A1. Corporate information

Yokohama Industries Berhad is a public limited liability company incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements were approved by the Board of Directors on 10 August 2012.

A2. First-time adoption of Malaysian Financial Reporting Standards ("MFRS")

These condensed consolidated interim financial statements, for the period ended 30 June 2012, have been prepared in accordance with MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34: Interim Financial Reporting issued by the International Accounting Standards Board. For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS").

The consolidated financial statements of the Group for the year ended 31 December 2011 which were prepared under FRS are available upon request from the Company's registered office at Suite 13.03, 13th floor, Menara Tan & Tan, 207 Jalan Tun Razak, 50400 Kuala Lumpur.

These condensed consolidated interim financial statements are the Group's first MFRS condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS annual financial statements for the year ending 31 December 2012. MFRS 1: First Time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") has been applied.

The explanatory notes attached to these condensed consolidated 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 2011.

In preparing its opening MFRS Statement of Financial Position as at 1 January 2011 (which is also the date of transition), the Group has adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group's financial position, financial performance and cash flows is set out in Note A3(c) below. This note includes reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS. The transition from FRS to MFRS has not had a material impact on the statement of cash flows.

A3. Significant accounting policies and application of MFRS 1

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2011 except as discussed below:

(a) Business combination

MFRS 1 provides the option to apply MFRS 3: Business Combinations, prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combination prior to the date of transition.

A3. Significant accounting policies and application of MFRS 1 (contd.)

(a) Business combination (contd.)

Acquisition before date of transition
The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition:

(i) The classification of former business combinations under FRS is maintained;
(ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
(iii) The carrying amount of goodwill recognized under FRS is not adjusted.

(b) Foreign currency translation reserve

Under FRS, the Group recognized translation differences on foreign operations in a separate component of equity. Cumulative foreign currency translation differences for all foreign operations are deemed to be zero as at the date of transition to MFRS. Accordingly, at date of transition to MFRS, the cumulative foreign currency translation differences of RM127,777 (30 June 2011: RM127,777) were adjusted to retained earnings.

(c) Estimates

The estimates at 1 January 2011 and at 31 December 2011 were consistent with those made for the same dates in accordance with FRS. The estimates used by the Group to present these amounts in accordance with MFRS reflect conditions at 1 January 2011, the date of transition to MFRS and as of 31 December 2011.

The reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:

(i) Reconciliation of equity as at 30 June 2011

	FRS as at 30 June 2011 RM'000	Adjustments Note A3(b) RM'000	MFRS as at 30 June 2011 RM'000
Assets			
Non-current assets	87,376		87,376
Current assets	88,474		88,474
Total assets	175,850		175,850
Equity and liabilities			
Equity			
Share capital	43,560		43,560
Share premium	2,168		2,168
Treasury shares	(7)		(7)
Translation reserve	(128)	128	-
Merger reserve	1,518		1,518
Retained earnings	44,104	(128)	43,976
	91,215		91,215
Non-current liabilities	13,361		13,361
Current liabilities	71,274		71,274
Total liabilities	84,635		84,635
Total equity and liabilities	175,850		175,850

A3. Significant accounting policies and application of MFRS 1 (contd.)

(ii) Reconciliations of total comprehensive income for the quarter ended 30 June 2011 and for the 6 months ended 30 June 2011

There is no impact on the total comprehensive income for the quarter ended 30 June 2011 and for the 6 months ended 30 June 2011, and thus no reconciliation is required.

A4. Change in estimates

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

A5. Changes in composition of the Group

There were no changes in the composition of the Group in the current quarter.

A6. Segment information

	Batteries		Reclamation		Others		Total		Eliminations and adjustments		Per condensed consolidated financial statements	
	Cumulative quarter 6 months ended											
	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue												
External	76,594	79,148	9,196	8,887	1,349	215	87,139	88,250	-	-	87,139	88,250
Inter-segment	6,264	8,479	31,199	38,064	2,251	1,539	39,714	48,083	(39,714)	(48,083)	-	-
Total revenue	82,858	87,627	40,395	46,952	3,600	1,754	126,853	136,333	(39,714)	(48,083)	87,139	88,250
Segment profit/(loss)	1,478	2,558	(828)	7,439	(988)	(1,131)	(338)	8,866	230	(1,095)	(108)	7,771

	Cumulative quarter 6 months ended	
	30 June 2012	30 June 2011
	RM'000	RM'000
Segment (loss)/profit	(338)	8,866
Share of loss of associates	(21)	-
Share of loss of joint venture	(42)	
Profit/(loss) from inter-segment sales	293	(1,095)
(Loss)/profit before tax	(108)	7,771

The Group is organized into business units based on their products and services, and has three reportable operating segments as follows:

(a) Batteries- manufacturing and marketing of batteries;

(b) Reclamation- material recovery in production of secondary lead and plastic reclamation from scrap batteries and other related rejects; and

(c) Others- investment holding, battery charging services, trading of industrial batteries and battery related equipment, transportation services and dormant companies.

