

STAMFORD TYRES CORPORATION LTD

Unaudited Second Quarter 2009 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 (2Q FY2009 vs 2Q FY2008)

	Group			
	01/08/08- 31/10/08	01/08/07- 31/10/07	Difference	Difference
	\$'000	\$'000	\$'000	%
Revenue	74,808	79,966	(5,158)	-6.45%
Other revenue	302	617	(315)	-51.05%
Total revenue	75,110	80,583	(5,473)	-6.79%
Cost of goods sold	54,901	61,707	(6,806)	-11.03%
Employees benefits	5,030	5,876	(846)	-14.40%
Marketing and distribution	2,491	3,494	(1,003)	-28.71%
Utilities, repairs and maintenance	1,691	1,967	(276)	-14.03%
Finance costs	1,972	1,680	292	17.38%
Depreciation of property, plant and equipment	1,484	1,266	218	17.22%
Operating lease rentals	851	1,088	(237)	-21.78%
Other operating expenses	8,250	1,719	6,531	379.93%
Total expenditure	(76,670)	(78,797)	2,127	-2.70%
Share of profits of an associated company	262	495	(233)	-47.07%
(Loss)/profit before taxation	(1,298)	2,281	(3,579)	-156.90%
Taxation	(923)	(950)	27	2.84%
(Loss)/profit for the financial period	(2,221)	1,331	(3,552)	-266.87%
Attributable to:				
Equity holders of the company	(2,258)	1,316	(3,574)	-271.58%
Minority interests	37	15	22	146.67%
	(2,221)	1,331	(3,552)	-266.87%
	01/08/08- 31/10/08	01/08/07- 31/10/07		
	\$'000	\$'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)	2,243	1,929		
Allowance for doubtful receivables	1,198	356		
Allowance for obsolete inventories	295	384		
(Gain)/loss on disposal of property, plant and equipment	(174)	201		
Write-back of impairment loss on property, plant and equipment	(90)	-		
Foreign exchange loss/(gain)	5,961	(170)		
Fair value (gain)/loss on other financial instruments	(665)	270		

1(a)(ii) CONSOLIDATED INCOME STATEMENT (1H FY2009 vs 1H FY2008)

	Group			
	01/05/08- 31/10/08	01/05/07- 31/10/07	Difference	Difference
	\$'000	\$'000	\$'000	%
Revenue	164,739	164,122	617	0.38%
Other revenue	377	791	(414)	-52.34%
Total revenue	165,116	164,913	203	0.12%
Cost of goods sold	125,896	127,500	(1,604)	-1.26%
Employees benefits	10,306	11,200	(894)	-7.98%
Marketing and distribution	5,355	6,129	(774)	-12.63%
Utilities, repairs and maintenance	3,183	3,507	(324)	-9.24%
Finance costs	3,492	3,392	100	2.95%
Depreciation of property, plant and equipment	2,875	2,484	391	15.74%
Operating lease rentals	2,017	2,219	(202)	-9.10%
Other operating expenses	9,723	2,786	6,937	248.99%
Total expenditure	(162,847)	(159,217)	(3,630)	2.28%
Share of profits of an associated company	623	740	(117)	-15.81%
Profit before taxation	2,892	6,436	(3,544)	-55.07%
Taxation	(1,825)	(2,134)	309	14.48%
Profit for the financial period	1,067	4,302	(3,235)	-75.20%
Attributable to:				
Equity holders of the company	998	4,267	(3,269)	-76.61%
Minority interests	69	35	34	97.14%
	1,067	4,302	(3,235)	-75.20%
	01/05/08- 31/10/08	01/05/07- 31/10/07		
	\$'000	\$'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)	4,558	3,831		
Allowance for doubtful receivables	1,042	477		
Allowance for obsolete inventories	359	313		
Gain on disposal of property, plant and equipment	(176)	(177)		
Impairment loss on property, plant and equipment	12	-		
Foreign exchange loss	5,748	258		
Fair value (gain)/loss on other financial instruments	(384)	59		
Adjustments for over provision of tax in respect of prior years	(266)	-		

