

STAMFORD TYRES CORPORATION LTD

Unaudited Second Quarter 2013 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		
	01/08/12- 31/10/12	01/08/11- 31/10/11	Difference	01/05/12- 31/10/12	01/05/11- 31/10/11	Difference
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue	90,392	83,846	7.81%	181,727	169,464	7.24%
Other revenue	141	181	-22.10%	377	384	-1.82%
Total revenue	90,533	84,027	7.74%	182,104	169,848	7.22%
Cost of goods sold	73,869	64,460	14.60%	146,997	128,645	14.27%
Salaries and employees benefits	6,365	6,316	0.78%	13,059	12,517	4.33%
Marketing and distribution	3,382	3,304	2.36%	6,957	6,657	4.51%
Utilities, repairs and maintenance	1,669	1,674	-0.30%	3,338	3,128	6.71%
Finance costs	1,376	1,461	-5.82%	2,901	2,676	8.41%
Depreciation of property, plant and equipment	1,111	1,142	-2.71%	2,222	2,285	-2.76%
Operating lease rentals	1,725	1,428	20.80%	3,668	2,853	28.57%
Other operating expenses/(income)	3,455	3,836	-9.93%	(2,172)	5,974	N.M
Total expenditure	(92,952)	(83,621)	11.16%	(176,970)	(164,735)	7.43%
Share of profits of associated company	-	681	N.M	-	959	N.M
(Loss)/profit before taxation	(2,419)	1,087	N.M	5,134	6,072	-15.45%
Taxation	(549)	(757)	-27.48%	(1,295)	(2,283)	-43.28%
(Loss)/profit for the financial period	(2,968)	330	N.M	3,839	3,789	1.32%
Attributable to:						
Equity holders of the company	(2,968)	330	N.M	3,839	3,789	1.32%
	(2,968)	330	N.M	3,839	3,789	1.32%

N.M - Not meaningful.

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

	01/08/12- 31/10/12	01/08/11- 31/10/11	01/05/12- 31/10/12	01/05/11- 31/10/11
	\$'000	\$'000	\$'000	\$'000
Net (loss)/profit for the financial period	(2,968)	330	3,839	3,789
Other comprehensive income :				
Translation adjustments arising on consolidation	(703)	413	(1,597)	(54)
Other comprehensive income for the financial period, net of tax	(703)	413	(1,597)	(54)
Total comprehensive income for the financial period	(3,671)	743	2,242	3,735
Total comprehensive income attributable to :				
Equity holders of the Company	(3,671)	743	2,242	3,735
	(3,671)	743	2,242	3,735

	01/08/12- 31/10/12	01/08/11- 31/10/11	01/05/12- 31/10/12	01/05/11- 31/10/11
	\$'000	\$'000	\$'000	\$'000
(a) (Loss)/profit after taxation is stated after charging/(crediting) :				
Depreciation of property, plant and equipment (inclusive of charges included in cost of goods sold)	2,013	2,276	4,103	4,582
Allowance for doubtful receivables	1,099	129	2,194	407
(Write-back of)/allowance for inventory obsolescence	(345)	348	(367)	868
Gain on disposal of property, plant and equipment	(161)	(19)	(514)	(60)
Foreign exchange loss	1,202	2,343	2,098	2,623
Fair value loss/(gain) on other financial instruments	85	115	130	(242)
Property, plant and equipment written-off	12	-	2,772	2
Gain on disposal of associated company	-	-	(11,174)	-

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	
	31/10/12	30/04/12	31/10/12	30/04/12
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	46,713	53,994	-	-
Investment property	3,013	-	-	-
Subsidiary companies	-	-	41,123	33,929
Amount due from subsidiary companies	-	-	26,697	25,227
Joint venture company	-	-	1,571	1,571
Associated company	233	233	-	-
Deferred tax assets	3,009	2,996	-	-
	<u>52,968</u>	<u>57,223</u>	<u>69,391</u>	<u>60,727</u>
Current assets				
Inventories	118,339	122,464	-	-
Trade receivables	93,738	95,615	-	-
Derivatives	43	175	28	44
Other receivables	4,512	5,966	170	92
Prepayments and advances	4,841	3,131	29	24
Associated company held for sale	-	8,295	-	-
Cash and cash equivalents	33,514	16,931	1,292	261
	<u>254,987</u>	<u>252,577</u>	<u>1,519</u>	<u>421</u>
Less: Current liabilities				
Trade payables	26,139	20,110	-	-
Trust receipts (secured)	83,678	90,423	-	-
Derivatives	55	57	-	-
Other payables	21,916	24,488	442	714
Loans (secured)	24,655	36,241	-	1,312
Hire-purchase liabilities	611	597	-	-
Provisions	1,110	860	-	-
Provision for taxation	3,867	3,254	3	74
	<u>162,031</u>	<u>176,030</u>	<u>445</u>	<u>2,100</u>
Net current assets/(liabilities)	<u>92,956</u>	<u>76,547</u>	<u>1,074</u>	<u>(1,679)</u>
Non-current liabilities				
Amount due to subsidiary companies	-	-	365	365
Hire-purchase liabilities	958	1,077	-	-
Provisions	375	541	-	-
Long-term loans (secured)	29,953	16,334	-	680
Deferred tax liabilities	2,907	2,806	-	-
	<u>34,193</u>	<u>20,758</u>	<u>365</u>	<u>1,045</u>
Net assets	<u>111,731</u>	<u>113,012</u>	<u>70,100</u>	<u>58,003</u>
Equity				
Share capital	35,182	35,182	35,182	35,182
Reserves	76,549	77,830	34,918	22,821
	<u>111,731</u>	<u>113,012</u>	<u>70,100</u>	<u>58,003</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 31/10/2012		As at 30/04/2012	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
108,944	-	127,261	-

