

STAMFORD TYRES CORPORATION LTD

Unaudited Second Quarter 2017 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		
	Q2FY17	Q2FY16	Difference	1HFY17	1HFY16	Difference
	Oct'16	Oct'15		Oct'16	Oct'15	
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue	57,693	58,027	-0.58%	115,778	123,295	-6.10%
Other revenue	693	275	152.00%	1,180	854	38.17%
Total revenue	58,386	58,302	0.14%	116,958	124,149	-5.79%
Cost of goods sold	42,697	43,344	-1.49%	86,006	93,730	-8.24%
Salaries and employees benefits	5,968	5,778	3.29%	11,884	11,889	-0.04%
Marketing and distribution	1,988	1,906	4.30%	3,956	4,023	-1.67%
Utilities, repairs and maintenance	1,597	1,422	12.31%	2,942	2,872	2.44%
Finance costs	1,100	1,457	-24.50%	2,294	2,769	-17.15%
Depreciation of property, plant and equipment	1,218	1,273	-4.32%	2,430	2,612	-6.97%
Operating lease rentals	1,124	1,126	-0.18%	2,209	2,230	-0.94%
Other operating expenses	977	1,101	-11.26%	1,772	2,432	-27.14%
Total expenditure	(56,669)	(57,407)	-1.29%	(113,493)	(122,557)	-7.40%
Share of results of joint ventures	434	580	-25.17%	996	378	163.49%
Profit before taxation	2,151	1,475	45.83%	4,461	1,970	126.45%
Taxation	(686)	(559)	22.72%	(1,443)	(971)	-48.61%
Profit for the financial period	1,465	916	59.93%	3,018	999	202.10%
Attributable to:						
Equity holders of the company	1,465	916	59.93%	3,018	999	202.10%
	1,465	916	59.93%	3,018	999	202.10%

N.M - Not meaningful.

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

	Q2FY17 Oct'16 \$'000	Q2FY16 Oct'15 \$'000	1HFY17 Oct'16 \$'000	1HFY16 Oct'15 \$'000
Net profit for the financial period	1,465	916	3,018	999
Other comprehensive income :				
Translation adjustments arising on consolidation	1,352	(2,337)	718	(3,222)
Other comprehensive income for the financial period, net of tax	1,352	(2,337)	718	(3,222)
Total comprehensive income for the financial period	2,817	(1,421)	3,736	(2,223)
Total comprehensive income attributable to :				
Equity holders of the company	2,817	(1,421)	3,736	(2,223)
	2,817	(1,421)	3,736	(2,223)

	Q2FY17 Oct'16 \$'000	Q2FY16 Oct'15 \$'000	1HFY17 Oct'16 \$'000	1HFY16 Oct'15 \$'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)	1,828	1,858	3,614	4,271
Allow ance for doubtful trade receivables	491	8	345	190
Allow ance for inventory obsolescence	105	118	319	132
Gain on disposal of property, plant and equipment	(66)	(19)	(79)	(42)
Foreign exchange (gain)/loss	(687)	269	(926)	407
Fair value loss/(gain) on derivatives	236	(309)	316	(221)

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'16 \$'000	Apr'16 \$'000	Oct'16 \$'000	Apr'16 \$'000
Non-current assets				
Property, plant and equipment	70,321	70,625	-	-
Subsidiary companies	-	-	40,789	40,789
Amount due from subsidiary companies	-	-	14,309	14,259
Joint venture companies	15,517	14,299	6,567	6,567
Associated company	233	233	-	-
Deferred tax assets	2,655	2,468	-	-
	<u>88,726</u>	<u>87,625</u>	<u>61,665</u>	<u>61,615</u>
Current assets				
Inventories	79,365	85,020	-	-
Trade receivables	65,348	67,618	-	-
Derivatives	13	66	-	-
Other receivables	5,689	4,232	186	94
Prepayments and advances	4,278	2,975	31	21
Cash and cash equivalents	16,276	17,425	305	373
	<u>170,969</u>	<u>177,336</u>	<u>522</u>	<u>488</u>
Less: Current liabilities				
Trade payables	18,395	17,184	-	-
Trust receipts (secured)	47,880	49,686	-	-
Derivatives	359	96	106	39
Other payables	19,057	16,396	671	711
Loans (secured)	13,229	10,570	-	-
Hire-purchase liabilities	761	878	-	-
Provisions	721	639	-	-
Provision for taxation	2,251	1,871	8	22
	<u>102,653</u>	<u>97,320</u>	<u>785</u>	<u>772</u>
Net current assets/(liabilities)	68,316	80,016	(263)	(284)
Non-current liabilities				
Amount due to subsidiary companies	-	-	14,158	11,341
Hire-purchase liabilities	1,081	1,323	-	-
Provisions	820	820	-	-
Long-term loans (secured)	35,217	47,066	-	-
Deferred tax liabilities	1,039	927	108	108
	<u>38,157</u>	<u>50,136</u>	<u>14,266</u>	<u>11,449</u>
Net assets	118,885	117,505	47,136	49,882
Equity				
Share capital	35,722	35,722	35,722	35,722
Reserves	83,163	81,783	11,414	14,160
	<u>118,885</u>	<u>117,505</u>	<u>47,136</u>	<u>49,882</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 31/10/2016		As at 30/04/2016	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
61,870	-	61,134	-

