

WHITE HORSE BERHAD (Company No: 455130-X)

Explanatory Notes pursuant to MFRS 134 for the Fourth Quarter ended 31 December 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 February 2016.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements, for the period ended 31 December 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, except the following :-

DISCONTINUED OPERATION

White Horse Ceramic (Cambodia) Ltd ("WHCB"), a wholly-owned subsidiary of White Horse Ceramic Industries Sdn Bhd ("WHC"), a wholly owned subsidiary, has been deregistered on 02 December 2015 due to a change in the marketing structure.

The operation of WHCB is relatively small scale as compare to the Group, and its deregistration has no material effect on the net assets and earning per share of White Horse Berhad for the financial year ending 31 December 2015.

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 2015

	Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Eliminations RM '000	Total RM '000
Segment Revenue					
External sales	529,101	137,410	82,867		749,378
Inter-segment sales	33,577	27,016	6,561	(67,154)	-
	562,678	164,426	89,428	(67,154)	749,378
Segment Results					
Interest income	2,407	22	70		2,499
Depreciation & amortisation	31,008	6,529	3,162		40,699
Profit / (Loss) before tax	57,972	(4,992)	2,367	(5,284)	50,063
Segment Assets					
Total asset	1,151,221	150,786	59,176	-	1,361,183
Segment Liabilities					
Total liabilities	440,506	143,004	13,734	-	597,244

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	599,465	85,322	80,413		765,200
Inter-segment sales	25,875	34,699	-	(60,574)	-
	625,340	120,021	80,413	(60,574)	765,200
Segment Results					
Interest income	1,976	47	25		2,048
Depreciation & amortisation	30,015	10,119	2,114		42,248
Profit / (Loss) before tax	86,091	(5,327)	5,359	(9,764)	76,359
Segment Assets					
Total asset	956,023	161,801	78,062	677	1,196,563
Segment Liabilities					
Total liabilities	328,660	92,699	4,918	31,906	458,183

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 2015 RM '000	31 Dec 2014 RM '000	31 Dec 2015 RM '000	31 Dec 2014 RM '000
Interest income	(729)	(541)	(2,499)	(2,048)
Interest expense	16,338	1,397	20,086	9,764
Amortisation of prepaid lease payments	771	(1,133)	3,083	1,095
Depreciation of property, plant and equipment	9,679	12,919	37,616	41,153
Loss / (Gain) on disposal of property, plant and equipment	37	252	(249)	234
Write down of property, plant and equipment	40	45	99	47
Loss on foreign currency exchange : realised	785	5,484	745	7,027
(Gain / Loss on foreign currency exchange : unrealised	(598)	(6,089)	31,719	(2,238)

9. INCOME TAX EXPENSE

	CURRENT QUARTER		CUMULATIVE QUARTER	
	03 MONTHS ENDED		12 MONTHS ENDED	
	31 Dec 2015 RM '000	31 Dec 2014 RM '000	31 Dec 2015 RM '000	31 Dec 2014 RM '000
Current Tax:				
Malaysian Income Tax	5,565	10,305	19,246	22,372
Foreign Tax	460	460	781	1,200
	6,025	10,765	20,027	23,572
Deferred Tax	(6,982)	(9,665)	(7,128)	(6,448)
	(957)	1,100	12,899	17,124

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.

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 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Profit/(Loss) net of tax attributable to owners				
of the parent used in the computation of earning per share (RM'000)	24,905	14,165	37,164	59,235
Weighted average number of ordinary shares in issue ('000)	240,000	240,000	240,000	240,000
Treasury shares	10,625	10,605	10,625	10,605
Net Weighted average number of ordinary shares in issue ('000)	229,375	229,395	229,375	229,395
Basic earnings per share (sen per share)	10.86	6.17	16.20	25.82

11. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 31 December 2015, the Group acquired assets at a cost of RM 11.1 million (31 December 2014 : RM 2.4 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:-

	31 Dec 2015 RM '000	31 Dec 2014 RM '000
Cash on hand and at banks	48,342	58,608
Short term deposits with banks	95,884	65,191
Total Cash and Cash Equivalents	144,226	123,799

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 2015 are as follows:-

Month	No. of shares purchased	Purchase Price		Average Price	Total Consideration
		Highest RM	Lowest RM		
Balance as at 31-12-15	10,624,800	2.5000	0.9200	1.5304	16,354,374

17. INTEREST-BEARING LOANS AND BORROWINGS

	31 Dec 2015 RM '000	31 Dec 2014 RM '000
Secured	20,264	1,047
Unsecured	227,265	210,415
Short-term borrowings	247,529	211,462
Secured	-	2,093
Unsecured	-	-
Long-term borrowings	-	2,093
Secured	20,264	3,140
Unsecured	227,265	210,415
Total borrowings	247,529	213,555

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 1.80% p.a. and 2.65% floating rate United State Dollars ("USD") bank loan for USD 51.3 million (RM equivalent of 220.2 million).

18. PROVISIONS FOR COSTS OF RESTRUCTURING

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

19. DIVIDEND

An interim 5 sen tax-exempted dividend in respect of the current financial year of 2015, amounting to RM11.5 million was paid on 13 January 2016.

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 2015 RM '000	31 Dec 2014 RM '000
Capital expenditure :-		
Approved and contracted for Property, plant and equipment	-	-
Approved but not contracted for Property, plant and equipment	25,000	9,900
Total Commitment	25,000	9,900

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 2015 and 31 December 2014 as well as the balances with the related parties as at 31 December 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	4,162	-	2,552	-
	2014	4,190	-	2,228	-
Teobros Ceramica Sdn Bhd	2015	39,690	415	32,249	201
	2014	35,652	784	32,622	50
White Horse Investment (S) Pte Ltd	2015	-	-	32,686	119,669
	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 revenue and gross profit had reduced by 15.7% and 26.8% respectively while the profit before tax has increased by 56.9% as compared to the same corresponding period of last year.

The reduced Revenue was mainly due to the lower sales in the Malaysia market, but the Vietnam and other markets achieved a higher sales volume, while the reduction in Gross Profit was due to higher production costs

The increased in the Profit Before Tax was due to the recognition of contingent asset.

25. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The Profit Before Tax of RM 23.9 million for the current quarter is contrary to the immediate preceding quarter's loss position due to the slight improvement on the foreign exchange of Ringgit Malaysia 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 31 December 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 Dec 2015 RM '000	Previous Financial Year Ended 31 Dec 2014 RM '000
Total retained profits of White Horse Berhad and its subsidiaries		
- Realised	555,044	526,219
-Unrealised	(48,570)	(32,766)
	506,474	493,453
Less: Consolidation adjustments	8,014	6,809
Total group retained profits as per financial statement	514,488	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.