

YOKOHAMA INDUSTRIES BERHAD (292788-U)
PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE QUARTER ENDED 30 SEPTEMBER 2014

A1. Basis 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
- Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions
- Annual Improvements to MFRSs 2010-2012 Cycle
- Annual Improvements to MFRSs 2011-2013 Cycle

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, there were no issuances, cancellations, resale, repurchases and repayment of debt and equity securities.

As at 30 September 2014, the total cumulative number of shares repurchased was 1,824,300 at a total cost of RM2.3 million.

A8. Dividends

No interim dividend was proposed for the financial quarter.

A9. Segmental Reporting

For the financial period ended 30 September 2014:

	Batteries		Reclamation		Others		Total		Eliminations and adjustments		Per condensed consolidated financial statements	
	Cumulative quarter 9 months ended 30 September											
	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	106,130	117,430	8,866	18,894	14,004	8,525	129,000	144,849	-	-	129,000	144,849
Inter-segment	7,701	7,617	67,175	69,885	173	1,642	75,049	79,144	(75,049)	(79,144)	-	-
Total revenue	113,831	125,047	76,041	88,779	14,177	10,167	204,049	223,993	(75,049)	(79,144)	129,000	144,849
Segment profit/(loss)	5,559	6,606	(579)	10,218	1,172	373	6,152	17,197	(625)	(2,554)	5,527	14,643

	Cumulative quarter 9 months ended 30 September	
	2014 RM'000	2013 RM'000
Segment profit	6,152	17,197
Share of loss of associates	(1)	(5)
Inter-segment eliminations	(624)	(2,549)
Profit before tax	5,527	14,643

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 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 RM1,005,099 (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 RM47,933,203 (31 December 2013: RM39,330,206).

A14. Commitments

	30 September 2014 RM'000	31 December 2013 RM'000
Property, plant and equipment:		
- approved and contracted for	1,964	3,124
- approved but not contracted for	10,332	15,095
	12,296	18,219
Investment commitments	446	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		9 months ended	
	30 September		30 September	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Borneo Technical Co. (M) Sdn. Bhd. ("BTM")	-	32,052	49,504	95,009
Borneo Technical (Thailand) Limited. ("BTT")	-	3,153	3,456	6,486
Hup Soon Global (M) Sdn. Bhd.	34	24	87	72
Hup Soon Global Corporation Limited	-	-	-	1
United Motor Works (Siam) Public Co.Ltd	-	10	-	10
Pegasus Engineers Sdn Bhd	-	35	-	35

BTM and BTT ceased to be related parties from June 2014.

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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	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	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 30 September											
Revenue												
External	37,751	39,331	4,701	8,000	4,784	4,581	47,236	51,912	-	-	47,236	51,912
Inter-segment	3,300	2,543	22,842	25,982	97	42	26,239	28,567	(26,239)	(28,567)	-	-
Total revenue	41,051	41,874	27,543	33,982	4,881	4,623	73,475	80,479	(26,239)	(28,567)	47,236	51,912
Segment profit/(loss)	2,798	2,897	(1,205)	4,368	306	618	1,899	7,883	(249)	(2,162)	1,650	5,721

Batteries

There were no material fluctuations in revenue and profit before tax for the segment.

Reclamation

Lower revenue was recorded by the segment in tandem with the decline in sales tonnage. In addition to a lower revenue, the segment incurred a loss for the quarter mainly because of higher scrap costs.

Others

In spite of a marginal increase in revenue, profit before tax for the segment has declined mainly due to higher expenses.

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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	
					Cumulative quarter 9 months ended							
	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	106,130	117,430	8,866	18,894	14,004	8,525	129,000	144,849	-	-	129,000	144,849
Inter-segment	7,701	7,617	67,175	69,885	173	1,642	75,049	79,144	(75,049)	(79,144)	-	-
Total revenue	113,831	125,047	76,041	88,779	14,177	10,167	204,049	223,993	(75,049)	(79,144)	129,000	144,849
Segment profit/(loss)	5,559	6,606	(579)	10,218	1,172	373	6,152	17,197	(625)	(2,554)	5,527	14,643

Batteries

Revenue and profit before tax for the segment were mainly affected by a lower sales volume and lower selling prices which were pegged to lower LME prices over the period.

