revenue that have yet to be earned. In making these estimates, management takes into consideration warehouse rental rates based on geographical areas, space required and duration of rent.

## 4. Revenue (cont'd)

Contract liabilities

Information about receivables and contract liabilities from contracts with customers is disclosed as follows:

| | Group | | |
|---|---|---|---|
| | **30.4.2019** | **30.4.2018** | **1.5.2017** |
| | $'000 | $'000 | $'000 |
| | | **Restated** | **Restated** |
| Receivables from contracts with customers (Note 17) | 54,722 | 60,191 | 67,467 |
| Contract liabilities (Note 21) | 1,483 | 816 | 1,038 |

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances received from customers for sale of bill and hold tyres, sale of tyres with complementary services and advances received from customers. Contract liabilities are recognised as revenue as the Group performs under the contract. Significant changes in contract liabilities is due to a change in time frame for a performance obligation to be satisfied.

Transaction price allocated to remaining performance obligation

The Group expects to recognise $1,377,000 as revenue relating to the transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 30 April 2019 in financial year 2020 and $106,000 in the financial year 2021

## 5. Other revenue

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | $'000 | $'000 |
| Interest income from bank deposits | 256 | 197 |
| Sundry income | 3,362 | 3,893 |
| Logistic service income | 1,138 | 1,243 |
| Government grants in respect of Jobs Credit Scheme | 43 | 85 |
| | 4,799 | 5,418 |

## 6. Cost of goods sold

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | $'000 | $'000 |
| Inventories recognised as an expense in cost of goods sold | 172,531 | 174,992 |

## 7. Salaries and employee benefits

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | $'000 | $'000 |
| Employee benefits expenses (including executive directors): | | |
| Salaries, wages and bonuses | 21,358 | 22,585 |
| Contributions to defined contribution plans | 1,096 | 1,278 |
| Share-based compensation expenses | 283 | – |
| Others | 4,531 | 4,955 |
| | 27,268 | 28,818 |
| Employee benefits are included in the following line items in profit or loss: | | |
| - Cost of goods sold | 4,377 | 4,205 |
| - Salaries and employee benefits | 22,891 | 24,613 |
| | 27,268 | 28,818 |

Performance share plan

In accordance with the STC Performance Share Plan 2017 ("PSP 2017"), eligible performance share plan holders of the Company accepted the grant of the Award of shares during the financial year. For the award granted on 29 November 2018, 33% of the awards vested on the date of grant, 33% of the awards vests on 29 November 2019, and the remaining of the awards vests on 30 November 2020. There are no cash settlement alternatives. The awards are to be settled by delivery of the Company's shares.

Movement of Awards during the financial year

The following table illustrates the number of and movements in shares during the financial year:

| | **2019** |
|---|---|
| | **No.** |
| Outstanding at 1 May | |
| - Granted | 1,800,000 |
| - Vested | (600,000) |
| Outstanding at 30 April | 1,200,000 |

The fair values of the performance shares are based on the share price of the Company as at the date of the grant.

## 8. Finance costs

| | Group 2019 | Group 2018 |
|---|---|---|
| | $'000 | $'000 |
| Interest expense on financial liabilities carried at amortised cost: | | |
| - Bank overdrafts, trust receipts and hire-purchase liabilities | 2,627 | 2,666 |
| - Bank loans | 1,534 | 1,384 |
| | 4,161 | 4,050 |

## 9. Profit before taxation

Profit before taxation is stated after charging/(crediting):

| | Note | Group 2019 | Group 2018 |
|---|---|---|---|
| | | $'000 | $'000 |
| Depreciation of property, plant and equipment (inclusive of charges included in cost of goods sold) | 12 | 7,275 | 7,698 |
| Foreign exchange loss | | 973 | 1,253 |
| (Write-back of)/allowance for inventory obsolescence | | (789) | 881 |
| Fair value loss/(gain) on derivatives | | 54 | (27) |
| Gain on disposal of property, plant and equipment | | (105) | (115) |
| Bad debts recovered | 17 | (8) | (5) |
| Allowance for doubtful trade receivables | 17 | 382 | 566 |
| (Write-back of)/allowance for other receivables | 19 | - | (87) |
| Audit fees: | | | |
| - Auditors of the Company | | 436 | 433 |
| - Other auditors | | 158 | 166 |

There are no non-audit fees paid to the auditors of the Company during the current and preceding financial years.

## 10. Taxation

***Major components of income tax expense***

The major components of income tax expense for the years ended 30 April 2019 and 2018 are:

| | Note | Group 2019 $'000 | Group 2018 $'000 |
|---|---|---|---|
| Income statement | | | |
| Current income taxation | | | |
| - Current year | | 1,611 | 2,711 |
| - Over-provision of tax in respect of prior years | | (56) | (172) |
| | | 1,555 | 2,539 |
| Deferred income taxation | | | |
| - Origination and reversal of temporary differences | 28 | (260) | 230 |
| - Under-provision of tax in respect of prior years | 28 | 398 | – |
| | | 138 | 230 |
| Withholding tax | | 68 | 264 |
| Income tax expenses recognised in profit or loss | | 1,761 | 3,033 |

***Relationship between tax expense and accounting profit***

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 30 April 2019 and 2018 are as follows:

| | Group 2019 $'000 | Group 2018 $'000 |
|---|---|---|
| Profit before taxation | 2,235 | 8,226 |
| Less: Share of results of joint ventures* | (297) | (1,637) |
| | 1,938 | 6,589 |
| Taxation at statutory tax rate of 17% (2018: 17%) | 329 | 1,121 |
| Adjustments: | | |
| - Effects of different tax rates in other countries | 11 | 186 |
| - Expenses not deductible for income tax purposes | 598 | 1,338 |
| - Deferred tax assets not recognised in the current year | 628 | 441 |
| - Partial tax exemption and tax relief | (34) | (52) |
| - Withholding tax | 68 | 264 |
| - Others | (181) | (93) |
| - Under-provision/(over-provision) of tax in respect of prior years | 342 | (172) |
| Taxation | 1,761 | 3,033 |

* These are presented net of tax in profit or loss.

## 10. Taxation (cont'd)

***Relationship between tax expense and accounting profit (cont'd)***

As at 30 April 2019, the Group, primarily through its subsidiary companies, has unutilised tax losses of approximately $28,251,000 (2018: $26,556,000) which may, subject to the agreement with the relevant tax authorities, be carried forward and utilised to set-off against future taxable profits. Except for an amount of $9,507,000 (2018: $8,722,000) which would expire in between 2020 and 2027 (2018: between 2019 and 2026), there is no time limit imposed on the utilisation of the remaining tax losses. The potential tax benefit of approximately $7,816,000 (2018: $7,284,000) arising from the unutilised tax losses has not been recognised in the financial statements due to the uncertainty of its recoverability.

## 11. Earnings per share

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share ("EPS") for the years ended 30 April:

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | $'000 | $'000 |
| ***Group earnings used for the calculation of EPS:*** | | |
| Profit net of tax attributable to Owners of the Company used in the computation of basic earnings per share | 474 | 5,193 |
| | '000 | '000 |
| ***Number of shares used for the calculation of basic and diluted EPS:*** | | |
| Weighted average number of ordinary shares in issue used for the calculation of basic EPS | 235,786 | 235,586 |

Basic EPS is calculated on the Group's profit for the financial year attributable to Owners of the Company divided by the weighted average number of ordinary shares in issue during the financial year.

Diluted EPS is calculated on the same basis as basic EPS as there are no dilutive potential ordinary shares as at 30 April 2019 and 30 April 2018.

## 12. Property, plant and equipment

| Group | Freehold land $'000 | Freehold building $'000 | Leasehold land and buildings $'000 | Leasehold improvements $'000 | Plant and equipment $'000 | Motor vehicles $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | |
| At 1 May 2017 | 12,901 | 577 | 53,540 | 9,952 | 84,927 | 7,039 | 168,936 |
| Foreign currency translation adjustment | 583 | (35) | 195 | 60 | 2,050 | 6 | 2,859 |
| Additions | 271 | – | 147 | 934 | 2,828 | 1,124 | 5,304 |
| Disposals/write-off | – | – | – | – | (750) | (317) | (1,067) |
| At 30 April 2018 and 1 May 2018 | 13,755 | 542 | 53,882 | 10,946 | 89,055 | 7,852 | 176,032 |
| Foreign currency translation adjustment | (254) | 16 | (48) | 62 | 595 | (127) | 244 |
| Additions | 14 | – | 46 | 205 | 2,208 | 104 | 2,577 |
| Disposals/write-off | (558) | (558) | (48) | (5) | (2,772) | (175) | (4,116) |
| At 30 April 2019 | 12,957 | – | 53,832 | 11,208 | 89,086 | 7,654 | 174,737 |
| Accumulated depreciation and impairment: | | | | | | | |
| At 1 May 2017 | – | 381 | 16,073 | 7,629 | 69,602 | 4,572 | 98,257 |
| Foreign currency translation adjustment | – | (24) | 138 | 103 | 1,707 | 33 | 1,957 |
| Charge for the financial year | – | 19 | 1,982 | 703 | 4,062 | 932 | 7,698 |
| Write-back of impairment loss | – | – | (8) | – | – | – | (8) |
| Disposals/write-off | – | – | – | – | (750) | (277) | (1,027) |
| At 30 April 2018 and 1 May 2018 | – | 376 | 18,185 | 8,435 | 74,621 | 5,260 | 106,877 |
| Foreign currency translation adjustment | – | 11 | 20 | 39 | 528 | (91) | 507 |
| Charge for the financial year | – | 11 | 1,924 | 677 | 3,797 | 866 | 7,275 |
| Write-back of impairment loss | – | – | (9) | – | – | – | (9) |
| Disposals/write-off | – | (398) | (48) | (5) | (2,755) | (158) | (3,364) |
| At 30 April 2019 | – | – | 20,072 | 9,146 | 76,191 | 5,877 | 111,286 |
| Net book value: | | | | | | | |
| At 30 April 2019 | 12,957 | – | 33,760 | 2,062 | 12,895 | 1,777 | 63,451 |
| At 30 April 2018 | 13,755 | 166 | 35,697 | 2,511 | 14,434 | 2,592 | 69,155 |
| At 1 May 2017 | 12,901 | 196 | 37,467 | 2,323 | 15,325 | 2,467 | 70,679 |

## 12. Property, plant and equipment (cont'd)

***Depreciation charge included in cost of goods sold***

Depreciation charge amounting to $2,427,000 (2018: $2,656,000) was included in cost of goods sold during the financial year.

***Assets pledged as security***

The Group's property, plant and equipment with a total net book value of $44,639,000 as at 30 April 2019 (2018: $47,591,000) are subject to legal mortgages and floating charges referred to in Notes 24 and 27.

***Assets held under hire-purchase***

No additions to plant and equipment for the financial year (2018: $377,000) acquired under hire-purchase agreements. The carrying amount of plant and equipment acquired under hire-purchase agreements amounted to $559,000 as at 30 April 2019 (2018: $2,439,000). These assets are pledged as security for the related hire-purchase liabilities referred to in Note 25.

## 13. Investment in subsidiaries and amounts due from/(to) subsidiary companies

| | | Company | | |
|---|---|---|---|---|
| | **Note** | **30.4.2019** | **30.4.2018** | **1.5.2017** |
| | | $'000 | $'000 | $'000 |
| ***Cost of investment*** | | | | |
| Unquoted equity shares, at cost | 40 | 83,104 | 82,122 | 78,122 |
| Less: Impairment loss | | (39,358) | (37,358) | (37,358) |
| | | 43,746 | 44,764 | 40,764 |
| Movement in impairment loss accounts: | | | | |
| At 1 May | | 37,358 | 37,358 | 37,333 |
| Charge for the financial year | | 2,000 | – | 25 |
| At 30 April | | 39,358 | 37,358 | 37,358 |

During the year, the Company carried out an impairment assessment on the recoverable amount of its investments in joint ventures. An impairment loss of S$2,000,000 (30 April 2018: Nil) for the investment in subsidiary was recognised in "Other operating expenses" line item of profit or loss of the Company for the financial year as its carrying amount exceeded its recoverable amount determined on its value-in-use. In determining the value-in-use, a pre-tax discount rate of 16.5% (2018: Nil) was applied.

## 13. Investment in subsidiaries and amounts due from/(to) subsidiary companies (cont'd)

| | Company | | |
|---|---|---|---|
| | **30.4.2019** | **30.4.2018** | **1.5.2017** |
| | $'000 | $'000 | $'000 |
| ***Amounts due from/(to) subsidiary companies*** | | | |
| Loan to a subsidiary company (unsecured) | 13,767 | 13,767 | 13,767 |
| Amounts due from subsidiary companies (non-trade) | 4,332 | 4,285 | 4,400 |
| | 18,099 | 18,052 | 18,167 |
| Less: Allowance for doubtful non-trade receivables from subsidiary companies | (3,834) | (3,728) | (3,856) |
| Amounts due from subsidiary companies | 14,265 | 14,324 | 14,311 |
| Amounts due to subsidiary companies (non-trade) | | | |
| - Current | – | (2,000) | – |
| - Non-current | (19,087) | (15,541) | (14,219) |
| | (19,087) | (17,541) | (14,219) |

Movement in allowance for doubtful non-trade receivables amounts due from subsidiary companies:

| | | | |
|---|---|---|---|
| At 1 May | 3,728 | 3,856 | 3,717 |
| Allowance/(write-back) for the financial year | 106 | (128) | 139 |
| At 30 April | 3,834 | 3,728 | 3,856 |

For the year ended 30 April 2019, an impairment loss of $106,000 (2018: write back on allowances of $128,000) was recognised in profit or loss of the Company following a debt recovery assessment performed on amounts due from subsidiary companies as at 30 April 2019 and 2018, respectively.

The amounts due from subsidiary companies (non-trade) are unsecured, non-interest bearing and repayable upon demand and are to be settled in cash.

The loan to a subsidiary company is unsecured, bears fixed interest at 2.89% (2018: 2.89%) per annum, with no repayment terms and is repayable only when the cash flows of the subsidiary company permits. The amount is not expected to be repaid in the next twelve months as the subsidiary company cannot repay this loan to the Company until the subsidiary company has repaid certain term loans it obtained from the banks (Note 27).

Details of the subsidiary companies are set out in Note 40.

## 14. Joint venture companies

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **30.4.2019** | **30.4.2018** | **1.5.2017** | **30.4.2019** | **30.4.2018** | **1.5.2017** |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Tyre Pacific (HK) Limited | 15,483 | 15,088 | 14,362 | 1,571 | 1,571 | 1,571 |
| Falken Tyre India Private Limited | 1,210 | 1,961 | 2,500 | 1,296 | 2,496 | 4,996 |
| | 16,693 | 17,049 | 16,862 | 2,867 | 4,067 | 6,567 |

In the current year, the Company carried out an impairment assessment on the recoverable amount of its investments in joint ventures. An impairment loss of S$1,200,000 (2018: $2,500,000) for the investment in joint venture was recognised in "Other operating expenses" line item of profit or loss of the Company for the financial year as its carrying amount exceeded its recoverable amount determined on its value-in-use. In determining the value-in-use, a pre-tax discount rate of 14.5% (2018: 13.0%) was applied.

