

WHITE HORSE BERHAD (Company No: 455130-X)

Explanatory Notes pursuant to MFRS 134 for the Second quarter ended 30 June 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 25 August 2015.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements, for the period ended 30 June 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
30 JUNE 2015

	Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Eliminations RM '000	Total RM '000
Segment Revenue					
External sales	314,074	41,548	32,387		388,009
Inter-segment sales	11,546	14,981	2,874	(29,401)	-
	325,620	56,529	35,261	(29,401)	388,009
Segment Results					
Interest income	952	11	36		999
Depreciation & amortisation	15,318	3,760	947		20,025
Profit / (Loss) before tax	49,378	(4,161)	1,728	(3,177)	43,768
Segment Assets					
Total asset	966,552	189,550	76,460	1,125	1,233,687
Segment Liabilities					
Total liabilities	316,031	131,763	10,907	13,708	472,409

SEGMENTAL INFORMATION

- By geographical area
30 JUNE 2014

	Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Eliminations RM '000	Total RM '000
Segment Revenue					
External sales	298,660	23,860	35,012		357,532
Inter-segment sales	12,770	14,131	-	(26,901)	-
	311,430	37,991	35,012	(26,901)	357,532
Segment Results					
Interest income	1,111	12	21		1,144
Depreciation & amortisation	18,451	4,072	1,183		23,706
Profit / (Loss) before tax	47,224	(2,806)	2,344	(6,505)	40,257
Segment Assets					
Total asset	891,086	175,723	80,562	-	1,147,371
Segment Liabilities					
Total liabilities	319,063	100,832	9,779	-	429,674

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		06 MONTHS ENDED	
	30 Jun 2015 RM '000	30 Jun 2014 RM '000	30 Jun 2015 RM '000	30 Jun 2014 RM '000
Interest income	(504)	(576)	(999)	(1,144)
Interest expense	1,437	3,958	2,673	5,243
Amortisation of prepaid lease payments	771	742	1,541	1,485
Depreciation of property, plant and equipment	9,293	12,610	18,484	22,221
(Gain) on disposal of property, plant and equipment	(322)	-	(320)	(24)
Write down of property, plant and equipment	3	-	5	-
Loss on foreign currency exchange : realised	3,926	1,275	3,110	2,195
(Gain) / Loss on foreign currency exchange : unrealised	(930)	637	13,823	(850)

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		06 MONTHS ENDED	
	30 Jun 2015 RM '000	30 Jun 2014 RM '000	30 Jun 2015 RM '000	30 Jun 2014 RM '000
Current Tax:				
Malaysian Income Tax	5,476	5,304	11,522	9,712
Foreign Tax	179	237	142	386
	5,655	5,541	11,664	10,098
Deferred Tax	(520)	539	(1,060)	989
	5,135	6,080	10,604	11,087

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		06 MONTHS ENDED	
	30 Jun 2015	30 Jun 2014	30 Jun 2015	30 Jun 2014
Profit net of tax attributable to owners of the parent used in the computation of earning per share (RM'000)	16,094	14,016	33,164	29,170
Weighted average number of ordinary shares in issue ('000)	240,000	240,000	240,000	240,000
Treasury shares	10,615	10,600	10,615	10,600
Net Weighted average number of ordinary shares in issue ('000)	229,385	229,400	229,385	229,400
Basic earnings per share (sen per share)	7.02	6.11	14.46	12.72

11. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 30 June 2015, the Group acquired assets at a cost of RM 4,564,000 (30 June 2014 : RM 6,471,000).

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:-

	30 Jun 2015 RM '000	30 Jun 2014 RM '000
Cash at bank and in hand	48,021	51,063
Short term deposits	88,434	60,584
Total Cash and Cash Equivalents	136,455	111,647

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 30 June 2015 are as follows:-

Month	No. of shares purchased	Purchase Price		Average Price	Total Consideration
		Highest	Lowest		
		RM	RM	RM	RM
Balance as at 30-06-15	10,615,100	2.5000	0.9200	1.5297	16,332,087

17. INTEREST-BEARING LOANS AND BORROWINGS

	30 Jun 2015 RM '000	30 Jun 2014 RM '000
Secured	26,433	17,238
Unsecured	175,528	156,490
Short-term borrowings	201,961	173,728

Secured	2,772	3,474
Unsecured	-	-
Long-term borrowings	2,772	3,474
Secured	29,205	20,712
Unsecured	175,528	156,490
Total borrowings	204,733	177,202

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 42 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

A final 5% tax-exempted dividend in respect of the financial year 2014, amounting to RM11.5 million was paid on 10 July 2015

No interim dividend has been declared for the current quarter ended 30 June 2015 (30 June 2014: Nil).

20. COMMITMENT

	30 Jun 2015 RM '000	30 Jun 2014 RM '000
Capital expenditure :-		
Approved and contracted for		
Property, plant and equipment	-	24,000
Approved but not contracted for		
Property, plant and equipment	25,000	38,000
Total Commitment	25,000	62,000

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 6 months period ended 30 June 2015 and 30 June 2014 as well as the balances with the related parties as at 30 June 2015 and 31 December 2014.

Key Management Personnel of the Group : Directors' interest		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	2,269	-	2,461	-
	2014	2,206	-	3,435	-
Teobros Ceramica Sdn Bhd	2015	21,203	142	35,154	197
	2014	14,884	204	28,356	388
White Horse Investment (S) Pte Ltd	2015	-	-	-	124,598
	2014	-	-	-	116,167

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 had reduced by 2%, but gross profit and profit before tax had increased by 5% and 6% respectively, as compared to the same corresponding period of last year.

The decreased revenue was mainly due to the lower sales in the Malaysia and other markets, while the Vietnam market encountered a higher sales volume. The increased in gross profit and profit before tax were due to the production efficiency and cost-saving measures.

25. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The profit before tax of RM 21.2 million for the current quarter is 6% lower than the immediate preceding quarter mainly due to the higher sales volume achieved in the first quarter, which was 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 were 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 30 June 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 30 Jun 2015 RM '000	Previous Financial Year Ended 31 Dec 2014 RM '000
Total retained profits of White Horse Berhad and its subsidiaries		
- Realised	534,098	526,219
-Unrealised	(25,579)	(32,766)
	508,519	493,453
Less: Consolidation adjustments	13,438	6,809
Total group retained profits as per financial statement	521,957	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.