

# STAMFORD TYRES CORPORATION LTD

## HALF-YEAR FINANCIAL STATEMENTS ENDED 31 OCTOBER 2004

### 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	
	October 2004	October 2003
	\$'000	\$'000
Revenue	90,498	91,832
Other revenue	160	156
Total revenue	90,658	91,988
Cost of goods sold	66,511	67,139
Salaries and employees benefits	7,282	6,721
Amortisation and depreciation	1,578	1,957
Operating lease rentals	915	478
Utilities, repairs and maintenance	2,324	1,865
Marketing and promotion	2,754	2,942
Other operating expenses	3,057	2,751
Total expenditure	84,421	83,853
Profit from operating activities	6,237	8,135
Finance costs	(1,299)	(1,040)
Share of losses of associated company	(337)	-
Profit before taxation	4,601	7,095
Taxation	(1,532)	(1,171)
Profit after taxation	3,069	5,924
Minority interests	(51)	(10)
Profit for the financial period	3,018	5,914
Profit after taxation is stated after charging/ (crediting) :		
Other revenue	(160)	(156)
Finance costs	1,299	1,040
Amortisation and depreciation	1,578	1,957
Provision for doubtful trade receivables	686	1,180
Provision for obsolete inventories	764	586
Bad trade debts written off	(15)	-
Inventories written off	-	4
Gain on disposal of property, plant and equipment	(181)	(39)
Gain on disposal of marketable securities	-	(6)
Foreign exchange gain	(183)	(314)
Under(over) provision for current taxation in prior years	6	(982)
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	
	October 2004 \$'000	April 2004 \$'000	October 2004 \$'000	April 2004 \$'000
<b>Non-current assets</b>				
Property, plant and equipment	47,779	45,735	-	-
Subsidiary companies	-	-	37,570	35,252
Joint venture company	-	-	1,571	1,571
Associated companies	2,092	2,306	72	72
Intangible assets	19	26	-	-
Other non-current assets	52	53	-	-
Deferred tax assets	481	440	-	-
	50,423	48,560	39,213	36,895
<b>Current assets</b>				
Inventories	61,060	52,657	-	-
Trade receivables	57,166	56,669	-	-
Other receivables	5,790	3,398	1,962	4,154
Marketable securities	16	5	-	-
Cash and bank balances	13,509	20,828	119	541
	137,541	133,557	2,081	4,695
<b>Less: Current liabilities</b>				
Trade payables	23,240	19,192	-	-
Trust receipts and bills payable (secured)	36,718	46,355	-	-
Other payables	10,864	10,646	237	386
Short-term loans (secured)	5,765	4,615	-	-
Hire purchase liabilities	247	279	-	-
Provision for taxation	3,095	4,239	150	66
	79,929	85,326	387	452
<b>Net current assets</b>	57,612	48,231	1,694	4,243
<b>Non-current liabilities</b>				
Hire purchase liabilities	553	546	-	-
Long-term loans (secured)	43,823	32,100	-	-
Deferred taxation	613	616	-	-
	44,989	33,262	-	-
	63,046	63,529	40,907	41,138
<b>Equity</b>				
Share capital	20,859	20,341	20,859	20,341
Reserves	41,970	43,016	20,048	20,797
	62,829	63,357	40,907	41,138
<b>Minority interests</b>	217	172	-	-
	63,046	63,529	40,907	41,138

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 October 2004 ('000)		As at 30 April 2004 ('000)	
Secured	Unsecured	Secured	Unsecured
42,730	-	51,249	-

Amount repayable after one year

As at 31 October 2004 ('000)		As at 30 April 2004 ('000)	
Secured	Unsecured	Secured	Unsecured
44,376	-	32,646	-

Details of any collateral

The Group's freehold land, certain leasehold land and buildings, leasehold improvements and plant and equipment with a total net book value of \$36,796,000 as at 31 October 2004 (30 April 2004: S\$36,668,000) are subject to legal mortgages in connection with bank facilities granted to the Group.

