

YOKOHAMA INDUSTRIES BERHAD (292788-U)
PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134
FOR THE QUARTER ENDED 31 MARCH 2015

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 2014.

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 2014, except for the adoption of the following MFRS, Amendments to MFRS and IC Interpretations:

- Amendments to MFRS 2, Share-based Payment (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 3, Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
- Amendments to MFRS 8, Operating Segments (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 13, Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
- Amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 124, Related Party Disclosures (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 138, Intangible Assets (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 140, Investment Property (Annual Improvements 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.

A8. Dividends

No interim dividend was proposed for the financial quarter.

A9. Segmental Reporting

For the financial period ended 31 March 2015:

	Batteries		Reclamation		Others		Total		Eliminations and adjustments		Per condensed consolidated financial statements	
	Cumulative quarter 3 months ended 31 March											
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue												
External	29,413	31,330	5,092	2,400	3,835	4,207	38,340	37,937	-	-	38,340	37,937
Inter-segment	2,263	1,553	18,614	20,647	11	31	20,888	22,231	(20,888)	(22,231)	-	-
Total revenue	31,676	32,883	23,706	23,047	3,846	4,238	59,228	60,168	(20,888)	(22,231)	38,340	37,937
Segment profit/(loss)	261	1,383	(1,352)	475	(903)	55	(1,994)	1,913	(640)	43	(2,634)	1,956

	Cumulative quarter 3 months ended 31 March	
	2015 RM'000	2014 RM'000
Segment profit	(1,994)	1,913
Share of loss of associates	(2)	(7)
Inter-segment eliminations	(638)	50
Profit before tax	(2,634)	1,956

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 2014.

A11. Material Subsequent Event

As of the date of this announcement, there were no material events subsequent to the end of the interim period that may have a material effect on the financial results for the period.

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 RM988,124 (31 December 2014: RM1,045,581) in the form of bank guarantees.
- (b) Indemnities given to Borneo Technical Co. (M) Sdn. Bhd. of RM600,000 (31 December 2014: RM600,000) for employees benefit in the event of discontinuity of service.

The Company has provided corporate guarantees to banks amounting to RM53,975,815 (31 December 2014: RM54,271,088).

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14. Commitments

	31 March 2015 RM'000	31 December 2014 RM'000
Property, plant and equipment:		
- approved and contracted for	1,364	1,325
- approved but not contracted for	6,482	6,947
	7,846	8,272
Investment commitments	251	361

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 3 months ended	
	31 March		31 March	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Borneo Technical Co. (M) Sdn. Bhd. ("BTM")	-	26,297	-	26,297
Borneo Technical (Thailand) Limited. ("BTT")	-	2,764	-	2,764
Hup Soon Global (M) Sdn. Bhd. ("HSG")	12	26	12	26

HSG ceased to be related party from February 2015, while BTM and BTT have ceased to be related parties from June 2014.

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PART B - EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS FOR THE QUARTER ENDED 31 MARCH 2015

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											
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue												
External	29,413	31,330	5,092	2,400	3,835	4,207	38,340	37,937	-	-	38,340	37,937
Inter-segment	2,263	1,553	18,614	20,647	11	31	20,888	22,231	(20,888)	(22,231)	-	-
Total revenue	31,676	32,883	23,706	23,047	3,846	4,238	59,228	60,168	(20,888)	(22,231)	38,340	37,937
Segment profit/(loss)	261	1,383	(1,352)	475	(903)	55	(1,994)	1,913	(640)	43	(2,634)	1,956

Batteries

The decline in sales volume and distribution income were the main factors resulting in a lower profit before tax recorded by the segment for the quarter.

Reclamation

Revenue for reclamation segment was marginally higher than that recorded in the same quarter of 2014. In spite of this, the segment incurred a loss for the quarter mainly because of higher scrap costs.

Others

The decline in revenue and losses recorded by the segment were in tandem with lower sales of industrial batteries and battery related equipment and higher expenses.

