

**YOKOHAMA INDUSTRIES BERHAD (292788-U)**  
**EXPLANATORY NOTES PURSUANT TO MFRS 134**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2013**

**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 12 May 2013.

**A2. First-time adoption of Malaysian Financial Reporting Standards (“MFRS”)**

These condensed consolidated interim financial statements, for the period ended 31 March 2013, 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.

The consolidated financial statements of the Group for the year ended 31 December 2012 which were prepared under MFRS are available upon request from the Company’s registered office at Suite 13.03, 13<sup>th</sup> floor, Menara Tan & Tan, 207 Jalan Tun Razak, 50400 Kuala Lumpur.

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 2012.

**A3. Change in estimates**

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

**A4. Changes in composition of the Group**

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

**A5. Segment information**

	Batteries		Reclamation		Others		Total		Eliminations and adjustments		Per condensed consolidated financial statements	
	Cumulative quarter 3 months ended 31 March											
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Revenue</b>												
External	39,949	33,852	4,687	784	1,212	695	45,848	35,331	-	-	45,848	35,331
Inter-segment	2,757	2,658	26,933	13,491	1,467	1,041	31,158	17,190	(31,158)	(17,190)	-	-
Total revenue	42,706	36,510	31,620	14,275	2,679	1,736	77,006	52,521	(31,158)	(17,190)	45,848	35,331
<b>Segment profit/(loss)</b>												
	2,414	(798)	3,780	(343)	(346)	(483)	5,848	(1,624)	(1,704)	411	4,145	(1,213)

	Cumulative quarter 3 months ended 31 March	
	2013 RM'000	2012 RM'000
	Segment profit	5,848
Share of loss of associates	(3)	(1)
Share of loss of joint venture	(94)	-
Profit from inter-segment sales	(1,607)	412
Profit before tax	4,145	(1,213)

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**A5. Segment information (contd.)**

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.

**A6. Seasonality of operations**

The operations of the Group are not seasonal in nature.

**A7. Profit before tax**

Included in the profit before tax are the following items:

	Current quarter		Cummulative quarter	
	3 months ended		12 months ended	
	31 March		31 March	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Interest income	-	-	-	-
Finance cost	641	835	641	835
Depreciation of property, plant and equipment and investment properties	1,701	1,603	1,701	1,603
Reversal of/(allowance for) impairment loss on financial assets:				
- trade receivables	-	-	-	-
- other receivables	-	-	-	-
Bad debts written off	-	10	-	10
Inventories written off	9	21	9	21
Inventories written down	249	101	249	101
Gain/(loss) on disposal of:				
- property, plant and equipment	44	(41)	44	(41)
- investment properties	-	-	-	-
- investment in subsidiaries	-	-	-	-
Impairment of property, plant and equipment	-	-	-	-
Foreign exchange gain/(loss)				
- realised	74	(34)	74	(34)
- unrealised	5	19	5	19
- arising from translation of foreign operation	9	-	9	-
Gain or loss on derivatives	-	-	-	-
Property, plant and equipment written off	60	29	60	29

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**A8. Income tax expense**

	Current quarter		Cummulative quarter	
	3 months ended		3 months ended	
	31 March		31 March	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Income tax expense/(benefit)	1,290	(43)	1,290	(43)
Deferred tax expense	(414)	(258)	(414)	(258)
Income tax expense/(benefit)	875	(301)	875	(301)

The Group's effective tax rate in current quarter and current cumulative quarter was slightly lower than the statutory tax rate principally due to adjustment for under provision of income tax expense in prior year.

**A9. Earnings per share**

Basic earnings per share are calculated by dividing profit 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 31 March 2013. As such, the fully diluted earnings per share of the Company are equivalent to the basic earnings per share.

	Current quarter		Cummulative quarter	
	3 months ended		3 months ended	
	31 March		31 March	
	2013	2012	2013	2012
Profit/(loss) attributable to owners of the parent (RM'000)	3,279	(912)	3,279	(912)
Weighted average number of ordinary share in issuance ('000)	87,110	87,112	87,110	87,112
Basic earnings/(loss) per share (sen)	3.76	(1.05)	3.76	(1.05)

**A10. Property, plant and equipment**

Acquisitions

During the three months ended 31 March 2013, the Group acquired assets at a cost of RM2,476,000 (31 March 2012: RM1,051,000). Included in the total assets acquired is an amount of capital expenditure in progress of RM923,000 (31 March 2012: RM466,000).