Amount repayable after one year

As at 31/10/2016		As at 30/04/2016	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
36,298	-	48,389	-

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 \$54,924,444 as at 31 October 2016 (30 April 2016: \$54,696,014) 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 (2QFY2017 vs 2QFY2016)

	Group	
	Q2FY17 Oct'16 \$'000	Q2FY16 Oct'15 \$'000
Cash flows from operating activities:		
Profit before taxation	2,151	1,475
Adjustments for:		
Depreciation of property, plant and equipment	1,828	1,858
Gain on disposal of property, plant and equipment	(66)	(19)
Fair value loss/(gain) on derivatives	236	(309)
Bad debts written-off	3	15
Foreign currency translation adjustment	395	850
Interest income	(19)	(49)
Provision for product warranties	98	93
Write-back on property, plant and equipment	(2)	(2)
Interest expenses	1,100	1,457
Share of results of joint ventures	(434)	(580)
Operating cash flows before changes in working capital	5,290	4,789
Decrease in inventories	1,219	1,814
Decrease in receivables	276	8,029
Increase/(decrease) in payables	2,994	(2,206)
Cash flows from operations	9,779	12,426
Interest received	19	49
Interest paid	(1,100)	(1,457)
Income tax paid	(656)	(580)
Net cash flows from operating activities	8,042	10,438
Cash flows from investing activities :		
Proceeds from disposal of property, plant and equipment	74	26
Purchase of property, plant and equipment	(2,215)	(9,926)
Net cash flows used in investing activities	(2,141)	(9,900)
Cash flows from financing activities :		
Proceeds from long-term loans	907	16,548
(Repayment of)/proceeds from trust receipts	(1,777)	1,109
Proceeds from/(repayment of) revolving loans	200	(10,173)
Repayment of hire purchase creditors	(193)	(444)
Dividend paid to shareholders	(2,356)	(2,356)
Repayment of long-term loans	(2,773)	(2,072)
Net cash flows (used in)/generated from financing activities	(5,992)	2,612
Net (decrease)/increase in cash and cash equivalents	(91)	3,150
Cash and cash equivalents at beginning of financial period	16,080	13,732
Effect of exchange rate changes on cash and cash equivalents at the beginning of the financial period	287	(325)
Cash and cash equivalents at end of financial period	16,276	16,557

1(c)(ii) CONSOLIDATED CASH FLOW STATEMENT (YTD OCT FY2017 vs YTD OCT FY2016)

	Group	
	1HFY17 Oct'16 \$'000	1HFY16 Oct'15 \$'000
Cash flows from operating activities:		
Profit before taxation	4,461	1,970
Adjustments for:		
Depreciation of property, plant and equipment	3,614	4,271
Gain on disposal of property, plant and equipment	(79)	(42)
Fair value loss/(gain) on derivatives	316	(221)
Bad debts written-off	-	15
Foreign currency translation adjustment	262	140
Interest income	(37)	(102)
Provision for product warranties	185	195
Write-back of impairment loss on property, plant and equipment	(4)	(4)
Interest expenses	2,294	2,769
Share of results of joint ventures	(996)	(378)
Operating cash flows before changes in working capital	10,016	8,613
Decrease in inventories	5,655	7,116
(Increase)/decrease in receivables	(490)	7,524
Increase/(decrease) in payables	3,761	(3,192)
Cash flows from operations	18,942	20,061
Interest received	37	102
Interest paid	(2,294)	(2,769)
Income tax paid	(1,138)	(896)
Net cash flows from operating activities	15,547	16,498
Cash flows from investing activities :		
Proceeds from disposal of property, plant and equipment	101	58
Purchase of property, plant and equipment	(3,294)	(10,972)
Net cash flows used in investing activities	(3,193)	(10,914)
Cash flows from financing activities :		
Proceeds from long-term loans	1,058	18,658
Repayment of trust receipts	(1,806)	(7,918)
Repayment of revolving loans	(2,606)	(9,321)
Repayment of hire purchase creditors	(463)	(781)
Dividend paid to shareholders	(2,356)	(2,356)
Repayment of long-term loans	(7,642)	(2,661)
Net cash flows used in financing activities	(13,815)	(4,379)
Net (decrease)/increase in cash and cash equivalents	(1,461)	1,205
Cash and cash equivalents at beginning of financial period	17,425	15,850
Effect of exchange rate changes on cash and cash equivalents at the beginning of the financial period	312	(498)
Cash and cash equivalents at end of financial period	16,276	16,557

