

STAMFORD TYRES CORPORATION LTD

Unaudited Second Quarter 2015 Financial Statements

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

1(a)(i) CONSOLIDATED INCOME STATEMENT

	Group			Group		
	Q2FY15	Q2FY14	Difference	1HFY15	1HFY14	Difference
	Oct'14	Oct'13		Oct'14	Oct'13	
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue	75,320	71,464	5.40%	150,297	147,795	1.69%
Other revenue	182	261	-30.27%	440	2,042	-78.45%
Total revenue	75,502	71,725	5.27%	150,737	149,837	0.60%
Cost of goods sold	59,030	54,422	8.47%	118,302	114,049	3.73%
Salaries and employees benefits	6,061	5,879	3.10%	11,981	11,450	4.64%
Marketing and distribution	2,559	2,478	3.27%	5,203	4,933	5.47%
Utilities, repairs and maintenance	1,714	1,501	14.19%	3,147	2,839	10.85%
Finance costs	1,252	1,130	10.80%	2,337	2,273	2.82%
Depreciation of property, plant and equipment	1,215	952	27.63%	2,429	1,912	27.04%
Operating lease rentals	1,218	1,580	-22.91%	2,264	3,211	-29.49%
Other operating expenses/(income)	1,164	(1,687)	N.M	2,759	2,131	29.47%
Total expenditure	(74,213)	(66,255)	12.01%	(148,422)	(142,798)	3.94%
Share of results of joint ventures	82	(207)	N.M	221	(568)	N.M
Profit before taxation	1,371	5,263	-73.95%	2,536	6,471	-60.81%
Taxation	(515)	(413)	24.70%	(1,099)	(1,203)	-8.65%
Profit for the financial period	856	4,850	-82.35%	1,437	5,268	-72.72%
Attributable to:						
Equity holders of the company	856	4,850	-82.35%	1,437	5,268	-72.72%
	856	4,850	-82.35%	1,437	5,268	-72.72%

N.M - Not meaningful.

1(a)(i) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Q2FY15 Oct'14 \$'000	Q2FY14 Oct'13 \$'000	1HFY15 Oct'14 \$'000	1HFY14 Oct'13 \$'000
Net profit for the financial period	856	4,850	1,437	5,268
Other comprehensive income :				
Translation adjustments arising on consolidation	764	(1,507)	773	(3,502)
Other comprehensive income for the financial period, net of tax	764	(1,507)	773	(3,502)
Total comprehensive income for the financial period	1,620	3,343	2,210	1,766
Total comprehensive income attributable to :				
Equity holders of the Company	1,620	3,343	2,210	1,766
	1,620	3,343	2,210	1,766

	Q2FY15 Oct'14 \$'000	Q2FY14 Oct'13 \$'000	1HFY15 Oct'14 \$'000	1HFY14 Oct'13 \$'000
(a) Profit after taxation is stated after charging/(crediting) :				
Depreciation of property, plant and equipment (inclusive of charges included in cost of goods sold)	2,127	1,831	4,257	3,721
Allowance for doubtful receivables	130	780	33	1,465
(Write-back of)/allowance for inventory obsolescence	(156)	414	(133)	840
Gain on disposal of property, plant and equipment	(30)	(5,575)	(51)	(5,597)
Foreign exchange (gain)/loss	(226)	1,161	481	3,009
Fair value loss on other financial instruments	211	229	121	164
Property, plant and equipment written-off	95	-	96	1
Compensation received in respect of exit from China	-	-	-	(1,550)

