

Explanatory Notes pursuant to MFRS 134 for the Fourth quarter ended 31 December 2014.

1. CORPORATE INFORMATION

White Horse Berhad is a public limited liability company incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements were approved by the Board of Directors on 16 February 2015.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements, for the period ended 31 December 2014, have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2013.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2013, except for the adoption of the following new Malaysian Financial Reporting Standards ("MFRSs") effective for financial periods beginning on or after 01 January 2014.

- 1) Amendments to MFRS 10 Consolidated Financial Statements (Investment Entities)
- 2) Amendments to MFRS 12: Disclosure of Interests in Other Entities (Investment Entities)
- 3) Amendments to MFRS 127 Consolidated and Separate Financial Statements (Investment Entities)
- 4) Amendments to MFRS 132: Financial Instruments: Presentation (Offsetting Financial Assets and Financial Liabilities)
- 5) Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets
- 6) Amendments to MFRS 139: (Novation of Derivatives and Continuation of Hedge Accounting)
- 7) IC Interpretation 21 Levies
- 8) Amendments to MFRS 119 Defined Benefit Plans : Employee Contribution
- 9) Annual Improvements to MFRSs 2010-2012 Cycle
- 10) Annual Improvements to MFRSs 2011-2013 Cycle

The adoption of the above standards and interpretations will have no material impact on the financial statements, except as discussed below:

MFRS 9 Financial Instruments

MFRS 9 reflects the first phase of the work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139 Financial Instruments: Recognition and Measurement. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

4. CHANGES IN ESTIMATES

There were no changes in estimates that had a material effect in the current interim results.

5. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in composition of the Group for the current quarter.

6. SEGMENT INFORMATION

A segmental financial information for the current quarter has been prepared based on the geographical location as follows: _

SEGMENTAL INFORMATION

- By geographical area
31 DECEMBER 2014

	Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Eliminations RM '000	Total RM '000
Segment Revenue					
External sales	606,715	80,321	63,946		750,982
Inter-segment sales	82,333	34,974	8,309	(125,616)	-
	689,048	115,295	72,255	(125,616)	750,982
Segment Results					
Interest income	1,945	24	-		1,969
Depreciation & amortisation	30,014	6,650	2,238		38,902
Profit / (Loss) before tax	86,856	(5,441)	4,657	(8,609)	77,463
Segment Assets					
Total asset	963,826	159,608	73,918	-	1,197,352
Segment Liabilities					
Total liabilities	314,362	105,028	7,110	32,678	459,178

SEGMENTAL INFORMATION

- By geographical area
31 DECEMBER 2013

	Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Eliminations RM '000	Total RM '000
Segment Revenue					
External sales	549,144	18,842	78,828		646,814
Inter-segment sales	25,018	8,774	481	(34,273)	-
	574,162	27,616	79,309	(34,273)	646,814
Segment Results					
Interest income	1,537	9	50		1,596
Depreciation & amortisation	36,559	4,651	2,395		43,605
Profit / (Loss) before tax	86,760	(6,733)	(1,345)	(5,086)	73,596
Segment Assets					
Total asset	880,483	198,882	81,171	704	1,161,240
Segment Liabilities					
Total liabilities	327,458	87,428	8,685	38,120	461,691

7. SEASONALITY OF OPERATIONS

The Group's business operation is related to the construction and renovation industries. It is a norm that every first quarter of the calendar year, the business will be performed at a slower pace due to the festive season and it is expected the business's performance will be improved in the forthcoming quarters.

8. PROFIT BEFORE TAX

Included in the Profit Before Tax are the following items:-

	CURRENT QUARTER		CUMULATIVE QUARTER	
	03 MONTHS ENDED		12 MONTHS ENDED	
	31 Dec 2014 RM '000	31 Dec 2013 RM '000	31 Dec 2014 RM '000	31 Dec 2013 RM '000
Interest income	(462)	(639)	(1,969)	(1,596)
Interest expense	4,146	2,059	12,513	4,970
Amortisation of prepaid lease payments	741	(399)	2,969	1,084
Depreciation of property, plant and equipment	7,699	14,075	35,933	42,521
Loss / (Gain) on disposal of property, plant and equipment	135	(217)	117	(182)

