

STAMFORD TYRES CORPORATION LTD

Half Year Financial Statement For The Financial Period Ended 31 October 2005

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.

	Group		Difference	Diff
	Oct 2005	Oct 2004 (Restated)		
	\$'000	\$'000	\$'000	%
Revenue	119,664	90,498	29,166	32.2%
Other revenue	215	160	55	34.4%
Total revenue	119,879	90,658	29,221	32.2%
Cost of raw materials and goods sold	88,096	66,511	21,585	32.5%
Salaries and employees benefits	8,889	7,282	1,607	22.1%
Amortisation and depreciation	1,803	1,600	203	12.7%
Operating lease rentals	1,238	915	323	35.3%
Utilities, repairs and maintenance	2,520	2,324	196	8.4%
Marketing and promotion	4,723	2,754	1,969	71.5%
Other operating expenses	1,515	3,057	(1,542)	(50.4%)
Total expenditure	108,784	84,443	24,341	28.8%
Profit from operating activities	11,095	6,215	4,880	78.5%
Finance costs	(2,275)	(1,299)	(976)	75.1%
Share of losses of an associated company	(5)	(337)	332	(98.5%)
Profit before taxation	8,815	4,579	4,236	91.6%
Taxation	(2,289)	(1,532)	(757)	49.4%
Profit after taxation	6,526	3,047	3,479	114.2%
Attributable to:				
Equity holders of the company	6,498	2,996	3,502	116.9%
Minority interests	28	51	(23)	(45.1%)
	6,526	3,047	3,479	114.2%

(a) Profit after taxation is stated after charging/ (crediting):

Other revenue	(215)	(160)
Finance costs	2,275	1,299
Amortisation and depreciation	1,803	1,600
(Write back)/ Allowance for doubtful receivables	(29)	686
(Write back)/ Allowance for obsolete inventories	(734)	764
Bad trade debts written back	(5)	(15)
Gain on disposal of property, plant and equipment	(14)	(181)
Foreign exchange loss/(gain)	503	(183)
(Over)/ under provision for current taxation in prior years	(16)	6
Overprovision for deferred taxation in prior years	-	(53)

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 2005	Apr 2005	Oct 2005	Apr 2005
	\$'000	(Restated) \$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	53,194	51,779	-	-
Subsidiary companies	-	-	36,986	39,374
Joint venture company	-	-	1,571	1,571
Associated companies	1,671	1,642	72	72
Intangible assets	23	28	-	-
Other non-current assets	1,285	41	-	-
Deferred tax assets	1,533	1,424	-	-
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	57,706	54,914	38,629	41,017
Current assets				
Inventories	79,890	62,338	-	-
Trade receivables	77,906	63,804	-	-
Other receivables	9,035	4,944	1,425	1,568
Marketable securities	10	15	-	-
Cash and bank balances	16,239	13,817	23	124
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	183,080	144,918	1,448	1,692
Less: Current liabilities				
Trade payables	34,398	24,916	-	-
Trust receipts (secured)	61,900	39,176	-	-
Other payables	11,864	9,497	341	468
Short-term loans (secured)	12,370	8,829	-	-
Hire purchase liabilities	291	255	-	-
Provision for taxation	4,827	3,849	140	140
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	125,650	86,522	481	608
Net current assets	57,430	58,396	967	1,084
Non-current liabilities				
Hire purchase liabilities	507	526	-	-
Provision for reinstatement costs	588	588	-	-
Long-term loans (secured)	40,831	43,246	-	-
Deferred taxation	601	724	-	-
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	42,527	45,084	-	-
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	72,609	68,226	39,596	42,101
Equity				
Share capital	21,531	21,082	21,531	21,082
Reserves	50,814	46,917	18,065	21,019
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	72,345	67,999	39,596	42,101
Minority interests	264	227	-	-
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	72,609	68,226	39,596	42,101

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 Oct 2005		As at 30 Apr 2005	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
74,561	-	48,260	-

Amount repayable after one year

As at 31 Oct 2005		As at 30 Apr 2005	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
41,338	-	43,772	-

Details of any collateral

The Group's freehold land, certain leasehold land and buildings and leasehold improvements with a total net book value of \$42,351,846 as at 31 October 2005 (30 April 2005 : \$35,797,000) are subject to legal mortgages in connection with bank facilities granted to the Group.

