

YOKOHAMA INDUSTRIES BERHAD (292788-U)
PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE QUARTER ENDED 30 JUNE 2013

A1. Basic of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Malaysian Financial Reporting Standards (“MFRS”) 134, Interim Financial Reporting in Malaysia. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited consolidated financial statements of Yokohama Industries Berhad and its subsidiaries (“the Group”) as at and for the year ended 31 December 2012.

A2. Changes in Accounting Policies

The accounting policies adopted by the Group for the interim financial statements are consistent with those adopted for the Group’s annual audited financial statements for the year ended 31 December 2012, except for the adoption of the following MFRS, Amendments to MFRS and IC Interpretations:

- Amendments to MFRS 101, Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
- MFRS 10, Consolidated Financial Statements
- MFRS 11, Joint Arrangements
- MFRS 12, Disclosure of Interests in Other Entities
- MFRS 13, Fair Value Measurement
- MFRS 119, Employee Benefits (2011)
- MFRS 127, Separate Financial Statements (2011)
- MFRS 128, Investments in Associates and Joint Ventures (2011)
- Amendments to MFRS 7, Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards – Annual Improvements 2009-2011 Cycle
- Amendments to MFRS 101, Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 132, Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 134, Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 10, MFRS 11 and MFRS 12: Transition Guidance

The Group has consolidated Yoko Bolder (M) Sdn Bhd (“Yoko Bolder”) which was previously accounted for as a joint venture using the equity method. As the consolidation of Yoko Bolder has no material financial impact to the Group’s financial statements, the comparative figures have not been restated.

The initial adoption of the aforesaid accounting standards and interpretations did not have any material impact to the Group’s financial statements.

A3. Auditors’ Report

The auditors’ report on the Group’s preceding annual financial statements was not qualified.

A4. Seasonal or Cyclical Factors

During the quarter, the business of the Group had not been affected by any significant seasonal or cyclical factors.

A5. Unusual Items

There were no unusual items that have a material effect on the assets, liabilities, equity, net income or cash flow for the period.

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A6. Material Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial year.

A7. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities during the quarter.

A8. Dividend Paid

Final dividend of 2.80 sen per share net of tax amounting to RM2.4 million in respect of the financial year ended 31 December 2012 was paid on 31 May 2013.

Interim dividend of 2.50 sen per share net of tax amounting RM1.6 million has been proposed for the financial year ending 31 December 2013, to be paid on 23 September 2013.

A9. Segmental Reporting

For the financial period ended 30 June 2013:

	Batteries		Reclamation		Others		Total		Eliminations and adjustments		Per condensed consolidated financial statements	
	Cumulative quarter 6 months ended 30 June										2013	2012
	2013	2012	2013	2012	2013	2012	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
Revenue												
External	78,100	76,594	10,894	9,196	3,944	1,349	92,937	87,139	-	-	92,937	87,139
Inter-segment	5,074	6,264	43,903	31,199	1,599	2,251	50,576	39,714	(50,576)	(39,714)	-	-
Total revenue	83,174	82,858	54,797	40,395	5,543	3,600	143,514	126,853	(50,576)	(39,714)	92,937	87,139
Segment profit/(loss)	3,708	1,478	5,850	(828)	(793)	(988)	8,765	(338)	156	230	8,921	(108)

	Cumulative quarter 6 months ended 30 June	
	2013	2012
	RM'000	RM'000
Segment profit	8,765	(338)
Share of loss of associates	(5)	(21)
Share of loss of joint venture	-	(42)
Profit from inter-segment sales	161	293
Profit before tax	8,921	(108)

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

- Batteries- manufacturing and marketing of batteries;
- Reclamation- material recovery in production of secondary lead and plastic reclamation from scrap batteries and other related rejects; and
- 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.

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A10. Valuation of Property, Plant and Equipment

The valuation of property, plant and equipment were brought forward without amendment from the annual financial statements for the year ended 31 December 2012.

A11. Material Subsequent Event

There were no material events subsequent to the end of the interim period as of the date of this announcement.

A12. Changes in Composition of the Group

There were no changes in the composition of the Group during the quarter under review.