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	Oct-14 \$'000	Apr-14 \$'000	Oct-14 \$'000	Apr-14 \$'000
Non-current assets				
Property, plant and equipment	65,034	65,106	-	-
Subsidiary companies	-	-	58,036	56,130
Amount due from subsidiary companies	-	-	4,248	8,994
Joint venture companies	15,852	16,111	6,567	6,567
Associated company	233	233	-	-
Deferred tax assets	2,636	2,559	-	-
	<u>83,755</u>	<u>84,009</u>	<u>68,851</u>	<u>71,691</u>
Current assets				
Inventories	107,614	102,575	-	-
Trade receivables	80,484	74,601	-	-
Derivatives	102	-	86	-
Other receivables	5,387	4,041	183	88
Prepayments and advances	4,736	2,597	19	19
Cash and cash equivalents	13,911	18,637	400	1,714
	<u>212,234</u>	<u>202,451</u>	<u>688</u>	<u>1,821</u>
Less: Current liabilities				
Trade payables	21,027	22,319	-	-
Trust receipts (secured)	74,874	61,806	-	-
Derivatives	488	265	-	79
Other payables	21,336	20,752	466	519
Loans (secured)	12,796	13,796	-	-
Hire-purchase liabilities	1,020	775	-	-
Provisions	613	520	-	-
Provision for taxation	2,244	2,502	48	93
	<u>134,398</u>	<u>122,735</u>	<u>514</u>	<u>691</u>
Net current assets	77,836	79,716	174	1,130
Non-current liabilities				
Amount due to subsidiary companies	-	-	365	365
Hire-purchase liabilities	2,308	805	-	-
Provisions	640	640	-	-
Long-term loans (secured)	36,745	39,111	-	-
Deferred tax liabilities	724	671	108	108
	<u>40,417</u>	<u>41,227</u>	<u>473</u>	<u>473</u>
Net assets	121,174	122,498	68,552	72,348
Equity				
Share capital	35,722	35,722	35,722	35,722
Reserves	85,452	86,776	32,830	36,626
	<u>121,174</u>	<u>122,498</u>	<u>68,552</u>	<u>72,348</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 31/10/2014		As at 30/04/2014	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
88,690	-	76,377	-

Amount repayable after one year

As at 31/10/2014		As at 30/04/2014	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
39,053	-	39,916	-

Details of any collateral

The Group's freehold land, certain leasehold land and buildings, leasehold improvements and certain plant and equipment with a total net book value of \$49,348,916 as at 31 October 2014 (30 April 2014 : \$50,482,029) are subject to legal mortgages in connection with bank facilities granted to the Group.

The trust receipts of subsidiary companies are secured primarily by corporate guarantees from the Company.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

1(c)(i) CONSOLIDATED CASH FLOW STATEMENT (2Q FY2015 vs 2Q FY2014)

	Group	
	Q2FY15 Oct'14 \$'000	Q2FY14 Oct'13 \$'000
Cash flows from operating activities:		
Profit before taxation	1,371	5,263
Adjustments for:		
Depreciation of property, plant and equipment	2,127	1,831
Gain on disposal of property, plant and equipment	(30)	(5,575)
Fair value loss on other financial instruments	211	229
Property, plant and equipment written-off	95	-
Bad debts written-off	-	19
Foreign currency translation adjustment	285	(42)
Interest income	(4)	(61)
Provision for product warranties	111	188
Write-back of impairment loss on property, plant and equipment	-	(2)
Interest expenses	1,252	1,130
Share of results of joint ventures	(82)	207
Operating cashflows before changes in working capital	5,336	3,187
(Increase)/decrease in inventories	(3,114)	4,737
(Increase)/decrease in receivables	(2,483)	4,793
Decrease in payables	(1,919)	(3,813)
Cash (used in)/generated from operations	(2,180)	8,904
Interest received	4	61
Interest paid	(1,252)	(1,130)
Income tax paid	(893)	(782)
Net cash (used in)/provided by operating activities	(4,321)	7,053
Cash flows from investing activities :		
Proceeds from disposal of property, plant and equipment	68	6,316
Purchase of property, plant and equipment	(4,692)	(7,222)
Net cash used in investing activities	(4,624)	(906)
Cash flows from financing activities :		
Proceeds from long-term loans	204	5,589
Proceeds from/(repayment of) trust receipts	8,271	(3,289)
Proceeds from/(repayment of) revolving loans	1,288	(950)
Proceeds from/(repayment of) hire purchase creditors	3,575	(470)
Dividend paid to shareholders	(3,534)	(3,534)
Repayment of long-term loans	(1,815)	(1,969)
Net cash generated from/(used in) financing activities	7,989	(4,623)
Net (increase)/decrease in cash and cash equivalents	(956)	1,524
Cash and cash equivalents at beginning of financial period	14,807	18,752
Exchange rate adjustment to cash and cash equivalents at beginning of financial period	60	(232)
Cash and cash equivalents at end of financial period	13,911	20,044

1(c)(ii) CONSOLIDATED CASH FLOW STATEMENT (YTD OCT FY2015 vs YTD OCT FY2014)

