

YOKOHAMA INDUSTRIES BERHAD (292788-U)
PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE QUARTER ENDED 31 MARCH 2014

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 2013.

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 2013, except for the adoption of the following MFRS, Amendments to MFRS and IC Interpretations:

- Amendments to MFRS 132, Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities
- Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21, Levies

The initial adoption of the aforesaid accounting standards and interpretations are not expected to 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.

A6. Material Changes in Estimates

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

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A7. Debt and Equity Securities

During the quarter, the Company repurchased 384,900 of its own shares from the open market. The shares repurchased are being held as treasury shares and carried at cost. As at 31 March 2014, the total cumulative number of shares repurchased was 1,815,300 at a total cost of RM2.3 million.

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

A8. Dividends

The Board of Directors has recommended a single tier final dividend of 3.70 sen per ordinary share amounting to RM 3.2 million for the shareholders' approval in respect of the financial year ended 31 December 2013 at the forthcoming Annual General Meeting.

No interim dividend was proposed for the financial period ended 31 March 2014.

A9. Segmental Reporting

For the financial period ended 31 March 2014:

	Batteries		Reclamation		Others		Total		Eliminations and adjustments		Per condensed consolidated financial statements	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
	Cumulative quarter 3 months ended 31 March											
Revenue												
External	31,330	39,949	2,400	4,687	4,207	1,212	37,937	45,848	-	-	37,937	45,848
Inter-segment	1,553	2,757	20,647	26,933	31	1,467	22,231	31,158	(22,231)	(31,158)	-	-
Total revenue	32,883	42,706	23,047	31,620	4,238	2,679	60,168	77,006	(22,231)	(31,158)	37,937	45,848
Segment profit/(loss)	1,383	2,414	475	3,780	55	(346)	1,913	5,848	43	(1,704)	1,956	4,145

	Cumulative quarter 3 months ended 31 March	
	2014 RM'000	2013 RM'000
Segment profit	1,913	5,848
Share of loss of associates	-	(3)
Inter-segment eliminations	43	(1,701)
Profit before tax	1,956	4,145

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 rejets; 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 2013.

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 RM1,232,425 (31 December 2013: RM1,070,547) in the form of bank guarantees.
- (b) Indemnities given to Borneo Technical Co. (M) Sdn. Bhd. of RM600,000 (31 December 2013: RM600,000) for employees benefit in the event of discontinuity of service.

The Company has provided corporate guarantees to banks amounting to RM39,551,358 (31 December 2013: RM39,330,206).

A14. Commitments

	31 March 2014 RM'000	31 December 2013 RM'000
Property, plant and equipment:		
- approved and contracted for	681	3,124
- approved but not contracted for	14,872	15,095
	15,553	18,219
Investment commitments	700	880

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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		3 months ended	
	31 March		31 March	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Borneo Technical Co. (M) Sdn. Bhd.	26,297	32,560	26,297	32,560
Borneo Technical (Thailand) Limited	2,764	1,733	2,764	1,733
Hup Soon Global (M) Sdn. Bhd.	26	24	26	24

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PART B - EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS FOR THE QUARTER ENDED 31 MARCH 2014

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 31 March											
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue												
External	31,330	39,949	2,400	4,687	4,207	1,212	37,937	45,848	-	-	37,937	45,848
Inter-segment	1,553	2,757	20,647	26,933	31	1,467	22,231	31,158	(22,232)	(31,158)	-	-
Total revenue	32,883	42,706	23,047	31,620	4,238	2,679	60,168	77,006	(22,232)	(31,158)	37,937	45,848
Segment profit/(loss)	1,383	2,414	475	3,780	55	(346)	1,913	5,848	43	(1,704)	1,956	4,145

Batteries

Revenue and profit before tax for batteries segment were lower than that recorded in the same quarter of 2013.

This was largely attributable to a change in sales mix and lower sales volume resulting from a cautious market due to a declining LME trend over the quarter.

Reclamation

Lower sales tonnage, higher scrap costs and lower LME level were the main factors resulting in a lower revenue and profit before tax recorded for the segment. The effect was partly mitigated by favourable exchange rates and higher output yield.