The trust receipts of subsidiary companies are secured 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.

	October 2005	October 2004
	\$'000	(Restated) \$'000
Cash flows from operating activities		
Profit from operating activities	11,095	6,215
Adjustments for:		
Depreciation of property, plant and equipment	1,796	1,585
Amortisation of intangible assets	7	15
Cost of share based payment	144	-
Gain on disposal of property, plant and equipment	(14)	(181)
Foreign currency translation adjustment	575	87
Interest income	(85)	(36)
Impairment loss on other investments	18	-
Operating profit before reinvestment in working capital	<u>13,536</u>	<u>7,685</u>
Increase in inventories	(17,552)	(8,402)
Increase in receivables	(18,192)	(2,980)
Increase in payables	11,730	4,220
Cash (used in) / generated from operating activities	<u>(10,478)</u>	<u>523</u>
Interest received	85	36
Interest paid	(2,275)	(1,163)
Income tax paid	(1,542)	(2,729)
Net cash used in operating activities	<u>(14,210)</u>	<u>(3,333)</u>
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	136	393
Purchase of intangible assets	(3)	(6)
Investment in associated companies	-	(167)
Purchase of marketable securities	(1,260)	(12)
Purchase of property, plant and equipment	(3,150)	(4,420)
Net cash used in investing activities	<u>(4,277)</u>	<u>(4,212)</u>
Cash flows from financing activities		
Proceeds from issue of shares	449	518
Dividend paid	(3,410)	(3,304)
Net proceeds from long-term loans	-	13,222
Net proceeds/ (repayment) from trust receipts	22,723	(9,637)
Net increase/ (decrease) of hire purchase liabilities	17	(238)
Repayment of long-term loans	(1,692)	(1,036)
Net cash generated from/(used in) financing activities	<u>18,087</u>	<u>(475)</u>
Net decreased in cash and cash equivalents	(400)	(8,020)
Cash and cash equivalents at beginning of financial year	8,776	18,699
Exchange rate adjustment to cash and cash equivalents at beginning of financial year	4	13
Cash and cash equivalents at end of financial period	<u>8,380</u>	<u>10,692</u>
Cash and cash equivalent at end of period comprise :		
- Cash and bank balance	16,239	13,509
- Short-term loans	(7,859)	(2,817)
	<u>8,380</u>	<u>10,692</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 period of the immediately preceding financial year.

	Share Capital \$'000	Share Premium \$'000	Capital reserve \$'000	Share Option reserve \$'000	Revenue reserve \$'000	Foreign currency translation reserve \$'000	Minority Interests \$'000	Total \$'000
Group								
Balance at 1 May 2004 as previously stated	20,341	10,389	375	-	32,992	(740)	172	63,529
Transitional adjustment required under revised FRS								
(a) Effects on adopting FRS 16	-	-	-	-	(181)	-	-	(181)
As restated	20,341	10,389	375	-	32,811	(740)	172	63,348
Issue of ordinary shares on exercise of share options and Warrant 2007	518	-	-	-	-	-	-	518
Transfer from capital reserve as a result of exercise of Warrant 2007	-	44	(44)	-	-	-	-	-
Dividend	-	-	-	-	(3,304)	-	-	(3,304)
Profit for the financial period	-	-	-	-	2,996	-	51	3,047
Translation adjustments arising on consolidation	-	-	-	-	-	(760)	(6)	(766)
Balance at 31 October 2004	20,859	10,433	331	-	32,503	(1,500)	217	62,843
Balance at 1 May 2005 as previously stated	21,082	10,453	312	-	38,296	(1,918)	227	68,452
Transitional adjustment required under revised FRS								
(a) Effects on adopting FRS 16	-	-	-	-	(226)	-	-	(226)
(b) Effects on adopting FRS 39	-	-	-	-	(122)	-	-	(122)
As restated	21,082	10,453	312	-	37,948	(1,918)	227	68,104
Share-based payment	-	-	-	144	-	-	-	144
Issue of ordinary shares on exercise of share options and Warrant 2007	449	-	-	-	-	-	-	449
Transfer from capital reserve as a result of exercise of Warrant 2007	-	45	(45)	-	-	-	-	-
Dividend	-	-	-	-	(3,410)	-	-	(3,410)
Profit for the financial period	-	-	-	-	6,498	-	28	6,526
Translation adjustments arising on consolidation	-	-	-	-	-	787	9	796
Balance at 31 October 2005	21,531	10,498	267	144	41,036	(1,131)	264	72,609