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					Employee share reserve	Foreign currency translation reserve	Discount on acquisition of non-controlling interest	
	Equity, total	attributable to owners of the Company, total	Share capital	Revenue reserve	Other reserves, total				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Group									
Balance at 1 May 2015	12,1034	12,1034	35,722	98,501	(13,189)	424	254	(14,069)	202
Profit for the financial period	999	999	-	999	-	-	-	-	-
Other comprehensive income for the financial period	(3,222)	(3,222)	-	-	(3,222)	-	-	(3,222)	-
Total comprehensive income for the financial period	(2,223)	(2,223)	-	999	(3,222)	-	-	(3,222)	-
<u>Contributions by and distributions to owners</u>									
Forfeiture of employee share options	-	-	-	254	(254)	-	(254)	-	-
Dividend on ordinary shares	(2,356)	(2,356)	-	(2,356)	-	-	-	-	-
Total contributions by and distributions to owners	(2,356)	(2,356)	-	(2,102)	(254)	-	(254)	-	-
Total transactions with owners in their capacity as owners	(2,356)	(2,356)	-	(2,102)	(254)	-	(254)	-	-
Balance at 31 Oct 2015	116,455	116,455	35,722	97,398	(16,665)	424	-	(17,291)	202
Balance at 1 May 2016	117,505	117,505	35,722	98,986	(17,203)	424	-	(17,829)	202
Profit for the financial period	3,018	3,018	-	3,018	-	-	-	-	-
Other comprehensive income for the financial period	718	718	-	-	718	-	-	718	-
Total comprehensive income for the financial period	3,736	3,736	-	3,018	718	-	-	718	-
<u>Contributions by and distributions to owners</u>									
Total contributions by and distributions to owners	(2,356)	(2,356)	-	(2,356)	-	-	-	-	-
Total transactions with owners in their capacity as owners	(2,356)	(2,356)	-	(2,356)	-	-	-	-	-
Balance at 31 Oct 2016	118,885	118,885	35,722	99,648	(16,485)	424	-	(17,111)	202

Company	Equity attributable to				Other reserves total
	Equity, total	owners of the total	Share capital	Revenue reserve	
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 May 2015	55,852	55,852	35,722	19,876	254
Profit for the financial period	2,139	2,139	-	2,139	-
Total comprehensive income for the financial period	2,139	2,139	-	2,139	-
<u>Contributions by and distributions to owners</u>					
Forfeiture of employee share options	-	-	-	254	(254)
Dividend on ordinary shares	(2,356)	(2,356)	-	(2,356)	-
Total contributions by and distributions to owners	(2,356)	(2,356)	-	(2,102)	(254)
Total transactions with owners in their capacity as owners	(2,356)	(2,356)	-	(2,102)	(254)
Balance at 31 Oct 2015	55,635	55,635	35,722	19,913	-
Balance at 1 May 2016	49,882	49,882	35,722	14,160	-
Loss for the financial period	(390)	(390)	-	(390)	-
Total comprehensive income for the financial period	(390)	(390)	-	(390)	-
<u>Contributions by and distributions to owners</u>					
Total contributions by and distributions to owners	(2,356)	(2,356)	-	(2,356)	-
Total transactions with owners in their capacity as owners	(2,356)	(2,356)	-	(2,356)	-
Balance at 31 Oct 2016	47,136	47,136	35,722	11,414	-

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 2016.

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 31/10/2016	Company 30/04/2016
Ordinary shares (excluding treasury shares)	235,586,244	235,586,244

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 are no treasury shares as at the end of the current financial year 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 2016.