Movement in investment in joint ventures during the year:

| | Group | | |
|---|---|---|---|
| | **30.4.2019** | **30.4.2018** | **1.5.2017** |
| | $'000 | $'000 | $'000 |
| At 1 May | 17,049 | 16,862 | 14,299 |
| Share of total comprehensive income | 297 | 1,637 | 1,987 |
| Dividends received | (1,042) | (352) | – |
| Exchange and other adjustments | 389 | (1,098) | 576 |
| At 30 April | 16,693 | 17,049 | 16,862 |

***Analysis of total comprehensive income***

Profit or loss after tax from continuing operations

| | Group | | |
|---|---|---|---|
| | **30.4.2019** | **30.4.2018** | **1.5.2017** |
| | $'000 | $'000 | $'000 |
| Tyre Pacific (HK) Limited | 1,008 | 1,972 | 1,799 |
| Falken Tyre India Private Limited | (711) | (335) | 188 |
| Total comprehensive income | 297 | 1,637 | 1,987 |

**14. Joint venture companies (cont'd)**

| | Tyre Pacific (HK) Limited | | | Falken Tyre India Private Limited | | |
|---|---|---|---|---|---|---|
| | **30.4.2019** | **30.4.2018** | **1.5.2017** | **30.4.2019** | **30.4.2018** | **1.5.2017** |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| ***Summarised balance sheet*** | | | | | | |
| Cash and cash equivalents | 16,570 | 11,848 | 11,160 | 2,360 | 413 | 260 |
| Other current assets | 18,158 | 21,754 | 23,224 | 6,835 | 12,310 | 14,170 |
| Total current assets | 34,728 | 33,602 | 34,384 | 9,195 | 12,723 | 14,430 |
| Non-current assets | 7,144 | 7,608 | 7,694 | 143 | 245 | 868 |
| Total assets | 41,872 | 41,210 | 42,078 | 9,338 | 12,968 | 15,298 |
| Current financial liabilities (excluding trade, other payables and provisions) | 4,430 | 4,176 | 5,448 | – | 1,788 | 763 |
| Other current liabilities | 6,476 | 6,858 | 7,906 | 4,615 | 4,302 | 6,247 |
| Total current liabilities | 10,906 | 11,034 | 13,354 | 4,615 | 6,090 | 7,010 |
| Non-current liabilities (excluding trade, other payables and provisions) | – | – | – | 1,540 | 1,833 | 1,888 |
| Other non-current liabilities | – | – | – | 158 | 142 | 150 |
| Total non-current liabilities | – | – | – | 1,698 | 1,975 | 2,038 |
| Total liabilities | 10,906 | 11,034 | 13,354 | 6,313 | 8,065 | 9,048 |
| Net assets | 30,966 | 30,176 | 28,724 | 3,025 | 4,903 | 6,250 |
| ***Summarised statement of comprehensive income*** | | | | | | |
| Revenue | 31,308 | 37,756 | 41,178 | 18,708 | 26,750 | 34,890 |
| Cost of goods sold | (23,358) | (26,440) | (30,736) | (12,900) | (17,703) | (23,455) |
| Depreciation and amortisation | (356) | (378) | (346) | (109) | (590) | (655) |
| Interest expense | (148) | (214) | (208) | (23) | (150) | (45) |
| Other expenditure | (4,808) | (5,848) | (5,286) | (7,453) | (9,145) | (10,265) |
| Profit before tax | 2,638 | 4,876 | 4,602 | (1,777) | (838) | 470 |
| Income tax expense | (622) | (932) | (1,004) | – | – | – |
| Total comprehensive income | 2,016 | 3,944 | 3,598 | (1,777) | (838) | 470 |

## 14. Joint venture companies (cont'd)

A reconciliation of the summarised financial information to the carrying amounts of Tyre Pacific (HK) Limited and Falken Tyre India Private Limited is as follows:

| | 30.4.2019 | 30.4.2018 | 1.5.2017 |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| ***Tyre Pacific (HK) Limited*** | | | |
| Group share of 50% of net assets | 15,483 | 15,088 | 14,362 |
| ***Falken Tyre India Private Limited*** | | | |
| Group share of 40% of net assets | 1,210 | 1,961 | 2,500 |

Details of the joint venture companies are set out in Note 40.

## 15. Associated company

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 30.4.2019 | 30.4.2018 | 1.5.2017 | 30.4.2019 | 30.4.2018 | 1.5.2017 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Unquoted equity shares, at cost | 72 | 72 | 72 | 72 | 72 | 72 |
| Share of post-acquisition reserves | 341 | 341 | 341 | – | – | – |
| Foreign currency translation adjustment | (171) | (175) | (180) | – | – | – |
| | 242 | 238 | 233 | 72 | 72 | 72 |
| Less: Impairment loss | – | – | – | (72) | (72) | (72) |
| | 242 | 238 | 233 | – | – | – |

The summarised financial information of the associated company is as follows:

| | 30.4.2019 | 30.4.2018 | 1.5.2017 |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| ***Assets and liabilities:*** | | | |
| Total assets | 496 | 489 | 479 |
| Total liabilities | (3) | (3) | (3) |
| Net assets | 493 | 486 | 476 |

Details of the associated company are set out in Note 40.

## 16. Inventories

| | Group | | |
|---|---|---|---|
| | 30.4.2019 | 30.4.2018 | 1.5.2017 |
| | $'000 | $'000 | $'000 |
| Inventories for sale | 83,226 | 78,742 | 70,062 |
| Raw materials | 7,262 | 7,163 | 6,490 |
| Work-in-progress - aluminium alloy wheels | 1,362 | 2,000 | 1,317 |
| Total inventories at lower of cost or net realisable value | 91,850 | 87,905 | 77,869 |
| Inventories for sale are stated after deducting allowance for obsolescence of: | 10,761 | 11,573 | 10,654 |

## 17. Trade receivables

| | Group | | |
|---|---|---|---|
| | 30.4.2019 | 30.4.2018 | 1.5.2017 |
| | $'000 | $'000 | $'000 |
| External parties | 59,890 | 65,506 | 76,163 |
| Amount due from joint venture company | 32 | 66 | 38 |
| Less: Allowance for doubtful trade receivables | (5,200) | (5,381) | (8,734) |
| | 54,722 | 60,191 | 67,467 |
| Bad debts recovered | (8) | (5) | (8) |

Trade receivables are denominated in the following currencies:

| | 30.4.2019 | 30.4.2018 | 1.5.2017 |
|---|---|---|---|
| Ringgit Malaysia | 17,183 | 18,648 | 21,296 |
| Indonesian Rupiah | 8,710 | 9,626 | 11,174 |
| Singapore Dollar | 8,518 | 10,117 | 10,221 |
| Thai Baht | 7,665 | 8,244 | 9,920 |
| United States Dollar | 3,593 | 4,001 | 4,296 |
| Australian Dollar | 2,331 | 2,394 | 2,657 |
| South African Rand | 2,315 | 2,261 | 3,222 |
| Euro | 2,206 | 2,294 | 2,112 |
| Hong Kong Dollar | 881 | 993 | 1,462 |
| Others | 1,320 | 1,613 | 1,107 |
| | 54,722 | 60,191 | 67,467 |

External trade receivables and amount due from joint venture company are non-interest bearing which are generally on 30 to 120 days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition. At the end of the reporting period, trade receivables arising from export sales amounting to $479,000 (2018: $1,078,000) are supported by letters of credits issued by banks in countries where the customers are based.

## 17. Trade receivables (cont'd)

***Receivables that are past due but not impaired***

The Group has trade receivables amounting to $24,904,000 as at 30 April 2018 and $30,314,000 as at 1 May 2017 that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of each reporting period is as follows:

| | Group | |
|---|---|---|
| | **30.4.2018** | **1.5.2017** |
| | $'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 |
| | 24,904 | 30,314 |

***Receivables that are impaired***

The Group's trade receivables that are impaired at the end of each reporting period and the movement of the allowance accounts used to record the impairment are as follows:

| | | |
|---|---|---|
| Trade receivables – nominal amounts | 5,381 | 8,734 |
| Less: Allowance for doubtful trade receivables | (5,381) | (8,734) |
| | – | – |

Movement in allowance accounts:

| | | |
|---|---|---|
| At 1 May | 8,734 | 8,243 |
| Charge for the year (Note 9) | 566 | 1,812 |
| Written-off against allowance | (3,823) | (1,505) |
| Foreign currency translation adjustment | (96) | 184 |
| At 30 April | 5,381 | 8,734 |

For the year ended 30 April 2018, an impairment loss of $566,000 (2017: $1,812,000) was recognised in profit or loss following a debt recovery assessment performed on trade receivables as at 30 April 2018.

## 17. Trade receivables (cont'd)

***Expected credit losses***

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

| | Group 30.4.2019 $'000 |
|---|---|
| Movement in allowance accounts: | |
| At 1 May | 5,681 |
| Charge for the year | 382 |
| Written off | (828) |
| Exchange differences | (35) |
| At 30 April | 5,200 |

## 18. Derivatives

| | | Group Fair value | | | | | |
|---|---|---|---|---|---|---|---|
| | | **Assets 30.4.2019** | **Liabilities 30.4.2019** | **Assets 30.4.2018** | **Liabilities 30.4.2018** | **Assets 1.5.2017** | **Liabilities 1.5.2017** |
| | | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Non-hedging instrument | | | | | | | |
| - Forward currency contracts | (a) | 30 | (23) | 69 | (19) | 70 | (16) |
| - Interest rate swap | (b) | 16 | – | 27 | – | – | (4) |
| | | 46 | (23) | 96 | (19) | 70 | (20) |

| | | Company Fair value | | | | | |
|---|---|---|---|---|---|---|---|
| | | **Assets 30.4.2019** | **Liabilities 30.4.2019** | **Assets 30.4.2018** | **Liabilities 30.4.2018** | **Assets 1.5.2017** | **Liabilities 1.5.2017** |
| | | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Non-hedging instrument | | | | | | | |
| - Forward currency contracts | (a) | 25 | – | 69 | – | 54 | – |

## 18. Derivatives (cont'd)

(a) *Foreign exchange forward contracts*

The Group and the Company use foreign currency contracts to manage the risk against currency fluctuations in connection with payments to overseas suppliers and receipts from overseas customers and inter-company receivables and payables. The contractual amounts to be paid or received and contractual exchange rates of the outstanding contracts at the end of each reporting period are as follows:

| | Group Contractual/notional amounts | | |
|---|---|---|---|
| | **30.4.2019** | **30.4.2018** | **1.5.2017** |
| | $'000 | $'000 | $'000 |
| To sell Singapore Dollar for: | | | |
| - United States Dollar | 704 | 792 | 2,198 |
| - Euro | 1,314 | 806 | 1,745 |
| | 2,018 | 1,598 | 3,943 |
| To sell South African Rand for: | | | |
| - United States Dollar | – | – | 84 |
| - Singapore Dollar | – | – | 61 |
| | – | – | 145 |
| To sell Thai Baht for: | | | |
| - United States Dollar | 54 | 95 | 291 |
| - Singapore Dollar | – | – | 140 |
| | 54 | 95 | 431 |
| To buy Singapore Dollar for: | | | |
| - Australian Dollar | 6,179 | 6,166 | 5,400 |
| - United States Dollar | 5,046 | 2,363 | 1,397 |
| - South African Rand | 1,557 | 1,250 | 2,782 |
| - Euro | 1,202 | 1,973 | 2,207 |
| | 13,984 | 11,752 | 11,786 |
| To buy Thai Baht for: | | | |
| - United States Dollar | 3,311 | 3,329 | 4,550 |
| - Singapore Dollar | – | 76 | 644 |
| - Euro | 18 | 153 | 18 |
| | 3,329 | 3,558 | 5,212 |

| | Company Contractual/notional amounts | | |
|---|---|---|---|
| | **30.4.2019** | **30.4.2018** | **1.5.2017** |
| | $'000 | $'000 | $'000 |
| To buy Singapore Dollar for Australian Dollar | 2,378 | 2,522 | 2,592 |

**18. Derivatives (cont'd)**

(b) *Interest rate swap*

The subsidiary company entered into interest rate swap of $10,000,000 in 2014 to manage its exposure to interest rate fluctuation. The interest rate swap pays floating rate interest equal to 1-month Swap Offer Rate ("SOR") and receives a fixed rate of interest of 0.99% per annum. The interest rate swap matured on 6 June 2017.

The same subsidiary company entered into another interest rate swap of $8,000,000 in 2017 to manage its exposure to interest rate fluctuation. The interest rate swap pays floating rate interest equal to 1-month Swap Offer Rate ("SOR") and receives a fixed rate of interest of 1.27% per annum. This interest rate swap will mature on 15 August 2019.

**19. Other receivables, prepayments and advances**

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **30.4.2019** | **30.4.2018** | **1.5.2017** | **30.4.2019** | **30.4.2018** | **1.5.2017** |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| ***Financial assets*** | | | | | | |
| Amounts due from: | | | | | | |
| - Joint venture company | 58 | 56 | 60 | 58 | 56 | 60 |
| - Shareholders of subsidiary companies | – | – | – | 244 | 244 | 244 |
| Sundry receivables | 2,398 | 3,746 | 3,987 | 1 | 1 | 1 |
| Deposits to suppliers | 716 | 800 | 816 | – | – | – |
| Staff loans | 115 | 107 | 99 | – | – | – |
| | 3,287 | 4,709 | 4,962 | 303 | 301 | 305 |
| Less: Allowance for doubtful receivables | (210) | (210) | (297) | (209) | (209) | (209) |
| | 3,077 | 4,499 | 4,665 | 94 | 92 | 96 |
| ***Non-financial assets*** | | | | | | |
| *Prepayments and advances* | | | | | | |
| Prepaid operating expenses | 1,428 | 1,585 | 1,047 | 22 | 28 | 21 |
| Advance payment for purchases | 1,073 | 949 | 2,843 | – | – | – |
| | 2,501 | 2,534 | 3,890 | 22 | 28 | 21 |

Movement in allowance accounts:

| | | | | | | |
|---|---|---|---|---|---|---|
| At 1 May | 210 | 297 | 293 | 209 | 209 | 209 |
| (Write-back of)/provision for the year | – | (87) | 4 | – | – | – |
| At 30 April | 210 | 210 | 297 | 209 | 209 | 209 |

## 19. Other receivables, prepayments and advances (cont'd)

The non-trade amounts due from the joint venture company and shareholders of subsidiary companies are unsecured, interest-free and are repayable on demand. The amounts are to be settled in cash.

The deposits to suppliers are unsecured and interest-free. The deposits are refundable at the end of the manufacturing contracts.

Staff loans are unsecured, bear interest at rates at 6.50% (2018: 6.50%) per annum and repayable within the next 12 months.

The advance payment for purchases is unsecured, interest-free and is deductible against the amount payable on purchases from these suppliers.

