

**NOTES TO QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2010**

**1. Basis of preparation**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2009. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2009.

**2. Changes in Accounting Policies**

**2.1 Adoption of FRSs, Amendments to FRSs, Interpretations and Technical Release**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2009, except for the adoption of the following new Financial Reporting Standards (FRSs), Amendments to FRSs and Interpretations:-

- FRS 7: Financial Instruments: Disclosures
- FRS 8: Operating Segments
- FRS 101: Presentation of Financial Statements (Revised)
- FRS 123: Borrowing Costs
- FRS 139: Financial Instruments: Recognition and Measurement
- Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 2: Share-based Payment – Vesting Conditions and Cancellations
- Amendments to FRS 132: Financial Instruments: Presentation
- Amendments to FRS 139: Financial Instruments: Recognition and Measurements FRS 7: Improvements to FRSs in 2009

Financial Instruments: Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives

- IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 10: Interim Financial Reporting and Impairment
- IC Interpretation 11: FRS 2 – Group and Treasury Share Transactions
- IC Interpretation 13: Customer Loyalty Programmes
- IC Interpretation 14: FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- FRS 4 Insurance Contracts and TRi-3 of Presentation of Financial Statements of Islamic Financial Institutions will also be effective for annual periods beginning on or after 1 January 2010. These FRSs are, however, not applicable to the Group.

## **2.1 Adoption of FRSs, Amendments to FRSs, Interpretations and Technical Release (cont'd)**

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group except for those discussed below:-

### Amendments to FRS 117: Leases

Prior to 1 January 2010, for all leases of land and buildings, if title is not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all of the risks and rewards incidental to ownership. Hence, all leasehold land held for own use was classified by the Group as operating lease and where necessary, the minimum lease payments or the up-front payments made were allocated between the land and the building elements in proportion to the relative fair values for leasehold interests in the land element and building element of the lease at the inception of the lease. The up-front payment represented prepaid lease payments and were amortised on a straight-line basis over the lease term.

The amendments to FRS 117 Leases clarify that leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. They also clarify that the present value of the residual value of the property in a lease with a term of several decades would be negligible and accounting for the land element as a finance lease in such circumstances would be consistent with the economic position of the lessee. Hence, the adoption of the amendments to FRS 117 has resulted in certain unexpired land leases to be reclassified as finance leases. The Group has applied this change in accounting policy in accordance with the transitional provisions of the Amendments to FRS 117. At 1 January 2010, the Group reassessed the lease classification on the basis of the facts and circumstances existing on that date and recognised certain leasehold land held for own use as property, plant and equipment at their fair values on that date. The difference between such fair values and the unamortised carrying amount as at that date is recognised in retained earnings.

## **2.2 FRSs, Amendments to FRSs, Interpretations and Technical Release issued but not yet effective**

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:-

Description	Effective for annual periods beginning on or after
FRS 1 First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3 Business Combinations (revised)	1 July 2010
Amendments to FRS 2 Share-based Payment	1 July 2010
Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 127 Consolidated and Separate Financial	1 July 2010
Amendments to FRS 138 Intangible Assets	1 July 2010
Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives	1 July 2010
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 15 Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16 Hedges of a Net Investment in a Foreign	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to FRS 132: Classification of Rights Issues	1 March 2010
Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011

**YOKOHAMA INDUSTRIES BERHAD (292788-U)**  
**(FORMERLY KNOWN AS TAI KWONG YOKOHAMA BERHAD)**  
**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2010**

**3. Auditor's Report on Preceding Annual Financial Statements**

The auditors' report on the financial statements for the year ended 31 December 2009 was not qualified.

**4. Seasonality or Cyclicity of Operations**

The operations of the Group are not seasonal or cyclical in nature.

**5. Unusual items due to their nature, size or incidence**

There were no unusual items affecting the Group during the current quarter.

**6. Changes in Estimates**

There were no changes in estimates that have had a material effect in the current quarter.

**7. Debt and Equity Securities**

There have been no issuances, repurchases and repayments of debts and equity securities in the current quarter.

**8. Dividend paid**

There were no dividends paid during the current quarter.

**9. Segmental Reporting**

The analysis of the Group operations for the period ended 31 December 2010 is as follows:-

<b>Business segment 2010</b>	<b>Batteries RM'000</b>	<b>Reclamation RM'000</b>	<b>Others RM'000</b>	<b>Eliminations RM'000</b>	<b>Consolidated RM'000</b>
Revenue from external customers	153,928	8,489	10	0	162,427
Inter-segment revenue	10,036	46,946	662	(57,644)	0
<b>Total revenue</b>	<b>163,964</b>	<b>55,435</b>	<b>672</b>	<b>(57,644)</b>	<b>162,427</b>
<b>Segment result</b>	<b>11,692</b>	<b>8,555</b>	<b>400</b>	<b>(5,051)</b>	<b>15,596</b>
Unallocated income					0
Unallocated expenses					0
Profit from operation					<u>15,596</u>

#### 10. Property, Plant and Equipment

As at the end of this quarter, the Group has acquired/disposed the following assets:

	Cost of Assets Acquired RM'000	Cost of Assets Disposed RM'000
Building (improvements and additions)	3,931	575
Plant and Machinery	2,109	43
Tools & Equipment and Furnitures	2,255	6
Computer	499	1
Motor Vehicle	27	888
	<b>8,821</b>	<b>1,513</b>

#### 11. Events subsequent to the Balance Sheet Date

On 28 January 2011, the Group completed the acquisition of 2,321,687 ordinary shares representing the entire equity interest of Borid Energy Holdings Pte Ltd for a total consideration of RM4,000,000.