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 2016, 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

- FRS 114 Regulatory Deferral Accounts
- Amendments to FRS 27 Equity Method in Separate Financial Statements
- Amendments to FRS 16 and FRS 38 Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to FRS 111 Accounting for Acquisitions of Interests in Joint Operations
- Improvements to FRSs (November 2014)
 - Amendments to FRS 105 Non-Current Assets Held for Sale and Discontinued Operations
 - Amendments to FRS 107 Financial Instruments: Disclosures
 - Amendments to FRS 19 Employee Benefits
 - Amendments to FRS 34 Interim Financial Reporting
- Amendments to FRS 1 Disclosure Initiative
- Amendments to FRS 110, FRS 112, FRS 28 Investment Entities: Applying the Consolidation Exception

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	
	Q2FY17 Oct'16	Q2FY16 Oct'15	1HFY17 Oct'16	1HFY16 Oct'15
Earning per share (EPS)				
- basic (cents)	0.62	0.39	1.28	0.42
- diluted (cents)	0.62	0.39	1.28	0.42
	\$'000	\$'000	\$'000	\$'000
Group earnings used for the calculation of EPS				
Profit for the financial period	1,465	916	3,018	999
	'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	235,586	235,586	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 October 2016.

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	
	31/10/16	30/04/16	31/10/16	30/04/16
Net asset value per ordinary share (cents)	50.46	49.88	20.01	21.17

The net asset value per share for the Group and the Company as at 31 October 2016 are calculated based on the actual number of shares in issue of 235,586,244 ordinary shares (30 April 2016: 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 year reported on.

Q2FY17

Revenue

The Group's sales revenue was 0.6% lower at S\$57.7 million in Q2FY17 compared to S\$58.0 million in Q2FY16. This was mainly due to lower sales in South East Asian markets.

Gross Profit and Gross Profit Margin

Gross profit was S\$15.0 million in Q2FY17 compared to S\$14.7 million in Q2FY16. Gross profit margin increased from 25.3% in Q2FY16 to 26.0% in Q2FY17, mainly attributable to lower cost of sales and contribution from value-added activities at its Stamford Tyres Mart retail chain and truck tyre centres.

Operating Expenses

Operating expenses decreased by 0.7% to S\$14.0 million in Q2FY17 compared to S\$14.1 million in Q2FY16 due to lower finance costs and foreign exchange costs.

Share of Results of Joint Ventures

In Q2FY17, the share of results of joint ventures amounted to a net profit of S\$0.4 million, compared to S\$0.6 million in Q2FY16, mainly due to lower sales by our Hong Kong joint venture during the same period.

Net Profit

The Group recorded a net profit of S\$1.5 million in Q2FY17, compared to S\$0.9 million recorded in Q2FY16.

Financial Position

Property, plant and equipment decreased to S\$70.3 million as at 31 October 2016 from S\$70.6 million as at 30 April 2016.

Receivables decreased to S\$65.3 million as at 31 October 2016 from S\$67.6 million as at 30 April 2016.

Inventories decreased to S\$79.4 million as at 31 October 2016 from S\$85.0 million as at 30 April 2016. This decrease was in line with lower purchases during the period.

Trade payables and trust receipts decreased to S\$66.3 million as at 31 October 2016 from S\$66.9 million as at 30 April 2016.

As at 31 October 2016, the Group's cash and cash equivalents stood at S\$16.3 million compared to S\$17.4 million as at 30 April 2016.

The Group's borrowings which comprise trust receipts, revolving credit, short-term secured loans as well as long-term secured loans stood at S\$96.3 million as at 31 October 2016 compared with S\$107.3 million as at 30 April 2016. The decrease in borrowings was mainly due to the repayment of long term loans.

1HFY17

Revenue

The Group's sales revenue was 6.1% lower at S\$115.8 million in 1HFY17 compared to S\$123.3 million in 1HFY16. This was mainly due to lower sales in South East Asian markets.

Gross Profit and Gross Profit Margin

Gross profit was S\$29.8 million in 1HFY17 compared to S\$29.6 million in 1HFY16. Gross profit margin increased from 24.0% in 1HFY16 to 25.7% in 1HFY17, mainly attributable to lower cost of sales and contribution from value-added activities at its Stamford Tyres Mart retail chain and truck tyre centres.

Operating Expenses

Total operating expenses decreased by 4.6% to S\$27.5 million in 1HFY17 compared to S\$28.8 million in 1HFY16. The decrease was attributed to lower marketing and distribution costs, depreciation, finance costs and foreign exchange costs.

Share of Results of Joint Ventures

In 1HFY17, the share of results of joint ventures amounted to a net profit of S\$1.0 million, compared to S\$0.4 million in 1HFY16, mainly attributable to improved performance from our Hong Kong joint venture.

Net Profit

The Group recorded a net profit of S\$3.0 million in 1HFY17, compared to S\$1.0 million recorded in 1HFY16.

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 global economic outlook continues to remain uncertain. As a result, our operating environment will continue to be challenging.

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)(iii). 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 period 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**	91,200	Nil

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

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 2nd quarter ended 31 October 2016, to be false or misleading in any material aspect.

BY ORDER OF THE BOARD



Dr Wee Li Ann
Director
12 December 2016