Disposals

Assets with a carrying amount of RM139,000 (31 March 2012: RM 61,000) were disposed of by the Group during the three months ended 31 March 2013, resulting in a gain on disposal of RM44,000 (31 March 2012 : Loss on disposal RM41,000), recognized and included in other income in the statement of comprehensive income.

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**A11. Share capital, share premium and treasury shares**

During 18<sup>th</sup> 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.

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 in year 2011. 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 31 March 2013, there were no movement in share capital, share premium and treasury shares.

**A12. Loans and borrowings**

	<b>31 March 2013 RM'000</b>	<b>31 December 2012 RM'000</b>
<b>Current</b>		
Secured	46,033	35,866
<b>Non-current</b>		
Secured	7,790	7,922
<b>Total</b>	<b>53,822</b>	<b>43,788</b>

The Group’s loans and borrowings are secured by a corporate guarantee by the Company, except for RM1,427,300 (31 December 2012: RM1,012,300) 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.

**A13. Dividends**

The Board of Directors is recommending for shareholders’ approval at the forthcoming Annual General Meeting, a final dividend of 3.73 sen per share less 25% tax for the financial year ended 31 December 2012, totaling RM2.4 million.

No interim dividend has been declared for the financial period ended 31 March 2013 (31 March 2012: Nil).

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**A14. Commitments**

	<b>31 March 2013 RM'000</b>	<b>31 December 2012 RM'000</b>
Property, plant and equipment:		
- approved and contracted for	2,704	1,779
- approved but not contracted for	12,006	13,961
Investment in joint venture		
- shareholder's loan	1,265	1,390
- share of capital expenditure commitments	158	165
	<b>16,133</b>	<b>17,295</b>

**A15. Contingencies**

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

- (a) Indemnities given to local authorities of RM789,320 (31 December 2012: RM850,666) in respect of bank guarantees.
- (b) Indemnities given to Borneo Technical Co. (M) Sdn. Bhd. of RM600,000 (31 December 2012: RM600,000) for employee benefit in the event of discontinuity of service.

The Company has provided corporate guarantees to banks amounting to RM52,395,166 (31 December 2012: RM42,776,068).

**A16. Related party transactions**

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

	<b>Current quarter 3 months ended</b>		<b>Cummulative quarter 3 months ended</b>	
	<b>31 March</b>		<b>31 March</b>	
	<b>2013 RM'000</b>	<b>2012 RM'000</b>	<b>2013 RM'000</b>	<b>2012 RM'000</b>
Borneo Technical Co. (M) Sdn. Bhd.	32,560	22,888	32,560	22,888
Borneo Technical (Thailand) Limited	1,733	1,180	1,733	1,180
Hup Soon Global (M) Sdn. Bhd.	24	24	24	24
Hup Soon Global Corporation Limited	1	1	1	1
Yoko Bolder (M) Sdn.Bhd.	35	-	35	-

**B1. Performance review****Current quarter against corresponding quarter in prior year**

	Batteries		Reclamation		Others		Total		Eliminations and adjustments		Per condensed consolidated financial statements	
	2013		2012		2013		2012		2013		2012	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	Quarter 3 months ended 31 March											
<b>Revenue</b>												
External	39,949	33,852	4,687	784	1,212	695	45,848	35,331	-	-	45,848	35,331
Inter-segment	2,757	2,658	26,933	13,491	1,467	1,041	31,158	17,190	(31,158)	(17,190)	-	-
Total revenue	42,706	36,510	31,620	14,275	2,679	1,736	77,006	52,521	(31,158)	(17,190)	45,848	35,331
<b>Segment profit/(loss)</b>	2,414	(798)	3,780	(343)	(346)	(483)	5,848	(1,624)	(1,704)	411	4,145	(1,213)

**Batteries**

Revenue increased from RM36.5 million in corresponding quarter in prior year to RM42.7 million in current quarter primarily due to increase of 20% in sales volume of automotive batteries and higher selling price pegged to higher LME's lead price in current quarter. The growth in sales volume was mainly contributed by the sole distributor in Malaysia.

This segment recorded a profit before tax of RM2.4 million in current quarter as compared to the loss before tax of RM0.8 million in corresponding quarter in prior year. The increase in profit before tax was mainly contributed by the abovementioned growth in sales volume and higher selling price in current quarter. Furthermore, there was an increase of RM0.5 million in share of distribution profits in current quarter.

**Reclamation**

Revenue from this segment increased from RM14.3 million in the corresponding quarter in prior year to RM31.6 million in current quarter, mainly due to 100% increase in tonnage sold and higher selling price pegged to higher LME's lead price.