## 20. Cash and cash equivalents

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **30.4.2019** | **30.4.2018** | **1.5.2017** | **30.4.2019** | **30.4.2018** | **1.5.2017** |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Cash at bank and on hand | 13,709 | 21,877 | 21,693 | 300 | 686 | 1,225 |

Cash and cash equivalents are denominated in the following currencies:

| | | | | | | |
|---|---|---|---|---|---|---|
| South African Rand | 2,431 | 3,818 | 3,448 | – | – | – |
| Ringgit Malaysia | 2,358 | 2,875 | 3,668 | – | – | – |
| Thai Baht | 2,132 | 1,811 | 1,761 | – | – | – |
| Singapore Dollar | 2,078 | 2,432 | 7,098 | 294 | 680 | 1,219 |
| Indonesian Rupiah | 1,559 | 5,909 | 1,983 | – | – | – |
| Chinese Renminbi | 1,080 | 1,804 | – | – | – | – |
| Hong Kong Dollar | 1,044 | 1,191 | 1,629 | – | – | – |
| United States Dollar | 506 | 792 | 855 | 6 | 6 | 6 |
| Others | 521 | 1,245 | 1,251 | – | – | – |
| | 13,709 | 21,877 | 21,693 | 300 | 686 | 1,225 |

Cash at bank earns interest at floating rates based on daily bank deposits rates ranging from 0.01% to 2.00% (2018: 0.01% to 2.00%) per annum.

## 21. Trade payables

| | Group | | |
|---|---|---|---|
| | 30.4.2019 | 30.4.2018 | 1.5.2017 |
| | $'000 | $'000 | $'000 |
| External parties | 15,303 | 24,852 | 19,055 |
| Contract liabilities | 1,483 | 816 | 1,038 |
| Others | 659 | 736 | 772 |
| | 17,445 | 26,404 | 20,865 |

Trade payables are denominated in the following currencies:

| | | | |
|---|---|---|---|
| Ringgit Malaysia | 3,498 | 2,957 | 3,579 |
| Singapore Dollar | 3,183 | 3,296 | 3,372 |
| United States Dollar | 2,420 | 6,810 | 5,215 |
| Euro | 1,841 | 898 | 2,400 |
| South African Rand | 1,659 | 2,367 | 965 |
| Chinese Renminbi | 1,506 | 6,583 | – |
| Indonesian Rupiah | 1,323 | 1,101 | 1,503 |
| Australian Dollar | 1,037 | 1,003 | 1,972 |
| Thai Baht | 459 | 1,258 | 1,387 |
| Others | 519 | 131 | 472 |
| | 17,445 | 26,404 | 20,865 |

These amounts are non-interest bearing. Trade payables are normally settled on 120 days terms.

## 22. Trust receipts (secured)

Trust receipts have maturity dates of up to 6 (2018: 6) months and are secured by corporate guarantees from the Company, a negative pledge over the assets, excluding its leasehold buildings, of subsidiary companies. These facilities are subject to compliance with certain financial covenants.

The trust receipts bear interest at rates ranging from 2.56% to 12.50% (2018: 2.08% to 12.50%) per annum. The weighted average interest rate of the Group's trust receipts is 5.31% (2018: 5.02%) per annum.

## 22. Trust receipts (secured) (cont'd)

Trust receipts are denominated in the following currencies:

| | Group | | |
|---|---|---|---|
| | **30.4.2019** | **30.4.2018** | **1.5.2017** |
| | $'000 | $'000 | $'000 |
| Singapore Dollar | 13,497 | 7,777 | 13,269 |
| United States Dollar | 7,725 | 9,562 | 8,645 |
| Thai Baht | 7,238 | 10,444 | 11,356 |
| Indonesian Rupiah | 6,830 | 6,103 | 6,133 |
| Ringgit Malaysia | 5,318 | 3,660 | 5,548 |
| Australian Dollar | 1,430 | 1,918 | 1,860 |
| South African Rand | 743 | 1,544 | 2,902 |
| Hong Kong Dollar | – | 341 | 1,095 |
| | 42,781 | 41,349 | 50,808 |

## 23. Other payables

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **30.4.2019** | **30.4.2018** | **1.5.2017** | **30.4.2019** | **30.4.2018** | **1.5.2017** |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| ***Financial liabilities*** | | | | | | |
| Amounts due to associated company | 311 | 307 | 299 | 89 | 89 | 89 |
| Payroll and staff related expenses | 3,651 | 4,377 | 4,480 | – | – | – |
| Sundry payables | 4,372 | 6,051 | 6,060 | – | – | 48 |
| Accrued operating expenses | 6,338 | 6,631 | 7,872 | 528 | 437 | 468 |
| | 14,672 | 17,366 | 18,711 | 617 | 526 | 605 |

The non-trade amounts due to the associated company are unsecured, interest-free and repayable on demand.

## 24. Loans (secured)

| | | Group | | |
|---|---|---|---|---|
| | Note | 30.4.2019 | 30.4.2018 | 1.5.2017 |
| | | $'000 | $'000 | $'000 |
| Short-term loans (revolving credit facilities) | | 4,339 | 3,207 | 1,858 |
| Long-term loans - current portion | 27 | 11,940 | 12,006 | 16,122 |
| | | 16,279 | 15,213 | 17,980 |

The short-term loans are secured by negative pledge over the assets of certain subsidiary companies, excluding their hire-purchase assets, and corporate guarantees from the Company. The short-term loans bear interest at rates ranging from 2.95% to 7.00% (2018: 2.63% to 6.85%) per annum. The weighted average interest rate of the Group's short-term loans is 3.85% (2018: 4.28%) per annum.

Short-term loans are denominated in the following currencies:

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | Effective interest rate | | | | | |
| | 30.4.2019 | 30.4.2018 | 1.5.2017 | 30.4.2019 | 30.4.2018 | 1.5.2017 |
| | % | % | % | $'000 | $'000 | $'000 |
| Thai Baht loans | 3.98 | 4.11 | 4.27 | 853 | 841 | 807 |
| Singapore Dollar loans | 3.57 | 3.43 | – | 3,000 | 1,000 | – |
| Vietnamese Dong loans | 5.73 | 5.24 | 8.41 | 486 | 1,029 | 1,051 |
| Hong Kong Dollar loans | – | 3.41 | – | – | 337 | – |
| | | | | 4,339 | 3,207 | 1,858 |

## 25. Hire-purchase liabilities

The future minimum payments under hire-purchase agreements to acquire motor vehicles and plant and equipment are as follows:

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | **Minimum payments 30.4.2019** | **Present value of payments 30.4.2019** | **Minimum payments 30.4.2018** | **Present value of payments 30.4.2018** | **Minimum payments 1.5.2017** | **Present value of payments 1.5.2017** |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Within one year | 195 | 182 | 975 | 907 | 893 | 807 |
| After one year but not more than five years | 83 | 73 | 335 | 284 | 984 | 882 |
| Total minimum hire-purchase payments | 278 | 255 | 1,310 | 1,191 | 1,877 | 1,689 |
| Less: Amounts representing finance charges | (23) | – | (119) | – | (188) | – |
| Present value of minimum hire-purchase payments | 255 | 255 | 1,191 | 1,191 | 1,689 | 1,689 |

Effective interest rates on the hire-purchase arrangements range from 6.54% to 12.56% (2018: 3.41% to 12.56%) per annum.

## 26. Provisions

| | Group | | |
|---|---|---|---|
| | **30.4.2019** | **30.4.2018** | **1.5.2017** |
| | $'000 | $'000 | $'000 |
| **Current liabilities:** | | | |
| Provision for product warranties | | | |
| At 1 May | 506 | 689 | 639 |
| Provision for/(write-back of) the year | 206 | (21) | 305 |
| Provision utilised during the year | (203) | (162) | (255) |
| At 30 April | 509 | 506 | 689 |

A provision is recognised for expected warranty claims on proprietary products sold during the financial year based on past experience of the level of returns.

**26. Provisions (cont'd)**

| | Group | | |
|---|---|---|---|
| | **30.4.2019** | **30.4.2018** | **1.5.2017** |
| | $'000 | $'000 | $'000 |
| ***Non-current liabilities:*** | | | |
| Provision for reinstatement cost | | | |
| At 1 May | 861 | 861 | 820 |
| Provision for the year | 21 | – | 41 |
| Provision utilised during the year | (48) | – | – |
| At 30 April | 834 | 861 | 861 |

Provision for reinstatement cost refers to the estimated cost of dismantling, removing and restoring the leasehold properties at the end of the lease term.

**27. Long-term loans (secured)**

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | Effective interest rate | | | | | |
| | **30.4.2019** | **30.4.2018** | **1.5.2017** | **30.4.2019** | **30.4.2018** | **1.5.2017** |
| | % | % | % | $'000 | $'000 | $'000 |
| ***Current*** | | | | | | |
| Singapore Dollar loans | 3.83 | 3.34 | 3.38 | 11,265 | 11,256 | 15,333 |
| Ringgit Malaysia loans | 5.05 | 4.67 | 4.81 | 604 | 576 | 540 |
| Indonesian Rupiah loan | 7.32 | 13.78 | 13.92 | 2 | 78 | 136 |
| Thai Baht loan | 6.31 | 5.88 | 5.40 | 69 | 96 | 92 |
| British Pound loan | – | – | 1.35 | – | – | 21 |
| | | | | 11,940 | 12,006 | 16,122 |
| ***Non-current*** | | | | | | |
| Singapore Dollar loans | 3.83 | 3.34 | 3.38 | 21,683 | 25,446 | 19,582 |
| Ringgit Malaysia loans | 5.05 | 4.67 | 4.81 | 6,594 | 7,377 | 7,547 |
| Thai Baht loan | 6.31 | 5.88 | 5.40 | – | 68 | 157 |
| Indonesian Rupiah loan | 7.32 | 13.78 | 13.92 | – | 3 | 89 |
| | | | | 28,277 | 32,894 | 27,375 |

All loans are subject to compliance with financial covenants and are secured by corporate guarantees from the Company, property, plant and equipment of certain subsidiary companies and negative pledge over the assets of certain subsidiaries, excluding their hire-purchase assets.

**27. Long-term loans (secured) (cont'd)**

Included in the Singapore dollar loans as at 30 April 2019 are 4 loans (2018: 4 loans) with current and non-current portions amounting to $10,950,000 (2018: $10,950,000) and $18,170,000 (2018: $21,620,000), respectively. The subsidiary company is not permitted to repay the loan from the Company amounting to $13,767,000 (2018: $13,767,000) (Note 13) until these loans have been repaid.

A reconciliation of liabilities arising from financing activities is as follows:

| | | | Non-cash changes | | |
|---|---|---|---|---|---|
| | **2018** | **Cash flows** | **Foreign exchange movement** | **Other** | **2019** |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Long-term loans (Current and non-current) | 44,900 | (4,492) | (191) | – | 40,217 |
| Short-term loans | 3,207 | 1,104 | 28 | – | 4,339 |
| Trust receipts | 41,349 | 1,549 | (117) | – | 42,781 |
| Hire-purchase liabilities (Current and non-current) | 1,191 | (887) | (49) | – | 255 |
| | 90,647 | (2,726) | (329) | – | 87,592 |

| | | | Non-cash changes | | |
|---|---|---|---|---|---|
| | **2017** | **Cash flows** | **Foreign exchange movement** | **Other** | **2018** |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Long-term loans (Current and non-current) | 43,497 | 985 | 418 | – | 44,900 |
| Short-term loans | 1,858 | 1,371 | (22) | – | 3,207 |
| Trust receipts | 50,808 | (9,629) | 170 | – | 41,349 |
| Hire-purchase liabilities (Current and non-current) | 1,689 | (864) | (11) | 377 | 1,191 |
| | 97,852 | (8,137) | 555 | 377 | 90,647 |

The 'Other' column relates to current year purchase of property-plant and equipment under hire-purchase agreements.

**28. Deferred taxation**

| | Note | Group 30.4.2019 | Group 30.4.2018 | Group 1.5.2017 | Company 30.4.2019 | Company 30.4.2018 | Company 1.5.2017 |
|---|---|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| At 1 May (Restated) | | 1,038 | 1,267 | 1,003 | (108) | (108) | (108) |
| Foreign currency translation adjustment | | (3) | 1 | 81 | – | – | – |
| Origination and reversal of temporary differences | 10 | 260 | (230) | (97) | – | – | – |
| (Under)/over-provision of deferred tax expense in respect of prior years | 10 | (398) | – | 280 | – | – | – |
| | | 897 | 1,038 | 1,267 | (108) | (108) | (108) |
| Represented by: | | | | | | | |
| - Deferred tax assets | | 2,790 | 3,071 | 3,109 | – | – | – |
| - Deferred tax liabilities | | (1,893) | (2,033) | (1,842) | (108) | (108) | (108) |
| | | 897 | 1,038 | 1,267 | (108) | (108) | (108) |

The deferred tax assets and liabilities arise from the following temporary differences:

| | Property, plant and equipment | Receivables | Inventories | Unremitted foreign sourced income | Provision, accruals and others | Total |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Group** | | | | | | |
| **30.4.2019** | | | | | | |
| At 1 May | (1,014) | 1,065 | 1,694 | (1,018) | 311 | 1,038 |
| Movement for the year | 128 | (394) | (60) | 23 | 165 | (138) |
| Foreign currency translation adjustment | (2) | (7) | 5 | – | 1 | (3) |
| At 30 April | (888) | 664 | 1,639 | (995) | 477 | 897 |
| **30.4.2018** | | | | | | |
| At 1 May | (781) | 935 | 1,837 | (1,065) | 341 | 1,267 |
| Movement for the year | (241) | 144 | (147) | 47 | (33) | (230) |
| Foreign currency translation adjustment | 8 | (14) | 4 | – | 3 | 1 |
| At 30 April | (1,014) | 1,065 | 1,694 | (1,018) | 311 | 1,038 |

The deferred tax liabilities of the Company relate to unremitted foreign sourced income.

## 29. Share capital

| | Group and Company | | | |
|---|---|---|---|---|
| | **Number of shares 2019** | **Share capital 2019** | **Number of shares 2018** | **Share capital 2018** |
| | '000 | $'000 | '000 | $'000 |
| Issued and fully paid: | | | | |
| At beginning of financial year | 235,586 | 35,722 | 235,586 | 35,722 |
| Share issuance under performance share plan | 600 | 174 | – | – |
| At end of financial year | 236,186 | 35,896 | 235,586 | 35,722 |

The holders of the ordinary shares are entitled to receive dividends as and when declared by the Company. Each ordinary share carries one vote without restriction. The ordinary shares have no par value.

## 30. Reserves – Group and Company

(a) *Capital reserve*

Capital reserve represents proceeds from issuance of warrants and non-distributable amounts set aside in compliance with local laws of certain overseas subsidiary company.

(b) *Revenue reserve*

This represents the accumulated profits less distributions made to the shareholders of the Company.

(c) *Foreign currency translation reserve*

This comprises foreign exchange differences arising from the translation of the financial statements of overseas subsidiary, associated and joint venture companies and from the translation of long-term inter-company advances which are effectively part of net investments in the subsidiary companies.