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	
	31/10/08	30/04/08	31/10/08	30/04/08
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	72,664	70,391	-	-
Subsidiary companies	-	-	31,910	29,931
Amount due from subsidiary companies	-	-	20,149	25,157
Joint venture company	-	-	1,570	1,571
Associated companies	4,491	3,719	-	-
Deferred tax assets	2,261	1,697	-	-
	<u>79,416</u>	<u>75,807</u>	<u>53,629</u>	<u>56,659</u>
Current assets				
Inventories	104,247	84,549	-	-
Trade receivables	85,496	90,813	-	-
Derivatives	1,242	166	-	-
Other receivables	5,299	6,120	562	686
Prepayments and advances	4,425	4,607	49	41
Marketable securities	6	6	-	-
Cash and bank deposits	19,896	24,342	31	105
	<u>220,611</u>	<u>210,603</u>	<u>642</u>	<u>832</u>
Less: Current liabilities				
Trade payables	27,529	28,993	-	-
Trust receipts (secured)	96,890	80,248	-	-
Derivatives	1,416	642	-	-
Other payables	16,287	14,060	622	676
Loans (secured)	38,605	28,739	-	-
Hire-purchase liabilities	382	366	-	-
Provisions	602	462	-	-
Provision for taxation	3,963	3,216	2	124
	<u>185,674</u>	<u>156,726</u>	<u>624</u>	<u>800</u>
Net current assets	<u>34,937</u>	<u>53,877</u>	<u>18</u>	<u>32</u>
Non-current liabilities				
Amount due to subsidiary companies	-	-	3,438	7,330
Hire-purchase liabilities	582	804	-	-
Provisions	210	210	-	-
Long-term loans (secured)	23,534	39,078	-	-
Deferred tax liabilities	919	985	-	-
	<u>25,245</u>	<u>41,077</u>	<u>3,438</u>	<u>7,330</u>
	<u>89,108</u>	<u>88,607</u>	<u>50,209</u>	<u>49,361</u>
Equity				
Share capital	33,677	33,677	33,677	33,677
Reserves	55,033	54,590	16,532	15,684
	<u>88,710</u>	<u>88,267</u>	<u>50,209</u>	<u>49,361</u>
Minority interests	<u>398</u>	<u>340</u>	<u>-</u>	<u>-</u>
	<u>89,108</u>	<u>88,607</u>	<u>50,209</u>	<u>49,361</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 31/10/2008		As at 30/04/2008	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
135,877	-	109,353	-

Amount repayable after one year

As at 31/10/2008		As at 30/04/2008	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
24,116	-	39,882	-

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 \$54,006,000 as at 31 October 2008 (30 April 2008 : \$35,771,000) 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 FY2009 vs 2Q FY2008)

	Group	
	01/08/08- 31/10/08 \$'000	01/08/07- 31/10/07 \$'000
Cash flows from operating activities		
(Loss)/profit before taxation	(1,298)	2,281
Adjustments for:		
Depreciation of property, plant and equipment	2,243	1,929
Share option expense	-	65
(Gain)/loss on disposal of property, plant and equipment	(174)	201
Fair value (gain)/loss on other financial instruments	(665)	270
Property, plant and equipment written off	-	30
Foreign currency translation adjustment	861	(1,481)
Interest income	(84)	(119)
Provision for /(write-back of) product warranties and reinstatement cost	41	(144)
Writeback of Impairment loss on property, plant and equipment	(90)	-
Interest expenses	1,972	1,680
Share of profit of associated company	(262)	(495)
Operating profit before reinvestment in working capital	2,544	4,217
Increase in inventories	(20,012)	(1,666)
Decrease in receivables	13,478	3,761
(Decrease)/increase in payables	(3,250)	1,231
Cash (used in)/generated by operations	(7,240)	7,543
Interest received	84	119
Interest paid	(1,972)	(1,680)
Income tax paid	(1,513)	(2,672)
Net cash (used in)/provided by operating activities	(10,641)	3,310
Cash flows from investing activities :		
Proceeds from disposal of property, plant and equipment	221	172
Purchase of property, plant and equipment	(701)	(1,758)
Net cash used in investing activities	(480)	(1,586)
Cash flows from financing activities :		
Proceeds from long-term loans	711	64
Proceeds from trust receipts	13,467	14,764
Repayment of hire purchase creditors	(97)	(59)
Dividend paid to shareholders	(1,153)	(3,782)
Repayment of long-term loans	(3,751)	(5,376)
Net cash provided by financing activities	9,177	5,611
Net (decrease)/increase in cash and cash equivalents	(1,944)	7,335
Cash and cash equivalents at beginning of financial period	6,127	6,428
Exchange rate adjustment to cash and cash equivalents at beginning of financial period	(149)	(28)
Cash and cash equivalents at end of financial period	4,034	13,735
Cash and cash equivalents consist of :		
Cash and bank balances	19,896	22,634
Short-term revolving loan	(15,862)	(8,899)
	4,034	13,735