A13. Changes in Contingent Liabilities or Contingent Assets

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

- (a) Indemnities given to local authorities of RM859,377 (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 RM46,708,223 (31 December 2012: RM42,776,068).

A14. Capital Commitments

	30 June 2013 RM'000	31 December 2012 RM'000
Property, plant and equipment:		
- approved and contracted for	2,281	1,779
- approved but not contracted for	4,369	13,961
Investment:		
- shareholder's loan	1,120	1,390
- share of capital expenditure commitments	157	165
	7,927	17,295

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A15. Significant Related Party Transactions

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

	Current quarter		Cummulative quarter	
	3 months ended		6 months ended	
	30 June		30 June	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Borneo Technical Co. (M) Sdn. Bhd.	30,397	33,029	62,957	55,917
Borneo Technical (Thailand) Limited	1,600	530	3,333	1,710
Hup Soon Global (M) Sdn. Bhd.	24	24	48	48
Hup Soon Global Corporation Limited	-	1	1	2

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**PART B - EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS
FOR THE QUARTER ENDED 30 JUNE 2013**

B1. Performance Review

Current quarter against corresponding quarter in prior year

	Batteries		Reclamation		Others		Total		Eliminations and adjustments		Per condensed consolidated financial statements	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012	30 June 2013	30 June 2012	30 June 2013	30 June 2012	30 June 2013	30 June 2012	30 June 2013	30 June 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											
Revenue												
External	38,151	42,742	6,207	8,412	2,732	654	47,089	51,808	-	-	47,089	51,808
Inter-segment	2,317	3,606	16,970	17,708	132	1,210	19,419	22,524	(19,419)	(22,524)	-	-
Total revenue	40,467	46,348	23,177	26,120	2,864	1,864	66,507	74,332	(19,419)	(22,524)	47,089	51,808
Segment profit/(loss)	1,294	2,276	2,070	(485)	(448)	(505)	2,916	1,286	1,860	(181)	4,776	1,105

Batteries

The lower revenue and profit before tax for the batteries segment was primarily due to lower export sales volume. This was mitigated by the higher selling prices due to higher LME lead prices and favourable exchange rates.

Reclamation

The lower revenue from reclamation segment was due to a lower sales tonnage.

In spite of this, the segment recorded a profit before tax of RM2 million compared to a loss of RM0.5 million in the corresponding quarter last year. This is primarily due to a higher production yield.

Others

The growth in sales of industrial batteries and battery related equipment and charging services have translated into better revenue and profitability for this segment.

This segment recorded a higher revenue of RM2.9 million and a reduced loss of RM0.4 million for the quarter.

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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	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012	30 June 2013	30 June 2012	30 June 2013	30 June 2012	30 June 2013	30 June 2012	30 June 2013	30 June 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
	Cumulative quarter 6 months ended											
Revenue												
External	78,100	76,594	10,894	9,196	3,944	1,349	92,937	87,139	-	-	92,937	87,139
Inter-segment	5,074	6,264	43,903	31,199	1,599	2,251	50,576	39,714	(50,576)	(39,714)	-	-
Total revenue	83,174	82,858	54,797	40,395	5,543	3,600	143,514	126,853	(50,576)	(39,714)	92,937	87,139
Segment profit/(loss)	3,708	1,478	5,850	(828)	(793)	(988)	8,765	(338)	156	230	8,921	(108)

Batteries

This segment recorded an increase in revenue from higher sales volume and better product mix which resulted in better profitability.

Reclamation

The reclamation segment enjoyed higher sales tonnage and production efficiencies resulting in the higher revenue and profit.

Others

Revenue for new products grew by 54% to RM5.5million from RM3.6 million in the corresponding period last year and this has helped to mitigate expected start up losses for the segment.

