

## STAMFORD TYRES CORPORATION LTD

### Unaudited First Quarter 2019 Financial Statements

#### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1,Q2,&Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, 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		Difference \$'000	Difference %
	Q1FY19	Q1FY18		
	Jul'18	Jul'17		
	\$'000	\$'000		
Revenue	57,974	58,946	(972)	-1.65%
Other revenue *	1,318	866	452	52.19%
<b>Total revenue</b>	<b>59,292</b>	<b>59,812</b>	<b>(520)</b>	<b>-0.87%</b>
Cost of goods sold	45,190	43,215	1,975	4.57%
Salaries and employees benefits	5,965	6,086	(121)	-1.99%
Marketing and distribution	2,128	1,718	410	23.86%
Utilities, repairs and maintenance	1,425	1,458	(33)	-2.26%
Finance costs	1,011	1,018	(7)	-0.69%
Depreciation of property, plant and equipment	1,199	1,242	(43)	-3.46%
Operating lease rentals	1,073	1,313	(240)	-18.28%
Other operating expenses	1,031	1,570	(539)	-34.33%
<b>Total expenditure</b>	<b>(59,022)</b>	<b>(57,620)</b>	<b>(1,402)</b>	<b>2.43%</b>
Share of results of joint ventures	(41)	390	(431)	-110.51%
<b>Profit before taxation</b>	<b>229</b>	<b>2,582</b>	<b>(2,353)</b>	<b>-91.13%</b>
Taxation	(117)	(656)	(539)	-82.16%
<b>Profit for the financial period</b>	<b>112</b>	<b>1,926</b>	<b>(1,814)</b>	<b>-94.18%</b>
Attributable to:				
Equity holders of the company	112	1,926	(1,814)	-94.18%
	<b>112</b>	<b>1,926</b>	<b>(1,814)</b>	<b>-94.18%</b>

\* Included in other revenue of Q1FY18 was \$179,000 that was reclassified from share of results of joint ventures.

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

	Q1FY19 Jul'18 \$'000	Q1FY18 Jul'17 \$'000
Net profit for the financial period	112	1,926
Other comprehensive income :		
Translation adjustments arising on consolidation	(920)	(995)
Other comprehensive income for the financial period, net of tax	(920)	(995)
Total comprehensive income for the financial period	<u>(808)</u>	<u>931</u>
Total comprehensive income attributable to :		
Equity holders of the company	(808)	931
	<u>(808)</u>	<u>931</u>

	Q1FY19 Jul'18 \$'000	Q1FY18 Jul'17 \$'000
(a) Profit after taxation is stated after charging/(crediting) :		
Depreciation of property, plant and equipment (inclusive of charges included in cost of goods sold)	1,855	1,913
Allow ance for doubtful trade receivables	204	225
(Write-back of)/allow ance for inventory obsolescence	(252)	182
Gain on disposal of property, plant and equipment	(5)	(76)
Foreign exchange loss	210	380
Fair value loss on derivatives	150	75
Bad debts recovered	-	(17)

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group			Company	
	Jul'18 \$'000	Apr'18 \$'000 Restated	Apr'17 \$'000 Restated	Jul'18 \$'000	Apr'18 \$'000
<b>Non-current assets</b>					
Property, plant and equipment	67,597	69,155	70,679	-	-
Subsidiary companies	-	-	-	44,764	44,764
Amount due from subsidiary companies	-	-	-	14,316	14,324
Joint venture companies	17,419	17,049	16,862	4,067	4,067
Associated company	231	238	233	-	-
Deferred tax assets	3,156	3,071	3,109	-	-
	<u>88,403</u>	<u>89,513</u>	<u>90,883</u>	<u>63,147</u>	<u>63,155</u>
<b>Current assets</b>					
Inventories	87,792	87,905	77,869	-	-
Trade receivables	57,374	59,891	67,467	-	-
Derivatives	23	96	70	1	69
Other receivables	4,225	4,499	4,665	137	92
Prepayments and advances	3,041	2,534	3,890	41	28
Cash and cash equivalents	16,151	21,877	21,693	296	686
	<u>168,606</u>	<u>176,802</u>	<u>175,654</u>	<u>475</u>	<u>875</u>
<b>Less: Current liabilities</b>					
Trade payables	20,400	26,004	20,465	-	-
Trust receipts (secured)	42,238	41,349	50,808	-	-
Derivatives	96	19	20	-	-
Other payables	16,136	17,766	19,111	675	526
Amount due to subsidiary company	-	-	-	-	2,000
Loans (secured)	14,543	15,213	17,980	-	-
Hire-purchase liabilities	740	907	807	-	-
Provisions	530	506	689	-	-
Provision for taxation	2,755	2,938	2,742	36	36
	<u>97,438</u>	<u>104,702</u>	<u>112,622</u>	<u>711</u>	<u>2,562</u>
<b>Net current assets/(liabilities)</b>	<b>71,168</b>	<b>72,100</b>	<b>63,032</b>	<b>(236)</b>	<b>(1,687)</b>
<b>Non-current liabilities</b>					
Amount due to subsidiary companies	-	-	-	17,121	15,541
Hire-purchase liabilities	204	284	882	-	-
Provisions	882	861	861	-	-
Long-term loans (secured)	31,722	32,894	27,375	-	-
Deferred tax liabilities	2,030	2,033	1,842	108	108
	<u>34,838</u>	<u>36,072</u>	<u>30,960</u>	<u>17,229</u>	<u>15,649</u>
<b>Net assets</b>	<b>124,733</b>	<b>125,541</b>	<b>122,955</b>	<b>45,682</b>	<b>45,819</b>
<b>Equity</b>					
Share capital	35,722	35,722	35,722	35,722	35,722
Reserves	89,011	89,819	87,233	9,960	10,097
	<u>124,733</u>	<u>125,541</u>	<u>122,955</u>	<u>45,682</u>	<u>45,819</u>