(d) *Discount on acquisition of non-controlling interest*

The discount on acquisition of non-controlling interest represents the difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid that is recognised directly in equity and attributed to the parent. Such changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

**30. Reserves – Group and Company (cont'd)**

(e) *Share-based compensation reserve*

The share-based compensation reserve comprises the cumulative value of services received from employees and directors recorded in respect of grant of share awards.

The movement in the reserves are shown in the statements of changes in equity.

**31. Dividend**

| | Group and Company | |
|---|---|---|
| | **2019** | **2018** |
| | $'000 | $'000 |
| Final exempt (one-tier) dividend of 1.0 cents (2018: 1.5 cent), per share in respect of the previous financial year | 2,356 | 3,534 |
| Dividend declared and paid during the year | 2,356 | 3,534 |

The directors have proposed but not recognised as a liability of a final exempt (one-tier) dividend of 1.0 cent (2018: 1.0 cents) per share amounting to approximately $2,362,000 (2018: $2,356,000) to be paid in respect of the financial year ended 30 April 2019. The dividend will be recorded as a liability on the balance sheets of the Company and Group upon approval by the shareholders of the Company at the next Annual General Meeting of the Company.

## 32. Commitments

(i) *Operating lease commitments – as lessee*

The Group leases office premises, warehousing facilities and retail outlets under operating leases. The leases typically run for an initial period of 2 to 30 years, with an option to renew the leases after that date. Lease rentals are usually adjusted during the renewals to reflect market rentals. There were no restrictions placed upon the Group by entering into these leases.

As at financial year end, commitments for minimum rental payments under non-cancellable leases with a term of more than one year are as follows:

| | | **Group** | |
|---|---|---|---|
| | **30.4.2019** | **30.4.2018** | **1.5.2017** |
| | $'000 | $'000 | $'000 |
| Within one year | 2,653 | 2,545 | 3,151 |
| Within two to five years | 4,407 | 3,625 | 5,180 |
| After five years | 6,507 | 7,065 | 7,326 |
| | 13,567 | 13,235 | 15,657 |

(ii) *Capital commitments*

| | | | |
|---|---|---|---|
| Commitments in respect of contracts placed for the purchase/construction of property, plant and equipment | – | – | 69 |

## 33. Contingencies

| | | **Company** | |
|---|---|---|---|
| | **30.4.2019** | **30.4.2018** | **1.5.2017** |
| | $'000 | $'000 | $'000 |
| ***Corporate guarantees*** | | | |
| Guarantees issued for bank facilities granted to subsidiary companies | 87,337 | 89,456 | 96,163 |

The above corporate guarantees indicate amounts utilised by subsidiary companies as at the end of each reporting period.

**34. Related party transactions**

(a) *Sale and purchase of goods and services*

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place during the year at terms agreed between the parties:

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | $'000 | $'000 |
| Income from services rendered to joint venture companies | 2,038 | 1,674 |
| Rental expenses paid to a company with common director | (182) | (182) |

(b) *Compensation of key management personnel*

| | | |
|---|---|---|
| Salaries, bonus and other benefits-in-kind | 2,962 | 2,683 |
| Directors' fees | 371 | 377 |
| Contribution to defined contribution plan | 121 | 80 |
| | 3,454 | 3,140 |
| Comprises amounts paid/payable to: | | |
| - Directors of the Company | 1,827 | 1,880 |
| - Directors of subsidiary companies | 384 | 378 |
| - Other key management personnel | 1,243 | 882 |
| | 3,454 | 3,140 |

**35. Financial risk management objectives and policies**

The Group's principal financial instruments, other than derivative financial instruments, comprise short-term and long-term bank borrowings, hire-purchase contracts, and cash and short-term deposits. The main purpose of these financial instruments and borrowings are to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

**35. Financial risk management objectives and policies (cont'd)**

The Group also enters into derivative instruments in the form of interest rate swap and forward currency contracts to manage interest rate and currency risks arising from the Group's operations and its sources of financing.

It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

The main risks faced by the Group and Company are foreign currency risk, interest rate risk, credit risk and liquidity risk that arise through its normal operations.

(a) *Foreign currency risk*

Foreign exchange risk arises from a change in foreign currency exchange rate, which is expected to have an adverse effect on the Group in the current reporting period and in future years. The Group operates in several countries and subsidiary, associated and joint venture companies within the Group maintain their books and records in their respective functional currencies. The Group's accounting policy is to translate the results of overseas subsidiary, associated and joint venture companies using the weighted average exchange rates. Net assets denominated in foreign currencies and held at the financial year end are translated into Singapore Dollar, the Group's reporting currency, at year end exchange rates. Fluctuations in the exchange rate between the functional currencies and Singapore Dollar will therefore have an impact on the Group. It is the Group's policy not to hedge exposures arising from such translations. The Group's strategy is to fund overseas operations with borrowings denominated in their functional currencies as a natural hedge against overseas assets.

The Group is also exposed to the volatility in the foreign currency cash flows related to repatriation of the investments in and advances to its subsidiary, associated and joint venture companies. The Group does not hedge exposures arising from such risks.

The Group's trading subsidiary companies are exposed to movements in foreign currency rates arising from the purchases of goods from suppliers and sales made to customers located in several countries. Whenever necessary, foreign exchange forward contracts are used by the subsidiary companies to manage the foreign currency exposure arising from their trading activities. The Group's accounting policies in relation to these derivative financial instruments are set out in Note 2.24.

**35. Financial risk management objectives and policies (cont'd)**

(a) *Foreign currency risk (cont'd)*

*Sensitivity analysis for foreign currency risk*

A 5% fluctuation of certain foreign currencies against the underlying functional currencies of the Group's entities at the end of each reporting period would have an impact on the Group's profit net of tax by the amounts shown below. The analysis assumes all other variables, in particular, interest rates, remained constant. The analysis is performed on the same basis for the financial year ended 30 April 2019.

| | | (Decrease)/increase in profit net of tax | | |
|---|---|---|---|---|
| | | **30.4.2019** | **30.4.2018** | **1.5.2017** |
| | | $'000 | $'000 | $'000 |
| USD | – strengthened by 5% against SGD | (302) | (578) | (436) |
| | – weakened by 5% against SGD | 302 | 578 | 436 |
| IDR | – strengthened by 5% against SGD | 200 | 292 | 348 |
| | – weakened by 5% against SGD | (200) | (292) | (348) |
| ZAR | – strengthened by 5% against SGD | 111 | 199 | 229 |
| | – weakened by 5% against SGD | (111) | (199) | (229) |
| MYR | – strengthened by 5% against SGD | 136 | 123 | 121 |
| | – weakened by 5% against SGD | (136) | (123) | (121) |

(b) *Interest rate risk*

Interest rate risk is the risk that changes in interest rates will have an adverse financial effect on the Group's financial conditions and results. The primary source of the Group's interest rate risk is its borrowings from banks and other financial institutions primarily in Singapore, Malaysia and Thailand. The Group ensures that it obtains borrowings at competitive interest rates under the most favourable terms and conditions. Where appropriate, the Group uses interest rate swaps to hedge its interest rate exposure for specific underlying debt obligations. Risk variables are based on volatility in interest rates. This analysis assumes that all other variables, in particular foreign currency rates and tax rates remain constant. Information relating to the interest rate is disclosed in Notes 22, 24, 25 and 27. At the end of the reporting period, approximately 8% (2018: 8%) of the Group's borrowings are at fixed rates of interest. Cash and bank balances are excluded from the table below as fluctuations of interest rates are determined to have no significant impact on the Group's profit net of tax. Included in the table below are the Group's interest-bearing financial instruments, categorised by the earlier contractual re-pricing or maturity dates.

## 35. Financial risk management objectives and policies (cont'd)

(b) *Interest rate risk (cont'd)*

| Group | Within 1 year | Within 1-2 years | Within 2-3 years | Within 3-4 years | Within 4-5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **30.4.2019** | | | | | | | |
| ***Fixed rate*** | | | | | | | |
| Derivatives assets | 16 | – | – | – | – | – | 16 |
| Obligations under hire-purchase | 107 | 7 | – | – | – | – | 114 |
| Bank loans | 69 | – | – | – | – | – | 69 |
| Trust receipts | 6,830 | – | – | – | – | – | 6,830 |
| ***Floating rate*** | | | | | | | |
| Obligations under hire-purchase | 75 | 56 | 10 | – | – | – | 141 |
| Bank loans | 16,210 | 8,692 | 3,416 | 7,506 | 2,060 | 6,603 | 44,487 |
| Trust receipts | 35,951 | – | – | – | – | – | 35,951 |
| **30.4.2018** | | | | | | | |
| ***Fixed rate*** | | | | | | | |
| Derivatives assets | 27 | – | – | – | – | – | 27 |
| Obligations under hire-purchase | 790 | 118 | 7 | – | – | – | 915 |
| Bank loans | 96 | 68 | – | – | – | – | 164 |
| Trust receipts | 6,103 | – | – | – | – | – | 6,103 |
| ***Floating rate*** | | | | | | | |
| Obligations under hire-purchase | 117 | 86 | 61 | 12 | – | – | 276 |
| Bank loans | 15,117 | 4,375 | 8,695 | 3,418 | 7,511 | 8,827 | 47,943 |
| Trust receipts | 35,246 | – | – | – | – | – | 35,246 |
| **1.5.2017** | | | | | | | |
| ***Fixed rate*** | | | | | | | |
| Derivatives liabilities | 4 | – | – | – | – | – | 4 |
| Obligations under hire-purchase | 736 | 662 | 88 | 14 | 4 | – | 1,504 |
| Bank loans | 92 | 92 | 65 | – | – | – | 249 |
| Trust receipts | 6,133 | – | – | – | – | – | 6,133 |
| ***Floating rate*** | | | | | | | |
| Obligations under hire-purchase | 71 | 53 | 39 | 22 | – | – | 185 |
| Bank loans | 17,888 | 3,392 | 3,342 | 7,656 | 2,372 | 10,456 | 45,106 |
| Trust receipts | 44,675 | – | – | – | – | – | 44,675 |

**35. Financial risk management objectives and policies (cont'd)**

(b) *Interest rate risk (cont'd)*

*Sensitivity analysis for interest rate risk*

The table below demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Group's profit net of tax.

| | **Increase/ (decrease) in basis points** | **Decrease/ (increase) in profit net of tax** |
|---|---|---|
| | | $'000 |
| **30.4.2019** | | |
| - Singapore Dollar | 50 | 232 |
| - Ringgit Malaysia | 50 | 63 |
| - Thai Baht | 50 | 36 |
| - United States Dollar | 50 | 38 |
| | | |
| - Singapore Dollar | (50) | (232) |
| - Ringgit Malaysia | (50) | (63) |
| - Thai Baht | (50) | (36) |
| - United States Dollar | (50) | (38) |
| **30.4.2018** | | |
| - Singapore Dollar | 50 | 225 |
| - Ringgit Malaysia | 50 | 58 |
| - Thai Baht | 50 | 52 |
| - United States Dollar | 50 | 48 |
| | | |
| - Singapore Dollar | (50) | (225) |
| - Ringgit Malaysia | (50) | (58) |
| - Thai Baht | (50) | (52) |
| - United States Dollar | (50) | (48) |
| **1.5.2017** | | |
| - Singapore Dollar | 50 | 248 |
| - Ringgit Malaysia | 50 | 68 |
| - Thai Baht | 50 | 57 |
| - United States Dollar | 50 | 43 |
| | | |
| - Singapore Dollar | (50) | (248) |
| - Ringgit Malaysia | (50) | (68) |
| - Thai Baht | (50) | (57) |
| - United States Dollar | (50) | (43) |

**35. Financial risk management objectives and policies (cont'd)**

(c) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade receivables. For financial assets (including cash and bank balances and derivatives), the Group minimises credit risk by trading with recognised and credit worthy third parties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. It is the Group's policy that all customers who trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supporting forward-looking information which includes the following indicators:

- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- Actual or expected significant changes in the operating results of the borrower
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

**35. Financial risk management objectives and policies (cont'd)**

(c) *Credit risk (cont'd)*

The following are credit risk management practices and quantitative information about amounts arising from expected credit losses for trade receivables:

Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due. The loss allowance provision as at 30 April 2019 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of macro-economic indicators and the industry performance factors.

Summarised below is the information about the credit risk exposure on the Group's trade receivables using provision matrix:

| **30 April 2019** | **Current** | **More than 30 days past due** | **More than 60 days past due** | **More than 90 days past due** | **Total** |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Gross carrying amount | 28,935 | 8,453 | 5,583 | 16,951 | 59,922 |
| Loss allowance provision | (507) | (196) | (147) | (4,350) | (5,200) |

Information regarding loss allowance movement of trade receivables is disclosed in Note 17.

During the financial year, the Group wrote-off $828,000 of trade receivables as the Group does not expect to receive future cash flows from and there are no recoveries from collection of cash flows previously written off.

Other receivables

The Group provides for lifetime expected credit loss for other receivables using the probability of default approach. In determining ECL for other receivables, the Group considers events such as significant adverse changes in financial conditions of the debtors and determined that significant increase in credit risk occur when there is changes in the risk that the specific debtor will default on the payments.

There is no change in the loss allowance provision for other receivables at amortised cost as at 30 April 2019.

**35. Financial risk management objectives and policies (cont'd)**

(c) *Credit risk (cont'd)*

Amounts due from subsidiaries at amortised cost

The Company provides for lifetime expected credit losses for trade amounts due from related companies based on a provision matrix similar to allowance for trade receivables. The Company compute expected credit loss for non-trade amounts and loans from related companies using the probability of default approach. In determining this ECL, the Company considers events such as significant adverse changes in financial conditions and changes in operating results of the related companies and determined that significant increase in credit risk occur when there is changes in the risk that the specific related company will default on the payments.

The loss allowance provision for amounts due from related companies at amortised cost as at 30 April 2019 reconciles to the opening loss allowance provision as follows:

| | **Company** |
|---|---|
| | **30.4.2019** |
| | $'000 |
| At 1 May | 3,728 |
| Loss allowance measure at: | |
| 12 months ECL | – |
| Exchange differences | 106 |
| At 30 April | 3,834 |

Exposure to credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk was represented by the carrying amount of each class of financial assets recognised in the balance sheets.

**35. Financial risk management objectives and policies (cont'd)**

(c) *Credit risk (cont'd)*

*Risk concentration profile*

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of each reporting period is as follows:

| | **2019** | | **2018** | |
|---|---|---|---|---|
| | $'000 | % of total | $'000 | % of total |
| **Group** | | | | |
| **By country:** | | | | |
| Malaysia | 17,759 | 32.45 | 19,539 | 32.46 |
| Indonesia | 8,710 | 15.92 | 9,627 | 15.99 |
| Singapore | 7,761 | 14.18 | 9,165 | 15.23 |
| Thailand | 7,665 | 14.01 | 8,244 | 13.70 |
| Australia | 2,331 | 4.26 | 2,594 | 4.31 |
| South Africa | 2,315 | 4.23 | 2,312 | 3.84 |
| Others | 8,181 | 14.95 | 8,710 | 14.47 |
| | 54,722 | 100.00 | 60,191 | 100.00 |

*Financial assets that are neither past due nor impaired*

Trade receivables that are neither past due or impaired are creditworthy debtors with good payment record with the Group.