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

	Batteries		Reclamation		Others		Total		Eliminations and adjustments		Per condensed consolidated financial statements	
	30 June 2013	31 Mac 2013	30 June 2013	31 Mac 2013	30 June 2013	31 Mac 2013	30 June 2013	31 Mac 2013	30 June 2013	31 Mac 2013	30 June 2013	31 Mac 2013
	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											
Revenue												
External	38,151	39,949	6,207	4,687	2,732	1,212	47,089	45,848	-	-	47,089	45,848
Inter-segment	2,317	2,757	16,970	26,933	132	1,467	19,419	31,158	(19,419)	(31,158)	-	-
Total revenue	40,467	42,706	23,177	31,620	2,864	2,679	66,507	77,006	(19,419)	(31,158)	47,089	45,848
Segment profit/(loss)	1,294	2,414	2,070	3,780	(448)	(346)	2,917	5,848	1,860	(1,704)	4,776	4,145

Batteries

The lower revenue was mainly attributable to lower sales resulting from a cautious market due to a declining LME lead trend. This resulted in a lower profit before tax.

Reclamation

The decline in revenue and profit before tax for the reclamation segment was mainly attributable to lower sales volume.

Others

There were no notable fluctuations in revenue and profitability of this segment.

B4. Current Year Prospects

With increase production capacity and continuous effort in cost optimization and barring adverse movement in lead price, we expect to remain profitable for the financial year.

B5. Comparison With Profit Forecast

This is not applicable to the Group.

B6. Taxation

	Current quarter 3 months ended		Cummulative quarter 6 months ended	
	30 June		30 June	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Income tax expense/(benefit)	1,060	589	2,350	546
Deferred tax expense	430	(103)	15	(361)
Income tax expense/(benefit)	1,490	486	2,365	185

B7. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at reporting date.

B8. Group Borrowings

	30 June 2013 RM'000	31 December 2012 RM'000
Current		
Secured	40,642	35,866
Non-current		
Secured	7,516	7,922
Total	48,158	43,788

B9. Changes In Material Litigation

There were no material litigation against the Group.

B10. Dividend

Please refer to A8 for details.

B11. 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 30 June 2013. As such, the fully diluted earnings per share of the Company are equivalent to the basic earnings per share.

	Current quarter 3 months ended		Cummulative quarter 6 months ended	
	30 June		30 June	
	2013	2012	2013	2012
Profit/(loss) attributable to owners of the parent (RM'000)	3,455	619	6,734	(293)
Weighted average number of ordinary share in issuance ('000)	87,110	87,110	87,110	87,110
Basic earnings/(loss) per share (sen)	3.97	0.71	7.73	(0.34)

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B12. Profit/(Loss) Before Tax

Profit/ (Loss) before taxation is arrived at after charging / (crediting):

	Current quarter 3 months ended		Cummulative quarter 6 months ended	
	30 June		30 June	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest income	(1)	(1)	(1)	(1)
Finance cost	614	779	1,255	1,614
Depreciation of property, plant and equipment and investment properties	1,701	1,621	3,402	3,224
Allowance for/(reversal of) impairment loss on financial assets:				
- trade receivables	-	-	-	-
- other receivables	-	-	-	-
Bad debts written off	-	-	-	10
Inventories written off	-	455	9	690
Inventories written down/(written back)	8	113	257	350
Gain on disposal of:				
- property, plant and equipment	(46)	(153)	(90)	(112)
- investment properties	-	-	-	-
- investment in subsidiaries	-	-	-	-
Impairment of property, plant and equipment	-	-	-	-
Foreign exchange (gain)/loss				
- realised	(132)	(18)	(207)	16
- unrealised	(193)	(32)	(198)	(51)
- arising from translation of foreign operation	1	-	(8)	-
Gain or loss on derivatives	-	-	-	-
Property, plant and equipment written off	19	91	79	120

YOKOHAMA INDUSTRIES BERHAD (292788-U)**PART B - EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS
FOR THE QUARTER ENDED 30 JUNE 2013****B13. Breakdown of realised and unrealised profits or losses**

The breakdown of the retained profits of the Group as at 30 June 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.

	30 June 2013 RM'000	31 December 2012 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	46,740	45,111
- Unrealised	5,792	5,633
	52,532	50,744
Total share of accumulated losses from associates		
- Realised	(28)	(23)
- Unrealised	-	-
Total share of accumulated losses from joint venture		
- Realised	-	(200)
- Unrealised	-	-
	52,504	50,521
Less: Consolidation adjustments	2,968	662
Retained earnings as per financial statements	55,472	51,183