Reclamation segment recorded a profit before tax of RM3.8 million in current quarter as compared to a loss of RM0.3 million in corresponding quarter, mainly due to the additional profits contributed from the abovementioned increase in tonnage and selling price.

**Others**

This segment registered an increase of RM0.9 million in revenue in current quarter, which was derived from sales of industrial batteries and battery related equipment and charging services.

This segment recorded a loss of RM0.3 million in current quarter as compare to loss before tax of RM0.5 million in corresponding quarter in prior year.

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**APPENDIX 9B, PART A**  
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**B2. Comment on material change in current quarter against preceding quarter**

	Batteries		Reclamation		Others		Total		Eliminations and adjustments		Per condensed consolidated financial statements	
	31 Mac 2013	31 Dec 2012	31 Mac 2013	31 Dec 2012	31 Mac 2013	31 Dec 2012	31 Mac 2013	31 Dec 2012	31 Mac 2013	31 Dec 2012	31 Mac 2013	31 Dec 2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	Quarter 3 months ended											
<b>Revenue</b>												
External	39,949	44,460	4,687	9,073	1,212	1,179	45,848	54,712	-	-	45,848	54,712
Inter-segment	2,757	3,026	26,933	22,300	1,467	1,479	31,158	26,805	(31,158)	(26,805)	-	-
Total revenue	42,706	47,486	31,620	31,373	2,679	2,658	77,006	81,517	(31,158)	(26,805)	45,848	54,712
<b>Segment profit/(loss)</b>	2,414	6,091	3,780	1,940	(346)	(600)	5,848	7,431	(1,704)	(382)	4,145	7,049

**Batteries**

Revenue decreased from RM47.5 million in preceding quarter to RM42.7 million in current quarter, primarily due to a decrease of 11% in sales volume of automotive batteries, mitigated by higher selling price pegged to higher LME's lead price.

Profit before tax of this segment decreased from RM6.1 million in preceding quarter to RM2.4 million in current quarter, mainly due to decrease of 10% in production volume of automotive batteries in current quarter which is in line with seasonal demand, and increase in advertisement and promotion provision in current quarter.

**Reclamation**

No significant fluctuation in revenue of reclamation segment. The decrease in tonnage sold in current quarter was mitigated by the increase in selling price pegged to higher LME's lead price in current quarter.

Despite no significant fluctuation in revenue, the profit before tax of this segment increased from RM1.9 million in preceding quarter to RM3.8 million in current quarter, mainly due to the abovementioned higher selling price in current quarter and increase in throughput yield from tilting rotary furnaces.

**Others**

No major fluctuation in revenue of this segment.

This segment recorded a lower loss before tax of RM0.3 million in current quarter as compared to RM0.6 million in preceding quarter mainly due to inventories written down of RM0.3 million in preceding quarter.

**B3. Commentary on prospects**

With self sufficiency of lead and continuous effort in cost optimization and barring adverse movement in lead price, we expect to remain profitable in the coming financial quarters.

**B4. Profit forecast or profit guarantee**

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

**B5. Corporate proposals**

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

- (a) During 18<sup>th</sup> 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 31 March 2013 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. .

**B6. Changes in material litigation**

There was no material litigation against the Group.

**B7. Dividend**

Please refer to A14 for details.

**B8. Disclosure of nature of outstanding derivatives**

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

**B9. Rationale for entering into derivatives**

The Group did not enter into any derivatives during the period ended 31 March 2013 or the previous financial year ended 31 December 2012.

**B10. Risks and policies of derivatives**

The Group did not enter into any derivatives during the year ended 31 March 2013 or the previous financial year ended 31 December 2012.

**B11. 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 31 March 2013 and 31 December 2012.



**B12. Breakdown of realised and unrealised profits or losses**

The breakdown of the retained profits of the Group as at 31 March 2013 and 31 December 2012 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.

	<b>31 March 2013 RM'000</b>	<b>31 December 2012 RM'000</b>
Total retained earnings of the Company and its subsidiaries:		
- Realised	47,630	45,111
- Unrealised	5,738	5,633
	<b>53,368</b>	<b>50,744</b>
Total share of accumulated losses from associates		
- Realised	(26)	(23)
- Unrealised	-	-
Total share of accumulated losses from joint venture		
- Realised	(294)	(200)
- Unrealised	-	-
	<b>53,047</b>	<b>50,521</b>
Less: Consolidation adjustments	1,406	662
Retained earnings as per financial statements	<b>54,454</b>	<b>51,183</b>

**B13. Auditors' report on preceding annual financial statements**

The auditors' report on the financial statements for the year ended 31 December 2012 was not qualified.