*Financial assets that are either past due or impaired*

Information regarding financial assets that are either past due or impaired is disclosed in Note 17.

(d) *Liquidity risk*

The Group monitors its projected and actual cash inflows and outflows to ensure that funding needs are identified and managed in advance. The Group actively manages its debt maturity profile, operating cash flows and availability of committed credit facilities to ensure that all refinancing, repayment and funding needs are met. The Group strives to maintain a sufficient level of banking facilities to meet its funding requirements and utilise trust receipts, revolving credit facilities, loans and hire-purchase contracts for this purpose. The credit facilities provided by the banks and finance companies are subject to certain financial covenants, and terms and conditions which are summarised in Notes 22, 24, 25 and 27.

## 35. Financial risk management objectives and policies (cont'd)

(d) *Liquidity risk (cont'd)*

The table below summarises the maturity profile of the Group and Company's financial assets and liabilities at the end of each reporting period based on contractual undiscounted payments.

| | **1 year or less** | **2 to 5 years** | **Over 5 years** | **Total** |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Group** | | | | |
| **30.4.2019** | | | | |
| ***Financial assets*** | | | | |
| Trade and other receivables | 57,799 | – | – | 57,799 |
| Derivatives | 46 | – | – | 46 |
| Cash and cash equivalents | 13,709 | – | – | 13,709 |
| Total undiscounted financial assets | 71,554 | – | – | 71,554 |
| ***Financial liabilities*** | | | | |
| Trade payables, trust receipts and other payables | 74,898 | – | – | 74,898 |
| Derivatives | 23 | – | – | 23 |
| Hire-purchase liabilities | 195 | 83 | – | 278 |
| Loans and borrowings | 16,914 | 22,529 | 6,910 | 46,353 |
| Total undiscounted financial liabilities | 92,030 | 22,612 | 6,910 | 121,552 |
| Total net undiscounted financial liabilities | (20,476) | (22,612) | (6,910) | (49,998) |
| **30.4.2018** | | | | |
| ***Financial assets*** | | | | |
| Trade and other receivables | 64,690 | – | – | 64,690 |
| Derivatives | 96 | – | – | 96 |
| Cash and cash equivalents | 21,877 | – | – | 21,877 |
| Total undiscounted financial assets | 86,663 | – | – | 86,663 |
| ***Financial liabilities*** | | | | |
| Trade payables, trust receipts and other payables | 85,119 | – | – | 85,119 |
| Derivatives | 19 | – | – | 19 |
| Hire-purchase liabilities | 975 | 335 | – | 1,310 |
| Loans and borrowings | 15,767 | 24,905 | 9,188 | 49,860 |
| Total undiscounted financial liabilities | 101,880 | 25,240 | 9,188 | 136,308 |
| Total net undiscounted financial liabilities | (15,217) | (25,240) | (9,188) | (49,645) |

**35. Financial risk management objectives and policies (cont'd)**

(d) *Liquidity risk (cont'd)*

| | 1 year or less $'000 | 2 to 5 years $'000 | Over 5 years $'000 | Total $'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **1.5.2017** | | | | |
| ***Financial assets*** | | | | |
| Trade and other receivables | 72,132 | – | – | 72,132 |
| Derivatives | 70 | – | – | 70 |
| Cash and cash equivalents | 21,693 | – | – | 21,693 |
| Total undiscounted financial assets | 93,895 | – | – | 93,895 |
| ***Financial liabilities*** | | | | |
| Trade payables, trust receipts and other payables | 90,384 | – | – | 90,384 |
| Derivatives | 20 | – | – | 20 |
| Hire-purchase liabilities | 893 | 984 | – | 1,877 |
| Loans and borrowings | 18,671 | 17,539 | 10,884 | 47,094 |
| Total undiscounted financial liabilities | 109,968 | 18,523 | 10,884 | 139,375 |
| Total net undiscounted financial liabilities | (16,073) | (18,523) | (10,884) | (45,480) |
| **Company** | | | | |
| **30.4.2019** | | | | |
| ***Financial assets*** | | | | |
| Amounts due from subsidiary companies | – | – | 14,265 | 14,265 |
| Other receivables | 94 | – | – | 94 |
| Derivatives | 25 | – | – | 25 |
| Cash and cash equivalents | 300 | – | – | 300 |
| Total undiscounted financial assets | 419 | – | 14,265 | 14,684 |
| ***Financial liabilities*** | | | | |
| Other payables | 617 | – | – | 617 |
| Amounts due to subsidiary companies | – | – | 19,087 | 19,087 |
| Total undiscounted financial liabilities | 617 | – | 19,087 | 19,704 |
| Total net undiscounted financial liabilities | (198) | – | (4,822) | (5,020) |

**35. Financial risk management objectives and policies (cont'd)**

(d) *Liquidity risk (cont'd)*

| | 1 year or less $'000 | 2 to 5 years $'000 | Over 5 years $'000 | Total $'000 |
|---|---|---|---|---|
| **Company** | | | | |
| **30.4.2018** | | | | |
| ***Financial assets*** | | | | |
| Amounts due from subsidiary companies | – | – | 14,324 | 14,324 |
| Other receivables | 92 | – | – | 92 |
| Derivatives | 69 | – | – | 69 |
| Cash and cash equivalents | 686 | – | – | 686 |
| Total undiscounted financial assets | 847 | – | 14,324 | 15,171 |
| ***Financial liabilities*** | | | | |
| Other payables | 526 | – | – | 526 |
| Amounts due to subsidiary companies | 2,000 | – | 15,541 | 17,541 |
| Total undiscounted financial liabilities | 2,526 | – | 15,541 | 18,067 |
| Total net undiscounted financial liabilities | (1,679) | – | (1,217) | (2,896) |
| **1.5.2017** | | | | |
| ***Financial assets*** | | | | |
| Amounts due from subsidiary companies | – | – | 14,311 | 14,311 |
| Other receivables | 96 | – | – | 96 |
| Derivatives | 54 | – | – | 54 |
| Cash and cash equivalents | 1,225 | – | – | 1,225 |
| Total undiscounted financial assets | 1,375 | – | 14,311 | 15,686 |
| ***Financial liabilities*** | | | | |
| Other payables | 605 | – | – | 605 |
| Amounts due to subsidiary companies | – | – | 14,219 | 14,219 |
| Total undiscounted financial liabilities | 605 | – | 14,219 | 14,824 |
| Total net undiscounted financial assets | 770 | – | 92 | 862 |

## 36. Classification of financial instruments

| | Note | Group 30.4.2019 | Company 30.4.2019 |
|---|---|---|---|
| | | $'000 | $'000 |
| ***Financial assets measured at amortised cost*** | | | |
| Trade receivables | 17 | 54,722 | – |
| Other receivables | 19 | 3,077 | 94 |
| Cash and cash equivalents | 20 | 13,709 | 300 |
| Amounts due from subsidiary companies | 13 | – | 14,265 |
| | | 71,508 | 14,659 |
| ***Financial liabilities measured at amortised cost*** | | | |
| Trade payables | 21 | 17,445 | – |
| Trust receipts (secured) | 22 | 42,781 | – |
| Other payables | 23 | 14,672 | 617 |
| Loans (secured) | 24, 27 | 44,556 | – |
| Hire-purchase liabilities | 25 | 255 | – |
| Amounts due to subsidiary companies | 13 | – | 19,087 |
| | | 119,709 | 19,704 |

| | Note | Group 30.4.2018 | Group 1.5.2017 | Company 30.4.2018 | Company 1.5.2017 |
|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 |
| ***Loans and receivables*** | | | | | |
| Trade receivables | 17 | 60,191 | 67,467 | – | – |
| Other receivables | 19 | 4,499 | 4,665 | 92 | 96 |
| Cash and cash equivalents | 20 | 21,877 | 21,693 | 686 | 1,225 |
| Amounts due from subsidiary companies | 13 | – | – | 14,324 | 14,311 |
| | | 86,567 | 93,825 | 15,102 | 15,632 |
| ***Financial liabilities measured at amortised cost*** | | | | | |
| Trade payables | 21 | 26,404 | 20,865 | – | – |
| Trust receipts (secured) | 22 | 41,349 | 50,808 | – | – |
| Other payables | 23 | 17,366 | 18,711 | 526 | 605 |
| Loans (secured) | 24, 27 | 48,107 | 45,355 | – | – |
| Hire-purchase liabilities | 25 | 1,191 | 1,689 | – | – |
| Amounts due to subsidiary companies | 13 | – | – | 17,541 | 14,219 |
| | | 134,417 | 137,428 | 18,067 | 14,824 |

## 36. Classification of financial instruments (cont'd)

| | Note | Group 30.4.2019 $'000 | Group 30.4.2018 $'000 | Group 1.5.2017 $'000 | Company 30.4.2019 $'000 | Company 30.4.2018 $'000 | Company 1.5.2017 $'000 |
|---|---|---|---|---|---|---|---|
| ***Fair value through profit or loss*** | | | | | | | |
| Forward currency contracts | | | | | | | |
| - Derivatives assets | 18 | 30 | 69 | 70 | 25 | 69 | 54 |
| - Derivatives liabilities | 18 | (23) | (19) | (16) | – | – | – |
| Interest rate swap | | | | | | | |
| - Derivatives assets | 18 | 16 | 27 | – | – | – | – |
| - Derivatives liabilities | 18 | – | – | (4) | – | – | – |

## 37. Fair value of financial instruments

(a) *Fair value of financial instruments that are carried at fair value*

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

| | Note | Quoted prices in active markets for identical instruments (Level 1) $'000 | Significant other observable inputs (Level 2) $'000 | Significant unobservable inputs (Level 3) $'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **30.4.2019** | | | | |
| ***Financial assets*** | | | | |
| Forward currency contracts | 18 | – | 30 | – |
| Interest rate swap | 18 | – | 16 | – |
| ***Financial liabilities*** | | | | |
| Forward currency contracts | 18 | – | (23) | – |
| Interest rate swap | 18 | – | – | – |

**37. Fair value of financial instruments (cont'd)**

(a) *Fair value of financial instruments that are carried at fair value (cont'd)*

| | Note | Quoted prices in active markets for identical instruments (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|---|---|---|---|---|
| | | $'000 | $'000 | $'000 |
| **Group** | | | | |
| **30.4.2018** | | | | |
| ***Financial assets*** | | | | |
| Forward currency contracts | 18 | – | 69 | – |
| Interest rate swap | 18 | – | 27 | – |
| ***Financial liabilities*** | | | | |
| Forward currency contracts | 18 | – | (19) | – |
| Interest rate swap | 18 | – | – | – |
| **1.5.2017** | | | | |
| ***Financial assets*** | | | | |
| Forward currency contracts | 18 | – | 70 | – |
| Interest rate swap | 18 | – | – | – |
| ***Financial liabilities*** | | | | |
| Forward currency contracts | 18 | – | (16) | – |
| Interest rate swap | 18 | – | (4) | – |
| **Company** | | | | |
| **30.4.2019** | | | | |
| ***Financial assets*** | | | | |
| Forward currency contracts | 18 | – | 25 | – |
| **30.4.2018** | | | | |
| ***Financial assets*** | | | | |
| Forward currency contracts | 18 | – | 69 | – |
| **1.5.2017** | | | | |
| ***Financial assets*** | | | | |
| Forward currency contracts | 18 | – | 54 | – |

**37. Fair value of financial instruments (cont'd)**

(a) *Fair value of financial instruments that are carried at fair value (cont'd)*

*Fair value hierarchy*

The Group classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

*Determination of fair value*

Forward currency contracts and interest rate swaps are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the foreign exchange spot and forward rates, interest rate curves and forward rate curves.

(b) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value*

The management has determined that the carrying amounts of cash and short-term deposits, current trade and other receivables, current trade and other payables and current bank loans based on their notional amounts, reasonably approximate their fair values because these are mostly short-term in nature or are re-priced frequently within a year.

The estimated fair values of the Group's and Company's borrowings approximates their carrying amounts, based on borrowing rates which would be available to the Company at the end of each reporting period.

(c) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value*

The Company has non-current interest-free receivables extended to subsidiary companies, which either form part of the Company's net investment in subsidiary companies or are not expected to be repaid until the cash flows of the subsidiary companies permit. It is impractical to determine the fair value of these receivables as the timing of the future cash flow repatriation cannot be estimated reliably. Therefore, such loans are carried at cost.

## 38. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 April 2019 and 2018.

The Group monitors capital using a gearing ratio, which is bank borrowings divided by distributable net assets. The Group's policy is to keep the gearing ratio at less than 3 (2018: 3) times. Bank borrowings include trust receipts, short-term and long-term loans.

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | $'000 | $'000 |
| Trust receipts | 42,781 | 41,349 |
| Loans (secured) | 44,556 | 48,107 |
| Bank borrowings | 87,337 | 89,456 |
| Equity attributable to the equity holders of the Company | 123,626 | 125,841 |
| Less: Capital reserve | (446) | (446) |
| Distributable net assets | 123,180 | 125,395 |
| Gearing ratio (times) | 0.71 | 0.71 |

The Company and certain subsidiaries of the Group are subject to financial covenants for credit facilities provided by banks. The Company and these subsidiaries are required to maintain certain leverage ratios, debt service coverage ratios, interest coverage and shareholders' funds.

As disclosed in Note 30, a subsidiary of the Group is required to maintain a five percent reserve at each distribution of dividends until the reserve reaches at least ten percent of the subsidiary's authorised capital. This externally imposed capital requirement has been complied with by the subsidiary for the financial years ended 30 April 2019 and 2018.

