STAMFORD TYRES CORPORATION LIMITED
Company Registration No: 198904416M
(Incorporated in the Republic of Singapore)

RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS BY SHAREHOLDERS IN RELATION TO THE ANNUAL REPORT 2020

The Company has received the questions below from shareholders and would like to respond as follows:

Q1: I refer to page 2 of the Annual Report about "Letter to shareholders". In the 2nd paragraph, at the last sentence, it was stated that "The Group has managed to build up a portfolio of budget tyre brand offerings into its key markets, making up almost one-third of its total revenue." How is the sales trend of budget tyres like? Does the Group see the budget segment cannibalising its non-budget segment due to Covid?
Response: As disclosed on pages 2 and 3 of the Annual Report, the introduction of budget tyres was part of the Group's brand and product diversification strategy in response to the increased market competition and the oversupply of tyres, particularly in South East Asia. As disclosed, the budget tyre offerings make up almost one-third of total revenue of the Group. The budget tyres and major brand tyres consist of different categories of consumers, and the cannibalisation, if any, would be minimal. The major brands remain a key product line within the Group's portfolio of tyre offerings in its markets. Management will continue to tweak the level of offerings in accordance with market changes and developments.

Q2: I refer to page 19 of the Annual Report about "Financial highlights", particularly "Group turnover". Group turnover has declined by 19.3% over past 3 years. Furthermore, on page 86 of the Annual Report about "Revenue", revenue from "Wholesale and distribution" has declined by 16.3% from S$183.488m in 2019 to S$153.664m in 2020. Which area has declined more -- "Wholesale" or "Distribution"? Why?
Response: As disclosed on page 1 of the Annual Report, the Group's international distribution network spans across 9 countries in Asia Pacific, Africa and Australia. The revenue from these operations were collectively referred to as "revenue from wholesale and distribution". The decline in the wholesale and distribution revenue primarily occurred in South East Asia due to the above-mentioned increased market competition and the oversupply of tyres in the region. For more information, operational highlights of the key wholesale and distribution markets of the Group are provided between pages 15 to 18 of the Annual Report.

Q3: What other shifts in consumer trends have the Group experienced over the past 3 years and due to Covid? Is Stamford Tyres selling imported Chinese tyres? If so, what are the brands?
Response: As disclosed on page 2 of the Annual Report, the implementation of the ASEAN-China Free Trade Agreement lowered tariffs for China-made products, including tyres. This had created a higher demand for China-made budget tyres over the past 3 years. As mentioned above, the introduction of budget tyres was part of the Group's brand and product diversification strategy in response to the increased market competition and the oversupply of tyres, particularly in South East Asia. The Group's proprietary brand tyres are well-positioned as premium budget tyre offerings in its markets and this is supplemented with other budget tyre brands, including some China-imported ones, eg Blacklion and Rovelo.

Q4: I refer to page 14 of the Annual Report about "Financial and operations review". In the 3rd column, at the last sentence, it was stated that "In response to the changing markets, the Group has diversified its topline and sourcing of Sumo Firenza and Chinese budget tyres, mainly in the truck and commercial tyres segment". How many % of total revenue did the truck and commercial tyres segment contribute? How has the sales trend of truck and commercial tyres segment been?
Response: The truck and commercial tyres segment make up approximately one-third of the Group's revenue.

Q5: I refer to page 129 of the Annual Report about "Segment information", particularly Manufacturing segment. Revenue from manufacturing segment has declined by 22.6% from S$32.738m in 2019 to S$25.353m in 2020. What went wrong at Stamford Sport Wheels Co Ltd?
Response: The revenue decline from manufacturing segment was in line with the general decline in wheels demand in both export and domestic markets during the year. As disclosed on page 17 of the Annual Report, a corresponding reduction in production costs as well as the stabilisation of the Thai Baht had improved the profitability of the SSW factory during the year.

Q6: I refer to page 55 of the Annual Report about "Allowance for inventory obsolescence". It was stated that "For inventories subsequently sold with negative gross margins, we assessed if the allowance for these inventories are adequate". What are these "inventories subsequently sold with negative gross margins"? What went wrong? Furthermore, can the Audit Committee share what are the Group's current policies for allowance for inventory obsolescence for our major types of tyres?
Response: As disclosed on page 78 of the Annual Report, the Group's inventories are stated at the lower of cost and net realisable value, and an allowance is made where necessary for obsolete, slow moving and defective inventories. This policy has been consistently adopted and applied since previous financial years.

