

YOKOHAMA INDUSTRIES BERHAD (292788-U)
PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE QUARTER ENDED 31 DECEMBER 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 389,900 of its own shares from the open market. The shares repurchased are being held as treasury shares and carried at cost. As at 31 December 2013, the total cumulative number of shares repurchased was 1,430,400 at a total cost of RM1.8 million.

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

A8. Dividend Paid

No dividends were paid during the quarter ended 31 December 2013.

The Directors propose a single tier final dividend of 3.70 sen per ordinary share amounting to RM 3.2 million in respect of the financial year ended 31 December 2013 for the shareholders' approval at the forthcoming Annual General Meeting. The final dividends will be recognised in the subsequent financial year upon approval by the shareholders.

A9. Segmental Reporting

For the financial period ended 31 December 2013:

	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 12 months ended 31 December												
Revenue												
External	155,407	163,156	19,812	31,046	12,552	3,463	187,771	197,665	-	-	187,771	197,665
Inter-segment	10,181	12,736	94,397	74,242	1,680	5,100	106,258	92,078	(106,258)	(92,078)	-	-
Total revenue	165,588	175,891	114,209	105,288	14,232	8,563	294,029	289,742	(106,258)	(92,078)	187,771	197,665
Segment profit/(loss)	7,962	12,119	11,764	2,870	(508)	(2,173)	19,218	12,816	(394)	(182)	18,824	12,634

	Cumulative quarter 12 months ended 31 December	
	2013 RM'000	2012 RM'000
Segment profit	19,218	12,816
Share of loss of associates	(7)	(20)
Share of loss of joint venture	-	(200)
Profit from inter-segment sales	(387)	38
Profit before tax	18,824	12,634

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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.

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 RM1,070,547 (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 RM39,330,206 (31 December 2012: RM42,776,068).

A14. Capital Commitments

	31 December 2013 RM'000	31 December 2012 RM'000
Property, plant and equipment:		
- approved and contracted for	3,124	1,779
- approved but not contracted for	15,046	13,961
Investment:		
- shareholder's loan	880	1,390
- share of capital expenditure commitments	49	165
	19,099	17,296

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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		12 months ended	
	31 December		31 December	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Borneo Technical Co. (M) Sdn. Bhd.	34,511	35,657	129,520	126,677
Borneo Technical (Thailand) Limited	2,023	1,605	8,509	3,741
Hup Soon Global (M) Sdn. Bhd.	25	24	97	96
Hup Soon Global Corporation Limited	-	1	1	4
United Motor Works (Siam) Public Co. Ltd	-	-	10	355
Pegasus Engineers Sdn. Bhd.	-	-	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 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
	Quarter 3 months ended 31 December											
Revenue												
External	37,977	44,460	918	9,073	4,026	1,179	42,921	54,712	-	-	42,921	54,712
Inter-segment	2,564	3,026	24,512	22,300	39	1,479	27,114	26,805	(27,114)	(26,805)	-	-
Total revenue	40,541	47,486	25,430	31,373	4,064	2,658	70,035	81,517	(27,114)	(26,805)	42,921	54,712
Segment profit/(loss)	1,356	6,091	1,546	1,940	(101)	(600)	2,801	7,431	1,380	(382)	4,181	7,049

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 change in sales mix and lower sales volume due to sluggish market. The effect was partly mitigated by higher selling prices during the quarter.

Reclamation

Lower sales tonnage and higher scrap costs were the main drivers to the decline in reclamation revenue and profit before tax for the quarter.

The decline was mitigated by favourable exchange rates enjoyed by the segment.

Others

The increase in revenue and reduction in losses recorded for the segment were mainly attributable to higher volume of charging services rendered.

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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 12 months ended											
Revenue												
External	155,407	163,156	19,812	31,046	12,552	3,463	187,771	197,665	-	-	187,771	197,665
Inter-segment	10,181	12,736	94,397	74,242	1,680	5,100	106,258	92,078	(106,258)	(92,078)	-	-
Total revenue	165,588	175,891	114,209	105,288	14,232	8,563	294,029	289,742	(106,258)	(92,078)	187,771	197,665
Segment profit/(loss)	7,962	12,119	11,764	2,870	(508)	(2,173)	19,218	12,816	(394)	(182)	18,824	12,634

Batteries

The decline in revenue and profit before tax for the segment was mainly attributable to a slightly lower sales volume and change in sales mix.