1(b)(ii) In relation to the aggregate amount of group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:-

Amount repayable in one year or less, or on demand

As at 31/07/2018		As at 30/04/2018	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
57,521	-	57,469	-

Amount repayable after one year

As at 31/07/2018		As at 30/04/2018	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
31,926	-	33,178	-

#### 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 \$ 46,811,922 as at 31 July 2018 (30 April 2018: \$ 47,591,007) 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 statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

1(c)(i) CONSOLIDATED STATEMENT OF CASH FLOWS (Q1FY19 vs Q1FY18)

	Group	
	Q1FY19 Jul'18 \$'000	Q1FY18 Jul'17 \$'000
<b>Cash flows from operating activities:</b>		
Profit before taxation	229	2,582
Adjustments for:		
Depreciation of property, plant and equipment	1,855	1,913
Gain on disposal of property, plant and equipment	(5)	(76)
Fair value loss on derivatives	150	75
Bad debts recovered	-	(17)
Foreign currency translation adjustment	(1,107)	(560)
Interest income	(57)	(32)
Provision for product warranties	49	46
Write-back on property, plant and equipment	(2)	(2)
Interest expenses	1,011	1,018
Share of results of joint ventures	41	(390)
<b>Operating cash flows before changes in working capital</b>	2,164	4,557
Decrease in inventories	113	2,768
Decrease in receivables	2,284	4,895
Decrease in payables	(7,254)	(4,854)
<b>Cash flows from operations</b>	(2,693)	7,366
Interest received	57	32
Interest paid	(1,011)	(1,018)
Income tax paid	(387)	(394)
<b>Net cash flows (used in)/generated from operating activities</b>	(4,034)	5,986
<b>Cash flows from investing activities :</b>		
Proceeds from disposal of property, plant and equipment	11	79
Dividend received from joint venture company	-	352
Purchase of property, plant and equipment	(743)	(915)
<b>Net cash flows used in investing activities</b>	(732)	(484)
<b>Cash flows from financing activities :</b>		
Proceeds from long-term loans	-	60
Proceeds from/(repayment of) trust receipts	1,204	(8,190)
Repayment of short-term loans	(635)	(188)
Repayment of hire purchase creditors	(231)	(160)
Repayment of long-term loans	(1,131)	(881)
<b>Net cash flows used in financing activities</b>	(793)	(9,359)
Net decrease in cash and cash equivalents	(5,559)	(3,857)
Cash and cash equivalents at beginning of financial period	21,877	21,693
Effect of exchange rate changes on cash and cash equivalents at the beginning of the financial period	(167)	(141)
<b>Cash and cash equivalents at end of financial period</b>	16,151	17,695

