

YOKOHAMA INDUSTRIES BERHAD (292788-U)
PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE QUARTER ENDED 31 DECEMBER 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, the Company repurchased 4,000 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 2014, the total cumulative number of shares repurchased was 1,828,300 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

No interim dividend was proposed for the financial quarter.

A9. Segmental Reporting

For the financial period ended 31 December 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 12 months ended 31 December											
Revenue												
External	146,020	155,407	11,665	19,812	17,676	12,552	175,361	187,771	-	-	175,361	187,771
Inter-segment	10,767	10,181	90,504	94,397	200	1,680	101,471	106,258	(101,471)	(106,258)	-	-
Total revenue	156,787	165,588	102,170	114,209	17,876	14,232	276,833	294,029	(101,471)	(106,258)	175,361	187,771
Segment profit/(loss)	10,120	7,962	(2,013)	11,764	937	(508)	9,044	19,218	1,131	(394)	10,175	18,824

	Cumulative quarter 12 months ended 31 December	
	2014 RM'000	2013 RM'000
Segment profit	9,044	19,218
Share of loss of associates	(5)	(7)
Inter-segment eliminations	1,136	(387)
Profit before tax	10,175	18,824

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 2013.

A11. Material Subsequent Event

Save as mentioned below, there were no material events subsequent to the end of the interim period as of the date of this announcement.

Share purchase agreement between HSG Investments Pte Ltd (“HSG”) and Fordington Pte Ltd (“Fordington”)

On 6 February 2015, Fordington entered into a conditional share purchase agreement with HSG, the controlling shareholder of the Company to acquire 53,025,118 ordinary shares of RM0.50 each in the Company, representing approximately 62.17% of the issued and paid-up share capital from HSG for a total cash consideration of RM90,142,700.60 or RM1.70 per share (“Proposed Acquisition”).

Following completion of the Proposed Acquisition, Fordington now holds approximately 62.17% of the voting shares. As such, pursuant to Section 218(2) of the Capital Markets and Services Act, 2007 and Section 9(1), Part III of the Malaysian Code on Take-Overs and Mergers, 2010, Fordington will be obliged to extend a mandatory take-over offer to acquire all the remaining Voting Shares not already held by Fordington and its persons acting in concert (“Offer Shares”) for a cash offer price of RM1.70 per Offer Share. The Notice of Unconditional Take-Over Offer was issued by Fordington to the Company on 11 February 2015.

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 RM1,045,581 (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 RM54,431,921 (31 December 2013: RM39,330,206).

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A14. Commitments

	31 December 2014 RM'000	31 December 2013 RM'000
Property, plant and equipment:		
- approved and contracted for	1,325	3,124
- approved but not contracted for	6,947	15,095
	8,272	18,219
Investment commitments	361	880

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 3 months ended		Cummulative quarter 12 months ended	
	31 December		31 December	
	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.	26	24	106	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 31 December											
Revenue												
External	39,890	37,977	2,800	918	3,671	4,026	46,361	42,921	-	-	46,361	42,921
Inter-segment	3,067	2,564	23,329	24,512	27	39	26,423	27,115	(26,423)	(27,115)	-	-
Total revenue	42,957	40,541	26,129	25,430	3,698	4,065	72,784	70,036	(26,423)	(27,115)	46,361	42,921
Segment profit/(loss)	4,561	1,356	(1,434)	1,546	(236)	(101)	2,891	2,801	1,757	1,380	4,648	4,181

Batteries

The increase in profit before tax for the segment was mainly attributable to a change in sales mix and lower expenses. The change in sales mix has also resulted in a marginally higher revenue recorded for the segment.

Reclamation

Revenue for reclamation segment was marginally higher than that recorded in the same quarter of 2013. In spite of this, the segment incurred a loss for the period mainly because of higher scrap costs.

