

**WHITE HORSE BERHAD** (Company No: 455130-X)

**Explanatory Notes pursuant to MFRS 134 for the First quarter ended 31 March 2015.**

## **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 26 May 2015.

## **2. BASIS OF PREPARATION**

The condensed consolidated interim financial statements, for the period ended 31 March 2015, 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 2014.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2014.

## **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 MARCH 2015

	<b>Malaysia Operation RM '000</b>	<b>Vietnam Operation RM '000</b>	<b>Other Operation RM '000</b>	<b>Eliminations RM '000</b>	<b>Total RM '000</b>
<b>Segment Revenue</b>					
External sales	168,522	18,565	16,053		203,140

Inter-segment sales	10,189	4,468	981	(15,638)	-
	178,711	23,033	17,034	(15,638)	203,140
<b>Segment Results</b>					
Interest income	470	6	19		495
Depreciation & amortisation	7,621	1,853	487		9,961
Profit / (Loss) before tax	26,931	(2,529)	370	(2,233)	22,539

<b>Segment Assets</b>					
Total asset	950,955	179,415	77,425	-	1,207,795
<b>Segment Liabilities</b>					
Total liabilities	328,517	112,929	9,673	-	451,119

## SEGMENTAL INFORMATION

- By geographical area  
31 MARCH 2014

Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Eliminations RM '000	Total RM '000
----------------------------------	---------------------------------	-------------------------------	-------------------------	------------------

<b>Segment Revenue</b>					
External sales	144,824	8,320	15,984		169,128
Inter-segment sales	6,521	5,821	-	(12,342)	-
	151,345	14,141	15,984	(12,342)	169,128
<b>Segment Results</b>					
Interest income	551	6	11		568
Depreciation & amortisation	7,726	2,033	595		10,354
Profit / (Loss) before tax	21,267	(1,132)	803	(776)	20,162

<b>Segment Assets</b>					
Total asset	896,024	165,073	81,503	-	1,142,600
<b>Segment Liabilities</b>					
Total liabilities	314,785	101,828	11,277	-	427,890

## 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		03 MONTHS ENDED	
	31 Mar 2015 RM '000	31 Mar 2014 RM '000	31 Mar 2015 RM '000	31 Mar 2014 RM '000
Interest income	(495)	(568)	(495)	(568)
Interest expense	1,236	1,284	1,236	1,284
Amortisation of prepaid lease payments	770	743	770	743
Depreciation of property, plant and equipment	9,191	9,611	9,191	9,611
Loss / (Gain) on disposal of property, plant and equipment	2	(24)	2	(24)
Write down of property, plant and equipment	2	-	2	-
(Gain) / Loss on foreign currency exchange : realised	(816)	920	(816)	920
Loss / (Gain) on foreign currency exchange : unrealised	14,753	(1,487)	14,753	(1,487)

## 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		03 MONTHS ENDED	
	31 Mar 2015 RM '000	31 Mar 2014 RM '000	31 Mar 2015 RM '000	31 Mar 2014 RM '000
Current Tax:				
Malaysian Income Tax	6,046	4,408	6,046	4,408
Foreign Tax	(37)	149	(37)	149
Deferred Tax	6,009	4,557	6,009	4,557
	(540)	450	(540)	450
	5,469	5,007	5,469	5,007

## 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		03 MONTHS ENDED	
	31 Mar 2015	31 Mar 2014	31 Mar 2015	31 Mar 2014
Profit net of tax attributable to owners of the parent used in the computation of earning per share (RM'000)	17,070	15,155	17,070	15,155
Weighted average number of ordinary shares in issue ('000)	240,000	240,000	240,000	240,000
Treasury shares	10,605	10,594	10,605	10,594
Net Weighted average number of ordinary shares in issue ('000)	229,395	229,406	229,395	229,406
Basic earnings per share (sen per share)	7.44	6.61	7.44	6.61

## 11. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 31 March 2015, the Group acquired assets at a cost of RM 23,588,000 (31 March 2014 : RM 6,631,000).

## 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

There was no write-down of inventories to net realizable value for the current quarter (Year 2014: Nil).