## 39. Segment information

For management purposes, the Group is organised into business units based on their geographical locations, and has four reportable segments as follows:

I. South East Asia
II. North Asia
III. Africa
IV. Others

Distribution of tyres and wheels to external customers are included in the South East Asia, North Asia, Africa and other segments. Manufacturing of alloy wheels sold directly to external customers are included in the South East Asia segment.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

## 39. Segment information (cont'd)

Transfer prices between operating segments are based on terms agreed between parties.

| 30.4.2019 | South East Asia① $'000 | North Asia② $'000 | Africa $'000 | Others③ $'000 | Total of segments $'000 | Elimination $'000 | Consolidated $'000 |
|---|---|---|---|---|---|---|---|
| **Revenue:** | | | | | | | |
| External revenue | 190,985 | 11,881 | 14,068 | 12,441 | 229,375 | - | 229,375 |
| Inter-segment revenue | 25,184 | 2,305 | - | - | 27,489 | (27,489) | - |
| **Other revenue:** | | | | | | | |
| - Interest income | 112 | 37 | 107 | - | 256 | - | 256 |
| - Others | 2,442 | 1,997 | 5 | 99 | 4,543 | - | 4,543 |
| Total revenue | 218,723 | 16,220 | 14,180 | 12,540 | 261,663 | (27,489) | 234,174 |
| Finance costs | (4,350) | (50) | (82) | (126) | (4,608) | 447 | (4,161) |
| Segment result | 2,975 | 14 | (321) | (1,118) | 1,550 | 447 | 1,997 |
| Less: Unallocated expenses | | | | | | | (59) |
| Share of results of joint ventures | - | 1,008 | - | (711) | 297 | - | 297 |
| Profit before taxation | | | | | | | 2,235 |
| Taxation | | | | | | | (1,761) |
| Profit for the financial year | | | | | | | 474 |
| ***Other information*** | | | | | | | |
| Segment assets | 206,330 | 5,735 | 11,561 | 5,730 | 229,356 | - | 229,356 |
| Associated and joint venture companies | 242 | 15,483 | - | 1,210 | 16,935 | - | 16,935 |
| Unallocated assets | 2,621 | 35 | - | 134 | 2,790 | - | 2,790 |
| Total assets | 209,193 | 21,253 | 11,561 | 7,074 | 249,081 | - | 249,081 |
| Segment liabilities | 112,951 | 1,916 | 2,760 | 3,448 | 121,075 | - | 121,075 |
| Unallocated liabilities | 4,380 | - | - | - | 4,380 | - | 4,380 |
| Total liabilities | 117,331 | 1,916 | 2,760 | 3,448 | 125,455 | - | 125,455 |
| ***Other segment information*** | | | | | | | |
| ***Additions to non-current assets*** | | | | | | | |
| - Property, plant and equipment | 2,385 | 97 | 89 | 6 | 2,577 | - | 2,577 |
| ***Significant non-cash expenses:*** | | | | | | | |
| Amortisation and depreciation | 6,696 | 360 | 200 | 19 | 7,275 | - | 7,275 |
| Allowance for/(write-back of) doubtful trade receivables | 330 | (28) | - | 80 | 382 | - | 382 |
| (Write-back of)/allowance for inventory obsolescence | (735) | 30 | (138) | 54 | (789) | - | (789) |
| Write-back of impairment on property, plant and equipment | (9) | - | - | - | (9) | - | (9) |
| Bad debts recovered | - | - | (5) | (3) | (8) | - | (8) |

## 39. Segment information (cont'd)

| 30.4.2018 | South East Asia① $'000 | North Asia② $'000 | Africa $'000 | Others③ $'000 | Total of segments $'000 | Elimination $'000 | Consolidated $'000 |
|---|---|---|---|---|---|---|---|
| **Revenue:** | | | | | | | |
| External revenue | 197,961 | 13,786 | 16,216 | 14,474 | 242,437 | – | 242,437 |
| Inter-segment revenue | 24,520 | 1,709 | 25 | – | 26,254 | (26,254) | – |
| **Other revenue:** | | | | | | | |
| - Interest income | 30 | 8 | 125 | 34 | 197 | – | 197 |
| - Others | 3,133 | 1,887 | 107 | 94 | 5,221 | – | 5,221 |
| Total revenue | 225,644 | 17,390 | 16,473 | 14,602 | 274,109 | (26,254) | 247,855 |
| Finance costs | (4,122) | (29) | (255) | (99) | (4,505) | 455 | (4,050) |
| Segment result | 7,892 | (37) | (438) | (1,226) | 6,191 | 455 | 6,646 |
| Less: Unallocated expenses | | | | | | | (57) |
| Share of results of joint ventures | – | 1,972 | – | (335) | 1,637 | – | 1,637 |
| Profit before taxation | | | | | | | 8,226 |
| Taxation | | | | | | | (3,033) |
| Profit for the financial year | | | | | | | 5,193 |
| ***Other information*** | | | | | | | |
| Segment assets | 212,148 | 12,157 | 15,088 | 6,864 | 246,257 | – | 246,257 |
| Associated and joint venture companies | 238 | 15,088 | – | 1,961 | 17,287 | – | 17,287 |
| Unallocated assets | 2,800 | 34 | – | 237 | 3,071 | – | 3,071 |
| Total assets | 215,186 | 27,279 | 15,088 | 9,062 | 266,615 | – | 266,615 |
| Segment liabilities | 119,104 | 8,042 | 4,547 | 4,110 | 135,803 | – | 135,803 |
| Unallocated liabilities | 4,971 | – | – | – | 4,971 | – | 4,971 |
| Total liabilities | 124,075 | 8,042 | 4,547 | 4,110 | 140,774 | – | 140,774 |
| ***Other segment information*** | | | | | | | |
| ***Additions to non-current assets*** | | | | | | | |
| - Property, plant and equipment | 3,598 | 950 | 648 | 108 | 5,304 | – | 5,304 |
| ***Significant non-cash expenses:*** | | | | | | | |
| Amortisation and depreciation | 7,191 | 191 | 207 | 109 | 7,698 | – | 7,698 |
| Allowance for/(write-back of) doubtful trade receivables | 19 | (32) | 304 | 275 | 566 | – | 566 |
| Allowance/(write-back of) for inventory obsolescence | 906 | (43) | (81) | 99 | 881 | – | 881 |
| Write-back of impairment on property, plant and equipment | (8) | – | – | – | (8) | – | (8) |
| Bad debts recovered | (5) | – | – | – | (5) | – | (5) |

## 39. Segment information (cont'd)

| | South East Asia① | North Asia② | Africa | Others③ | Total of segments | Elimination | Consolidated |
|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **1.5.2017** | | | | | | | |
| ***Other information*** | | | | | | | |
| Segment assets | 217,298 | 5,632 | 16,109 | 7,294 | 246,333 | – | 246,333 |
| Associated and joint venture companies | 233 | 14,362 | – | 2,500 | 17,095 | – | 17,095 |
| Unallocated assets | 2,843 | 36 | – | 230 | 3,109 | – | 3,109 |
| Total assets | 220,374 | 20,030 | 16,109 | 10,024 | 266,537 | – | 266,537 |
| Segment liabilities | 128,150 | 1,445 | 4,490 | 4,913 | 138,998 | – | 138,998 |
| Unallocated liabilities | 4,584 | – | – | – | 4,584 | – | 4,584 |
| Total liabilities | 132,734 | 1,445 | 4,490 | 4,913 | 143,582 | – | 143,582 |
| ***Additions to non-current assets*** | | | | | | | |
| - Property, plant and equipment | 7,000 | – | 559 | 107 | 7,666 | – | 7,666 |

**Note:**

① Includes Singapore, Malaysia, Philippines, Thailand, Indonesia, Vietnam and Brunei

② Includes Hong Kong and People's Republic of China

③ Includes North America/Latin America, Australia and India

***Business information***

| | Revenue | | Non-current assets | | |
|---|---|---|---|---|---|
| | **2019** | **2018** | **30.4.2019** | **30.4.2018** | **1.5.2017** |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Distribution | 201,436 | 218,102 | 71,534 | 77,637 | 78,164 |
| Manufacturing | 32,738 | 29,753 | 11,642 | 11,876 | 12,719 |
| | 234,174 | 247,855 | 83,176 | 89,513 | 90,883 |

Non-current assets information presented above consists of property, plant and equipment, associated company and deferred tax assets as presented in the consolidated balance sheet.

## 40. Subsidiary, associated and joint venture companies

The subsidiary, associated and joint venture companies as at the end of the current and preceding financial year are:

| | Name of company (Country of incorporation) | Principal activities (Place of business) | Cost of investment | | | Percentage of equity held by the Group | | |
|---|---|---|---|---|---|---|---|---|
| | | | 30.4.19 | 30.4.18 | 1.5.17 | 30.4.19 | 30.4.18 | 1.5.17 |
| | | | $'000 | $'000 | $'000 | % | % | % |
| | ***Subsidiary companies*** | | | | | | | |
| | *Held by the Company:* | | | | | | | |
| (1) | Stamford Tyres International Pte Ltd (Singapore) | Wholesale and retail of tyres and wheels, design and contract manufacturing of tyres for proprietary brands and motor vehicle servicing (Singapore) | 11,000 | 11,000 | 11,000 | 100 | 100 | 100 |
| (2) | Stamford Tyres (M) Sdn Bhd (Malaysia) | Wholesale of tyres and wheels (Malaysia) | 580 | 580 | 580 | 100 | 100 | 100 |
| (2) | STC Tyres (Malaysia) Sdn Bhd (Malaysia) | Property holding company (Malaysia) | 913 | 913 | 913 | 100 | 100 | 100 |
| (2) | STC Tyre Mart Sdn Bhd (Malaysia) | Retail of tyres and wheels (Malaysia) | 393 | 393 | 393 | 100 | 100 | 100 |
| (3) | Stamford Tires Distributor Co., Ltd (Thailand) | Wholesale of tyres and wheels (Thailand) | 4,268 | 4,268 | 4,268 | 100 | 100 | 100 |
| (3) # | STC Tyres Limited (Thailand) | Inactive (Thailand) | 288 | 288 | 288 | 49 | 49 | 49 |
| (3) # | Stamford Auto Mart Limited (Thailand) | Inactive (Thailand) | 21 | 21 | 21 | 49 | 49 | 49 |
| (4) | Stamford Tyres (Hong Kong) Limited (Hong Kong) | Investment holding and wholesale of tyres (Hong Kong and People's Republic of China) | 6,523 | 6,523 | 6,523 | 100 | 100 | 100 |
| (4) | Boon Tyre Holdings Limited (Hong Kong) | Investment and property holding company (Hong Kong and United Kingdom) | @ | @ | @ | 100 | 100 | 100 |

**40. Subsidiary, associated and joint venture companies (cont'd)**

| | Name of company (Country of incorporation) | Principal activities (Place of business) | Cost of investment | | | Percentage of equity held by the Group | | |
|---|---|---|---|---|---|---|---|---|
| | | | 30.4.19 | 30.4.18 | 1.5.17 | 30.4.19 | 30.4.18 | 1.5.17 |
| | | | $'000 | $'000 | $'000 | % | % | % |
| | ***Subsidiary companies (cont'd)*** | | | | | | | |
| | *Held by the Company: (cont'd)* | | | | | | | |
| ## | Stamford Tires and Wheels, Inc. (United States of America) | Wholesale of tyres and wheels (Latin America and United States of America) | 14 | 14 | 14 | 100 | 100 | 100 |
| (5) | Stamford Tyres (Africa) (Pty) Limited (South Africa) | Wholesale of tyres and wheels (South Africa) | 16,550 | 15,568 | 15,568 | 100 | 100 | 100 |
| (7) | PT Stamford Tyres Indonesia (Indonesia) | Wholesale and retail of tyres and retreading of tyres (Indonesia) | 726 | 726 | 726 | 100 | 100 | 100 |
| (7) | PT Stamford Tyres Distributor Indonesia (Indonesia) | Wholesale of tyres and wheels (Indonesia) | 10,637 | 10,637 | 6,637 | 100 | 100 | 100 |
| (1) | Sumo Tires Pte Ltd (Singapore) | Inactive (Singapore) | @ | @ | @ | 100 | 100 | 100 |
| (1) | Stamford Auto City Pte Ltd (Singapore) | Inactive (Singapore) | 200 | 200 | 200 | 100 | 100 | 100 |
| (1) | Wahsan Trading Pte Ltd (Singapore) | Inactive (Singapore) | 218 | 218 | 218 | 100 | 100 | 100 |
| (3) | Stamford Sport Wheels Company Limited (Thailand) | Manufacture of aluminium alloy wheels (Thailand) | 19,898 | 19,898 | 19,898 | 100 | 100 | 100 |
| ## | Stamford International Trading (Tianjin) Co. Ltd. (People's Republic of China) | Inactive (People's Republic of China) | 322 | 322 | 322 | 100 | 100 | 100 |
| ## | Stamford Tyres Australia Pty Limited (Australia) | Wholesale of tyres and wheels (Australia) | 6,770 | 6,770 | 6,770 | 100 | 100 | 100 |

## 40. Subsidiary, associated and joint venture companies (cont'd)

| | Name of company (Country of incorporation) | Principal activities (Place of business) | Cost of investment | | | Percentage of equity held by the Group | | |
|---|---|---|---|---|---|---|---|---|
| | | | 30.4.19 | 30.4.18 | 1.5.17 | 30.4.19 | 30.4.18 | 1.5.17 |
| | | | $'000 | $'000 | $'000 | % | % | % |
| | ***Subsidiary companies (cont'd)*** | | | | | | | |
| | *Held by the Company: (cont'd)* | | | | | | | |
| ## | Stamford Tyres Philippines, Inc. (Philippines) | Inactive (Philippines) | 361 | 361 | 361 | 100 | 100 | 100 |
| (8) ++ | Stamford Tyres Distributors India Private Limited (India) | Wholesale of tyres (India) | 2,493 | 2,493 | 2,493 | 100 | 100 | 100 |
| ## | Stamford Tyres Do Brazil Participacoes LTDA (Brazil) | Dormant (Brazil) | 281 | 281 | 281 | 100 | 100 | 100 |
| (13) ++ | Stamford Tyres Vietnam Company Limited (Vietnam) | Wholesale of tyres and wheels (Vietnam) | 623 | 623 | 623 | 100 | 100 | 100 |
| (10) | Stamford Tyres (B) Sdn Bhd (Brunei) | Wholesale of tyres and wheels (Brunei) | 25 | 25 | 25 | 100 | 100 | 100 |
| | | | 83,104 | 82,122 | 78,122 | | | |

(In Singapore Dollar)

## 40. Subsidiary, associated and joint venture companies (cont'd)

| | Name of company (Country of incorporation) | Principal activities (Place of business) | Percentage of equity held by the Group 30.4.19 % | 30.4.18 % | 1.5.17 % |
|---|---|---|---|---|---|
| | ***Subsidiary companies*** *Held by Stamford Tyres (Hong Kong) Limited:* | | | | |
| ## | Stamford Tyres (Guangzhou) Limited (People's Republic of China) | Dormant (People's Republic of China) | 100 | 100 | 100 |
| | *Held by Stamford Tyres (M) Sdn Bhd:* | | | | |
| (2) | Stamford Retread Industries (M) Sdn Bhd (Malaysia) | Retreading of tyres (formerly retail of motor vehicles) (Malaysia) | 100 | 100 | 100 |
| | *Held by Boon Tyre Holdings Limited:* | | | | |
| (1) | Raffles Resources Singapore Pte Ltd (Singapore) | Inactive (Singapore) | 100 | 100 | 100 |
| (4) | Stamford Tyres (Dongguan) Limited (People's Republic of China) | Wholesale of tyres (People's Republic of China) | 100 | 100 | – |
| | ***Joint venture companies*** *Held by the Company:* | | | | |
| (6) + | Tyre Pacific (HK) Limited (Hong Kong) | Investment holding and wholesale of tyres (Hong Kong, Vietnam and People's Republic of China) | 50 | 50 | 50 |
| (11)+++ | Falken Tyre India Private Ltd (India) | Distribution and sale of replacement tyres (India) | 40 | 40 | 40 |
| | *Held by Tyre Pacific (HK) Limited:* | | | | |
| (6) + | Real Courage Limited (Hong Kong) | Property holding company (Hong Kong) | 50 | 50 | 50 |
| (9) + | Orizz (Shanghai) Limited (People's Republic of China) | Wholesale of tyres (People's Republic of China) | 50 | 50 | 50 |
| (9) + | Shanghai Orizz Mega Outlet Co Ltd (People's Republic of China) | Wholesale of tyres (People's Republic of China) | 50 | 50 | 50 |
| (12) + | Tyre Pacific (Vietnam) Limited | Wholesale of tyres (Vietnam) | 50 | 50 | 50 |
| | ***Associated company*** *Held by the Company:* | | | | |
| ## | Stamford Tyres (Thailand) Co., Ltd (Thailand) | Inactive (Thailand) | 49 | 49 | 49 |

**40. Subsidiary, associated and joint venture companies (cont'd)**

@ Cost of investment at one hundred units of local currency or less.

