

WHITE HORSE BERHAD (Company No: 455130-X)

Explanatory Notes pursuant to MFRS 134 for the Third quarter ended 30 September 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 24 November 2015.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements, for the period ended 30 September 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 SEPTEMBER 2015

	Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Eliminations RM '000	Total RM '000
Segment Revenue					
External sales	446,313	68,453	51,598		566,364
Inter-segment sales	12,833	24,023	4,763	(41,619)	-
	459,146	92,476	56,361	(41,619)	566,364
Segment Results					
Interest income	1,692	16	62		1,770
Depreciation & amortisation	23,050	5,692	1,507		30,249
Profit / (Loss) before tax	35,482	(7,271)	3,023	(5,119)	26,115
Segment Assets					
Total asset	930,606	186,800	75,707	-	1,193,113
Segment Liabilities					
Total liabilities	319,648	120,505	12,587	-	452,740

SEGMENTAL INFORMATION- By geographical area
30 SEPTEMBER 2014

	Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Eliminations RM '000	Total RM '000
Segment Revenue					
External sales	445,152	49,916	53,147		548,215
Inter-segment sales	12,770	14,131	-	(26,901)	-
	457,922	64,047	53,147	(26,901)	548,215
Segment Results					
Interest income	1,503	18	(14)		1,507
Depreciation & amortisation	22,556	6,184	1,722		30,462
Profit / (Loss) before tax	67,805	(2,523)	3,691	(7,879)	61,094
Segment Assets					
Total asset	903,242	174,478	76,380	-	1,154,100
Segment Liabilities					

Total liabilities	323,786	93,413	3,303	-	420,502
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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		09 MONTHS ENDED	
	30 Sep 2015 RM '000	30 Sep 2014 RM '000	30 Sep 2015 RM '000	30 Sep 2014 RM '000
Interest income	(771)	(363)	(1,770)	(1,507)
Interest expense	1,075	3,124	3,748	8,367
Amortisation of prepaid lease payments	771	743	2,312	2,228
Depreciation of property, plant and equipment	9,453	6,013	27,937	28,234
Loss / (Gain) on disposal of property, plant and equipment	34	6	(286)	(18)
Write down of property, plant and equipment	54	2	59	2
(Gain) / Loss on foreign currency exchange : realised	(3,150)	(652)	(40)	1,543
Loss on foreign currency exchange : unrealised	18,494	4,701	32,317	3,851

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		09 MONTHS ENDED	
	30 Sep 2015 RM '000	30 Sep 2014 RM '000	30 Sep 2015 RM '000	30 Sep 2014 RM '000
Current Tax:				
Malaysian Income Tax	2,159	2,355	13,681	12,068
Foreign Tax	179	354	321	740

	2,338	2,709	14,002	12,808
Deferred Tax	914	2,228	(146)	3,216
	3,252	4,937	13,856	16,024

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		09 MONTHS ENDED	
	30 Sep 2015	30 Sep 2014	30 Sep 2015	30 Sep 2014
Profit/(Loss) net of tax attributable to owners of the parent used in the computation of earning per share (RM'000)	(20,905)	15,900	12,259	45,070
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)	(9.11)	6.93	5.34	19.65

11. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 30 September 2015, the Group acquired assets at a cost of RM 14.4 million (30 September 2014 : RM 37.7 million).

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 Sep 2015 RM '000	30 Sep 2014 RM '000
Cash at bank and in hand	48,779	57,581
Short term deposits	81,884	46,984
Total Cash and Cash Equivalents	130,663	104,565

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 third quarter, the Company had further purchased its own shares as treasury shares as at 17 November 2015, which were not for resale or cancelled.

Details of the treasury shares are as follows :-

Month	No. of shares purchased	Purchase Price		Average Price	Total Consideration
		Highest	Lowest		
		RM	RM	RM	RM
Balance as at 30-09-15	10,615,100	2.5000	0.9200	1.5297	16,332,087

October 2015	9,700	2.2800	2.2800	2.2800	22,287
Balance c/f	10,624,800	2.5000	0.9200	1.5304	16,354,374

17. INTEREST-BEARING LOANS AND BORROWINGS

	30 Sep 2015 RM '000	30 Sep 2014 RM '000
Secured	21,265	10,218
Unsecured	203,869	182,791
Short-term borrowings	225,134	193,009
Secured	2,570	3,214
Unsecured	-	-
Long-term borrowings	2,570	3,214
Secured	23,835	13,432
Unsecured	203,869	182,791
Total borrowings	227,704	196,223

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 interest rate of 6.5% p.a.

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

- (i) Between 1.60% p.a. and 2.45% floating rate United State Dollars ("USD") bank loan for USD 52.2 million (RM equivalent of 219.2 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

The Board has approved a tax-exempted interim dividend of 5 sen per share for the current quarter (Sep Year 2014 : 5 sen).

20. COMMITMENT

	30 Sep 2015 RM '000	30 Sep 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 9 months period ended 30 September 2015 and 30 September 2014 as well as the balances with the related parties as at 30 September 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	3,469	-	2,418	-
	2014	3,014	-	2,201	-
Teobros Ceramica Sdn Bhd	2015	31,227	226	35,531	-
	2014	24,057	290	29,391	474
White Horse Investment (S) Pte Ltd	2015	-	-	32,686	119,629
	2014	-	-	32,686	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, while export market has potential to grow further, in particular the ASEAN region, China and India.

The revenue, as compared to the same corresponding period of last year, had reduced by 6% mainly due to the lower sales in the Malaysia market, while the Vietnam and other markets achieved a higher sales volume.

The gross profit had increased by 1% due to the production efficiency and cost-saving measures.

The Group records a loss before tax, which was mainly due to the unrealized foreign exchange loss resulting from the weakening of Ringgit Malaysia, Vietnamese Dong and Indonesia Rupiah against the United State Dollar denominated borrowings/payables

25. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The loss before tax of RM 17.7 million for the current quarter is contrary to the immediate preceding quarter's profit position due to the unrealized foreign exchange loss resulting from the weakening of Ringgit Malaysia, Vietnamese Dong and Indonesian Rupiah against the United State Dollar denominated borrowings/payables.

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 foreign exchange currency, 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 September 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 Sep 2015 RM '000	Previous Financial Year Ended 31 Dec 2014 RM '000
Total retained profits of White Horse Berhad and its subsidiaries		
- Realised	548,325	526,219
-Unrealised	(56,373)	(32,766)
	491,952	493,453
Less: Consolidation adjustments	9,100	6,809
Total group retained profits as per financial statement	501,052	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.