### 14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following amounts:-

	31 Mar 2015 RM '000	31 Mar 2014 RM '000
Cash at bank and in hand	56,987	36,365
Short term deposits	56,484	73,284
Total Cash and Cash Equivalents	113,471	109,649

### 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

Subsequent to the end of the fourth quarter, the company had further purchased its own shares as treasury shares as at 19 May 2015, which were not resale or canceled.

Details of the treasury shares are as follows:-

Month	No. of shares purchased	Purchase Price		Average Price	Total Consideration
		Highest RM	Lowest RM		
Balance as at 31-03-15	10,605,100	2.5000	0.9200	1.5287	16,308,910
April 2015	10,000	2.3000	2.3000	2.3000	23,177
Balance as at 19-05-15	10,615,100	2.5000	0.9200	1.5297	16,332,087

## 17. INTEREST-BEARING LOANS AND BORROWINGS

	31 Mar 2015 RM '000	31 Mar 2014 RM '000
Secured	16,093	2,742
Unsecured	190,824	166,406
Short-term borrowings	206,917	169,148
Secured	2,997	2,925
Unsecured	-	-
Long-term borrowings	2,997	2,925
Secured	19,090	5,667
Unsecured	190,824	166,406
<b>Total borrowings</b>	<b>209,914</b>	<b>172,073</b>

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 1.60% p.a. and 1.95% floating rate United State Dollars ("USD") bank loan for USD 45 million (RM equivalent of 164 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.

No interim dividend has been declared for the current quarter ended 31 March 2015 (31 March 2014: Nil).

However, at the forthcoming Annual General Meeting on 26 May 2015, a final tax exempt dividend of 5 sen per share (Year 2013 : 5 sen) amounting to RM11.5 million, in respect of the financial year ended 31 December 2014 will be proposed for shareholders' approval. The total tax-exempt dividend for the financial year of 2014, would be amounting to 10 sen per share (Year 2013: 10 sen per share). The financial statements for the current quarter do not reflect this proposed dividend.

Upon approval by the shareholders, it will be payable on 10 July 2015 to depositors who are registered in the Record of Depositors at the close of business on 24 June 2015. It would be accounted for in shareholders' equity as an appropriation of retained profits in the current financial year ending 31 December 2014.

## 20. COMMITMENT

	31 Mar 2015 RM '000	31 Mar 2014 RM '000
<b>Capital expenditure :-</b>		
Approved and contracted for		
Property, plant and equipment	-	24,000
Approved but not contracted for		
Property, plant and equipment	25,000	27,000
<b>Total Commitment</b>	<b>25,000</b>	<b>51,000</b>

## 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 3 months period ended 31 March 2015 and 31 March 2014 as well as the balances with the related parties as at 31 March 2015 and 31 December 2014.

<b>Key Management Personnel of the Group : Directors' interest</b>		Sales to related parties RM '000	Purchases from related parties RM '000	Amounts owed by related parties RM '000	Amounts owed to related parties RM '000
White Horse Ceramic Co Ltd	2015	1,024	-	2,368	-
	2014	1,176	-	2,228	-
Teobros Ceramica Sdn Bhd	2015	10,301	52	37,929	102
	2014	7,257	58	32,622	50
White Horse Investment (S) Pte Ltd	2015	-	-	-	123,096
	2014	-	-	-	107,267

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

### **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, gross profit and profit before tax had increased by 20%, 11% and 12% respectively, as compared to the same corresponding period of last year.

The increased revenue and profits were mainly due to the higher sales in the Malaysia market, followed by the Vietnam market.

### **25. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION**

The profit before tax of RM 22.5 million for the current quarter is 8% higher than the immediate preceding quarter mainly due to the higher sales volume achieved before the implementation of the Goods and Service Tax in April 2015.

### **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 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.

	Current Quarter Ended 31 Mar 2015 RM '000	Previous Financial Year Ended 31 Dec 2014 RM '000
Total retained profits of White Horse Berhad and its subsidiaries		
- Realised	530,227	526,219
-Unrealised	(25,059)	(32,766)
	505,168	493,453
Less: Consolidation adjustments	12,164	6,809
Total group retained profits as per financial statement	517,332	500,262

### 34. AUDITORS REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 December 2014 was not qualified.