	Group	
	1HFY15 Oct'14 \$'000	1HFY14 Oct'13 \$'000
Cash flows from operating activities:		
Profit before taxation	2,536	6,471
Adjustments for:		
Depreciation of property, plant and equipment	4,257	3,721
Gain on disposal of property, plant and equipment	(51)	(5,597)
Fair value loss on other financial instruments	121	164
Property, plant and equipment written-off	96	1
Bad debts written-off	-	20
Foreign currency translation adjustment	1,080	(909)
Interest income	(50)	(98)
Provision for product warranties	301	352
Write-back of impairment loss on property, plant and equipment	(2)	(2)
Interest expenses	2,337	2,273
Share of results of joint ventures	(221)	568
Operating cashflows before changes in working capital	<u>10,404</u>	<u>6,964</u>
(Increase)/decrease in inventories	(5,039)	7,638
(Increase)/decrease in receivables	(9,368)	13,612
Decrease in payables	(917)	(1,583)
Cash (used in)/generated from operations	<u>(4,920)</u>	<u>26,631</u>
Interest received	50	98
Interest paid	(2,337)	(2,273)
Income tax paid	(1,381)	(1,161)
Net cash (used in)/provided by operating activities	<u>(8,588)</u>	<u>23,295</u>
Cash flows from investing activities :		
Proceeds from disposal of property, plant and equipment	129	6,383
Purchase of property, plant and equipment	(5,807)	(13,094)
Net cash used in investing activities	<u>(5,678)</u>	<u>(6,711)</u>
Cash flows from financing activities :		
Proceeds from long-term loans	204	7,814
Proceeds from/(repayment of) trust receipts	13,068	(11,712)
Repayment of revolving loans	(147)	(5,714)
Proceeds from/(repayment of) hire purchase creditors	3,366	(729)
Dividend paid to shareholders	(3,534)	(3,534)
Repayment of long-term loans	(3,423)	(4,083)
Net cash generated from/(used in) financing activities	<u>9,534</u>	<u>(17,958)</u>
Net decrease in cash and cash equivalents	(4,732)	(1,374)
Cash and cash equivalents at beginning of financial period	18,637	21,595
Effect of exchange rate changes on cash and cash equivalents at the beginning of the financial period	6	(177)
Cash and cash equivalents at end of financial period	<u><u>13,911</u></u>	<u><u>20,044</u></u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding year of the immediately preceding financial year.

	Equity, total \$'000	Equity attributable to owners of the Company, total \$'000	Share capital \$'000	Revenue reserve \$'000	Other reserves, total \$'000	Capital reserve \$'000	Employee share option reserve \$'000	Foreign currency translation reserve \$'000	Discount on acquisition of non-controlling interest \$'000
Group									
Balance at 1 May 2013	120,248	120,248	35,722	93,850	(9,324)	424	254	(10,204)	202
Profit for the financial period	5,268	5,268	-	5,268	-	-	-	-	-
Other comprehensive income for the period	(3,502)	(3,502)	-	-	(3,502)	-	-	(3,502)	-
Total comprehensive income for the financial period	1,766	1,766	-	5,268	(3,502)	-	-	(3,502)	-
<u>Contributions by and distributions to owners</u>									
Dividend on ordinary shares	(3,534)	(3,534)	-	(3,534)	-	-	-	-	-
Total contributions by and distributions to owners	(3,534)	(3,534)	-	(3,534)	-	-	-	-	-
Total transactions with owners in their capacity as owners	(3,534)	(3,534)	-	(3,534)	-	-	-	-	-
Balance at 31 October 2013	118,480	118,480	35,722	95,584	(12,826)	424	254	(13,706)	202
Balance at 1 May 2014	122,498	122,498	35,722	100,332	(13,556)	424	254	(14,436)	202
Profit for the financial period	1,437	1,437	-	1,437	-	-	-	-	-
Other comprehensive income for the period	773	773	-	-	773	-	-	773	-
Total comprehensive income for the financial period	2,210	2,210	-	1,437	773	-	-	773	-
<u>Contributions by and distributions to owners</u>									
Dividend on ordinary shares	(3,534)	(3,534)	-	(3,534)	-	-	-	-	-
Total contributions by and distributions to owners	(3,534)	(3,534)	-	(3,534)	-	-	-	-	-
Total transactions with owners in their capacity as owners	(3,534)	(3,534)	-	(3,534)	-	-	-	-	-
Balance at 31 October 2014	121,174	121,174	35,722	98,235	(12,783)	424	254	(13,663)	202