The trust receipts and bills payable of subsidiary companies are secured by corporate guarantees from the Company, a negative pledge over the assets of a subsidiary company, excluding its leasehold buildings.

The short-term loans of subsidiary companies are secured by negative pledge over the assets of a subsidiary company, excluding its hire purchase assets, and 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.

	<b>Group</b>	
	<b>October 2004</b>	<b>October 2003</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities :</b>		
Profit from operating activities	6,237	8,135
Adjustments for :		
Depreciation of property, plant and equipment	1,563	1,688
Amortisation of intangible assets	15	269
Property, plant and equipment written off	-	69
Impairment loss on property, plant and equipment	-	-
Gain on disposal of marketable securities	-	(6)
Interest income	(36)	(29)
Gain on disposal of property, plant and equipment	(181)	(39)
Foreign currency translation adjustment	87	(14)
<b>Operating profit before reinvestment in working capital</b>	7,685	10,073
Increase in inventories	(8,402)	(9,229)
Increase in receivables	(2,980)	(7,612)
(Decrease)/increase in trust receipts and bills payable	(9,637)	9,614
Increase in payables	4,220	7,612
<b>Cash (used in)/generated from operations</b>	(9,114)	10,458
Interest received	36	29
Interest paid	(1,163)	(851)
Income tax paid	(2,729)	(890)
<b>Net cash (used in)/provided by operating activities</b>	(12,970)	8,746
<b>Cash flows from investing activities :</b>		
Proceeds from disposal of property, plant and equipment	393	380
Proceeds from disposal of marketable securities	-	15
Additions to property, plant and equipment	(4,420)	(1,962)
Investment in associated companies	(167)	(1,048)
Addition to marketable securities	(12)	-
Addition to intangible assets	(6)	(11)
<b>Net cash used in investing activities</b>	(4,212)	(2,626)
<b>Cash flows from financing activities :</b>		
Proceeds from long-term loans	13,222	101
Proceeds from issue of shares	518	4,176
Dividend paid	(3,304)	(2,107)
Repayment of long-term loans	(1,036)	(2,562)
Repayment of hire purchase liabilities	(238)	(220)
<b>Net cash generated from/(used in) financing activities</b>	9,162	(612)
Net (decrease)/increase in cash and cash equivalents	(8,020)	5,508
Cash and cash equivalents at beginning of period	18,699	10,193
Exchange rate adjustment to cash and cash equivalents at beginning of period	13	(76)
<b>Cash and cash equivalents at end of period</b>	10,692	15,625
<b>Cash and cash equivalents include:</b>		
Cash and bank balances	13,509	16,761
Short-term loans	(2,817)	(1,136)
	10,692	15,625

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.

<b>Group</b>	<b>Share capital \$'000</b>	<b>Share premium \$'000</b>	<b>Capital reserve \$'000</b>	<b>Revenue reserve \$'000</b>	<b>Foreign currency translation reserve \$'000</b>	<b>Total \$'000</b>
Balance at 1 May 2004	20,341	10,389	375	32,992	(740)	63,357
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	-	-	-	3,018	-	3,018
Translation adjustments arising on consolidation	-	-	-	-	(760)	(760)
Balance at 31 October 2004	<u>20,859</u>	<u>10,433</u>	<u>331</u>	<u>32,706</u>	<u>(1,500)</u>	<u>62,829</u>
Balance at 1 May 2003	15,295	9,857	759	23,555	(184)	49,282
Issue of ordinary shares on exercise of share options and Warrant 2007	4,035	141	-	-	-	4,176
Transfer from capital reserve as a result of exercise of Warrant 2007	-	300	(300)	-	-	-
Dividend	-	-	-	(2,107)	-	(2,107)
Profit for the financial period	-	-	-	5,914	-	5,914
Translation adjustments arising on consolidation	-	-	-	-	(47)	(47)
Balance at 31 October 2003	<u>19,330</u>	<u>10,298</u>	<u>459</u>	<u>27,362</u>	<u>(231)</u>	<u>57,218</u>

