

NOTES TO UNAUDITED INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2011

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 significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2010.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2010. 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 2010.

2. Summary of significant accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2010, except for the adoption of the new Financial Reporting Standards (FRSs), Amendments to FRSs and Interpretations:

- Amendments to FRS 132: Classification of Rights Issues
- FRS 1: First-time Adoption of Financial Reporting Standards
- FRS 3: Business Combinations (Revised)
- Amendments to FRS 2: Share-based Payment
- Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 127: Consolidated and Separate Financial Statements
- Amendments to FRS 138: Intangible Assets
- Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 12: Service Concession Arrangements
- IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17: Distributions of Non-cash Assets to Owners
- Amendment to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
- Amendments to FRS 1: Additional Exemptions for First-time Adopters
- FRS 1 First-time Adoption of Financial Reporting Standards [Improvements to FRSs (2010)]
- Amendments to FRS 2: Improvements to FRSs
- Amendments to FRS 3: Business Combinations [Improvements to FRSs (2010)]
- Amendments to FRS 7: Improving Disclosures about Financial Instruments
- Amendments to FRS 7: Improvements to FRSs
- Amendments to FRS 101: Improvements to FRSs
- Amendments to FRS 121: Improvements to FRSs
- Amendments to FRS 128: Improvements to FRSs
- Amendments to FRS 131: Improvements to FRSs
- Amendments to FRS 132: Improvements to FRSs
- Amendments to FRS 134: Improvements to FRSs
- Amendments to FRS 139: Improvements to FRSs
- IC interpretation 4: Determining whether an Arrangement contains a Lease
- Amendments to IC 13: Improvements to FRSs
- IC Interpretation 18: Transfers of Assets from Customers

The adoption of the above did not have any significant impacts on the interim financial report upon their initial application.

2. Summary of significant accounting policies (contd.)

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

Effective for annual periods beginning on or after 1 July 2011

- Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement
- IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments

Effective for annual periods beginning on or after 1 January 2012

- Amendments to FRS 124: Related Party Disclosure
- IC Interpretation 15: Agreements for the Construction of Real Estate

3. Auditor's Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2010 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

During the 17th Annual General Meeting held on 2 June 2011, the shareholders of the Company have approved the Company to purchase its own shares, where the maximum number of shares purchased shall not exceed ten per centum (10%) of the issued and paid-up share capital of the Company at any point of time.

Up to 30 June 2011, the Company has bought back 10,000 ordinary shares of RM0.50 each at an average price of RM0.73 per share from the open market. The total consideration including transaction cost for the said shares bought back was RM7,361 and was financed by internally generated fund. The shares bought back are held as treasury shares in accordance with Section 67A Subsection 3(A)(b) of the Companies Act, 1965.

Except for the abovementioned, there was no issuance or repayment of debt or equity securities, share cancellations and resale of treasury shares in the current financial period under review.

8. Dividend Paid

The final dividend of 4.86 sen per share less 25% tax for the financial year ended 31 December 2010 (FY 2009: 5 sen per share less 25% tax) totaling RM3.176 million was paid on 23 June 2011.

9. Segmental Reporting

The analysis of the Group operations for the 6-month period ended 30 June 2011 is as follows:-

Business segment	Batteries RM'000	Reclamation RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue from external customers	79,148	8,887	215	-	88,250
Inter-segment revenue	8,479	38,064	1,539	(48,082)	-
Total revenue	87,627	46,951	1,754	(48,082)	88,250
Profit from operation	3,782	7,574	(1,103)	(1,095)	9,158

10. Events Subsequent to the Balance Sheet Date

There was no material event subsequent to the end of the current quarter.

11. Changes in the Composition of the Group

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

12. Derivatives

- (a) There were no outstanding derivatives (including financial instruments designated as hedging instruments) as at the end of the quarter ended 30 June 2011; 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.

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

The type of financial liabilities from which the gains/losses arose is 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	4,250	4,356	106

14. Changes in Contingent Liabilities

The contingent liabilities as at the date of this report:

	<u>RM'000</u>
Unsecured indemnities given to third parties in respect of bank guarantees	973
Corporate guarantees given to banks for credit facilities granted to subsidiaries	58,528
Compensation given to Borneo Technical (M) Sdn Bhd for employees benefit in the event of discontinuity of service	600

15. Capital Commitments

Capital commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at the end of the financial period were as follows:

	<u>RM'000</u>
Property, Plant and Equipment:	
- Approved and contracted for	1,979
- Approved but not contracted for	9,193

16. 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 6-months period ended 30 June 2011 <u>RM' 000</u>
Borneo Technical Co. (M) Sdn. Bhd.	56,110
Borneo Technical (Thailand) Limited	1,953
Borid Energy (M) Sdn. Bhd. ("BEM") *	153
Hup Soon Industrial Equipment Sdn. Bhd. ("HSIE") #	74
Hup Soon Global (M) Sdn. Bhd.	48

* BEM became a wholly owned subsidiary of the Group with effect from 28 January 2011. The transaction value recorded was up to 27 January 2011.

HSIE has been disposed by Hup Soon Global Corporation Ltd with effect from 14 April 2011. The transaction value recorded was up to 13 April 2011.

ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Review of Performance

Variation of Results against Preceding Year Corresponding Quarter

The Group recorded a revenue of RM51.2 million for the current quarter as compared to RM44.8 million from the corresponding quarter of the preceding year. The increase of RM6.4 million in revenue was mainly due to increase in sales of recycled lead as a result of increase in production capacity during the current quarter.

The Group reported a profit before tax of RM5.1 million for the current quarter, representing an increase of RM1.3 million from the profit before tax of RM3.8 million in the corresponding quarter of the preceding year was in tandem with the increase in revenue.

Variation of Results against Preceding Quarter

The Group's revenue of RM51.2 million for the current quarter was higher than that of the revenue of the immediate preceding quarter of RM37.0 million, primarily due to higher sales volume of batteries and sales of recycle lead to external customers. Furthermore, the immediate preceding quarter was a shorter trading period due to the festive season.

The Group's profit before tax increased from RM2.7 million in the immediate preceding quarter to RM5.1 million in the current quarter. The substantial upsurge in profit before tax was mainly contributed by higher volume of batteries sold in the current quarter.

2. Current Year Prospects

The Group will continue to focus on cost optimization and expansion into new markets. Barring unforeseen circumstances, the Group is maintaining a positive outlook on the performance for the financial year ending 31 December 2011.

3. Variance of Actual Profit from Profit Forecast

The Company did not issue any profit forecast or profit guarantee for the current period under review.

4. Income Tax Expense

	Individual Quarter		Cummulative Quarter	
	Current Year Quarter 30 June 2011 RM'000	Preceding Year Corresponding Quarter 30 June 2010 RM'000	Current Year To Date 30 June 2011 RM'000	Preceding Year Corresponding Period 30 June 2010 RM'000
Income tax	965	1,382	2,043	1,099
Deferred tax	(27)	(533)	(232)	(533)
	938	849	1,811	566

4. Income Tax Expense (Contd.)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2010: 25%) of the estimated assessable profit for the year.

The effective tax rate for the current quarter and for the 6-months' period is lower than the statutory tax rate mainly due to utilization of reinvestment allowance.

5. Unquoted Investment and Properties

There were no material profit/(loss) on sale of unquoted 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

The corporate proposals announced by the Group but not completed as at the date of this announcement are listed below:

- a) On 25 April 2011, the Company announced its intention on proposed authority for the Company to purchase up to ten percent (10%) of its own shares in the issued and paid up capital ("Proposed Share Buy-Back"). The Proposed Share Buy-Back was approved by shareholders at the 17th Annual General Meeting held on 2 June 2011.

Up to 30 June 2011, the Company bought 10,000 ordinary shares of RM0.50 each at an average price of RM0.73 per share from the open market. The total consideration including transaction cost for the said shares bought was RM7,361 and was financed by internally generated fund. The shares bought are held as treasury shares in accordance with Section 67A Subsection 3(A)(b) of the Companies Act, 1965.

- b) On 13 May 2011, the Company announced that Yokohama Ventures Sdn. Bhd. (formerly known as Tai Kwong Yokohama Ventures Sdn. Bhd.) ("Yokohama Ventures"), a wholly subsidiary of the Company, had on even date entered into a Call Option Agreement ("Agreement") with Mehran Cycle Industries (Pvt.) Ltd. ("Mehran Cycle"), wherein Mehran Cycle has agreed to grant to Yokohama Ventures an option to purchase up to forty nine per centum (49%) of the ordinary issued and paid up share capital of Mehran Yokohama Batteries (Pvt.) Limited in Pakistan.

As of the date of this report, Yokohama Ventures has not exercised the option.

8. Borrowing and Debt Securities

	As at 30 June 2011	As at 30 June 2010
	<u>RM'000</u>	<u>RM'000</u>
Current		
Secured	52,378	48,878
Non-current		
Secured	6,581	10,002

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 year ended up to the date of issuance of this quarterly report.

11. Dividend

The Directors have declared an interim dividend of 2.05 sen less 25% tax per share amounting to RM1.34 million for financial year ending 31 December 2011 to shareholders registered in the Record of Depositors at the close of business on 26 August 2011 and subsequently will be paid on 8 September 2011.

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. The computation of weighted average number of ordinary shares in issue is net of treasury shares.

	Individual Quarter		Cummulative Quarter	
	Current Year Quarter 30 June 2011	Preceding Year Corresponding Quarter 30 June 2010	Current Year To Date 30 June 2011	Preceding Year Corresponding Period 30 June 2010
Profit attributable to equity holders of the Company (RM'000)	4,137	2,965	5,960	4,809
Weighted average number of ordinary shares in issue ('000)	87,117	87,120	87,119	87,120
Basic earnings per share (sen)	4.75	3.40	6.84	5.52

b) Fully diluted earnings per share

The Company has no potential ordinary shares in issue as at 30 June 2011. As such, the fully diluted earnings per share of the Group is equivalent to the basic earnings per share.

13. Realised and Unrealised Retained Profits

	As at 30 June 2011 RM'000	As at 31 December 2010 RM'000
Realised retained profits	40,310	37,443
Unrealised retained profits	7,574	7,657
Total retained profits	47,884	45,100