	Equity attributable to	Share	Revenue	Other	
Equity,	owners of the	capital	reserve	reserves	
total	Company, total	reserve	total	total	
\$'000	\$'000	\$'000	\$'000	\$'000	
Company					
Balance at 1 May 2013	69,373	69,373	35,722	33,397	254
Profit for the financial period	383	383	-	383	-
Total comprehensive income for the financial period	383	383	-	383	-
<u>Contributions by and distributions to owners</u>					
Dividend on ordinary shares	(3,534)	(3,534)	-	(3,534)	-
Total contributions by and distributions to owners	(3,534)	(3,534)	-	(3,534)	-
Total transactions with owners in their capacity as owners	(3,534)	(3,534)	-	(3,534)	-
Balance at 31 October 2013	66,222	66,222	35,722	30,246	254
Balance at 1 May 2014	72,348	72,348	35,722	36,372	254
Profit for the financial period	(262)	(262)	-	(262)	-
Total comprehensive income for the financial period	(262)	(262)	-	(262)	-
<u>Contributions by and distributions to owners</u>					
Dividend on ordinary shares	(3,534)	(3,534)	-	(3,534)	-
Total contributions by and distributions to owners	(3,534)	(3,534)	-	(3,534)	-
Total transactions with owners in their capacity as owners	(3,534)	(3,534)	-	(3,534)	-
Balance at 31 October 2014	68,552	68,552	35,722	32,576	254

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous year reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial year reported on and as at the end of the corresponding year of the immediately preceding financial year.

There was no change in the company's number of shares since 30 April 2014.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial year and as at the end of the immediately preceding year

	Company 31/10/2014	Company 30/04/2014
Ordinary shares (excluding treasury shares)	235,586,244	235,586,244

1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial year reported on

Not applicable. There are no treasury shares as at the end of the current financial period reported on.

2. Whether the figures have been audited, or reviewed and in accordance with which standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in Note 5, the Group and the Company has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial period compared with those of the audited financial statements as at 30 April 2014.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of the change.

On 1 May 2014, the Group and the Company adopted the following new and revised Financial Reporting Standards ("FRS") and Interpretations of Financial Reporting Standards ("INT FRS") that are relevant:

Description

- Amendments to FRS 32 Offsetting Financial Assets and Financial Liabilities
- Amendments to FRS 36 Recoverable Amount Disclosures for Non-financial Assets
- Amendments to FRS 39 Novation of Derivatives and Continuation of Hedge Accounting
- INT FRS 121 Levies

The adoption of the above FRS and INT FRS did not result in any substantial changes to the Group's accounting policies and did not have any significant impact on the Group and the Company.

6. Earnings per ordinary share of the group for the current year reported on and the corresponding year of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group		Group	
	Q2FY15 Oct'14	Q2FY14 Oct'13	1HFY15 Oct'14	1HFY14 Oct'13
Earning per share (EPS)				
- basic (cents)	0.36	2.06	0.61	2.24
- diluted (cents)	0.36	2.06	0.61	2.24
	\$'000	\$'000	\$'000	\$'000
Group earnings used for the calculation of EPS				
Profit/(loss) for the financial period	856	4,850	1,437	5,268
	'000	'000	'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	235,586	235,586	235,586	235,586

Basic earning per share ("EPS") is calculated on the Group's profit for the financial year attributable to the shareholders of the Company divided by the weighted average number of ordinary shares in issue during the financial period.

Diluted EPS is calculated on the same basis as basic EPS as there are no dilutive potential ordinary shares as at 31 October 2014.

Unissued shares under share options as at 31 October 2014 comprise 780,000 (30 April 2014: 780,000) options entitling holders to subscribe at any time during the exercise period for the same number of ordinary shares in the Company.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:- (a) current financial year reported on; and (b) immediately preceding financial year.

	Group		Company	
	31/10/14	30/04/14	31/10/14	30/04/14
Net asset value per ordinary share (cents)	51.44	52.00	29.35	30.71

The net asset value per share for the Group and the Company as at 31 October 2014 are calculated based on the actual number of shares in issue of 235,586,244 ordinary shares (30 April 2014: 235,586,244 ordinary shares).

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial year reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial year reported on.