#### 12. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current period including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.

#### 13. Derivatives

- (a) There were no outstanding derivatives (including financial instruments designated as hedging instruments) as at the end of the quarter ended 31 December 2010; and
- (b) The Group has not entered into any type of derivatives not disclosed in the previous financial year or any of the previous quarters under the current financial year.

#### 14. Gains/Losses arising from Fair Value Changes of Financial Liabilities

The type of financial liabilities from which the gains/losses arose are as follows:

Type of financial liabilities subject to fair value changes	Explanation on changes in fair value	Basis of fair value changes	Carrying amount RM'000	Fair Value RM'000	Fair value gain/(loss) RM'000
Hire purchase	Fixed interest rate	Current market interest rate	4,391	4,547	156

**15. Changes in Contingent Liabilities**

The contingent liabilities as at the date of this report:

	RM'000
Unsecured indemnities given to third parties in respect of bank guarantees	799
Corporate guarantees given to banks for credit facilities granted to subsidiaries	49,146
Compensation given to Borneo Technical (M) Sdn Bhd for employees benefit in the event of discontinuity of service	600

**16. Capital Commitments**

There are no material capital commitments as at the date of this report except the following:

**Property, Plant and Equipment**

	RM'000
Approved and contracted for	976
Approved but not contracted for	14,739

**17. Significant Related Party Transactions**

The recurrent related party transactions (“RRPT”) involved the sales and distribution of batteries, providing battery charging services, rental of equipment and properties and purchase of batteries. The RRPT have been entered into in the ordinary course of business and have been established under the terms that were mutually agreed between both parties.

Transaction parties	Transaction value Period ended 31.12.2010 RM' 000
Borneo Technical Co. (M) Sdn Bhd	96,448
Borneo Technical (Thailand) Limited	1,122
Borid Energy (M) Sdn Bhd	2,303
Hup Soon Industrial Equipment Sdn Bhd	229
Hup Soon Global (M) Sdn Bhd	12

**ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA BHD LISTING REQUIREMENTS**

**1. Review of Performance**

The Group recorded revenue of RM42.56 million for the current quarter representing a 6% reduction as compared to RM45.50 million from the corresponding quarter of the preceding financial year was due to lower export sales resulting from the strengthening of Malaysian Ringgit against the United States Dollar.

The increase in profit before tax for the current quarter to RM4.98 million from RM4.32 million in the corresponding quarter of the preceding year was due to lower cost of production and higher domestic sales with higher sale margin.

**Variation of Results against Preceding Quarter**

The Group revenue of RM42.56 million for the current quarter was higher than that of the immediate preceding quarter of RM39.64 million mainly attributed to seasonal demand and higher average selling price.

The Group profit before taxation increased to RM4.98 million for the current quarter from that of RM2.28 million in the immediate preceding quarter was in tandem with the increase in revenue and better production efficiency.

**2. Current Year Prospects**

The Group will continue to focus on cost optimization and to secure new businesses to enhance profitability. Barring unforeseen circumstances, the Group is maintaining a positive outlook on the performance for the coming financial year ending 31<sup>st</sup> December 2011.

**3. Profit forecast**

Not applicable.

**4. Tax Expense**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	31.12.2010 RM'000	31.12.2009 RM'000	31.12.2010 RM'000	31.12.2009 RM'000
Deferred taxation	(263)	1,420	572	1,678
Current taxation	954	(414)	1,478	1,938
	<u>691</u>	<u>1,006</u>	<u>2,050</u>	<u>3,616</u>

The effective tax rate for the current quarter of 13.9% is lower than the statutory tax rate principally due to reduced assessment of tax for Y/A 1999 amounted to RM0.472 million.

**5. Unquoted Investment and Properties**

There were no material profit/ (loss) on sale of investment and/or properties for the period under review.

**6. Quoted Investments**

- a) There was no purchase or disposal of quoted securities in the current quarter and financial year to date.
- b) There was no investment in quoted securities.

**7. Corporate Proposal**

There was no corporate proposal announced up to the date of this report.

**8. Borrowing and Debt Securities**

	<b>As at 31.12.2010</b>	<b>As at 31.12.2009</b>
	RM'000	RM'000
<b>Current</b>		
Secured	46,295	62,354
<b>Non- Current</b>		
Secured	7,242	11,225

**9. Off Balance Sheet Financial Instruments**

There were no off balance sheet financial instruments at the date of this report.

**10. Changes in Material Litigation**

There were no changes in material litigation since the last Balance Sheet date up to the date of issuance of this quarterly report.

**11. Dividend**

There was no interim dividend recommended during the quarter under review.

**12. Earnings Per Share**

a) Basic earnings per share

Basic earnings per share is calculated based on the net profit for the period and the weighted average number of ordinary shares 87,120,000.

b) Fully diluted earnings per share

The company has no potential ordinary shares in issue as at the balance sheet date and therefore, diluted earnings per share has not been presented.

**13. Realised and Unrealised retained profits**

	<b>As at 31.12.2010</b>	<b>As at 30.09.2010</b>
	RM'000	RM'000
Realised retained profits	40,171	36,136
Unrealised retained profits	4,735	4,478
Total retained profits	44,906	40,614

**14. Dividend Proposed**

The Board of Directors is recommending for shareholders' approval at the forthcoming Annual General Meeting, a first and final dividend of 4.86 sen per share, less tax, for the financial year ended 31 December 2010.