There has been no material change in total assets and no differences in the basis of segmentation or in the basis of measurement of segment profit or loss as compared to the last annual financial statements.

A7. Seasonality of operations

The operations of the Group are not seasonal in nature.

A8. Profit/(loss) before tax

Included in the profit/(loss) before tax are the following items:

	Current quarter 3 months ended 30 June		Cummulative quarter 6 months ended 30 June	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interest income	1	2	1	9
Finance cost	779	698	1,614	1,387
Depreciation of property, plant and equipment and investment properties	1,621	1,504	3,224	2,993
Reversal of/(allowance for) impairment loss on financial assets:				
- trade receivables	-	-	-	-
- other receivables	-	-	-	-
Bad debts written off	-	-	10	-
Inventories write off	455	349	690	566
Inventories write down	113	-	350	-
Gain/(loss) on disposal of:				
- property, plant and equipment	153	7	112	2
- investment properties	-	69	-	69
- investment in subsidiaries	-	-	-	-
Impairment of property, plant and equipment	-	-	-	-
Foreign exchange gain/(loss)				
- realised	18	(55)	(16)	(129)
- unrealised	32	19	51	28
- arising from translation of foreign operation	-	-	-	-
Gain or loss on derivatives	-	-	-	-
Property, plant and equipment written off	91	11	120	61

A9. Income tax expense

	Current quarter 3 months ended 30 June		Cummulative quarter 6 months ended 30 June	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Income tax expense	589	965	546	2,043
Deferred tax benefit	(103)	(27)	(361)	(232)
Income tax expense	486	938	185	1,811

A9. Income tax expense (contd.)

The Group's effective tax rate in current quarter and cumulative quarter was substantially higher than the statutory tax rate principally due to losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries.

The Group's effective tax rate for the corresponding quarter and cumulative quarter was lower than the statutory tax rate mainly due to utilization of reinvestment allowance.

A10. Earnings per share

Basic earnings per share are calculated by dividing profit/(loss) for the period, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares held by the Company.

The Company has no potential ordinary shares in issue as at 30 June 2012. As such, the fully diluted earnings per share of the Company are equivalent to the basic earnings per share.

	Current quarter 3 months ended 30 June		**Cummulative quarter 6 months ended 30 June**	
	2012	**2011**	**2012**	**2011**
Profit/(loss) attributable to owners of the parent (RM'000)	619	4,137	(293)	5,960
Weighted average number of ordinary share in issuance ('000)	87,110	87,117	87,110	87,119
Basic earnings per share (sen)	0.71	4.75	(0.34)	6.84

A11. Property, plant and equipment

Acquisitions

During the three months ended 30 June 2012, the Group acquired assets at a cost of RM1,812,000 (30 June 2011: RM3,439,000). Included in the total assets acquired is an amount of capital expenditure in progress of RM968,000 (30 June 2011: RM1,840,000).

Disposals

Assets with a carrying amount of RM185,000 (30 June 2011: RM214,000) were disposed of by the Group during the three months ended 30 June 2012, resulting in a gain on disposal of RM153,000 (30 June 2011: RM66,000), recognized and included in other income in the statement of comprehensive income.

A12. Share capital, share premium and treasury shares

During 18th Annual General Meeting ("AGM") held on 17 May 2012, the shareholders of the Company have approved the renewal of the authority for 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. The said approval shall, in accordance with the Listing Requirements, expire at the forthcoming AGM unless renewed by an ordinary resolution passed by the shareholders.

In prior year 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 of the Companies Act, 1965.

During the three months ended 30 June 2012, there were no movement in share capital, share premium and treasury shares.

A13. Loans and borrowings

	30 June 2012 RM'000	31 December 2011 RM'000
Current		
Secured	52,730	52,336
Non-current		
Secured	8,023	7,552
Total	60,753	59,888

The Group's loans and borrowings are secured by a corporate guarantee by the Company, except for RM1,254,772 (31 December 2011: RM1,466,200) of the Group's loans and borrowings which are secured by a corporate guarantee by the ultimate holding company. In addition, the term loans and bank overdrafts are secured over the property, plant and equipment and investment properties, including a debenture against its future movable and immovable assets.