1(C)(ii) CONSOLIDATED CASH FLOW STATEMENT (1H FY2009 vs 1H FY2008)

	Group	
	01/05/08- 31/10/08 \$'000	01/05/07- 31/10/07 \$'000
Cash flows from operating activities		
Profit before taxation	2,892	6,436
Adjustments for:		
Depreciation of property, plant and equipment	4,558	3,831
Share option expense	-	131
Gain on disposal of property, plant and equipment	(176)	(177)
Fair value (gain)/loss on other financial instruments	(384)	59
Property, plant and equipment written off	-	94
Foreign currency translation adjustment	1,302	(324)
Interest income	(84)	(219)
Provisions for /(write back of) product warranties and reinstatement cost	140	(19)
Impairment loss on property, plant and equipment	12	-
Interest expenses	3,492	3,392
Share of profit of associated company	(623)	(740)
Operating profit before reinvestment in working capital	11,129	12,464
Increase in inventories	(19,698)	(2,732)
Decrease in receivables	6,320	3,646
Increase/(decrease) in payables	763	(1,689)
Cash (used in)/generated by operations	(1,486)	11,689
Interest received	84	219
Interest paid	(3,492)	(3,392)
Income tax paid	(1,708)	(1,941)
Net cash (used in)/provided by operating activities	(6,602)	6,575
Cash flows from investing activities :		
Proceeds from disposal of property, plant and equipment	235	1,634
Purchase of property, plant and equipment	(7,631)	(8,568)
Net cash used in investing activities	(7,396)	(6,934)
Cash flows from financing activities :		
Proceeds from long-term loans	2,203	5,052
Proceeds from trust receipts	16,642	11,631
Repayment of hire purchase creditors	(206)	(38)
Dividend paid to shareholders	(1,153)	(3,782)
Repayment of long-term loans	(5,085)	(4,196)
Net cash provided by financing activities	12,401	8,667
Net (decrease)/increase in cash and cash equivalents	(1,597)	8,308
Cash and cash equivalents at beginning of financial period	5,746	5,432
Exchange rate adjustment to cash and cash equivalents at beginning of financial period	(115)	(5)
Cash and cash equivalents at end of financial period	4,034	13,735
Cash and cash equivalents consist of :		
Cash and bank balances	19,896	22,634
Short-term revolving loan	(15,862)	(8,899)
	4,034	13,735

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.

