



Stamford Tyres Corporation Ltd

19 Lok Yang Way Jurong Singapore 628635 Tel (65)6268 3111 Fax (65)6264 0148 /6264 4708

Email stcl@stamfordtyres.com

RCB Reg. No.: 198904416M

RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST") FULL YEAR FINANCIAL STATEMENTS FOR YEAR ENDED 30 APRIL 2010 ("FULL YEAR RESULTS")

The Board of Directors of Stamford Tyres Corporation Ltd ("the Company") wishes to provide the following information in response to the SGX-ST's queries on 1 July 2010 with regards to the Company's financial results for the full year ended 30 April 2010.

Question 1

Please explain the significant variance in the finance costs and other operating expenses;

Company's reply:

The significant decrease in the finance costs of Stamford Tyres Corporation Ltd and its subsidiaries ("the Group") – amounting to S\$2m or a 28.54% decrease – was mainly attributable to the lower utilisation and shorter turnover days of trust receipts during the financial year ended 30 April 2010, as compared to the previous financial year. The average trust receipt balance and trust receipt turnover days were S\$60.0m and 110 days in FY10, as compared to S\$86.5m and 128 days in FY09.

As explained under Note 1(a)(i)(a) and Note 8 of the full year announcement of the Group, the significant decrease – amounting to \$9.0m or a 63.87% decrease – in other operating expenses was mainly attributable to the appreciation of the Indonesian Rupiah and South African Rand against the US Dollar over the last 12 months. The USD/Rupiah and USD/ZAR exchange rates averaged at 9,600 (FY09 : 11,000 and FY08 : 10,028) and 7.8 (FY09 : 9.3 and FY08 : 8.0) during the year respectively. These represented a turnaround appreciation of the Indonesian Rupiah and South African Rand by 13% and 16% respectively, against the US Dollar in FY10, compared to a 10% and 16% depreciation in FY09.

Question 2 :

Please explain the reasons for the significant decline in inventories in the balance sheet despite higher revenues;

Company's reply:

The significant decrease in inventories was mainly attributable to an active current assets management programme undertaken by the management during the financial year to optimise the Group's inventory level. The higher revenue was a result of the improved inventory turnover from the optimization exercise. Inventory turnover of the Group improved from 154 days in FY09 to 134 days in FY10.



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Question 3 :

Please explain the need for higher trust receipts despite the decline in inventories. How are the incremental trust receipts used?

Company's reply:

The inventories of the Group were financed via combination of trust receipts and short term revolving loan (herein referred to as "total inventory financing"). Total inventory financing as at 30 April 2010 was S\$86.1m compared to S\$92.3m a year ago. This was in line with the decrease in inventories of the Group for the year ended 30 April 2010. As part of its cash management strategy during the year, management paid down a major portion of the Group's short-term revolving loan and increased its drawdown of trust receipts in order to maintain its total inventory financing.

By Order of the Board

Lo Swee Oi
Company Secretary

Date : 1 July 2010