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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 March 2015	31 Dec 2014	31 March 2015	31 Dec 2014	31 March 2015	31 Dec 2014	31 March 2015	31 Dec 2014	31 March 2015	31 Dec 2014	31 March 2015	31 Dec 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	29,413	39,890	5,092	2,800	3,835	3,671	38,340	46,361	-	-	38,340	46,361
Inter-segment	2,263	3,067	18,614	23,329	11	27	20,888	26,423	(20,888)	(26,423)	-	-
Total revenue	31,676	42,957	23,706	26,129	3,846	3,698	59,228	72,784	(20,888)	(26,423)	38,340	46,361
Segment profit/(loss)	261	4,561	(1,352)	(1,434)	(903)	(236)	(1,994)	2,891	(640)	1,757	(2,634)	4,648

Batteries

The lower revenue and profit before tax recorded by the segment for the quarter were largely caused by a lower sales volume and higher expenses.

Reclamation

The decline in reclamation segment revenue was in line with a lower sales tonnage. In spite of this, losses recorded by the segment were slightly lower mainly due to lower expenses.

Others

In spite of the marginally higher revenue recorded by the segment, higher losses were incurred for the quarter mainly because of higher expenses.

B3. Current Year Prospects

The current year will see business restructuring during the first half with expected drop in turnover and profits. Benefits will be apparent at the later part of the year onwards.

B4. Comparison With Profit Forecast

Not applicable.

B5. Taxation

	Current quarter 3 months ended		Cummulative quarter 3 months ended	
	31 March		31 March	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Income tax	(122)	679	(122)	679
Deferred tax	(557)	(119)	(557)	(119)
Income tax (benefit)/expense	(679)	560	(679)	560

B6. Status of Corporate Proposals

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

B7. Group Borrowings

	31 March 2015 RM'000	31 December 2014 RM'000
Current		
Secured	47,878	47,472
Non-current		
Secured	6,222	6,960
Total	54,100	54,432

B8. Changes In Material Litigation

There was 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 2015. 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	
	2015	2014	2015	2014
(Loss)/profit attributable to owners of the parent (RM'000)	(1,910)	1,439	(1,910)	1,439
Weighted average number of ordinary share in issuance ('000)	85,292	85,374	85,292	85,374
Basic (loss)/earnings per share (sen)	(2.24)	1.69	(2.24)	1.69

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B11. Profit Before Tax

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

	Current quarter 3 months ended		Cummulative quarter 3 months ended	
	31 March		31 March	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest income	-	(3)	-	(3)
Finance cost	781	542	781	542
Depreciation of property, plant and equipment and investment properties	1,764	1,665	1,764	1,665
Allowance for/(reversal of) impairment loss on financial assets:				
- trade receivables	-	-	-	-
- other receivables	-	-	-	-
Bad debts written off	-	-	-	-
Inventories written off	-	-	-	-
Inventories written down (net)	32	73	32	73
Loss/(Gain) on disposal of:				
- property, plant and equipment	(6)	2	(6)	2
- investment properties	-	-	-	-
- investment in subsidiaries	-	-	-	-
Impairment of property, plant and equipment	-	-	-	-
Foreign exchange (gain)/loss				
- realised	(181)	(51)	(181)	(51)
- unrealised	(6)	47	(6)	47
Gain or loss on derivatives	-	-	-	-
Property, plant and equipment written off	23	13	23	13

YOKOHAMA INDUSTRIES BERHAD (292788-U)**PART B - EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS
FOR THE QUARTER ENDED 31 MARCH 2015****B12. Breakdown of realised and unrealised profits or losses**

The breakdown of the retained profits of the Group as at 31 March 2015 and 31 December 2014 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 2015 RM'000	31 December 2014 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	54,446	57,293
- Unrealised	6,247	5,981
	60,693	63,274
Total share of accumulated losses from associates		
- Realised	(37)	(35)
- Unrealised	-	-
	60,656	63,239
Less: Consolidation adjustments	2,632	1,959
Retained earnings as per financial statements	63,288	65,198