Company	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Share option reserve \$'000	Revenue reserve \$'000	Foreign currency translation reserve \$'000	Total \$'000
Balance at 1 May 2004	20,341	10,389	232	-	10,176	-	41,138
Issue of ordinary shares on exercise of share options and Warrant 2007	518	-	-	-	-	-	518
Transfer from capital reserve as a result of exercise of Warrant 2007	-	44	(44)	-	-	-	-
Dividend	-	-	-	-	(3,304)	-	(3,304)
Profit for the financial period	-	-	-	-	2,555	-	2,555
Balance at 31 October 2004	<u>20,859</u>	<u>10,433</u>	<u>188</u>	<u>-</u>	<u>9,427</u>	<u>-</u>	<u>40,907</u>
Balance at 1 May 2005	21,082	10,453	169	-	10,397	-	42,101
Share-based payment	-	-	-	144	-	-	144
Issue of ordinary shares on exercise of share options and Warrant 2007	449	-	-	-	-	-	449
Transfer from capital reserve as a result of exercise of Warrant 2007	-	45	(45)	-	-	-	-
Dividend	-	-	-	-	(3,410)	-	(3,410)
Profit for the financial period	-	-	-	-	312	-	312
Balance at 31 October 2005	<u>21,531</u>	<u>10,498</u>	<u>124</u>	<u>144</u>	<u>7,299</u>	<u>-</u>	<u>39,596</u>

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 period 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 period reported on and as at the end of the corresponding period of the immediately preceding financial year.

The details of changes in the company's share capital are as follows:

During the financial period, the issued share capital of the Company was increased from 210,826,630 to 215,308,750 ordinary shares by the issue of 4,482,120 new ordinary shares of \$0.10 each for cash, arising from the exercise of 4,482,120 Warrant 2007 at an exercise price of \$0.10 per share.

Unissued shares under share options and warrants as at 31 October 2005 comprise :

Warrant 2007

- i) 15,418,748 (31 October 2004 : 22,142,071) Warrant 2007 entitling holders to subscribe at any time up to 21 February 2007 for the same number of ordinary shares in the Company at an exercise price of \$0.10 per share.

Share Option

- ii) During the financial period, the Company had issued 3,000,000 (31 October 2004: Nil) share options entitling holders to subscribe at any time during the exercise period (i.e. from 17 August 2008 to 16 August 2015) for the same number of ordinary shares in the Company at an exercise price of \$0.43 (31 October 2004: Nil) per share.

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

The figures have neither been audited nor 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 paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period as those applied in the audited financial statements for the year ended 30 April 2005.

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.

The Group adopted the following new or revised Financial Reporting Standards ("FRS") which became effective for the financial year beginning 1 May 2005 :

FRS 16	Property, Plant and Equipment
FRS 39	Financial Instruments : Recognition and Measurement
FRS 102	Share-Based Payment

The revised FRS 16 requires the Group to measure the cost of its property, plants and equipment at initial recognition by including the initial estimate of the costs of dismantling and removing the assets and restoring the site on which the asset is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. The obligations for costs accounted for in accordance with the revised accounting standard are recognized and measured in accordance with FRS 37- Provision, Contingent Liabilities and Contingent Assets.

FRS39 sets out the new requirements for the recognition, derecognition and measurement of the Group's financial instruments and hedge accounting. The adoption of FRS 39 has resulted in the Group recognizing trading and available-for-sale financial assets at fair values, and loans and receivables at amortised cost less impairment losses. The group has not adopted hedge accounting. Changes in fair value of trading and available-for-sale financial assets are recognised in the profit and loss account and equity respectively. The effects of the adoption of this accounting standard on financial instruments has been accounted for by adjusting the opening balance of equity as at 1 May 2005, comparatives have not been restated.

The adoption of FRS 102 requires the Group to recognize an expense in the income statement in respect of the share options issued to its employees. The expense to be recognised is determined by reference to the fair value of the share options at the date of the grant and the number of options to be vested by the vesting date. The determination of the fair value involves the use of valuation models and assumptions as readily available market prices for the options are usually not available. Management has requested an external party to assist in the determination of the fair value of the options issued.