Others

The decline in revenue and increase in losses recorded by the segment were in tandem with lower charging services and 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	
	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
	Cumulative quarter 12 months ended											
Revenue												
External	146,020	155,407	11,665	19,812	17,675	12,552	175,361	187,771	-	-	175,361	187,771
Inter-segment	10,767	10,181	90,504	94,397	200	1,680	101,471	106,258	(101,471)	(106,258)	-	-
Total revenue	156,787	165,588	102,170	114,209	17,875	14,232	276,833	294,029	(101,471)	(106,258)	175,361	187,771
Segment profit/(loss)	10,120	7,962	(2,013)	11,764	937	(508)	9,044	19,218	1,131	(394)	10,175	18,824

Batteries

The lower revenue recorded by the segment was in line with lower sales volume. In spite of this, profit before tax recorded for the segment was higher mainly because of a change in sales mix and lower expenses.

Reclamation

The decline in reclamation segment revenue and profit before tax was mainly attributable to a 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 year.

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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 2014	30 Sept 2014	31 Dec 2014	30 Sept 2014	31 Dec 2014	30 Sept 2014	31 Dec 2014	30 Sept 2014	31 Dec 2014	30 Sept 2014	31 Dec 2014	30 Sept 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	39,890	37,751	2,800	4,701	3,671	4,784	46,361	47,236	-	-	46,361	47,236
Inter-segment	3,067	3,300	23,329	22,842	27	97	26,423	26,239	(26,423)	(26,239)	-	-
Total revenue	42,957	41,051	26,129	27,543	3,698	4,881	72,783	73,475	(26,423)	(26,239)	46,361	47,236
Segment profit/(loss)	4,561	2,798	(1,434)	(1,205)	(236)	306	2,891	1,899	1,757	(249)	4,648	1,650

Batteries

The segment recorded a marginal increase in revenue. In addition to a higher revenue, the surge in profit before tax for the segment was mainly attributable to a change in sales mix and lower expenses.

Reclamation

There were no material fluctuation in revenue and losses recorded for the segment as compared to that reported in preceding quarter.

Others

The decline in charging services and sales of industrial and battery related equipment was the main factor resulting in a lower revenue and losses recorded for the segment.

B4. Current Year Prospects

Not applicable.

B5. Comparison With Profit Forecast

Not applicable.

B6. Taxation

	Current quarter 3 months ended		Cummulative quarter 12 months ended	
	31 December		31 December	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Income tax	1,747	972	3,341	5,260
Deferred tax	(575)	307	(596)	87
Income tax expense	1,172	1,279	2,745	5,347

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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 2014 RM'000	31 December 2013 RM'000
Current		
Secured	47,472	32,356
Non-current		
Secured	6,960	6,974
Total	54,432	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 31 December 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 12 months ended	
	31 December		31 December	
	2014	2013	2014	2013
Profit attributable to owners of the parent (RM'000)	3,520	2,944	7,588	13,648
Weighted average number of ordinary share in issuance ('000)	85,293	85,820	85,316	86,621
Basic earnings per share (sen)	4.13	3.43	8.89	15.76

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B12. Profit Before Tax

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

	Current quarter 3 months ended		Cummulative quarter 12 months ended	
	31 December		31 December	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Interest income	(9)	(1)	(13)	(3)
Finance cost	682	495	2,410	2,266
Depreciation of property, plant and equipment and investment properties	1,716	1,639	6,808	6,717
Allowance for/(reversal of) impairment loss on financial assets:				
- trade receivables		-	-	-
- other receivables		-	-	-
Bad debts written off		-	-	-
Inventories written off	65	367	65	379
Inventories written down (net)	(32)	127	207	531
Loss/(Gain) on disposal of:				
- property, plant and equipment	-	-	2	(106)
- investment properties		-	-	-
- investment in subsidiaries		-	-	-
Impairment of property, plant and equipment		-	-	-
Foreign exchange (gain)/loss				
- realised	(185)	(136)	(153)	(562)
- unrealised	38	40	5	(156)
Gain or loss on derivatives		-	-	-
Property, plant and equipment written off	15	108	41	199

YOKOHAMA INDUSTRIES BERHAD (292788-U)**PART B - EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2014****B13. Breakdown of realised and unrealised profits or losses**

The breakdown of the retained profits of the Group as at 31 December 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 December 2014 RM'000	31 December 2013 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	57,606	55,517
- Unrealised	6,074	5,259
	63,680	60,776
Total share of accumulated losses from associates		
- Realised	(35)	(30)
- Unrealised	-	-
	63,647	60,746
Less: Consolidation adjustments	1,553	21
Retained earnings as per financial statements	65,198	60,767