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 attributable to owners of the Company, total	Share capital	Revenue reserve	Other reserves, total	Capital reserve	Foreign currency translation reserve	Discount on acquisition of non-controlling interest	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Group</b>								
Balance at 1 May 2017 (As previously reported)	123,893	123,893	35,722	104,742	(16,571)	424	(17,197)	202
Effects on adoption of SFRS (I) 15	(400)	(400)	-	(400)	-	-	-	-
Effects on adoption of SFRS (I)	(538)	(538)	-	(538)	-	-	-	-
Balance at 1 May 2017 (restated)	122,955	122,955	35,722	103,804	(16,571)	424	(17,197)	202
Profit for the financial period	1,926	1,926	-	1,926	-	-	-	-
Other comprehensive income for the financial period	(995)	(995)	-	-	(995)	-	(995)	-
Total comprehensive income for the financial period	931	931	-	1,926	(995)	-	(995)	-
<u>Contributions by and distributions to owners</u>								
Total contributions by and distributions to owners	-	-	-	-	-	-	-	-
Total transactions with owners in their capacity as owners	-	-	-	-	-	-	-	-
Balance at 31 July 2017	123,886	123,886	35,722	105,730	(17,566)	424	(18,192)	202
Balance at 1 May 2018 (as previously reported)	126,779	126,779	35,722	106,379	(15,322)	446	(15,970)	202
Effects on adoption of SFSR (I) 9	(300)	(300)	-	(300)	-	-	-	-
Effects on adoption of SFRS (I) 15	(400)	(400)	-	(400)	-	-	-	-
Effects on adoption of SFRS (I)	(538)	(538)	-	(538)	-	-	-	-
Balance at 1 May 2018 (restated)	125,541	125,541	35,722	105,141	(15,322)	446	(15,970)	202
Profit for the financial period	112	112	-	112	-	-	-	-
Other comprehensive income for the financial period	(920)	(920)	-	-	(920)	-	(920)	-
Total comprehensive income for the financial period	(808)	(808)	-	112	(920)	-	(920)	-
<u>Contributions by and distributions to owners</u>								
Total contributions by and distributions to owners	-	-	-	-	-	-	-	-
Total transactions with owners in their capacity as owners	-	-	-	-	-	-	-	-
Balance at 31 July 2018	124,733	124,733	35,722	105,253	(16,242)	446	(16,890)	202

	Equity			
	Equity, total \$'000	attributable to owners of the total \$'000	Share capital \$'000	Revenue reserve \$'000
<b>Company</b>				
Balance at 1 May 2017	48,094	48,094	35,722	12,372
Profit for the financial period	154	154	-	154
Total comprehensive income for the financial period	154	154	-	154
<u>Contributions by and distributions to owners</u>				
Total contributions by and distributions to owners	-	-	-	-
Total transactions with owners in their capacity as owners	-	-	-	-
Balance at 31 July 2017	48,248	48,248	35,722	12,526
Balance at 1 May 2018	45,819	45,819	35,722	10,097
Profit for the financial period	(137)	(137)	-	(137)
Total comprehensive income for the financial period	(137)	(137)	-	(137)
<u>Contributions by and distributions to owners</u>				
Total contributions by and distributions to owners	-	-	-	-
Total transactions with owners in their capacity as owners	-	-	-	-
Balance at 31 July 2018	45,682	45,682	35,722	9,960

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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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.

There was no change in the Company's number of shares since 30 April 2018.

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 31/07/2018	Company 30/04/2018
Ordinary shares (excluding treasury shares)	235,586,244	235,586,244

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. There are no treasury shares and no subsidiary holdings as at the end of the current financial year reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

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 2018.



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 Accounting Standards Council (“ASC”) announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange shall apply a new Singapore financial reporting framework identical to the International Financial Reporting Standards for annual periods beginning on or after 1 January 2018. In December 2017, the ASC issued the Singapore Financial Reporting Standards (International) (“SFRS(I)”), which the Group has adopted on 1 May 2018.

The adoption of SFRS(I) has no material impact on the financial statements except as described below.

#### SFRS(I) 1 First-time Adoption of SFRS(I)

Under the transition requirements of SFRS(I)1 First-time Adoption of Singapore Financial Reporting Standards(international), the date of transition is on 1 May 2017 and accordingly the statement of financial position has been restated from 1 May 2017.

On transition to SFRS(I), the Group recognised deferred tax liabilities of \$538,000 arising from unremitted foreign-sourced income with the corresponding entry recognised in opening retained earnings as at 1 May 2017

#### SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has applied the changes in accounting policies retrospectively to each reporting period presented, using the full retrospective approach. Accordingly, the comparative figures in the Group’s balance sheet as at 30 April 2018 have been restated to reflect the retrospective adjustments upon adoption of SFRS(I) 15.

#### Sales of tyres with promised free services

Under SFRS(I) 15, the Group accounts for promised free services as a separate performance obligation to which the Group allocates a portion of the transaction price. The portion of the consideration allocated to the promised free services is initially recorded as a contract liability and recognised as revenue over the period the promised free services are provided.

The Group recorded an adjustment to decrease the opening retained earnings as at 1 May 2017 by \$400,000 for promised free service before 1 May 2017.