Others

Revenue and profitability growth was in line with the increase in sales of industrial batteries and battery related equipment and charging services during the quarter.

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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 Mar 2014	31 Dec 2013	31 Mar 2014	31 Dec 2013	31 Mar 2014	31 Dec 2013	31 Mar 2014	31 Dec 2013	31 Mar 2014	31 Dec 2013	31 Mar 2014	31 Dec 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	31,330	37,977	2,400	918	4,207	4,026	37,937	42,921	-	-	37,937	42,921
Inter-segment	1,553	2,564	20,647	24,512	31	39	22,231	27,114	(22,232)	(27,114)	(1)	-
Total revenue	32,883	40,541	23,047	25,430	4,238	4,065	60,168	70,035	(22,232)	(27,114)	37,936	51,912
Segment profit/(loss)	1,383	1,356	475	1,546	55	(101)	1,913	2,801	43	1,380	1,956	4,181

Batteries

Lower revenue was recorded by the segment in tandem with the decline in sales volume which was affected by a cautious market resulting from declining LME price.

In spite of this, the segment recorded a marginal increase in profit before tax from preceding quarter. This was mainly attributable to lower expenses and provisions.

Reclamation

The decrease in reclamation segment revenue and profit before tax was mainly attributable to lower sales tonnage. This was partly mitigated by favourable exchange rates and higher selling prices during the quarter.

Others

Higher sales of industrial batteries and battery related equipment have helped to turn the segment losses into a profit before tax for the quarter.

B3. Current Year Prospects

Based on current trend especially LME level, the Group expects to remain profitable for the year.

B4. Comparison With Profit Forecast

This is not applicable to the Group.

B5. Taxation

	Current quarter 3 months ended		Cummulative quarter 3 months ended	
	31 March		31 March	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Income tax	679	1,290	679	1,290
Deferred tax	(119)	(415)	(119)	(415)
Income tax expense	560	875	560	875

B6. Status of Corporate Proposals

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

B7. Group Borrowings

	31 March 2014 RM'000	31 December 2013 RM'000
Current		
Secured	32,038	32,356
Non-current		
Secured	7,513	6,974
Total	39,551	39,330

B8. Changes In Material Litigation

There were no material litigation against the Group.

B9. Dividend

Please refer to A8 for details.

B10. 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 2014. 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 3 months ended	
	31 March		31 March	
	2014	2013	2014	2013
Profit attributable to owners of the parent (RM'000)	1,439	3,270	1,439	3,270
Weighted average number of ordinary share in issuance ('000)	85,374	87,110	85,374	87,110
Basic earnings per share (sen)	1.69	3.75	1.69	3.75

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B11. Profit Before Tax

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

	Current quarter 3 months ended		Cumulative quarter 3 months ended	
	31 March		31 March	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Interest income	(3)	-	(3)	-
Finance cost	542	641	542	641
Depreciation of property, plant and equipment and investment properties	1,665	1,701	1,665	1,701
Allowance for/(reversal of) impairment loss on financial assets:				
- trade receivables	-	-	-	-
- other receivables	-	-	-	-
Bad debts written off	-	-	-	-
Inventories written off	-	9	-	9
Inventories written down	73	249	73	249
Loss/(Gain) on disposal of:				
- property, plant and equipment	2	(44)	2	(44)
- investment properties	-	-	-	-
- investment in subsidiaries	-	-	-	-
Impairment of property, plant and equipment	-	-	-	-
Foreign exchange (gain)/loss				
- realised	(51)	(74)	(51)	(74)
- unrealised	47	(5)	47	(5)
Gain or loss on derivatives	-	-	-	-
Property, plant and equipment written off	13	60	13	60

B12. Breakdown of realised and unrealised profits or losses

The breakdown of the retained profits of the Group as at 31 March 2014 and 31 December 2013 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 March 2014 RM'000	31 December 2013 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	56,925	55,517
- Unrealised	5,224	5,259
	62,149	60,776
Total share of accumulated losses from associates		
- Realised	(30)	(30)
- Unrealised	-	-
	62,119	60,746
Less: Consolidation adjustments	87	21
Retained earnings as per financial statements	62,206	60,767