<b>Company</b>	<b>Share capital \$'000</b>	<b>Share premium \$'000</b>	<b>Capital reserve \$'000</b>	<b>Revenue reserve \$'000</b>	<b>Foreign currency translation reserve \$'000</b>	<b>Total \$'000</b>
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>9,427</u>	<u>-</u>	<u>40,907</u>
Balance at 1 May 2003	15,295	9,857	616	8,027	-	33,795
Issue of ordinary shares on exercise of share options and Warrant 2007	4,035	141	-	-	-	4,176
Transfer from capital reserve as a result of exercise of Warrant 2007	-	300	(300)	-	-	-
Dividend	-	-	-	(2,107)	-	(2,107)
Profit for the financial period	-	-	-	303	-	303
Balance at 31 October 2003	<u>19,330</u>	<u>10,298</u>	<u>316</u>	<u>6,223</u>	<u>-</u>	<u>36,167</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.

During the financial period, the issued share capital of the Company was increased from 203,412,232 to 208,585,428 ordinary shares by the issue of 5,173,196 new ordinary shares of \$0.10 each for cash, arising from the exercise of 25,000 share options at an exercise price of \$0.126 per share and 5,148,196 Warrant 2007 at an exercise price of \$0.10 per share.

Unissued shares under share options and warrants as at 31 October 2004 comprise :

(i) Nil (31 October 2003 : 337,500) options entitling holders to subscribe at any time during the exercise period for the same number of ordinary shares in the Company at the exercise price of nil (2003 : \$0.126 to \$0.130) per share.

(ii) 22,142,071 (31 October 2003 : 37,164,837) 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.

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

The figures have not 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.

The same accounting policies and methods of computation in the Group's audited financial statements for the financial year ended 30 April 2004 have been applied.

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.

There was no material change in the accounting policies and method of computation.

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.

	<b>Group</b>	
	<b>October 2004</b>	<b>October 2003</b>
Earning per share (EPS)		
- basic (cents)	1.47	3.44
- diluted (cents)	1.34	2.78
	<b>\$'000</b>	<b>\$'000</b>
Group earnings used for the calculation of EPS		
Profit for the financial period	3,018	5,914
	<b>'000</b>	<b>'000</b>
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	205,785	171,891
Adjustment for outstanding share options and Warrant 2007	19,755	40,512
Adjusted weighted average number of ordinary shares used for the calculation of diluted EPS	225,540	212,403

Basic earning per share ("EPS") is calculated on the Group's profit for the financial period 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, except that the weighted average number of ordinary shares in issue during the financial period have 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 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 period reported on; and (b) immediately preceding financial year.

	<b>Group</b>		<b>Company</b>	
	<b>October 2004</b>	<b>April 2004</b>	<b>October 2004</b>	<b>April 2004</b>
Net asset value per ordinary share (cents)	<u>30.12</u>	<u>31.15</u>	<u>19.61</u>	<u>20.22</u>

The net asset value per ordinary share was computed based on 208,585,428 ordinary shares as at 31 October 2004 (30 April 2004 : 203,412,232).

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.

Group turnover for the half year ended 31 October 2004 ("1HFY2005"), remained flat at \$90.5 million, compared to \$91.8 million in 1HFY2004. The flat turnover was contributed by the tightness in allocation of tyres from our major suppliers as they re-aligned the distribution of their products into other markets, such as North America and Europe. However, the Group continued to witness robust demand for our major international brands and proprietary brands in both existing and new markets.