Amount repayable after one year

As at 31/10/2012		As at 30/04/2012	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
30,911	-	17,411	-

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 \$31,649,000 as at 31 Oct 2012 (30 April 2012 : \$36,265,000) 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 FY2013 vs 2Q FY2012)

	Group	
	01/08/12- 31/10/12	01/08/11- 31/10/11
	\$'000	\$'000
Cash flows from operating activities		
(Loss)/profit before taxation	(2,419)	1,087
Adjustments for:		
Depreciation of property, plant and equipment	2,013	2,276
Gain on disposal of property, plant and equipment	(161)	(19)
Fair value loss on other financial instruments	85	115
Property, plant and equipment written-off	12	-
Bad debts written-off	114	-
Foreign currency translation adjustment	(378)	271
Interest income	(19)	(30)
Provision for product warranties and reinstatement cost	187	144
Interest expenses	1,376	1,461
Share of profits of associated company	-	(681)
Operating profit before reinvestment in working capital	810	4,624
Increase in inventories	(2,698)	(34,833)
Increase in receivables	(2,722)	(1,458)
Decrease in payables	(3,163)	(3,023)
Cash used in operations	(7,773)	(34,690)
Interest received	19	30
Interest paid	(1,376)	(1,461)
Income tax paid	(1,689)	(1,143)
Net cash used in operating activities	(10,819)	(37,264)
Cash flows from investing activities :		
Proceeds from disposal of property, plant and equipment	245	50
Dividend income from associated company	-	475
Purchase of property, plant and equipment	(858)	(394)
Net cash (used in)/provided by investing activities	(613)	131
Cash flows from financing activities :		
Proceeds from long-term loans	2,083	-
Proceeds from trust receipts	21,339	27,547
Proceeds from revolving loans	283	6,968
Repayment of hire purchase creditors	(208)	(239)
Dividend paid to shareholders	(3,523)	(3,523)
Repayment of long-term loans	(1,715)	(2,435)
Net cash provided by financing activities	18,259	28,318
Net increase/(decrease) in cash and cash equivalents	6,827	(8,815)
Cash and cash equivalents at beginning of financial period	26,980	27,528
Exchange rate adjustment to cash and cash equivalents at beginning of financial period	(293)	(83)
Cash and cash equivalents at end of financial period	33,514	18,630

1(c)(ii) CONSOLIDATED CASH FLOW STATEMENT (YTD OCT FY2013 vs YTD OCT FY2012)

	Group	
	01/05/12- 31/10/12	01/05/11- 31/10/11
	\$'000	\$'000
Cash flows from operating activities		
Profit before taxation	5,134	6,072
Adjustments for:		
Depreciation of property, plant and equipment	4,103	4,582
Gain on disposal of property, plant and equipment	(514)	(60)
Gain on disposal of associated company	(11,174)	-
Fair value loss/(gain) on other financial instruments	130	(242)
Property, plant and equipment written-off	2,772	2
Bad debts written-off	114	-
Foreign currency translation adjustment	(1,085)	279
Interest income	(42)	(68)
Provision for product warranties	363	338
Interest expenses	2,901	2,676
Share of profits of associated company	-	(959)
Operating profit before reinvestment in working capital	2,702	12,620
Decrease/(increase) in inventories	4,125	(52,417)
Decrease/(increase) in receivables	1,507	(3,832)
Increase in payables	3,054	4,387
Cash generated from/(used in) operations	11,388	(39,242)
Interest received	42	68
Interest paid	(2,901)	(2,676)
Income tax paid	(2,665)	(2,044)
Net cash provided by/(used in) operating activities	5,864	(43,894)
Cash flows from investing activities :		
Proceeds from disposal of property, plant and equipment	708	100
Proceeds from disposal of associated company	22,243	-
Dividend income from associated company	-	475
Purchase of property, plant and equipment	(3,244)	(880)
Net cash provided by/(used in) investing activities	19,707	(305)
Cash flows from financing activities :		
Proceeds from long-term loans	29,098	-
(Repayment of)/proceeds from trust receipts	(6,745)	38,387
(Repayment of)/proceeds from revolving loans	(12,238)	6,234
Repayment of hire purchase creditors	(451)	(469)
Dividend paid to shareholders	(3,523)	(3,523)
Repayment of long-term loans	(14,827)	(5,176)
Net cash (used in)/provided by financing activities	(8,686)	35,453
Net increase/(decrease) in cash and cash equivalents	16,885	(8,746)
Cash and cash equivalents at beginning of financial period	16,931	27,743
Exchange rate adjustment to cash and cash equivalents at beginning of financial period	(302)	(367)
Cash and cash equivalents at end of financial period	33,514	18,630