A14. Dividends

The final dividend of 1.25 sen per share less 25% tax for the financial year ended 31 December 2011 (31 December 2010: 4.86 sen per share less 25% tax) totaling RM816,656 was paid on 31 May 2012.

No interim dividend has been declared for the financial period ended 30 June 2012. In corresponding financial period ended 30 June 2011, an interim dividend of 2.05 sen per share less 25% tax totaling RM1.3 million was declared for the financial year 2011 and paid on 8 September 2011.

A15. Commitments

	30 June 2012 RM'000	31 December 2011 RM'000
Property, plant and equipment:		
- approved and contracted for	481	311
- approved but not contracted for	6,232	6,627
Investment in joint venture		
- shareholder's loan	1,400	-
	8,113	6,938

A16. Contingencies

The Group has provided the following guarantees at the reporting date:

(a) Indemnities given to local authorities of RM848,976 (31 December 2011: RM816,124) in respect of bank guarantees.

(b) Indemnities given to Borneo Technical Co. (M) Sdn. Bhd. of RM600,000 (31 December 2011: RM600,000) for employee benefit in the event of discontinuity of service.

The Company has provided corporate guarantees to banks amounting to RM59,498,115 (31 December 2011: RM58,422,359).

A17. Related party transactions

The following table provides information on the transactions which have been entered into with related parties during the following period:

	3 months ended 30 June		6 months ended 30 June	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Borneo Technical Co. (M) Sdn. Bhd.	33,029	33,812	55,917	56,110
Borneo Technical (Thailand) Limited	530	832	1,710	1,953
Hup Soon Industrial Equipment Sdn.Bhd. ("HSIE") *	-	9	-	74
Hup Soon Global (M) Sdn. Bhd.	24	24	48	48
Yoko Bolder (M) Sdn.Bhd.	70	-	70	-

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

B1. Performance review

Current quarter against corresponding quarter in prior year

	Batteries		Reclamation		Others		Total		Eliminations and adjustments		Per condensed consolidated financial statements	
	Quarter 3 months ended											
	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000
Revenue												
External	42,742	44,843	8,412	6,249	654	147	51,808	51,239	-	-	51,808	51,239
Inter-segment	3,606	3,872	17,708	19,315	1,210	919	22,524	24,106	(22,524)	(24,106)	-	-
Total revenue	46,349	48,715	26,120	25,564	1,864	1,066	74,332	75,345	(22,524)	(24,106)	51,808	51,239
											-	
Segment profit/(loss)	2,276	2,328	(485)	3,420	(505)	(676)	1,286	5,072	(181)	3	1,105	5,075

Batteries

Despite an increase in sales volume by 12%, revenue decreased by RM2.4 million due to lower selling price. Selling price was pegged to LME's lead price which was on a downward trend in the quarter under review. The negative impact of lower selling price was to some extent mitigated by an increase in profit sharing from distributor and reduction in expenses.

This segment recorded a profit before tax of RM2.27 million, which was marginally lower than that of the corresponding quarter of RM2.32 million.

Reclamation

Revenue from this segment increased from RM25.5 million in the corresponding quarter of 2011 to RM26.1 million in the current quarter, mainly due to an increase in tonnage sold, offset however by lower selling price resulting in a loss before tax of RM0.5 million as compared to a profit of RM3.4 million in the corresponding quarter of 2011.

The installation of tilting rotary furnaces during the quarter is expected to have a positive impact on operation cost.

Others

This segment which comprises sales of industrial batteries, battery related equipment and charging services registered a growth of RM0.8 million. However, a loss of RM0.5 million was incurred mainly due to higher start up cost.

B2. Performance review (contd.)

Current year to date against corresponding year to date

	Batteries		Reclamation		Others		Total		Eliminations and adjustments		Per condensed consolidated financial statements	
	Cumulative quarter 6 months ended											
	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue												
External	76,594	79,148	9,196	8,887	1,349	215	87,139	88,250	-	-	87,139	88,250
Inter-segment	6,264	8,479	31,199	38,064	2,251	1,539	39,714	48,083	(39,714)	(48,083)	-	-
Total revenue	82,858	87,627	40,395	46,952	3,600	1,754	126,853	136,333	(39,714)	(48,083)	87,139	88,250
Segment profit/(loss)	1,478	2,558	(828)	7,439	(988)	(1,131)	(338)	8,866	230	(1,095)	(108)	7,771

Batteries

The overall decline of RM4.8 million in revenue was primarily due to lower selling price notwithstanding a growth by 11% in sales volume.

The profit before tax was at RM1.5 million compared to the amount of RM2.6 million recorded in the corresponding period in the previous year in line with the decline in revenue.