Write down of property, plant and equipment	19	1	21	32
(Gain) / Loss on foreign currency exchange : realised	709	4,741	2,252	3,235
Loss / (Gain) on foreign currency exchange : unrealised	320	476	4,171	1,130

9. INCOME TAX EXPENSE

Income tax expense is recognised in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

	CURRENT QUARTER		CUMULATIVE QUARTER	
	03 MONTHS ENDED		12 MONTHS ENDED	
	31 Dec 2014 RM '000	31 Dec 2013 RM '000	31 Dec 2014 RM '000	31 Dec 2013 RM '000
Current Tax:				
Malaysian Income Tax	10,696	14,778	22,763	22,836
Foreign Tax	235	(54)	975	872
	10,931	14,724	23,738	23,708
Deferred Tax	(8,520)	(1,684)	(5,304)	1,706
	2,411	13,040	18,434	25,414

10. EARNINGS PER SHARE

Basic earnings per share amounts are computed by dividing the 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 following reflect the profit and share data used in the computation of basic earning per share :-

	CURRENT QUARTER		CUMULATIVE QUARTER	
	03 MONTHS ENDED		12 MONTHS ENDED	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Profit net of tax attributable to owners of the parent used in the computation of earning per share (RM'000)	13,958	8,601	59,029	48,182
Weighted average number of ordinary shares in issue ('000)	240,000	240,000	240,000	240,000
Treasury shares	10,605	10,565	10,605	10,565

Net Weighted average number of ordinary shares in issue ('000)	229,395	229,435	229,395	229,435
Basic earnings per share (sen per share)	6.08	3.75	25.73	21.00

11. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 31 December 2014, the Group acquired assets at a cost of RM 2,351,000 (31 December 2013 : RM 2,008,000).

12. INTANGIBLE ASSETS : GOODWILL

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

13. INVENTORIES

For the current quarter, there was an obsolete inventory being written-off amounting to RM 2 million, (Year 2013: Nil).

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following amounts:-

	31 Dec 2014 RM '000	31 Dec 2013 RM '000
Cash at bank and in hand	57,615	38,355
Short term deposits	66,184	89,769
Total Cash and Cash Equivalents	123,799	128,124

15. FAIR VALUE HIERARCHY

No transfers between any level of the fair value hierarchy took place during the current interim period and the comparative period. There were also no changes in the purpose of any financial asset that subsequently resulted in a different classification of that asset.

The Group does not hold credit enhancements or collateral to mitigate credit risk. The carrying amount of financial assets therefore represents the potential credit risk.

16. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

There is no movement of share capital, share premium and treasury shares for the current quarter.

Details of the treasury shares as at 31 December 2014 are as follows:-

Month	No. of shares purchased	Purchase Price		Average Price	Total Consideration
		Highest	Lowest		
		RM	RM	RM	RM
Balance as at 31-12-14	10,605,100	2.5000	0.9200	1.5287	16,308,910

17. INTEREST-BEARING LOANS AND BORROWINGS

	31 Dec 2014 RM '000	31 Dec 2013 RM '000
Secured	12,396	11,947
Unsecured	189,066	184,337
Short-term borrowings	201,462	196,284
Secured	2,991	2,954
Unsecured	-	-
Long-term borrowings	2,991	2,954
Secured	15,387	14,901
Unsecured	189,066	184,337
Total borrowings	204,453	199,238

The above secured loans and borrowings are denominated in USD and mortgaged over its machinery of White Horse Ceramic Industries (Vietnam) Co. Ltd. ("WHV"). It carries an interest rate of 6.4% .

While, the unsecured loans and borrowings are subjected to corporate guarantee and negative pledge. It also included borrowings denominated in foreign currency as follows:-

- (i) Between 1.65% p.a. and 1.95% floating rate United State Dollars (“USD”) bank loan for USD 45 million (RM equivalent of 162 million).

18. PROVISIONS FOR COSTS OF RESTRUCTURING

There were no provisions for costs of restructuring for the current quarter and comparative period.

19. DIVIDEND

An interim 5 sen tax-exempted dividend in respect of the current financial year of 2014, amounting to RM11.5 million was paid on 12 January 2015.