2QFY15

Revenue

The Group's sales revenue was 5.4% higher at S\$75.3 million in 2QFY15 compared to S\$71.5 million in 2QFY14. This was mainly due to growth in the South East Asian markets.

Gross Profit and Gross Profit Margin

Gross profit was S\$16.2 million in 2QFY15 compared to S\$17.0 million in 2QFY14. Gross profit margin decreased slightly from 23.9% in 2QFY14 to 21.5% in 2QFY15. The lower gross profit margin was mainly due to pricing pressure arising from market competition in some markets.

Operating Expenses/(Income)

Net operating expenses were S\$15.2 million in 2QFY15 compared to S\$11.8 million in 2QFY14.

In 2QFY14, net operating expenses included a one-off gain of S\$5.6 million from the disposal of Balestier Tower property, which was offset by foreign exchange losses and allowance for receivables totalling S\$1.9 million. In 2QFY15, foreign exchange gain was S\$0.2 million and allowance for receivables amounted to S\$0.1 million.

Share of Results of Joint Ventures

In 2QFY15, the share of results of joint ventures amounted to a net profit of S\$0.1 million, compared to a net loss of S\$0.2 million in 2QFY14. The net loss position in 2QFY14 was mainly due to the start-up phase of the Falken Tyre India joint venture which was announced on 20 December 2012.

Net Profit

The Group recorded a net profit of S\$0.9 million in 2QFY15, compare to the S\$4.9 million profit recorded in 2QFY14.

Financial Position

Receivables increased to S\$80.5 million as at 31 October 2014 from S\$74.6 million as at 30 April 2014, in line with higher sales.

Inventories increased to S\$107.6 million as at 31 October 2014 from S\$102.6 million as at 30 April 2014. This increase was mainly due to the Group's restocking exercise after inventory rationalisation in the past year.

Trade payables and trust receipts increased to S\$95.9 million as at 31 October 2014 from S\$84.1 million as at 30 April 2014. This is in line with the increase in inventories.

As at 31 October 2014, the Group's cash and cash equivalents stood at S\$13.9 million compared to S\$18.6 million as at 30 April 2014.

The Group's borrowings which comprise trust receipts, revolving credit, short-term secured loans as well as long-term secured loans stood at S\$124.4 million as at 31 October 2014 compared with S\$114.7 million as at 30 April 2014. The increase is mainly attributable to the increase in trust receipts during the period.

1HFY15

Revenue

The Group's sales revenue was 1.7% higher at S\$150.3 million in 1HFY15 compared to S\$147.8 million in 1HFY14. This was mainly due to growth in the South East Asian markets.

Gross Profit and Gross Profit Margin

Gross profit was S\$32.0 million in 1HFY15 compared to S\$33.7 million in 1HFY14. Gross profit margin decreased to 21.3% compared to 22.8% previously. The lower gross profit margin was mainly due to pricing pressure arising from market competition in some markets.

Operating Expenses

Operating expenses were 4.8% higher at S\$30.1 million in 2QFY15 compared to S\$28.7 million in 2QFY14 due to higher salaries and employees benefits, marketing and distribution costs and utilities and maintenance costs.

Share of Results of Joint Ventures

In 1HFY15, the share of results of joint ventures amounted to a net profit of S\$0.2 million compared to a net loss of S\$0.6 million in 1HFY14. The net loss position recorded in 1HFY14 was mainly due to the start-up phase of the FTI India joint venture which was announced on 20 December 2012.

Net Profit

The Group recorded a net profit of S\$1.4 million in 1HFY15, which is lower than the S\$5.3 million recorded in 1HFY14.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting year and the next 12 months.

The tyres and wheels distribution business will remain competitive. Amidst the challenging operating environment, the Group will continue to optimize its product mix and manage operating costs so as to enhance its performance. The Group will continue to build on its core markets in South East Asia.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? No

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

13. If the Group has obtained a general mandate from shareholder for IPTs, the aggregate value of such transactions as required under Rule 9201(1)(a)(iii). If no IPT mandate has been obtained, a statement to that effect.

No IPT mandate has been obtained.

**Statement Pursuant to Rule 705(5) of the Listing Manual
of the Singapore Exchange Securities Trading Limited**

The directors confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the interim financial statements of Stamford Tyres Corporation Limited for the 2nd quarter ended 31 October 2014, to be false or misleading in any material aspect.

BY ORDER OF THE BOARD



Dawn Wee Wai Ying
Executive Director
8 December 2014