	Share capital \$'000	Capital reserve \$'000	Employee Share option reserve \$'000	Revenue reserve \$'000	Fair value reserve \$'000	Foreign currency translation reserve \$'000	Total reserves \$'000	Minority interests \$'000	Total equity \$'000
Group									
Balance at 1 May 2007	33,677	143	514	57,422	-	(2,896)	55,183	289	89,149
Translation adjustments arising on consolidation	-	-	-	-	-	(1,375)	(1,375)	(7)	(1,382)
Net loss recognized directly in equity	-	-	-	-	-	(1,375)	(1,375)	(7)	(1,382)
Profit for the financial period	-	-	-	4,267	-	-	4,267	35	4,302
Total recognized income and expense for the period	-	-	-	4,267	-	(1,375)	2,892	28	2,920
Share option expense	-	-	131	-	-	-	131	-	131
Dividend	-	-	-	(3,782)	-	-	(3,782)	-	(3,782)
Balance at 31 Oct 2007	33,677	143	645	57,907	-	(4,271)	54,424	317	88,418
Balance at 1 May 2008	33,677	203	755	59,268	(265)	(5,371)	54,590	340	88,607
Translation adjustments arising on consolidation	-	-	-	-	-	536	536	(11)	525
Fair value gain on cash flow hedges	-	-	-	-	62	-	62	-	62
Net loss recognized directly in equity	-	-	-	-	62	536	598	(11)	587
Profit for the financial period	-	-	-	998	-	-	998	69	1,067
Total recognized income and expense for the period	-	-	-	998	62	536	1,596	58	1,654
Transfer from retained earnings to capital reserves	-	57	-	(57)	-	-	-	-	-
Dividend	-	-	-	(1,153)	-	-	(1,153)	-	(1,153)
Balance at 31 Oct 2008	33,677	260	755	59,056	(203)	(4,835)	55,033	398	89,108

	Share capital \$'000	Employee share option reserve \$'000	Revenue reserve \$'000	Total \$'000
Company				
Balance at 1 May 2007	33,677	514	16,514	50,705
Share option expense	-	131	-	131
Dividend	-	-	(3,782)	(3,782)
Profit for the financial period	-	-	3,464	3,464
Total recognized income and expense for the period	-	-	3,464	3,464
Balance at 31 Oct 2007	33,677	645	16,196	50,518
Balance at 1 May 2008	33,677	755	14,929	49,361
Dividend	-	-	(1,153)	(1,153)
Profit for the financial period	-	-	2,001	2,001
Total recognized income and expense for the period	-	-	2,001	2,001
Balance at 31 Oct 2008	33,677	755	15,777	50,209

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 2008.

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

	Company 31/10/08	Company 30/04/08
Ordinary shares	230,561,000	230,561,000

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 period reported on

Not Applicable.

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 has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 30 April 2008.

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 2008, the Group and Company adopted the following new and revised Financial Reporting Standards (FRS) and Interpretation of Financial Reporting Standards (INT FRS) that are relevant:

- INT FRS 112 : Service Concession Arrangements
- INT FRS 114 : FRS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

The adoption of these FRS and INT FRS did not result in any substantial changes to the accounting policies nor have any material impact to the financial statements.

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	
	01/08/08- 31/10/08	01/08/07- 31/10/07	01/05/08- 31/10/08	01/05/07- 31/10/07
Earning per share (EPS)				
- basic (cents)	(0.98)	0.57	0.43	1.85
- diluted (cents)	(0.98)	0.57	0.43	1.85
	\$'000	\$'000	\$'000	\$'000
Group earnings used for the calculation of EPS				
(Loss)/profit for the financial period	(2,258)	1,316	998	4,267
	'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	230,561	230,561	230,561	230,561
Adjustment for outstanding share options and Warrant 2007	-	-	-	95
Adjusted weighted average number of ordinary shares used for the calculation of diluted EPS	230,561	230,561	230,561	230,656

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 year.

For 1H FY2009, 2Q FY2009 as well as 2Q FY2008, diluted EPS is calculated on the same basis as basic EPS as there are no potential dilutive ordinary shares.

For 1H FY2008, diluted EPS is calculated on the same basis as basic EPS, except that the weighted average number of ordinary shares in issue has been adjusted for the effects of all dilutive potential ordinary shares, being the outstanding share options and Warrant 2007. The number of outstanding share options and Warrant 2007 included in the calculation of diluted EPS has been determined based on the average number of days that were outstanding during the financial period.

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	
	31/10/08	30/04/08	31/10/08	30/04/08
Net asset value per ordinary share (cents)	38.48	38.28	21.78	21.41

The Group and the Company net asset value per share as at 31 October 2008 and as at 30 April 2008 are based on the actual number of shares in issue of 230,561,000 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.

