

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

During the quarter, the Company repurchased 1,030,500 of its own shares from the open market. The shares repurchased are being held as treasury shares and carried at cost. As at 30 September 2013, the total cumulative number of shares repurchased was 1,040,500 at a total cost of RM1.3 million.

Save as mentioned above, there were no issuances, cancellations, resale and repayment of debt and equity securities during the quarter.

A8. Dividend Paid

The interim dividend of 2.50 sen per share net of tax amounting RM1.6 million for the financial year ending 31 December 2013 was paid on 23 September 2013.

A9. Segmental Reporting

For the financial period ended 30 September 2013:

Segment information

	Batteries		Reclamation		Others		Total		Eliminations and adjustments		Per condensed consolidated financial statements	
	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
	Cumulative quarter 9 months ended 30 September											
Revenue												
External	117,430	118,696	18,894	21,973	8,525	2,284	144,849	142,953	-	-	144,849	142,953
Inter-segment	7,617	9,710	69,885	51,942	1,642	3,621	79,144	65,273	(79,144)	(65,273)	-	-
Total revenue	125,047	128,406	88,779	73,915	10,167	5,905	223,993	208,226	(79,144)	(65,273)	144,849	142,953
Segment profit/(loss)	6,606	6,028	10,218	930	(407)	(1,573)	16,417	5,386	(1,774)	200	14,643	5,586

	Cumulative quarter 9 months ended 30 September	
	2013 RM'000	2012 RM'000
Segment profit	16,417	5,386
Share of loss of associates	(5)	(22)
Share of loss of joint venture	-	(129)
Profit from inter-segment sales	(1,769)	351
Profit before tax	14,643	5,586

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.

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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 RM1,059,334 (31 December 2012: RM850,666) in the form 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 RM35,345,475 (31 December 2012: RM42,776,068).

A14. Capital Commitments

	30 September 2013 RM'000	31 December 2012 RM'000
Property, plant and equipment:		
- approved and contracted for	1,712	1,779
- approved but not contracted for	2,950	13,961
Investment:		
- shareholder's loan	1,005	1,390
- share of capital expenditure commitments	154	165
	5,821	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		9 months ended	
	30 September		30 September	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Borneo Technical Co. (M) Sdn. Bhd.	32,052	35,087	95,009	91,020
Borneo Technical (Thailand) Limited	3,153	426	6,486	2,136
Hup Soon Global (M) Sdn. Bhd.	24	24	72	72
Hup Soon Global Corporation Limited	-	-	1	-
Yoko Bolder (M) Sdn. Bhd.	-	111	-	182
United Motor Works (Siam) Public Co. Ltd	10	-	10	355
Pegasus Engineers Sdn. Bhd.	35	-	35	-

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PART B - EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS
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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	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 30 September											
Revenue												
External	39,331	42,101	8,000	12,777	4,581	936	51,912	55,814	-	-	51,912	55,814
Inter-segment	2,543	3,446	25,982	20,743	42	1,370	28,567	25,559	(28,567)	(25,559)	-	-
Total revenue	41,874	45,547	33,982	33,520	4,623	2,306	80,479	81,373	(28,567)	(25,559)	51,912	55,814
Segment profit/(loss)	2,897	4,550	4,368	1,758	386	(585)	7,651	5,724	(1,930)	(30)	5,721	5,694

Batteries

Revenue and profit before tax for batteries segment were lower than that recorded in the same quarter of 2012.

This was mainly attributable to a slightly lower sales volume and change in sales mix which resulted in lower profitability.

Reclamation

Reclamation revenue increased marginally by 1.4% to RM34 million. However, profit before tax increased by 148% to RM4.4 million as a result of higher production yield and increase in selling prices.

Others

Higher sales of industrial batteries and battery related equipment and charging services have contributed to the increase in revenue and profitability of this segment.

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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	
	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
	Cumulative quarter 9 months ended											
Revenue												
External	117,430	118,696	18,894	21,973	8,525	2,284	144,849	142,953	-	-	144,849	142,953
Inter-segment	7,617	9,710	69,885	51,942	1,642	3,621	79,144	65,273	(79,144)	(65,273)	-	-
Total revenue	125,047	128,406	88,779	73,915	10,167	5,905	223,993	208,226	(79,144)	(65,273)	144,849	142,953
Segment profit/(loss)	6,606	6,028	10,218	930	(407)	(1,573)	16,417	5,386	(1,774)	200	14,643	5,586

Batteries

A change in sales mix resulted in the slight decline in revenue recorded for the segment on a year to date basis.

