RESPONSE TO QUESTIONS FROM SIAS

Q1. Financial Performance and Growth Plans

Although the group reported a 5.7% decrease in revenue to $422.8 million in FY2020, the group managed to increase its market share in certain markets, most notably in Australia, where our products across the board, particularly our tyre product range and energy solutions & industrial products, reported higher revenue in FY2020. Our Oceania market registered an increase in revenue by 7% to S$129.4 million, accounting for about 31% of the total group revenue in FY2020.

Both our distribution and manufacturing business reported higher gross profit margin and hence consequently, the group's gross profit margin increased from 21.4% to 24.0%. Our prudent management on the cost of inventory, including hedging of raw material prices, supply constraints and firmer selling prices have contributed to the higher gross profit margin in FY2020. We will continue to monitor and manage the cost of inventory, including raw material prices closely and whenever possible pass on the increase in raw material prices to our customers.

The group's total operating expenses reduced by 2.2% to about S$86.4 million in FY2020 from S$88.4 million in FY2019. The reduction was mainly due to lower transportation & travelling, advertising & promotion expenses and employee compensation in FY2020. Our "3R" – reduce inventory, reduce accounts receivable and reduce operating costs – cost management strategy has served us well in the past 5 years. We'll continue to manage our costs prudently to improve the group's profitability in FY2021.

The group reported a net profit attributable to equity holders of the company of S$19.2 million in FY2020, increased by 47.8% over S$13.0 million in FY2019, mainly contributed by the group's tyre business. Excluding the government grants for Covid-19 relief of about S$3.5 million, the increase would have been about S$ 2.7 million instead of S$ 6.2 million, about 20.8% over FY2019. We do not expect the government grants for Covid-19 to continue in FY2021.

The group will continue to focus on growing our core businesses of tyres, wheels and energy solutions & industrial products in all its distribution network whenever possible focusing in the ASEAN market. Our "3M" – multi-product, multi-brand and multi-category – marketing strategy has served us well in growing our energy solutions & industrial products business. We believe there are still opportunities to grow the energy solutions & industrial products business in our distribution network. We will continue to work on this "3M" strategy to source for new product brands and categories to strengthen our portfolio offering to customers and explore new business opportunities to drive the next phase of growth. Coupled with the 3R cost management strategy, the group will be working hard to improve its profitability and maximize shareholders' value.

The project on the logistics business has been put on hold infinitely. We'll provide an update on the logistics business should there be any changes in the circumstances.

Q2. Capital Expenditure Plans

The group does not have any significant capital expenditure plans for the next 3-5 years except for expanding production capacity outside of China. Due to the continued trade war between the US & China and the imposed tariffs on China made import to the US, there is an increasing demand for non-China made wheels from our existing and new potential customers. We are planning to increase the production capacity at our Malaysia factory but the plans are still in discussion stage and at this juncture, we are unable to provide an estimate of the capital expenditures. The group does not intend to expand the production capacity at the Taoyuan site.

Q2. Capital Structure

The group intend to maintain optimal capital structure so as to maximise shareholders value. In order to maintain or achieve an optimal capital structure, the group may adjust the amount of dividend payment, buy back issued shares, return capital to shareholder or obtain new borrowings. As part of the Group's financial risk management strategy, the management monitors the group's capital based on a net gearing ratio and has set the net gearing ratio target of within 30% to 50% to provide a guidance for the Group.

Q3. Code of Corporate Governance 2018 – Principle 8

Principle 8 requires the Company to be transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

In light of the spirit of Principle 8, the Company has demonstrated the level and mix of remuneration of each individual director by setting out the following:

a) directors' remuneration in bands of $250,000; and
b) a breakdown of each Director's remuneration and fees in terms of percentage and the different components of the remuneration i.e. salary, bonus, director's fees and other benefits.

The Company views manpower as key source for the continuous success of the Company. The disclosure of the remuneration of the top five key management personnel (who are not directors or the CEO) would be detrimental to the Company's ability to retain its existing key management personnel. We believe that the current disclosure is adequate.

The Company has provided an explanation for its variation from Provision 8.1 of the Code of Corporate Governance on page 52 of the Annual Report extracts of which are reproduced below:

"The Company operates in a niche industry in automotive manufacturing and distribution industry sector

where relevant talent and expertise is limited. It has been facing and continues to face stiff competition in attracting and retaining talent in a small community of industry players. While the Company is cognizant of the need for corporate transparency in the remuneration of its Directors and key executives, the Company notes that the disclosure of details in excess of the above (sic) may be detrimental to its business interests, given the highly competitive industry conditions where poaching *has become commonplace. The disclosure of specific detailed information on aggregate remuneration of individual director and key management personnel will affect its ability to retain its talent pool and is not in the best interests of the Company.*

In particular, the Company had previously announced its "3R" strategy and restructuring of its Group operations and the disclosure of remuneration matters are sensitive and confidential in light of its restructuring and resizing strategy. The Group also sees human capital as one of its key advantages over its competitors and, noting that the highly competitive industry which the Group operates in, believes that the disclosure above best preserves the business interests of the Group. As far as the Company is aware, the remuneration paid to Directors and key executives is in line with industry practices."

The Company ensures that the Remuneration Committee reviews and considers the remuneration of each Director and key management personnel of the Company and after due deliberation, the Remuneration Committee would make appropriate recommendations to the Board. No Director or key management personnel is involved in deciding his own remuneration.

Under the Company's disclosures in relation to Principle 6 of the Code in its Annual Report, the Company has disclosed, among other things, that:

a) the Remuneration Committee ensures that there is a formal and transparent framework of remuneration for the Directors and key management personnel on all aspects of remuneration including Director's fees, salaries, allowances, bonuses, option (if any) and benefits-in-kind;

b) the Remuneration Committee is responsible for reviewing and recommending to the Board the specific remuneration packages and terms of employment for each Director and key management personnel;

c) in its deliberations, the Remuneration Committee takes into consideration industry practices and norms in compensation, the Group's performance vis-a-vis the industry as well as the individual Director and the key management personnel's contribution and performance. No Director or key management personnel is involved in deciding his own remuneration; and

d) when the need arises, the Remuneration Committee has access to external remuneration consultants' service and advice on Director's remuneration.

The Company has also disclosed details on the level and structure of remuneration of the Board and key management personnel under Principle 7 of the Corporate Governance Report.

Given the disclosures under Principles 6 and 7 of the Corporate Governance Report, read together with the disclosures under Provision 8.1, the current disclosures and practices adopted are consistent with the intent of Principle 8 of the Code.