The effects of the above changes in accounting policies on net profit and opening balances of accumulated profits of the Group are as follows:

	FRS 16	FRS 39	FRS 102	Net Impact
	Increase/ (Decrease)			
The Group	S\$'000			
Net profit for the financial period ended 31 October 2005	(22)	(108)	(144)	(274)
Opening accumulated profits as at 1 May 2005	(226)	(122)	-	(348)

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

	Group	
	Oct 2005	Oct 2004
Earning per share (EPS)		
- basic (cents)	3.06	1.46
- diluted (cents)	2.85	1.33
	\$'000	\$'000
Group earnings used for the calculation of EPS		
Profit for the financial year	6,498	2,996
	'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	212,344	205,785
Adjustment for outstanding share options and Warrant 2007	15,337	19,755
Adjusted weighted average number of ordinary shares used for the calculation of diluted EPS	227,681	225,540

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.

Diluted EPS is calculated on the same basis as Basic EPS, except that the weighted average number of ordinary shares in issue during the financial year 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 they were outstanding during the financial year.

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 period reported on; and (b) immediately preceding financial year.

	Group		Company	
	Oct 2005	Apr 2005	Oct 2005	Apr 2005
Net asset value per ordinary share (cents)	33.60	32.25	18.39	19.97

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 period 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 period reported on.

For the half year ended 31 October 2005 (1HFY2006), the Group achieved a 114.2 percent growth in net profit after tax to S\$6.5 million on the back of a 32.2 percent growth in revenue.

Revenue

The double-digit growth in revenue to S\$119.7 million was mainly contributed by:-

- the organic growth in major brands – Falken, Continental, Dunlop and Toyo OTR;
- incremental sales contribution from the optimisation of two production lines in SSW wheel plant;
- sales contribution from proprietary brands – Sumo and Sumo Firenza tyre lines.

The Group registered revenue growth in all key geographical regions. The growth in Southeast Asia was mainly attributed to the stronger demand from the recovery of economies in the area. Continued sales and marketing efforts for proprietary brands in the international markets boost the growth in all the other regions.

Gross Profit

The Group maintained gross profit margin at 26.4 percent in 1HFY2006 (1HFY2005: 26.5 percent) and recorded an increase of S\$7.6 million in gross profit. This was mainly due to:-

- a. focus on sales of high performance tyres and wheels;
- b. continuous efforts to improve service income through retail chain and commercial fleet/mining and tyre management services;
- c. improvement on the product mix of its major brands; and
- d. incremental sales from proprietary brands, Sumo Firenza and SSW rims, to the international markets.

Operating Expenses

The operating expenses increased in line with the growth of the business.

The increases in salaries and staff benefits (S\$1.6m) and marketing and promotion expenses (S\$2.0m) represented the Group's investment in human resources and the development of its proprietary brands as well as enhancement of its integrated concept of value added services. obsolescence resulting from successful marketing efforts undertaken by the Group.

Finance Cost

The increase in finance costs of S\$1 million was mainly due to the increase in term loans, higher utilization of trade lines and general rise in interest rates.

Financial Position

During the period, the change in the Group's business model resulted in higher inventory holding by the overseas subsidiaries to allow them to take the lead in regional distribution from Singapore. The Group's manufacturing activities for Sumo and Sumo Firenza tyres programmes and SSW rims also resulted in a higher inventory of raw material and finish products.

In line with the Group's revenue growth, accounts receivable increased by S\$18.2 million.

The Group accounts receivable and inventory was financed by the utilization of the trust receipt. The net proceed from trust receipt amounted to \$22.7 million.

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

There was no material variance between the prospect statement that was previously disclosed to the shareholders and the actual results for the financial period ended 31 October 2005.

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 period and the next 12 months.

Barring any unforeseen circumstances, the Group expects to maintain double digit growth in revenue and profit for the financial year ending 30 April 2006.

The Group expects to maintain the growth momentum in revenue from the increase in sales of our major international brands in the South-east Asia and North Asia markets, the increase in the production of the Group's SSW rims, and the increase in sales and product lines of our proprietary brands for the international market.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

(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.

BY ORDER OF THE BOARD

Dawn Wee Wai Ying
Director

6 December 2005