Reclamation

This segment recorded a decrease of RM6.6 million in revenue mainly due to lower selling price. The installation of tilting rotary furnaces during the quarter is expected to have a positive impact on operation cost.

Notwithstanding the lowering of cost with the introduction of tilting rotary furnaces and the decrease in cost of raw materials, this segment recorded a loss before tax of RM0.8 million in current year to date primarily due to lower selling price pegged to lower LME's lead price.

Others

This segment which comprises sales of industrial batteries, battery related equipment and charging services registered a growth of RM1.8 million. However, a loss of RM1.0 million was incurred mainly due to higher start up cost.

B3. Comment on material change in current quarter against preceding quarter

	Batteries		Reclamation		Others		Total		Eliminations and adjustments		Per condensed consolidated financial statements	
	Quarter 3 months ended											
	30 June 2012 RM'000	31 March 2012 RM'000	30 June 2012 RM'000	31 March 2012 RM'000	30 June 2012 RM'000	31 March 2012 RM'000	30 June 2012 RM'000	31 March 2012 RM'000	30 June 2012 RM'000	31 March 2012 RM'000	30 June 2012 RM'000	31 March 2012 RM'000
Revenue												
External	42,742	33,852	8,412	784	654	695	51,808	35,331	-	-	51,808	35,331
Inter-segment	3,606	2,658	17,708	13,491	1,210	1,041	22,524	17,190	(22,524)	(17,190)	-	-
Total revenue	46,349	36,510	26,120	14,275	1,864	1,736	74,332	52,521	(22,524)	(17,190)	51,808	35,331
											-	
Segment profit/(loss)	2,276	(798)	(485)	(343)	(505)	(483)	1,286	(1,624)	(181)	411	1,105	(1,213)

Batteries

Revenue increased by RM9.8 million due to increase in sales volume by 24% and higher selling price.

This segment recorded a profit before tax of RM2.27 million in tandem with the increase in revenue.

Reclamation

Revenue from this segment increased from RM14.3 million in the preceding quarter of 2012 to RM26.1 million in the current quarter, mainly due to an increase in tonnage sold.

Despite an increase in revenue, this segment recorded a loss of RM0.5 million for the current quarter due to higher transportation cost in relation to higher export sales.

Others

This segment which comprises sales of industrial batteries, battery related equipment and charging services registered a minimal growth. However, a loss of RM0.5 million was incurred mainly due to higher costs.

B4. Commentary on prospects

With self sufficiency of lead and continuous effort in cost optimization, improved efficiency and expansion into new markets, the Group's performance is expected to improve in the remaining period of the financial year.

B5. Profit forecast or profit guarantee

The Group did not issue any profit forecast or profit guarantee for the current interim period.

B6. Corporate proposals

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

(a) During 18th Annual General Meeting ("AGM") held on 17 May 2012, the shareholders of the Company have approved the renewal of the authority for 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. The said approval shall, in accordance with the Listing Requirements, expire at the forthcoming AGM unless renewed by an ordinary resolution passed by the shareholders.

In prior year 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 of the Companies Act, 1965.

There was no share buy-back during the three months ended 30 June 2012 and up to the date of this report.

(b) On 13 May 2011, the Company announced that Yokohama Ventures Sdn. Bhd. ("Yokohama Ventures"), a wholly owned 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. .

B7. Changes in material litigation

There was no material litigation against the Group.

B8. Dividend

Please refer to A14 for details.

B9. Disclosure of nature of outstanding derivatives

There were no outstanding derivatives as at the end of the reporting period.

B10. Rationale for entering into derivatives

The Group did not enter into any derivatives during the period ended 30 June 2012 or the previous financial year ended 31 December 2011.

B11. Risks and policies of derivatives

The Group did not enter into any derivatives during the period ended 30 June 2012 or the previous financial year ended 31 December 2011.

B12. Disclosures of gains/losses arising from fair value changes of financial liabilities

The Group did not have any financial liabilities measures at fair value through profit or loss as at 30 June 2012 and 31 December 2011.

B13. Breakdown of realised and unrealised profits or losses

The breakdown of the retained profits of the Group as at 30 June 2012 and 31 December 2011 into realised and unrealised profits is presented in accordance with the directives issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and 20 December 2010, prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	30 June 2012 RM'000	31 December 2011 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	36,572	37,163
- Unrealised	6,360	6,797
	42,932	43,960
Total share of accumulated losses from associates		
- Realised	(21)	(4)
- Unrealised	-	-
Total share of accumulated losses from associates		
- Realised	(42)	-
- Unrealised	-	-
	42,869	43,956
Less: Consolidation adjustments	(103)	(80)
Retained earnings as per financial statements	42,766	43,876

B14. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2011 was not qualified.