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 2011	106,803	106,803	35,182	79,359	(7,738)	373	755	(9,068)	202
Profit for the financial period	3,789	3,789	-	3,789	-	-	-	-	-
Other comprehensive income for the period	(54)	(54)	-	-	(54)	-	-	(54)	-
Total comprehensive income for the financial period	3,735	3,735	-	3,789	(54)	-	-	(54)	-
<u>Contributions by and distributions to owners</u>									
Transfer from revenue reserve to capital reserve	-	-	-	(51)	51	51	-	-	-
Dividend on ordinary shares	(3,523)	(3,523)	-	(3,523)	-	-	-	-	-
Total contributions by and distributions to owners	(3,523)	(3,523)	-	(3,574)	51	51	-	-	-
Total transactions with owners in their capacity as owners	(3,523)	(3,523)	-	(3,574)	51	51	-	-	-
Balance at 31 Oct 2011	107,015	107,015	35,182	79,574	(7,741)	424	755	(9,122)	202
Balance at 1 May 2012	113,012	113,012	35,182	85,542	(7,712)	424	755	(9,093)	202
Profit for the financial period	3,839	3,839	-	3,839	-	-	-	-	-
Other comprehensive income for the period	(1,597)	(1,597)	-	-	(1,597)	-	-	(1,597)	-
Total comprehensive income for the financial period	2,242	2,242	-	3,839	(1,597)	-	-	(1,597)	-
<u>Contributions by and distributions to owners</u>									
Dividend on ordinary shares	(3,523)	(3,523)	-	(3,523)	-	-	-	-	-
Total contributions by and distributions to owners	(3,523)	(3,523)	-	(3,523)	-	-	-	-	-
Total transactions with owners in their capacity as owners	(3,523)	(3,523)	-	(3,523)	-	-	-	-	-
Balance at 31 Oct 2012	111,731	111,731	35,182	85,858	(9,309)	424	755	(10,690)	202

	Equity total \$'000	Equity attributable to owners of the Company total \$'000	Share capital \$'000	Revenue reserve \$'000	Other reserves total \$'000
Company					
Balance at 1 May 2011	54,263	54,263	35,182	18,326	755
Profit for the financial period	4,920	4,920	-	4,920	-
Total comprehensive income for the financial period	4,920	4,920	-	4,920	-
<u>Contributions by and distributions to owners</u>					
Dividend on ordinary shares	(3,523)	(3,523)	-	(3,523)	-
Total contributions by and distributions to owners	(3,523)	(3,523)	-	(3,523)	-
Total transactions with owners in their capacity as owners	(3,523)	(3,523)	-	(3,523)	-
Balance at 31 Oct 2011	55,660	55,660	35,182	19,723	755
Balance at 1 May 2012	58,003	58,003	35,182	22,066	755
Profit for the financial period	15,620	15,620	-	15,620	-
Total comprehensive income for the financial period	15,620	15,620	-	15,620	-
<u>Contributions by and distributions to owners</u>					
Dividend on ordinary shares	(3,523)	(3,523)	-	(3,523)	-
Total contributions by and distributions to owners	(3,523)	(3,523)	-	(3,523)	-
Total transactions with owners in their capacity as owners	(3,523)	(3,523)	-	(3,523)	-
Balance at 31 Oct 2012	70,100	70,100	35,182	34,163	755

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 2012.

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 31/10/2012	Company 30/4/2012
Ordinary shares (excluding treasury shares)	234,861,244	234,861,244

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 is no treasury share 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 2012.

