

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

PROPOSED DISPOSAL OF INTEREST IN SRITP LIMITED

1. INTRODUCTION

- 1.1 The Board of Directors of Stamford Tyres Corporation Limited (the "**Company**") and together with its subsidiaries, the "**Group**") wishes to announce (the "**Announcement**") that, Tyre Pacific (HK) Ltd ("**TPHK**"), a joint venture company in which the Company and Advance Pacific Holdings Limited each owns 50% shareholding, has entered into an equity transfer agreement dated 30 March 2012 (the "**Agreement**") with Sumitomo Rubber Industries, Ltd. ("**SRI**") to transfer TPHK's 40% interest in the issued share capital (the "**Disposal**") of SRITP Limited ("**SRITP**") to SRI.

2. INFORMATION ON SRITP LIMITED

- 2.1 TPHK and SRI incorporated SRITP, a joint venture company, in the British Virgin Islands on 15 December 2003. SRITP was incorporated for the purposes of investment holding and to set up foreign invested enterprises in the People's Republic of China ("**PRC**") to carry out the wholesale and distribution of tires in PRC. As at the date of this Announcement, the registered shareholders of SRITP are TPHK and SRI whose shareholding proportion in the issued share capital of SRITP are 40% and 60% respectively.

3. CONSIDERATION FOR THE DISPOSAL

- 3.1 The consideration for the Disposal shall be the amount of RMB 220 million (the "**Consideration**"). Payment of the Consideration shall be made by paying the equivalent of the Consideration in US dollars via bank transfer to the bank account designated by TPHK within 60 days after the date of the Agreement or such other date as TPHK and SRI may mutually agree (the "**Completion Date**"). The foreign exchange rate used to determine the exact amount of the Consideration payable to TPHK in US dollars shall be based on the middle rate that the People's Bank of China announces on the date which is 3 business days prior to the Completion Date or such other rate as TPHK and SRI may mutually agree.
- 3.2 Based on the latest audited financial statements of SRITP as at 31 December 2011, the net tangible asset ("**NTA**") value of SRITP as at 31 December 2011 is approximately RMB207 million. In accordance with the shareholding proportion, the value of the 40% interest in the issued share capital of SRITP held by TPHK is approximately RMB 83 million.

The Consideration is based on a price earnings ratio for SRITP of approximately 8.19 and a premium of approximately 2.65 times of its NTA value as at 31 December 2011.

- 3.3 For purposes of computation of the relevant figures within the Announcement and based on the exchange rate of 5.011: 1 for RMB: S\$ announced by the Industrial and Commercial Bank of China on 29 March 2012, the Consideration when converted into S\$ shall be approximately S\$44 million (the "**SGD Consideration**").

4. SALIENT TERMS OF THE AGREEMENT

- 4.1 The Disposal is conditional upon the following conditions:

- (a) that the registration procedures in connection with the Disposal under the laws of the British Virgin Islands having been completed; and
- (b) the Company having obtained its shareholders' approval for the Disposal at an extraordinary general meeting.

If any of the conditions set out at section 4.1 above is not satisfied within one month after the Completion Date, TPHK will transfer the Consideration together with any and all interests accrued to a bank account designated by SRI within five (5) business days after SRI's written demand.

- 4.2 The completion of the Disposal (the "**Completion**") will take place at one of the offices (as may be mutually agreed between TPHK and SRI) of SRITP on the Completion Date.

- 4.3 At Completion:

- (a) TPHK will deliver to SRI, the resignation letter of the director who was nominated by TPHK to the board of SRITP, such resignation to be effective from the Completion Date;
- (b) TPHK will deliver to SRI such other instruments and documents in the form and substance reasonably acceptable to SRI, as may be necessary to effect the Completion; and
- (c) SRI will pay the Consideration to TPHK through bank transfer to the bank account designated by TPHK in accordance with the Agreement.

- 4.4 The joint venture agreement between SRI and TPHK in respect of SRITP will terminate as of the Completion Date and be of no further force and effect.

- 4.5 Notwithstanding the Disposal, the Company will maintain its presence in the tier-one cities of Beijing, Shanghai and Guangzhou as TPHK's subsidiaries in PRC, Guangzhou Orizz Mega Outlet Co Ltd, Orizz (Shanghai) Limited and Shanghai Orizz Mega Outlet Co Ltd, are to retain their existing rights to purchase, sell and distribute tires bearing the trademarks owned by SRI, pursuant to the Agreement.

5. RATIONALE FOR THE DISPOSAL

The Directors are of the view that the Disposal is in the best interests of the Company and its shareholders (the "**Shareholders**") as the Disposal will enable the Company to realise its investment in SRITP and to unlock the value thereof for the Shareholders.

The Consideration represents a price earnings ratio for SRITP of approximately 8.19 and a premium of approximately 2.65 times of its NTA value as at 31 December 2011. This, in the Directors' view, is attractive and represents a good opportunity for the Company to cash in on its investment in SRITP.