The decline was mitigated by higher selling prices.

Reclamation

The reclamation segment registered growth in revenue and profit before tax for the year.

Higher selling prices, increase in output, better yield and favourable exchange rates were the main contributors to the growth.

Others

Increase in sales of industrial batteries and battery related equipment and charging services have resulted in higher revenue and lower losses recorded 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	
	31 Dec 2013	30 Sept 2013	31 Dec 2013	30 Sept 2013	31 Dec 2013	30 Sept 2013	31 Dec 2013	30 Sept 2013	31 Dec 2013	30 Sept 2013	31 Dec 2013	30 Sept 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	37,977	39,331	918	8,000	4,026	4,581	42,921	51,912	-	-	42,921	51,912
Inter-segment	2,564	2,543	24,512	25,982	39	42	27,114	28,568	(27,114)	(28,567)	-	-
Total revenue	40,541	41,874	25,430	33,982	4,064	4,623	70,035	80,480	(27,114)	(28,567)	42,921	51,912
Segment profit/(loss)												
	1,356	2,897	1,546	4,368	(101)	386	2,801	7,651	1,380	(1,930)	4,181	5,721

Batteries

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

This was mainly attributable to lower sales volume and lower selling prices due to LME decline during the quarter.

Reclamation

The fall in reclamation segment revenue and profit before tax were largely due to lower sales tonnage and higher scrap costs during the quarter.

Others

The decrease in revenue and profitability for the segment was in line with lower sales of industrial batteries and battery related equipment for the current quarter.

B4. Current Year Prospects

This is not applicable to the Group.

B5. Comparison With Profit Forecast

This is not applicable to the Group.

B6. Taxation

	Current quarter 3 months ended		Cummulative quarter 12 months ended	
	31 December		31 December	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Income tax	972	2,453	5,346	3,993
Deferred tax	307	(115)	87	517
Income tax expense	1,279	2,338	5,433	4,510

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B7. Status of Corporate Proposals

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

B8. Group Borrowings

	31 December 2013 RM'000	31 December 2012 RM'000
Current		
Secured	32,356	35,866
Non-current		
Secured	6,974	7,922
Total	39,330	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 31 December 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 12 months ended	
	31 December		31 December	
	2013	2012	2013	2012
Profit attributable to owners of the parent (RM'000)	2,944	4,711	13,648	8,124
Weighted average number of ordinary share in issuance ('000)	85,820	87,110	86,621	87,110
Basic earnings per share (sen)	3.43	5.41	15.76	9.33

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B12. Profit Before Tax

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

	Current quarter 3 months ended		Cummulative quarter 12 months ended	
	31 December		31 December	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest income	(1)	(1)	(3)	(4)
Finance cost	495	607	2,266	2,949
Depreciation of property, plant and equipment and investment properties	1,639	1,676	6,717	6,544
Allowance for/(reversal of) impairment loss on financial assets:				
- trade receivables	-	(1)	-	(1)
- other receivables	-	-	-	-
Bad debts written off	-	1	-	11
Inventories written off	367	(3)	379	1,361
Inventories written down	127	118	531	483
Gain on disposal of:				
- property, plant and equipment	-	21	(106)	(90)
- investment properties	-	(16)	-	(16)
- investment in subsidiaries	-	-	-	-
Impairment of property, plant and equipment	-	-	-	-
Foreign exchange (gain)/loss				
- realised	(136)	(196)	(562)	(180)
- unrealised	40	(9)	(156)	116
Gain or loss on derivatives	-	-	-	-
Property, plant and equipment written off	108	66	199	193

YOKOHAMA INDUSTRIES BERHAD (292788-U)**PART B - EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2013****B13. Breakdown of realised and unrealised profits or losses**

The breakdown of the retained profits of the Group as at 31 December 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.

	31 December 2013 RM'000	31 December 2012 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	54,423	45,111
- Unrealised	6,353	5,633
	60,776	50,744
Total share of accumulated losses from associates		
- Realised	(30)	(23)
- Unrealised	-	-
Total share of accumulated losses from joint venture		
- Realised	-	(200)
- Unrealised	-	-
	60,746	50,521
Less: Consolidation adjustments	20	662
Retained earnings as per financial statements	60,766	51,183