Q7: I refer to page 15 of the Annual Report about "Financial and operations review", particularly about Allowance for expected credit loss. Allowance for expected credit loss has increased by 44.8% from $5.2m in 2019 to $7.53m in 2020. Here, it was stated that "Higher expected credit loss allowance of trade receivables were made as a result of delayed and non-payment of trade receivables when due from customers as a result of the current Covid-19 pandemic and the various government-imposed lockdowns in our key markets such as Malaysia and Thailand." What have the Audit Committee planned to do about it?
Response: As disclosed on pages 58 and 117 of the Annual Report, the Group had made a full disclosure of the assessed Covid-19 related impact on foreseeable credit losses. The Audit Committee will continue to evaluate the processes and controls relating to the monitoring of trade receivables by the Management, as described on page 55, to identify key collection risks and follow-up actions.

Q8: Moreover, on page 99 of the Annual Report about "Trade receivables", the trade receivables denominated in Indonesian Rupiah has increased by 35.6% to S$11.815m in 2020. Is the Group likely to face more credit risk from Indonesia too?
Response: As disclosed on pages 17 and 18 of the Annual Report, the Group capitalised on the strong consumer demand in Indonesia and strengthened its passenger car tyre and wheels distribution network, as well as expanding its tyre offerings and services to the local Indonesian commercial fleet and mining customers. The increase in Indonesian Rupiah receivables are in line with the increase in revenue contribution from the above-mentioned segments.

Q9: I refer to page 102 of the Annual Report about "Other receivables, prepayments and advances". Why has Sundry receivables suddenly increased 85% from $2.398m in 2019 to S$4,436m in 2020?
Response: These were mainly due to higher net GST/ VAT input tax claimable as at 30 April 2020 when compared to 30 April 2019.

Q10: I refer to page 94 of the Annual Report about “Investment in subsidiaries and amounts due from/(to) subsidiary companies”. It was stated that “An impairment loss of $2,805,000 (2019: $2,000,000 in a different subsidiary) for the investment in subsidiary was recognised …” Which subsidiary was it for 2020? What went wrong?
Response: The impairment was in relation to Stamford Tyres Australia Pty Ltd, primarily due to continued operating losses. As per SGXNet announcement on 12 December 2019, the Group had closed down its loss-making operation in Queensland, Australia and incurred a one-time S$400,000 costs. The basis of impairment is disclosed on page 85 of the Annual Report.

Q11: I refer to page 97 of the Annual Report about “Joint venture companies”. Given the continual losses at Falken Tyre India Private Limited, can the Board share what went wrong? Is the Board going to stay invested in India? What is the prospect of Falken Tyre India?
Response: The losses at Falken Tyre India Private Limited (“FTI”) were due to market changes as a result of the local government’s demonetisation and VAT-centralisation policies and the relatively high operating costs. India remains a potentially viable market for the distribution of Falken tyres. The Board will continue to evaluate all available options with regards to the Group’s continued investment in FTI.

Q12: What is budgeted capex likely to be in the next 2-3 years?
Response: Kindly refer to page 110 of the Annual Report for the disclosed capital commitments of the Group.

Q13: How much financial help were received from various governments amid the pandemic? Were tyre dealers open for business?
Response: Significant wage subsidies were received from the local governments of Singapore, Australia and South Africa to help tide through the initial months of the imposition of circuit breakers and lockdowns. Some tyre dealers were affected by the circuit breakers and market lockdowns, particularly in March and April 2020. Nevertheless, as disclosed on page 2 of the Annual Report, the Group remains focused on current assets rationalisation and operating costs containment to maintain positive operating cash flows during this period of financial uncertainties.

In addition to the above, we will be addressing key issues which we think are of interest to our shareholders and interested investors in our Management Presentation during our electronic Annual General Meeting on 30 September 2020. We will upload the presentation slides via SGXNet together with the results of the AGM.

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