#### SFRS(I) 9 Financial Instruments

SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting and is effective for annual periods beginning on or after 1 January 2018.

The Group has adopted SFRS(I) 9 on 1 May 2018 without restating prior periods’ information and recognised any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

#### Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its debt securities, loans, trade receivables and financial guarantees, either on a 12-month or lifetime basis. The Group has elected to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group’s equity was reduced by \$300,000.

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

	Group	
	Jul'18	Jul'17
Earning per share (EPS)		
- Based on the weighted average number of ordinary shares on issue (cents)	0.05	0.82
- On fully diluted basis (cents)	0.05	0.82
	<b>\$'000</b>	<b>\$'000</b>
Group earnings used for the calculation of EPS		
Profit for the financial period	112	1,926
	<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	235,586	235,586

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 as there are no dilutive potential ordinary shares as at 31 July 2018.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:- (a) current financial year reported on; and (b) immediately preceding financial year.

	Group		Company	
	31/07/18	30/04/18 Restated	31/07/18	30/04/18
Net asset value per ordinary share (cents)	52.95	53.29	19.39	19.45

The net asset value per share for the Group and the Company as at 31 July 2018 are calculated based on the actual number of shares in issue of 235,586,244 ordinary shares (30 April 2018: 235,586,244 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 period reported on.

## **Q1FY19**

### **Revenue**

The Group's sales revenue was 1.7% lower at S\$58.0 million in Q1FY19 compared to S\$58.9 million in Q1FY18. This was mainly due to lower sales in South East Asian markets.

### **Gross Profit and Gross Profit Margin**

Gross profit was S\$12.8 million in Q1FY19 compared to S\$15.7 million in Q1FY18. Gross profit margin decreased from 26.7% in Q1FY18 to 22.1% in Q1FY19. This was mainly due to higher cost of sales in tyres and higher cost of wheel production.

### **Operating Expenses**

Total operating expenses decreased by 4.0% to S\$13.8 million in Q1FY19 compared to S\$14.4 million in Q1FY18. The decrease was mainly due to write-back of inventory obsolescence and lower staff costs, offset by higher marketing and distribution costs.

### **Share of Results of Joint Ventures**

In Q1FY19, the share of results of joint ventures amounted to a net loss of S\$41,000, compared to S\$0.4 million in Q1FY18. This was mainly due to lower sales from both joint ventures and the strengthening of the Renminbi during the period.

### **Net Profit**

The net profit of the Group was S\$0.1 million in Q1FY19, compared to S\$1.9 million recorded in Q1FY18.

### **Financial Position**

Property, plant and equipment decreased to S\$67.6 million as at 31 July 2018 from S\$69.2 million as at 30 April 2018.

Receivables decreased to S\$57.4 million as at 31 July 2018 from S\$59.9 million as at 30 April 2018.

Inventories decreased to S\$87.8 million as at 31 July 2018 from S\$87.9 million as at 30 April 2018.

Trade payables and trust receipts decreased to S\$62.6 million as at 31 July 2018 from S\$67.4 million as at 30 April 2018.

As at 31 July 2018, the Group's cash and cash equivalents stood at S\$16.2 million compared to S\$21.9 million as at 30 April 2018 mainly due to reduction in payables.

The Group's borrowings which comprise trust receipts, revolving credit, short-term secured loans as well as long-term secured loans stood at S\$88.5 million as at 31 July 2018 compared with S\$89.5 million as at 30 April 2018. The decrease in borrowings was mainly due to the repayment of trust receipts.

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 period and the next 12 months.

The operating environment in the tyre business remains challenging as a result of global oversupply and intense competition.

To mitigate the impact of this challenging environment, the Group will continue to optimize its product mix, manage operating costs and build on its core markets in South East Asia.

## 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 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

No IPT mandate has been obtained.

**14. Aggregate value of interested person transactions entered into by the Company and/or its subsidiaries during the year.**

The Company does not have a general mandate for IPT.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Wah Holdings Pte Ltd**	S\$45,600	Nil

\*\* Mr Wee Kok Wah, Mrs Dawn Wee Wai Ying and Dr Wee Li Ann are directors/shareholders of Wah Holdings Pte Ltd

**15. Statement Pursuant to Rule 705(5) 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 1<sup>st</sup> quarter ended 31 July 2018, to be false or misleading in any material aspect.

**16. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720 (1).**

The Company confirmed that it has procured undertakings from all its directors and executive officers under Rule 720(1) of the Listing Manual.

**BY ORDER OF THE BOARD**



Dr. Wee Li Ann  
Director  
10 September 2018