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 2012, 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 107 Disclosures - Transfers of Financial Assets

Amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets

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	
	01/08/12- 31/10/12	01/08/11- 31/10/11	01/05/12- 31/10/12	01/05/11- 31/10/11
Earning per share (EPS)				
- basic (cents)	(1.26)	0.14	1.63	1.61
- diluted (cents)	(1.26)	0.14	1.63	1.61
	\$'000	\$'000	\$'000	\$'000
Group earnings used for the calculation of EPS				
(Loss)/profit for the financial period	(2,968)	330	3,839	3,789
	'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	234,861	234,861	234,861	234,861

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 Oct 2012.

Unissued shares under share options as at 31 Oct 2012 comprise 1,555,000 (30 April 2012: 1,565,000) 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	
	31/10/12	30/04/12	31/10/12	30/04/12
Net asset value per ordinary share (cents)	47.57	48.12	29.85	24.70

The net asset value per share for the Group and the Company as at 31 Oct 2012 are calculated based on the actual number of shares in issue of 234,861,244 ordinary shares (30 April 2012: 234,861,244 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.

2QFY13

Revenue

The Group's total revenue improved by 7.8% to S\$90.4 million in 2QFY13 compared to S\$83.8 million recorded in 2QFY12. The revenue growth was due to healthy performance from the South East Asia and South Africa markets.

Gross Profit and Gross Profit Margin

Gross profit declined to S\$16.5 million in 2QFY13, representing a lower gross profit margin of 18.3% versus 23.1% previously. The decline in gross profit is mainly due to higher historical cost of goods sold during 2QFY13 compared to 2QFY12.

Operating Expenses

Operating expenses stood at S\$18.9 million in 2QFY13. The Group recorded an additional allowance for doubtful receivables of S\$1 million mainly due to collection issues in Europe and China. This was offset by stocks provision write-back in 2QFY13 arising from the Group's inventory rationalisation efforts.

Net Loss

As a result of the above, the Group recorded a net loss of S\$3.0 million in 2QFY13 versus a profit of S\$0.3 million in 2QFY12.

Financial Position

Inventories decreased to S\$118.3 million as at 31 October 2012 from S\$122.5 million as at 30 April 2012. This is in line with the Group's strategy of rationalising its inventory levels and optimizing its inventory holding as it heads into its seasonally busier second half.

As at 31 October 2012, the Group's cash and cash equivalents stood at S\$33.5 million compared to S\$16.9 million as at 30 April 2012.

The Group's borrowings which comprise trust receipts, revolving credit, short-term secured loans as well as long-term secured loans stood at S\$138.3 million as at 31 October 2012 compared with S\$143.0 million as at 30 April 2012. The decline is mainly attributable to repayment of short-term borrowings in 1HFY13. This represents a lower aggregate leverage of 44.9% as at 31 October 2012 versus 46.2% as at 30 April 2012.

1HFY13

Revenue

Revenue for the Group grew by 7.2% to S\$181.7 million in 1HFY13 from S\$169.5 million in 1HFY12. This was primarily contributed by steady growth in the South East Asia market.

Gross Profit and Gross Profit Margin

Gross profit declined to S\$34.7 million in 1HFY13, representing a lower gross profit margin of 19.1% versus 24.1% previously. The decline in gross profit is due to the higher historical cost of goods sold during 1HFY13 compared to 1HFY12.

Operating Expenses

Operating expenses increased 7.4% to S\$38.3 million in 1HFY13 from S\$35.7 million in 1HFY12 due to the following:

- Increased allowance for doubtful receivables by S\$1.8 million mainly due to collection issues in Europe and China.
- Increase in industrial rental costs in Singapore and Malaysia by S\$0.8 million.
- Stocks provision write-back arising from the Group's inventory rationalisation efforts.

Other Operating (Income)/Expenses

In addition to the above operating expenses, the Group recorded the following items in 1HFY13:

- One time gain of S\$11.2 million from the sale of its 20%-owned China associate to Sumitomo Rubber Industries.
- Write off of S\$2.8 million from the remaining value of the existing warehouse structure at 21/21A Lok Yang Way for redevelopment.

Net Profit

As a result of the above, the Group achieved a net profit of S\$3.8 million in 1HFY13, which is similar to that in 1HFY12.

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 macro economic outlook continues to remain uncertain. As a result, business sentiments and consumer confidence are expected to remain weak.

In spite of the above, the Group expects to steadily grow its topline performance for its core wholesale and retail businesses, especially in the South East Asia markets.

In addition, the Group will continue to optimize product mix and manage operating costs.

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(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 Oct 2012, to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

A handwritten signature in blue ink, appearing to read "Dawn Wee Wai Ying", with a long horizontal stroke extending to the right.

Dawn Wee Wai Ying
Director
06 December 2012