# The company is considered a subsidiary company and included in the consolidated financial statements as the Group has the power to control, by agreement, the financial and operating policies of the management of the Company.

## Not required to be audited under the laws of the country of incorporation. Unaudited financial statements have been used for the preparation of the consolidated financial statements of the Group.

+ Statutory year end is 31 December. A limited review of the financial statements has been performed for the purpose of the preparation of the consolidated financial statements of the Group.

++ Statutory year end is 31 March. Unaudited financial statements has been used for the preparation of the consolidated financial statements of the Group.

+++ Statutory year end is 31 March. A limited review of the financial statements has been performed for the purpose of the preparation of the consolidated financial statements of the Group.

Auditors

(1) Ernst & Young LLP, Singapore, Public Accountants and Chartered Accountants
(2) Ernst & Young, Malaysia, Chartered Accountants
(3) Ernst & Young Office Limited, Thailand, Certified Public Accountants
(4) Choi Mei Bik Public Accountant (Practicing)., Hong Kong, CPAs, Certified Public Accountants
(5) Mazars, South Africa, Chartered Accountants
(6) Ernst & Young, Hong Kong, Certified Public Accountants
(7) Kantor Akuntan Publik Heliantono & Rekan
(8) Jai Prakash Upadhahay & Co., India, Chartered Accountants
(9) BDO China Shu Lun Pan, People's Republic of China, Certified Public Accountants
(10) WKA Associates, Brunei, Certified Public Accountants and Auditors
(11) BSR & Associates LLP, India, Chartered Accountants
(12) Vietnam Accounting Auditing Consulting Company Limited
(13) AS Auditing Company

**41. Authorisation of financial statements for issue**

The financial statements for the year ended 30 April 2019 were authorised for issue in accordance with a resolution of the directors on 31 July 2019.

# LIST OF MAJOR PROPERTIES

As at 30 April 2019

| Location | Tenure of Lease | Area (sqm) | Description |
|---|---|---|---|
| **SINGAPORE** | | | |
| 19 Lok Yang Way, Jurong<br>Singapore 628635 | 30 year lease from 2006 | 18,024.7 | Corporate office, tyre retail service centre with showroom and warehouse |
| 21 Lok Yang Way, Jurong<br>Singapore 628636 | 60 year lease from 1973 renewed in 2013 until 2035 (22 years) | 13,122.1 (land area)<br><br>22,591.09 (gross floor area) | Truck service centre and warehouse |
| 455 Macpherson Road<br>Singapore 368173 | 63 year lease from 2001 | 951.0 | Tyre retail centre and showroom |
| 50 Bukit Batok Street 23 #02-19<br>Midview Building Singapore 659578 | 55 year lease from 2002 | 276.0 | Tyre retail centre and showroom |
| 10 Admiralty Street #01-85<br>North Link Building Singapore 757695 | 56 year lease from 2003 | 689.0 | Tyre retail centre and showroom |
| 10 Admiralty Street #01-78,<br>North Link Building Singapore 757695 | 47 year lease from 2012 | 521.0 | Commercial truck centre |
| 31 Loyang Way<br>Singapore 508729 | 16 year lease from 2004 | 2,510.4 | Tyre retail centre and showroom |
| 10 Kaki Bukit Road 2, #01-11 & #01-12<br>First East Centre Singapore 417868 | 28 year lease from 2011 | 458.6 | Tyre retail centre and showroom |
| 110 Tuas South Avenue 3<br>#01-02/03<br>The Index, Singapore, 637369 | 30 year lease from 2013 | 585.0 | Truck service centre |
| **MALAYSIA** | | | |
| 16 Jalan Juru Nilai U1/20 Section U1<br>Hicom Glenmarie Industrial Park<br>40150 Shah Alam, Selangor, Malaysia | Freehold | 6,968.0 | Corporate office, tyre retail and service centre with showroom and warehouse |
| Lot L2-22,23,23A, 25 Seri Alam Industrial Park,<br>Sungai Kapar Indah, Klang, Selangor, Malaysia | Freehold | 33,430.0 | Warehouse |
| **THAILAND** | | | |
| 111/2, 5 Moo 2, Highway 340, Suphanburi Road<br>Tambon Saiyai, Amphur Sainoi, Nonthaburi<br>11150<br>Thailand | Freehold | 14,636.0 | Wheel factory with showroom and warehouse |
| 111/8, 9 Moo 2, Highway 340, Suphanburi Road<br>Tambon Saiyai, Amphur Sainoi, Nonthaburi<br>11150<br>Thailand | Freehold | 16,380.0 | Second wheel factory |
| **INDONESIA** | | | |
| Jalan Boulevard Raya Blok PA19 No. 4-5<br>Pengangsaan Dua, Kelapa Gading<br>Jakarta Utara, Indonesia 14250 | 20 year lease from 2011 | 144.0 | Office with warehouse, retail and service centre |
| Lot D-4 Jalan Kuala Kuningan<br>Kuala Kencana, Light Industrial Park<br>Tembagapura, Mimika Baru Papua, Indonesia | 20 year lease from 2014 | 12,000.0 | Office with truck service centre, warehouse and retreading plant |
| Jalan Projakal Rt. 047 Kelurahan Batu<br>Ampar Kecamatan Balikpapan Utara, Indonesia | 30 year lease from 2013 | 2,973.0 | Office with warehouse |
| **SOUTH AFRICA** | | | |
| ERF 460, Cnr Horn Street 8 Brine Avenue,<br>Chloorkop Ext 23 Kempton Park, Johannesburg,<br>South Africa | Freehold | 16,091.0 | Office, truck service centre and warehouse |

# LIST OF SUBSTANTIAL SHAREHOLDERS

As at 29 July 2019 as recorded in the Register of Substantial Shareholders

| NAME OF SUBSTANTIAL SHAREHOLDERS | DIRECT INTEREST | | DEEMED INTEREST | |
|---|---|---|---|---|
| | No of Shares | % | No of Shares | % |
| Wee Kok Wah | 42,254,554 | 17.89% | 49,851,319 | 21.11% |
| Mrs Dawn Wee Wai Ying | 13,937,567 | 5.90% | 78,168,306 | 33.10% |
| Wah Holdings Pte Ltd | 35,913,752 | 15.21% | - | - |
| Lim & Tan Securities Pte Ltd | 23,886,000 | 10.11% | - | - |

**NOTE:**

Mr Wee Kok Wah is deemed to have an interest in the shareholdings of Mrs Dawn Wee Wai Ying and vice versa by virtue of their relationship as husband and wife. In addition, Mr Wee Kok Wah and Mrs Dawn Wee Wai Ying are deemed to have an interest in the shares owned by Wah Holdings Pte Ltd.

*Mr Wee Kok Wah is deemed to be interested in the shares held as follows:-*

| | |
|---|---|
| Shares held by Mrs Dawn Wee Wai Ying | 13,937,567 |
| Shares held by Wah Holdings Pte Ltd | 35,913,752 |
| Total | 49,851,319 |

*Mrs Dawn Wee Wai Ying is deemed to be interested in the shares held as follows:-*

| | |
|---|---|
| Shares held by Mr Wee Kok Wah | 42,254,554 |
| Shares held by Wah Holdings Pte Ltd | 35,913,752 |
| Total | 78,168,306 |

*Total Number of issued shares: 236,186,244 ordinary shares as at 29 July 2019*

# STATISTICS OF SHAREHOLDINGS

As at 29 July 2019

| | | |
|---|---|---|
| Number of issued and paid-up shares | : | 236,186,244 |
| Class of shares | : | Ordinary shares |
| Voting rights | : | 1 vote per share |

**DISTRIBUTION OF SHAREHOLDINGS**

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 - 99 | 17 | 0.69 | 260 | 0.00 |
| 100 - 1,000 | 141 | 5.70 | 84,368 | 0.04 |
| 1,001 - 10,000 | 1,188 | 48.02 | 7,415,587 | 3.14 |
| 10,001 - 1,000,000 | 1,106 | 44.70 | 59,352,308 | 25.13 |
| 1,000,001 AND ABOVE | 22 | 0.89 | 169,333,721 | 71.69 |
| **TOTAL** | **2,474** | **100.00** | **236,186,244** | **100.00** |

Based on the information available to the Company as at 29 July 2019, approximately 49.41% of the issued ordinary shares of the Company is held in the hands of public and hence, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

**TWENTY LARGEST SHAREHOLDERS**

| NO. | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | WEE KOK WAH | 42,254,554 | 17.89 |
| 2 | WAH HOLDINGS PTE LTD | 35,913,752 | 15.21 |
| 3 | LIM AND TAN SECURITIES PTE LTD | 26,066,500 | 11.04 |
| 4 | KWOK WAI YING DAWN | 13,937,567 | 5.90 |
| 5 | RAFFLES NOMINEES (PTE) LIMITED | 9,599,200 | 4.06 |
| 6 | CHIA KEE KOON | 4,997,300 | 2.12 |
| 7 | DAIWA CAPITAL MARKETS SINGAPORE LIMITED | 4,300,000 | 1.82 |
| 8 | PHILLIP SECURITIES PTE LTD | 4,129,150 | 1.75 |
| 9 | SEE LOP FU JAMES @ SHI LAP FU JAMES | 3,800,000 | 1.61 |
| 10 | DBS NOMINEES (PRIVATE) LIMITED | 3,727,700 | 1.58 |
| 11 | HSBC (SINGAPORE) NOMINEES PTE LTD | 2,827,560 | 1.20 |
| 12 | TEO CHENG TUAN DONALD | 2,511,400 | 1.06 |
| 13 | TEO KWANG CHWEE | 2,152,300 | 0.91 |
| 14 | UOB KAY HIAN PRIVATE LIMITED | 1,759,500 | 0.74 |
| 15 | RHB SECURITIES SINGAPORE PTE LTD | 1,642,000 | 0.70 |
| 16 | LIM YEW HOE | 1,615,000 | 0.68 |
| 17 | TAN YONG CHIANG OR TAN HUI LIANG | 1,585,000 | 0.67 |
| 18 | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD | 1,527,600 | 0.65 |
| 19 | CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. | 1,468,338 | 0.62 |
| 20 | UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED | 1,247,300 | 0.53 |
| | **TOTAL** | **167,061,721** | **70.74** |

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirtieth Annual General Meeting of the Company will be held on Friday, 30 August 2019 at 3.30 p.m. at 19 Lok Yang Way, Singapore 628635 for the purpose of transacting the following business:-

**ORDINARY BUSINESS**

1. To receive and adopt the Directors' Statement, Auditor's Report and Audited Financial Statements for the financial year ended 30 April 2019. **Resolution 1**

2. To approve the Directors' fees of up to S$359,870 for the financial year ending 30 April 2020. [*See explanatory note (a)*] **Resolution 2**

3. To declare the payment of a first and final tax exempt (one-tier) dividend of 1.0 cent per ordinary share for the financial year ended 30 April 2019. **Resolution 3**

4. To re-elect Dr Wee Li Ann, who is retiring pursuant to Article 111 of the Company's Constitution, as a Director of the Company. [*See explanatory note (b)*] **Resolution 4**

5. To re-elect Mr Leslie Mah Kim Loong, who is retiring pursuant to Article 111 of the Company's Constitution as a Director of the Company. [*See explanatory note (c)*] **Resolution 5**

6. To re-elect Mr Kazumichi Mandai, who is retiring pursuant to Article 111 of the Company's Constitution as a Director of the Company. [*See explanatory note (d)*] **Resolution 6**

7. To re-appoint Ernst & Young LLP as the Company's Auditor and to authorise the Directors to fix their remuneration. **Resolution 7**

**SPECIAL BUSINESS**

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

8. **Share Issue Mandate**

That authority be and is hereby given to the Directors of the Company to:

(a) (i) issue shares of the Company (**"shares"**) whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, **"Instruments"**) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force, provided that:

(i) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) the Company (as calculated in accordance with sub-paragraph (ii) below);

(ii) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, the total number of shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company at the time this Resolution is passed, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding at the time this Resolution is passed; and

(b) any subsequent bonus issue, consolidation or subdivision of shares;

and, in sub-paragraph (i) above and this sub-paragraph (ii), **"subsidiary holdings"** has the meaning given to it in the Listing Manual of the Singapore Exchange Securities Trading Limited;

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Constitution for the time being of the Company; and

(iv) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
[*See explanatory note (e)*] **Resolution 8**

9. **The Proposed Renewal of The Share Buy-Back Mandate**

That:

(a) for the purposes of the Companies Act (Chapter 50 of Singapore) (the **"Companies Act"**), the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire ordinary shares (**"Share Buy-Backs"**) in the capital of the Company (**"Shares"**) not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) market purchases (**"Market Buy-Backs"**) transacted on the SGX-ST through the SGX-ST's trading system, through one or more duly licensed dealers appointed by the Company for the purpose; and/or

(ii) off-market purchases (**"Off-Market Buy-Backs"**), otherwise than on a securities exchange, effected pursuant to an equal access scheme, as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all conditions prescribed by the Listing Manual and the Companies Act,

and otherwise in accordance with the applicable provisions of the Companies Act and the Listing Manual, be and is hereby authorised and approved generally and unconditionally (the **"Share Buy-Back Mandate"**);

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Buy-Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this resolution and expiring on:

(i) the date on which the next annual general meeting of the Company (**"AGM"**) is held or required by law to be held;

(ii) the date on which the purchases or acquisitions of Shares pursuant to the Share Buy-Back Mandate are carried out to the full extent mandated; or

(iii) the date on which the authority conferred by the Share Buy-Back Mandate is revoked or varied by the Shareholders in general meeting,

whichever is the earliest; and

(c) in this resolution:

**"Average Closing Market Price"** means (i) the average of the closing market prices of the Shares over the five (5) market days on which the Shares were transacted on the SGX-ST immediately preceding the date of the Market Buy-Back by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Buy-Back, and (ii) deemed to be adjusted in accordance with the Listing Manual for any corporate action which occurs after the relevant five-day period;

**"date of the making of the offer"** means the date on which the Company announces its intention to make an offer for an Off-Market Buy-Back, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share, and the relevant terms of the equal access scheme for effecting the Off-Market Buy-Back;

**"Prescribed Limit"** means 10% of the total number of Shares of the Company (excluding Treasury Shares and Subsidiary Holdings) as at the date of passing of this resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding Treasury Shares and Subsidiary Holdings);

**"Relevant Period"** means the period commencing from the date on which the last AGM was held and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier, after the date of this resolution; and

**"Maximum Price"** in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) to be paid for a Share, which shall not exceed:

(i) in the case of a Market Buy-Back, 5% above the Average Closing Market Price of the Shares; and

(ii) in the case of Off-Market Buy-Back, 20% above the Average Closing Market Price of the Shares; and

(d) the Directors be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider necessary, desirable, or expedient to give effect to the transactions contemplated by this resolution.
[*See explanatory note (f)*] **Resolution 9**

**NOTICE IS HEREBY GIVEN** that the Share Transfer Books and Register of Members of the Company will be closed on 10 September 2019 at 5.00 p.m. for the purpose of determining shareholders' entitlement to the proposed first and final tax exempt (one-tier) dividend of 1.0 cent per ordinary share for the financial year ended 30 April 2019 (the **"Proposed Dividend"**).