The Board has recommended a final tax-exempt dividend of 5 sen for the current quarter, that make-up the total tax-exempt dividend for the financial year to 10 sen which is same rate as last year, and it is subjected to the shareholders’ approval at the forthcoming Annual General Meeting.

20. COMMITMENT

	31 Dec 2014 RM '000	31 Dec 2013 RM '000
Capital expenditure :-		
Approved and contracted for Property, plant and equipment	24,000	-
Approved but not contracted for Property, plant and equipment	36,000	-
Total Commitment	60,000	-

21. CONTINGENCIES

There were no other contingencies for the current quarter, except the contingent liability, which was made-up of Corporate Guarantees issued to financial institutions for the subsidiaries’ borrowings and banking facilities.

22. RELATED PARTY TRANSACTIONS

The following table provides information on the transactions, which have been entered into with related parties during the 12 months period ended 31 December 2014 and 31 December 2013 as well as the balances with the related parties as at 31 December 2014 and 31 December 2013.

All outstanding balances with these related parties are unsecured and repayable on demand.

		Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
		RM '000	RM '000	RM '000	RM '000
Joint Venture :					
WH Ceramic	2014	-	-	0	-
(Australia) Pty Ltd	2013	-	-	1,141	-
Key Management Personnel of the Group : Directors' interest					
White Horse Ceramic Co Ltd	2014	3,973	-	2,014	-
	2013	3,676	-	2,147	-
Teobros Ceramica Sdn Bhd	2014	34,262	340	31,201	50
	2013	31,824	784	28,388	184
White Horse Investment (S) Pte Ltd	2014	-	-	32,686	124,920
	2013	-	-	19,023	120,558

23. EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period.

24. PERFORMANCE REVIEW

The local market remained competitive, however, export market has potential to grow further, in particular the ASEAN region, China and India.

The revenue had increased by 6%, but the gross profit and profit before tax had reduced by 32% and 24% respectively, as compared to the same corresponding period of last year.

The increased revenue was partly due to the incorporation of the sales from the newly acquired subsidiary, WHV, and also from the local market.

The decrease in gross profit and profit before tax were mainly due to the higher production cost, in particularly the price hike for energy cost on natural gas and electricity.

25. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The profit before tax of RM 16.4 million for the current quarter is 20% lower than the immediate preceding quarter mainly due to the written-off of obsolete inventory of RM 2 million as per the above Note 13, coupled with the higher operating cost.

26. COMMENTARY ON PROSPECTS

As the Group's business is linked with the construction and renovation industries, its markets coverage is fairly distributed into property development and replacement sectors for both local and exports markets. Besides the growing ASEAN market, China and India have emerged as up and coming markets, resulting from the implementation of Asean Free Trade Agreements "(AFTA)" plus China and India.

Business operations are still challenging in terms of higher production and operating costs. We have implemented some strategies such as manufacturing efficiency improvement, cost-saving measures and market restructuring, so as to address such challenges.

27. PROFIT FORECAST OR PROFIT GUARANTEE

There was no profit forecast or profit guarantee announced as at the date of this quarterly report

28. CORPORATE PROPOSALS

There was no corporate proposal announced but not completed as at the date of this quarterly report.

29. CHANGES IN MATERIAL LITIGATION

There was no material litigation as at the date of this quarterly report

30. DIVIDEND PAYABLE

Please refer to Note 19 for details.

31. DISCLOSURE OF NATURE OF OUTSTANDING DERIVATIVES

There was no outstanding derivative as at the reporting period

32. DISCLOSURE OF GAINS / LOSSES ARISING FROM FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

There was no gains or losses arising from fair value changes of financial liabilities as at the reporting period.

33. 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.

	Current Quarter Ended 31 Dec 2014 RM '000	Previous Financial Year Ended 31 Dec 2013 RM '000
Total retained profits of White Horse Berhad and its subsidiaries		
- Realised	523,838	486,791
-Unrealised	(25,700)	(32,148)
	498,138	454,643
Total share of retained profits from a joint venture		
- Realised	-	(429)
-Unrealised	-	-
	-	(429)
Less: Consolidation adjustments	1,918	9,752
Total group retained profits as per financial statement	500,056	463,966

34. AUDITORS REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 December 2013 was not qualified.