6. INTENDED USE OF THE DISPOSAL PROCEEDS

It is the intention of the Directors to deploy the proceeds from the Disposal to expand the core businesses of the Company and to fund working capital. In particular, the Company will consider the following:-

- (a) geographical expansion of the distribution networks for the Company's products in territories such as India and South Africa; and
- (b) fund the redevelopment of one of the main warehouses of the Group at 21/21A Lok Yang Way in Singapore.

7. FINANCIAL EFFECTS OF THE DISPOSAL

- 7.1 The NTA value of the 40% interest in the issued share capital of SRITP pursuant to the Disposal is approximately S\$17 million. Based on the SGD Consideration, the excess of the proceeds pursuant to the Disposal over the NTA value of the 40% interest in the issued share capital of SRITP is approximately S\$27 million.

- 7.2 (a) Net tangible assets ("**NTA**") per share

For illustrative purposes only, assuming that the Disposal had taken place on 30 April 2011, being the end of the most recently completed financial year, and based on the audited consolidated financial statements of the Group for the 12 months ended 30 April 2011, the Disposal would have the following impact on the NTA of the Group:

	Before the Disposal	After the Disposal ⁽¹⁾
NTA (S\$'000)	106,803	118,005
NTA per share (cents)	45.47	50.41

Note:

- (1) Based on the Company's 50% shareholding interest in TPHK which in turns holds 40% shareholding interest in SRITP.

- (b) Earnings per share ("**EPS**")

For illustrative purposes only, assuming that the Disposal had taken place on 1 May 2010, being the beginning of the most recently completed financial year, and based on the audited consolidated financial statements of the Group for the 12 months ended 30 April 2011, the Disposal would have the following impact on the EPS of the Group:

	Before the Disposal	After the Disposal ⁽¹⁾
Group Profit after tax (S\$'000)	13,306	24,576
Weighted average number of shares	232,890,411	232,890,411
EPS (cents):-		
Basic	5.71	10.55
Diluted	5.71	10.55

Note:

- (1) Based on the Company's 50% shareholding interest in TPHK which in turn holds 40% shareholding interest in SRITP.

8. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

- 8.1 Based on the latest announced consolidated accounts of the Group as at 31 January 2012, the relative figures computed on the basis set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**Listing Manual**") in respect of the Disposal are as follows:

	The Disposal (S\$'000)	The Group (S\$'000)	%
(a) Net asset value of the assets to be disposed of, compared with the Group's net asset value	8,102	110,002	7.4
(b) The net profits attributable to the assets disposed compared with the Group's net profits	1,907	6,030	31.6
(c) The aggregate value of the Consideration compared with the Company's market capitalisation as at 29 March 2012, being the market day immediately preceding the date of the Agreement	19,954	70,458	28.3
(d) The number of equity shares issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	This basis of computation is not applicable as this is a Disposal and no equity shares will be issued		

- 8.2 As the computed figures under Rules 1006(b) and 1006(c) in the above table exceed 20%, the Disposal is classified as a major transaction for the purposes of Chapter 10 of the Listing Manual. Shareholders' approval is required for the Disposal pursuant to Rule 1014(2) of the Listing Manual. A circular setting out further information and details of the Disposal, together with a notice of the extraordinary general meeting (the "**EGM**") to be convened, will be despatched by the Company to its Shareholders in due course.

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN THE DISPOSAL

Save for their shareholding interests, none of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Disposal.

10. UNDERTAKING FROM SHAREHOLDERS

Mr. Wee Kok Wah, Mrs. Dawn Wee Wai Ying, Wah Holdings Pte Ltd and Dr. Wee Li Ann (collectively, the "**Undertaking Shareholders**") hold approximately 36.88% of the total number of shares in the issued share capital of the Company. The Undertaking Shareholders have furnished SRI with a Deed of Undertaking that they will procure a poll to be taken at the EGM, vote or procure the voting of, all their shareholdings in the Company, whether held directly or indirectly, in favour of the resolution pertaining to the Disposal so as to procure the passing of all resolution(s) by Shareholders required for and in connection with the Disposal.

11. DOCUMENTS FOR INSPECTION

Copies of the Agreement are available for inspection during normal business hours at the registered office of the Company at 19 Lok Yang Way, Singapore 628635 for a period of three (3) months from the date of this Announcement.

12. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Company have taken all reasonable care to ensure that the facts stated in this Announcement are fair and accurate in all material aspects as at the date hereof and that no material facts have been omitted from this Announcement, and they jointly and severally accept responsibility accordingly.

Where any information in this Announcement has been extracted from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure through reasonable enquiries that such information has been accurately and correctly extracted from such sources or, as the case may be, accurately reflected or reproduced in this Announcement.

By order of the Board

Wee Kok Wah
President of Group
30 March 2012