Reclamation

The decline in reclamation segment revenue and profit before tax was mainly attributable to lower sales tonnage and lower margin.

Others

The growth in sales of industrial batteries and battery related equipment and charging services have turned the segment losses into a profit before tax for the period.

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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 2014	30 June 2014	30 Sept 2014	30 June 2014	30 Sept 2014	30 June 2014	30 Sept 2014	30 June 2014	30 Sept 2014	30 June 2014	30 Sept 2014	30 June 2014
	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	37,751	37,048	4,701	1,765	4,784	5,013	47,236	43,826	-	-	47,236	43,826
Inter-segment	3,300	2,848	22,842	23,687	97	45	26,239	26,580	(26,239)	(26,580)	-	-
Total revenue	41,051	39,896	27,543	25,452	4,881	5,058	73,475	70,406	(26,239)	(26,580)	47,236	43,826
Segment profit/(loss)	2,798	1,378	(1,205)	151	306	575	1,899	2,104	(249)	(183)	1,650	1,921

Batteries

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

This was largely attributable to a higher sales volume and change in sales mix.

Reclamation.

Despite the increase in reclamation revenue, the segment suffered a loss before tax mainly due to higher scrap costs. The increase in revenue was mainly attributable to a higher sales tonnage.

Others

The decrease in revenue and profit before tax for the segment was in tandem with lower charging services and higher expenses incurred during the quarter.

B4. Current Year Prospects

In spite of challenging market conditions, the Group expects to remain profitable for the 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	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Income tax	255	2,023	1,594	4,374
Deferred tax	224	(235)	(21)	(220)
Income tax expense	479	1,788	1,573	4,154

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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

	30 September 2014 RM'000	31 December 2013 RM'000
Current		
Secured	40,293	32,356
Non-current		
Secured	7,640	6,974
Total	47,933	39,330

B9. Changes In Material Litigation

There was 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 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 9 months ended	
	30 September		30 September	
	2014	2013	2014	2013
Profit attributable to owners of the parent (RM'000)	1,208	3,978	4,068	10,704
Weighted average number of ordinary share in issuance ('000)	85,296	86,442	85,324	86,887
Basic earnings per share (sen)	1.42	4.60	4.77	12.32

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B12. Profit Before Tax

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

	Current quarter		Cumulative quarter	
	3 months ended		9 months ended	
	30 September		30 September	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Interest income	(1)	-	(5)	(1)
Finance cost	614	516	1,728	1,771
Depreciation of property, plant and equipment and investment properties	1,730	1,675	5,092	5,077
Allowance for/(reversal of) impairment loss on financial assets:				
- trade receivables		-	-	-
- other receivables		-	-	-
Bad debts written off		-	-	-
Inventories written off		3	-	12
Inventories written down	129	147	239	403
Loss/(Gain) on disposal of:				
- property, plant and equipment	-	(16)	2	(65)
- investment properties		-	-	-
- investment in subsidiaries		-	-	-
Impairment of property, plant and equipment		-	-	-
Foreign exchange (gain)/loss				
- realised	83	(220)	32	(427)
- unrealised	(67)	3	(33)	(195)
Gain or loss on derivatives		-	-	-
Property, plant and equipment written off	-	12	26	91

B13. Breakdown of realised and unrealised profits or losses

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

	30 September 2014 RM'000	31 December 2013 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	56,662	55,517
- Unrealised	4,800	5,259
	61,462	60,776
Total share of accumulated losses from associates		
- Realised	(31)	(30)
- Unrealised	-	-
	61,431	60,746
Less: Consolidation adjustments	248	21
Retained earnings as per financial statements	61,679	60,767