Duly completed registrable transfers received by the Company's Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. of 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623, up to 5.00 p.m. on 10 September 2019 will be registered to determine shareholders' entitlement to the Proposed Dividend.

Shareholders (being Depositors) whose securities accounts with The Central Depository (Pte) Limited (**"CDP"**) are credited with shares as at 5.00 p.m. on 10 September 2019 will be entitled to the Proposed Dividend.

The Proposed Dividend, if approved at the Thirtieth Annual General Meeting of the Company to be held on 30 August 2019, will be paid on 20 September 2019.

**By Order Of The Board**

Heng Michelle Fiona
Company Secretary

5 August 2019
Singapore

**Explanatory Notes:**

(a) The proposed Ordinary Resolution 2, if passed, will facilitate the payment of Directors' fees during the financial year in which the fees are incurred, that is, during the financial year ending 30 April 2020. The comparative amount for Directors' fees for the financial year ended 30 April 2019 has been revised to S$371,000.

(b) Dr Wee Li Ann, if re-elected, will continue to serve as an Executive Director. Detailed information pursuant to Rule 720(6) of the Listing Manual on Dr Wee can be found under the section entitled **"Additional Information on Directors Seeking Re-election"** in the Annual Report.

(c) Mr Leslie Mah Kim Loong, if re-elected, will continue to serve as a member of the Audit Committee and Remuneration Committee. Mr Mah is a Non-Executive and Independent Director. Detailed information pursuant to Rule 720(6) of the Listing Manual on Mr Mah can be found under the section entitled **"Additional Information on Directors Seeking Re-election"** in the Annual Report.

(d) Mr Kazumichi Mandai is a Non-Executive and Independent Director. Detailed information pursuant to Rule 720(6) of the Listing Manual on Mr Mandai can be found under the section entitled **"Additional Information on Directors Seeking Re-election"** in the Annual Report.

(e) Ordinary Resolution 8, if passed, will empower the Directors of the Company from the date of this Annual General Meeting to issue shares in the Company up to the limits as specified in the resolution for such purposes as they consider would be in the interests of the Company. This authority will continue in force until the next Annual General Meeting of the Company, unless previously revoked or varied at a general meeting.

(f) Ordinary Resolution No. 9, if passed, will empower the Directors to make purchases (whether by way of market purchases or off-market purchases on an equal access scheme) from time to time of up to 10% of the total number of issued ordinary shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, at the price up to but not exceeding the Maximum Price. The rationale for the Share Buy-back Mandate, the source of funds to be used for the Share Buy-back Mandate, the impact of the Share Buy-back Mandate on the Company's financial position, the implications arising as a result of the Share Buy-back Mandate under The Singapore Code on Take-overs and Mergers and on the listing of the Company's Shares on the SGX-ST are set out in the Appendix to Notice of Annual General Meeting dated 5 August 2019.

**Notes:**

(1) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak, and vote at the Annual General Meeting.

(2) Where such member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.

(3) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak, and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to different Share(s) held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

**"relevant intermediary"** has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50 of Singapore.

(4) A proxy need not be a member of the Company.

(5) The instrument appointing a proxy or proxies must be deposited at the registered office of the Company located at 19 Lok Yang Way, Singapore 628635 not less than 72 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof.

(6) The instrument of proxy must be signed by the appointer or his attorney duly authorised in writing. In the case of joint shareholders, all holders must sign the instrument of proxy.

**Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the **"Purposes"**), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Dr Wee Li Ann, Mr Leslie Mah Kim Loong and Mr Kazumichi Mandai are the Directors seeking re-election at the annual general meeting of the Company on 30 August 2019 ("AGM") (collectively, the "Retiring Directors" and each a "Retiring Director").

Pursuant to Rule 720(6) of the Listing Manual of SGX-ST, the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of SGX-ST is set out below:

| **Name of Director** | **Dr Wee Li Ann** | **Leslie Mah Kim Loong** | **Kazumichi Mandai** |
|---|---|---|---|
| Date of appointment | 9 December 2009 | 1 December 2012 | 1 December 2012 |
| Date of last re-appointment (if applicable) | 28 August 2016 | 28 August 2016 | 28 August 2016 |
| Age | 48 | 76 | 68 |
| Country of principal residence | Singapore | Singapore | Japan |
| The Board's comments on this re-appointment (including rationale, selection criteria, and the search and nomination process) | Dr Wee Li Ann (**"Dr Wee"**) possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board. With her in-depth knowledge of the Group's operations, Dr. Wee is in a good position to assist with the oversight of the management of the Group's operations around the world. | Mr Leslie Mah Kim Loong (**"Mr Mah"**) possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board. He will continue to contribute his valuable experiences and knowledge to the Board. | Mr Kazumichi Mandai (**"Mr Mandai"**) possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board. With his vast experience and in-depth knowledge of the tyre industry, Mr Mandai will continue to contribute his valuable experiences and knowledge to the Board. |
| Whether Board appointment is executive, and if so, the area of responsibility | The appointment is executive Director. Dr Wee is responsible for business development, finance, human resource management, investor relations, corporate communications and compliance matters of the Stamford Tyres Group. | The appointment is Non-Executive. | The appointment is Non-Executive. |
| Job Title (e.g. Lead ID, AC Chairman, AC Member) | Executive Director since 1 Sept 2018. | Non-Executive and Independent Director; Member of Audit Committee; and Member of Remuneration Committee. | Non-Executive and Independent Director. |

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

| Name of Director | Dr Wee Li Ann | Leslie Mah Kim Loong | Kazumichi Mandai |
|---|---|---|---|
| Academic / Professional qualifications | Dr. Wee graduated with a medical degree from Cambridge University and Bachelor of Arts from John Hopkins University. Dr Wee also holds a Master of Public Administration from Harvard's Kennedy School of Government. | Mr Mah is a Fellow of the Institute of Chartered Accountants in England and Wales and is a Lifetime Member of the Institute of Singapore Chartered Accountants. | Mr Mandai graduated with a Bachelor of Arts degree from Kobe City University of Foreign Studies. |
| Working experience and occupation(s) during the past 10 years | Dr. Wee worked for Parkway Group Healthcare from 2003-2007 as a Family Physician and previously worked as a Broadcast Correspondent for Singapore Press Holdings from 2000-2003. She worked in healthcare management at Parkway Pantai Group from 2012-2015. She is a family physician in private practice. She is also a Director of Wah Holdings Pte Ltd, a substantial shareholder of the Company. | Mr. Mah served as the Executive Director of Eu Yan Sang International Ltd prior to his retirement in 2009. He was Company Secretary and Executive Director of Cerebos Pacific Ltd. from 1986 to 2001. Prior to Cerebos, he served as Finance Director of Harpers Gilfillan for 10 years. Mr Mah was an Independent Director of Falcon Energy Group Limited and Goodpack Ltd. He is currently a Non-Executive Independent Director of Hotel Properties Ltd. and Lam Soon (M) Bhd. | Mr Mandai started his career with Sumitomo Rubber Industries Ltd (SRI) in 1974. after graduation. In 2002, he was appointed as Managing Director of Sumitomo Rubber Asia (Tyre) Private Limited, Singapore, a position he held till 2007. In 2007 to 2008, Mr Mandai served as Sales Director of SRI Tire Trading Co., Tokyo. In 2009, Mr Mandai was appointed as President of Sumitomo Rubber Latin America LTDA, Chile and held this position until he retired from Sumitomo Rubber Industries Ltd in 2011. |
| Any relationship (including immediate family relationships) with any existing director/existing executive officer of the Company or any of its principal subsidiaries and/ or substantial shareholder | Dr. Wee is the eldest daughter of Mr Wee Kok Wah and Mrs Dawn Wee Wai Ying. | No | No |
| Conflict of interest (including any competing business) | No | No | No |

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

<table>
<tr><th>Name of Director</th><th>Dr Wee Li Ann</th><th>Leslie Mah Kim Loong</th><th>Kazumichi Mandai</th></tr>
<tr><td colspan="4">Other Principal Commitments including Directorships</td></tr>
<tr><td>Past 5 years</td><td>Nil</td><td>Past Directorships:<br>Falcon Energy Group Limited; Goodpack Limited</td><td>Nil</td></tr>
<tr><td>Present</td><td>Other directorships:<br>Stamford Tyres International Pte Ltd;<br>Wah Holdings Pte Ltd;<br>Gastroenterology & Medicine International Pte Ltd;</td><td>Other directorships:<br>Hotel Properties Limited;<br>Lam Soon (M) Bhd</td><td>Nil</td></tr>
<tr><td colspan="4">Dr Wee Li Ann, Mr Leslie Mah Kim Loong and Mr Kazumichi Mandai have each provided an undertaking set out in Appendix 7.7 under Rule 720(1) of SGX-ST.<br><br>Each of the Retiring Directors have also individually confirmed that on each of the questions as set out in paragraphs (a) to (k) of Appendix 7.4.1 to the Listing Manual of the SGX-ST, the answer is "No".<br><br>The shareholding interest in the Company and its subsidiaries of each of these Directors are disclosed in the Directors' Statement on page 41 of the Annual Report.<br><br>The disclosure on prior experience as a director of an issuer listed on the Exchange and details of prior experience is not applicable as this disclosure is only applicable to the appointment of a new director.</td></tr>
</table>

**STAMFORD TYRES CORPORATION LIMITED**
Company Registration No.: 198904416M
(Incorporated in the Republic of Singapore

**ANNUAL GENERAL MEETING**
**PROXY FORM**

**Important**

1. A relevant intermediary may appoint more than two proxies to attend, speak, and vote at the Annual General Meeting. Please see Note 3 overleaf for the definition of "relevant intermediary".
2. For investors who have used their CPF monies to buy Stamford Tyres Corporation Limited shares, this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors are requested to contact their respective Agent Banks if they have any queries regarding their appointment as proxies or the appointment of their Agent Banks as proxies for the Annual General Meeting.

I/We (Name) ________________________________________ NRIC/Passport No/Co. Reg. No. ___________________

of (Address)________________________________________________________________________________________

being a member/members of Stamford Tyres Corporation Limited (the **"Company"**) hereby appoint:

| Name | Address | NRIC/Passport Number | Proportion of Shareholdings (%) |
|---|---|---|---|
| | | | |

and/or (delete as appropriate)

| Name | Address | NRIC/Passport Number | Proportion of Shareholdings (%) |
|---|---|---|---|
| | | | |

or failing the person, or either or both of the persons, referred to above, the Chairman of the Annual General Meeting (the "**Meeting**"), as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Meeting of the Company to be convened at 19 Lok Yang Way, Singapore 628635 on 30 August 2019 at 3.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

| No. | Resolutions | For | Against |
|---|---|---|---|
| | **ORDINARY BUSINESS** | | |
| 1. | Adoption of Directors' Statement, Auditor's Report and Audited Financial Statements | | |
| 2. | Approval of Directors' Fees | | |
| 3. | Declaration of First and Final Dividend | | |
| 4. | Re-election of Dr Wee Li Ann as Director | | |
| 5. | Re-election of Mr Leslie Mah Kim Loong as Director | | |
| 6. | Re-election of Mr Kazumichi Mandai as Director | | |
| 7. | Re-appointment of Ernst & Young LLP as Auditor and authorization to Directors to fix their remuneration | | |
| | **SPECIAL BUSINESS** | | |
| 8. | Authority to issue shares pursuant to the Share Issue Mandate | | |
| 9. | Renewal of the Share Buy-Back Mandate | | |

(If you wish to exercise all your votes "For" or "Against", please indicate your vote with a tick "√". Alternatively, please indicate the number of votes **"For"** or **"Against"**.)

Dated this _________ day of _________________ 2019

_______________________________________
Signature(s) of Member(s)/Common Seal

| Total number of Shares held: |
|---|
| |

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

**NOTES:**

1. A member who is not a relevant intermediary is entitled to appoint one or two proxies to attend, speak, and vote at the Meeting. Where such member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.

2. A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak, and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to different Share(s) held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services to securities under the Securities and Futures Act (Cap 289) of Singapore and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant or in accordance with that subsidiary legislation.

3. A proxy need not be a member of the Company.

4. If no name is inserted in the space for the name of your proxy on the form of proxy, the Chairman of the Meeting will act as your proxy.

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Meeting.

6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register as defined in Section 81SF of the Securities and Futures Act (Cap 289) of Singapore, he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this instrument of proxy will be deemed to relate to all shares held by the member.

7. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company located at 19 Lok Yang Way, Singapore 628635 not less than 72 hours before the time appointed for holding the Meeting or any adjournment thereof.

8. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

9. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

10. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act (Cap 50) of Singapore.

11. CPF Investors who buy Shares in the Company may attend and cast their votes at the Meeting in person. CPF Investors who are unable to attend the Meeting but would like to vote may inform their respective Agent Banks to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF Investor shall be precluded from attending the Meeting.

12. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

**Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the **"Purposes"**), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/ or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

STAMFORD TYRES

STAR VANS

# 24 HOUR MOBILE VAN SERVICE

## Want to change your tyres and batteries?

## No problem. We can come to you.


Should your vehicle breakdown on the road, STAR VANS strives to be there promptly and provide you with all your needs to quickly get back on the road. Our services include on-site tyre change and rebalancing, battery change and fuel top up. In the event of an emergency, we also provide tyre repair and patching services. Our roadside assistance is available 24/7 and is supported by three dedicated mobile vans. Call 8797-3355.

# WORKMANSHIP CHARGES

| Services | 7:00am to 11:59pm Monday – Saturday | 12MN to 6:59am Monday – Saturday | All Day Sunday/ Public Holiday |
|---|---|---|---|
| 1. Tyre Replacement & Balancing* | $40 | $60 | $60 |
| 2. Spare Tyre change** | $40 | $60 | $60 |
| 3. Tyre Repair & Patching *** | $40 | $60 | $60 |
| 4. Battery Replacement* | $40 | $60 | $60 |
| 5. Jump Start | $40 | $60 | $60 |
| 6. Fuel top up**** | $40 | $60 | $60 |

Remarks

* Prices displayed refer to workmanship charges only. Customers will be charged separately for tyres and batteries.
** Vehicle must have its own spare tyre.
*** This includes one free tyre patching service.
**** Prices displayed refer to petrol/diesel delivery fee only. Customers will be charged separately for petrol/diesel.

**Just call us at 8797 3355** 24 hours a day, 7 days a week, 365 days a year.

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18" | 19" | 20"
FINISHING : FULL COLOR, FULL POLISH
S368
18" | 19" | 20"
FINISHING : FULL COLOR, FULL POLISH
S369
18" | 19" | 20"
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