Profit before tax for this segment however recorded an increase of RM0.6 million mainly due to foreign exchange gains and profit sharing from distributor.

Reclamation

The reclamation segment registered notable improvement in revenue and profit before tax as a result of higher selling prices, increase in output and improvement in production efficiencies.

Others

Revenue grew by 72% to RM10.1 million from RM5.9 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 Sept 2013	30 June 2013	30 Sept 2013	30 June 2013	30 Sept 2013	30 June 2013	30 Sept 2013	30 June 2013	30 Sept 2013	30 June 2013	30 Sept 2013	30 June 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	39,331	38,151	8,000	6,207	4,581	2,732	51,912	47,089	-	-	51,912	47,089
Inter-segment	2,543	2,317	25,982	16,970	42	132	28,567	19,419	(28,567)	(19,419)	-	-
Total revenue	41,874	40,467	33,982	23,177	4,623	2,864	80,479	66,507	(28,567)	(19,419)	51,912	47,089
Segment profit/(loss)	2,897	1,294	4,368	2,070	386	(448)	7,651	2,916	(1,930)	1,860	5,721	4,776

Batteries

Batteries segment revenue was higher than that recorded in the preceding quarter mainly due to higher sales volume of automotive batteries. This was mitigated by lower selling prices during the quarter.

Other than revenue growth, cost savings from higher production volume also contributed to the higher profit before tax.

Reclamation

The increase in reclamation segment revenue and profit before tax was mainly contributed by higher sales output and favourable exchange rates during the quarter.

Others

In tandem with the growth in sales of industrial batteries and battery related equipment and charging services, higher revenue and profit before tax were recorded for 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 9 months ended	
	30 September		30 September	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Income tax	2,023	986	4,374	1,532
Deferred tax	(235)	997	(220)	636
Income tax expense	1,788	1,983	4,154	2,168

B7. Status of Corporate Proposals

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

B8. Group Borrowings

	30 September 2013 RM'000	31 December 2012 RM'000
Current		
Secured	30,484	35,866
Non-current		
Secured	7,333	7,922
Total	37,817	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 September 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 9 months ended	
	30 September		30 September	
	2013	2012	2013	2012
Profit attributable to owners of the parent (RM'000)	3,987	3,711	10,721	3,418
Weighted average number of ordinary share in issuance ('000)	86,442	87,110	86,887	87,110
Basic earnings per share (sen)	4.61	4.26	12.34	3.92

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B12. Profit Before Tax

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

	Current quarter		Cummulative quarter	
	3 months ended		9 months ended	
	30 September		30 September	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Interest income	-	(2)	(1)	(3)
Finance cost	516	728	1,771	2,342
Depreciation of property, plant and equipment and investment properties	1,675	1,644	5,077	4,868
Allowance for/(reversal of) impairment loss on financial assets:				
- trade receivables	-	-	-	-
- other receivables	-	-	-	-
Bad debts written off	-	-	-	10
Inventories written off	3	15	12	365
Inventories written down/(written back)	147	673	403	1,364
Gain on disposal of:				
- property, plant and equipment	(16)	-	(65)	(112)
- investment properties	-	-	-	-
- investment in subsidiaries	-	-	-	-
Impairment of property, plant and equipment	-	-	-	-
Foreign exchange (gain)/loss				
- realised	(220)	(196)	(427)	(180)
- unrealised	3	158	(195)	107
Gain or loss on derivatives	-	-	-	-
Property, plant and equipment written off	12	7	91	127

B13. Breakdown of realised and unrealised profits or losses

The breakdown of the retained profits of the Group as at 30 September 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 September 2013 RM'000	31 December 2012 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	51,102	45,111
- Unrealised	5,468	5,633
	56,570	50,744
Total share of accumulated losses from associates		
- Realised	(28)	(23)
- Unrealised	-	-
Total share of accumulated losses from joint venture		
- Realised	-	(200)
- Unrealised	-	-
	56,542	50,521
Less: Consolidation adjustments	1,280	662
Retained earnings as per financial statements	57,822	51,183