During the period under review, the Group made continuous efforts to improve the product mix of our major international and proprietary brands, optimise business opportunities through our wide network of distribution centres, and focus on sales of higher value added products and services from the retail and fleet management units. As a result, we achieved a gross profit margin of 26.5 percent, which is comparable to 26.9 percent in 1HFY2004.

Overheads increased from 18.2 percent to 19.8 percent of revenue. This was mainly due to start-up costs relating to the new wheel plant in Thailand that could not be capitalized, as well as the restructuring costs associated with the realignment of our distribution structure.

Share of losses of associated company were mainly due to the continuing costs of establishing the Dunlop dealers retail network in China.

The increased operating expenses and the share of losses of the associated company contributed to the decline in Group profit before tax from \$7.1 million in 1HFY2004 to \$4.6 million in 1HFY2005.

The Group's effective tax rate increased by 4 percentage points in 1HFY2005 as any tax benefit arising from the losses of overseas subsidiaries are not available for group relief.

Group profit after tax and minority interest decreased by 49.0 percent to \$3.0 million in 1HFY2005, from \$5.9 million in 1HFY2004.

The results for 1HFY2005 reflect the Group's efforts on strengthening the infrastructure and building new capabilities to prepare for our next stage of growth.

During the period under review, the change in the Group's distribution structure resulted in higher inventory holding by the overseas subsidiaries to allow them to take the lead in regional distribution from Singapore. Capital investment in the new wheel plant in Thailand and the increase in the number of retail outlets amounted to approximately \$4.4 million. These were mainly funded through internally generated funds.

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 six months ended 31 October 2004.

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.

As highlighted in the Group's FY2004 results announcement, global demand for tyres remains robust. This translates to the continuing tight supply situation from our major suppliers.

To address this, the Group has been continually exploring opportunities to expand our supply and has recently secured the following:

1. Offtake arrangement for the supply of Truck Bus Radial tyres, for which production is expected to commence in January 2005.
2. Volume increases for Truck Bus Bias tyres, through the Sumo offtake arrangements from manufacturers in China, Thailand and Vietnam;
3. Additional brands for Passenger Car and Light Truck Radial Tyres for distribution in selected territories - Maxxis from Taiwan and Thailand and Amtel from Russia;

These initiatives are expected to provide additional revenue to the Group in the second half of this financial year. Stamford Tyres' ongoing strategy to enhance the development of proprietary brands will also see the Group exploring new sources in China and other countries in Asia for Passenger Car Radials and High Performance Car Radial Tyres.

The Group will continue to focus on the distribution of its major international brands in South East Asia and China. We will also be looking to expand the number of retail outlets in Singapore, Malaysia, Thailand and Indonesia as well as continue investing in additional distribution points in China. We also intend to expand our fleet management and related value added services.

Our new alloy wheel plant in Thailand, which did a successful test run of 3,000 units in September 2004, is expected to ramp up to a commercial production volume of approximately 13,000 units per month by December 2004. The second production line will be installed at the plant in January 2005. By May 2005, we expect both production lines to have a total production volume of not less than approximately 35,000 wheels per month. The wheels are to be marketed in Thailand, Singapore, Malaysia, Australia and Indonesia, and target at new markets in the US, Europe and the Middle East. The new wheel plant is expected to contribute positively to the Group's revenue in the financial year ending April 2006.

The Directors believe the outlook for the Group is healthy for 2HFY2005 as we would benefit from having a better product range, with less geographical restrictions and a wider market coverage. Barring any unforeseeable circumstances, the Group expects its net profit for 2HFY2005 to be higher than 1HFY2005.

*This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in the forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital availability, competition from other companies and venues for the sale/ distribution of goods and services, shift in customer demand, changes in operating expenses, including employee wages, benefits and training, governmental and public policy changes. You are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of management on future events.*

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 have been declared/recommended, a statement to that effect.

No dividend has been declared/recommendeded for the current financial period.

**BY ORDER OF THE BOARD**

Dawn Wee Wai Ying  
Director  
8 December 2004