2Q2009

The quarter under review (1 August – 31 October 2008) was especially challenging. In the midst of global economic crisis and deteriorating business environment, the Group recorded a 6.5% reduction in revenue to S\$74.8 million. Furthermore, severe currency volatility in October which saw many currencies weakened against the US dollar leading to foreign exchange losses for the Group. The net loss for the quarter was S\$2.2 million.

Revenue

For the current quarter, the Group posted revenue of S\$74.8 million, a decline of 6.5% over the corresponding period last year.

The Group's major brands, Falken and Continental, as well as its own proprietary tyres and wheels continued to be the major revenue drivers.

Gross Profit

Gross profit for the current quarter stood at S\$19.9 million, compared with S\$18.3 million for the same period a year ago. This increase of 9.0% was mainly due to an increase in average selling prices to compensate for weaker currencies against the US dollar.

Consequently, the Group's gross profit margin for 2Q2009 was 26.6%, a strong improvement from 22.8% a year ago.

Operating Expenses

The Group's cost containment efforts resulted in an 8.4% reduction in operating costs (excluding realized and unrealized foreign exchange losses) across the board.

Inventory purchases for the Group's operations in Australia, India, Indonesia and South Africa were made in US dollars. Thus, the weakening of the AUD, Rupee, Rupiah and Rand against the US dollar resulted in realized and unrealized foreign exchange losses for the Group amounting to S\$6.0 million for the current quarter.

None of these foreign exchange losses were incurred through the trading of speculative hedging instruments as it is the Group's policy to hedge only against underlying transactions.

Overall, the Group's operating expenses for the quarter saw an increase of 27.4% to S\$21.8 million compared with 2Q2008.

Net Profit

While the Group's operations remained sound, foreign exchange losses incurred in the month of October resulted in a loss of S\$2.2 million for the quarter under review. Had it not been for the foreign exchange losses, the Group would have been profitable in the current quarter.

Financial Position

Foreign exchange losses which led to a pre-tax loss position impacted the Group's cash flows used in operating activities which amounted to S\$10.6 million for the current quarter compared with S\$3.3 million in 2Q2008.

Inventory level at end October 2008 stood at S\$104.2 million which was 23.3% higher compared with the level as at 30 April 2008. The Group has implemented measures to achieve a more optimal inventory level, including more aggressive marketing and distribution efforts for the tyres in stock and reducing the inventory stock turnover days.

Cash and cash equivalents at end October 2008 amounted to S\$4.0 million, down from S\$13.7 million at end October 2007.

1H2009

Revenue

For 1H2009, the Group achieved revenue of \$164.7 million, which was marginally higher than the revenue of S\$164.1 million recorded in 1H2008, despite weakening economic and market conditions.

Major contributors to sales were the Group's major brands, Falken and Continental, as well as its proprietary tyres and SSW wheels. Southeast Asia continued to be the major market for the Group.

Gross Profit

The Group's gross profit margin improved to 23.6% in 1H2009 from 22.3% the year before. Gross profit stood at S\$38.8 million compared with S\$36.6 million a year ago, representing an increase of 6.1%.

Operating Expenses

For the six months period ended 31 October 2008, the Group incurred total operating expenses of S\$37.0 million compared to S\$31.7 million in 1H2008, an increase of 16.5%.

Net Profit

Despite volatile currencies and deteriorating market conditions, the Group recorded a profit of S\$1.1 million for the half year ended October 2008.

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.

Going forward, the Group expects general business conditions to remain weak, marked by periods of market and currency volatility as the global economic and financial crisis ensues.

Globally, the demand for high performance tyres and wheels is expected to be impacted as consumers defer their expenditure. However, the Group's business operations remain sound and demand for its passenger car, light truck and truck tyres is expected to remain stable.

The Group will continue its efforts to lower operating costs, achieve a more optimal inventory level and restructure its overseas operations where necessary.

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.

No dividend has been recommended for the period ended 31 October 2008.

**Statement Pursuant to Rule 705(4) 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 2008, to be false or misleading in any material aspect.



BY ORDER OF THE BOARD

Dawn Wee Wai Ying
Director
10 December 2008