

WHITE HORSE BERHAD (Company No: 455130-X)

Explanatory Notes pursuant to MFRS 134 for the Second Quarter ended 30 June 2016.

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 August 2016.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements, for the period ended 30 June 2016, 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 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2015.

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 2016

	Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Eliminations RM '000	Total RM '000
Segment Revenue					
External sales	259,217	56,130	40,152		355,499
Inter-segment sales	16,046	5,821	3,290	(25,157)	-
	275,263	61,951	43,442	(25,157)	355,499
Segment Results					
Interest income	1,445	12	21		1,478
Depreciation & amortisation	16,086	4,407	1,106		21,599
Profit / (Loss) before tax	25,372	(1,548)	4,646	(831)	27,639

Segment Assets					
Total asset	994,472	199,091	72,416	-	1,265,979
Segment Liabilities					
Total liabilities	355,569	127,788	11,188	-	494,545

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	-	1,232,562
Segment Liabilities					
Total liabilities	316,031	131,763	10,907	-	458,701

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 2016 RM '000	30 JUN 2015 RM '000	30 JUN 2016 RM '000	30 JUN 2015 RM '000
Interest income	(873)	(504)	(1,478)	(999)
Interest expense	1,710	1,437	2,835	2,673
Amortisation of prepaid lease payments	827	771	1,638	1,541
Depreciation of property, plant and equipment	10,022	9,293	19,961	18,484
Gain on disposal of property, plant and equipment	(69)	(322)	(41)	(320)
Write down of property, plant and equipment	11	3	18	5
(Gain) / Loss on foreign currency exchange : realised	(641)	3,926	(973)	3,110
Loss / (Gain) on foreign currency exchange : unrealised	791	1,532	(10,693)	13,823

9. INCOME TAX EXPENSE

	CURRENT QUARTER		CUMULATIVE QUARTER	
	03 MONTHS ENDED		06 MONTHS ENDED	
	30 JUN 2016 RM '000	30 JUN 2015 RM '000	30 JUN 2016 RM '000	30 JUN 2015 RM '000
Current Tax:				
Malaysian Income Tax	240	5,476	7,139	11,522
Foreign Tax	451	179	174	142
	691	5,655	7,313	11,664
Deferred Tax	577	(520)	(923)	(1,060)
	1,268	5,135	6,390	10,604

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		06 MONTHS ENDED	
	30 JUN 2016	30 JUN 2015	30 JUN 2016	30 JUN 2015
Profit net of tax attributable to owners of the parent used in the computation of earning per share (RM'000)	3,978	16,094	21,249	33,164
Weighted average number of ordinary shares in issue ('000)	240,000	240,000	240,000	240,000
Treasury shares	10,632	10,615	10,632	10,615
Net Weighted average number of ordinary shares in issue ('000)	229,368	229,385	229,368	229,385
Basic earnings per share (sen per share)	1.73	7.02	9.26	14.46

11. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 30 June 2016, the Group acquired assets at a cost of RM 2.9 million (30 June 2015 : RM 4.6 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 2015: Nil).

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following amounts:-

	30 JUN 2016 RM '000	30 JUN 2015 RM '000
Cash on hand and at banks	74,502	49,021
Short term deposits with banks	88,515	88,434
Total Cash and Cash Equivalents	163,017	137,455

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 2016 are as follows:-

Month	No. of shares purchased	Purchase Price		Average Price	Total Consideration
		Highest	Lowest		
		RM	RM	RM	RM
Balance as at 30-06-16	10,631,800	2.5000	0.9200	1.5308	16,369,852

17. INTEREST-BEARING LOANS AND BORROWINGS

	30 JUN 2016 RM '000	30 JUN 2015 RM '000
Secured	14,808	26,433
Unsecured	218,392	171,755
Short-term borrowings	233,200	198,188
Secured	1,871	2,772
Unsecured	16,000	-
Long-term borrowings	17,871	2,772
Secured	16,679	29,205
Unsecured	234,392	171,755
Total borrowings	251,071	200,960

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 6.3% 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 44.6 million (equivalent of RM 183.73 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 2015, amounting to RM11.5 million was paid on 12 July 2016

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

20. COMMITMENT

	30 JUN 2016 RM '000	30 JUN 2015 RM '000
Capital expenditure :-		
Approved and contracted for		
Property, plant and equipment	19,000	-

Approved but not contracted for Property, plant and equipment	6,000	25,000
Total Commitment	25,000	25,000

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 2016 and 30 June 2015 as well as the balances with the related parties as at 30 June 2016 and 31 December 2015.

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	2016	4,204	-	4,476	-
	2015	2,269	-	3,177	-
Teobros Ceramica Sdn Bhd	2016	15,188	156	24,355	49
	2015	21,203	142	33,970	201
White Horse Investment (S) Pte Ltd	2016	-	-	48,929	123,255
	2015	-	-	48,929	129,822

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 has slight increased by 0.5%, while the gross profit and profit before tax had reduced by 33.6% and 75.3% respectively as compared to the same corresponding period of last year.

The reduced gross profit and profit before tax were mainly due to the higher production and operating costs coupled with the weakening of Ringgit Malaysia against the foreign currencies.

25. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The profit before tax of RM 5.2 million for the current quarter is 76.8% lower than the immediate preceding quarter mainly due to the higher production and operating costs coupled with the weakening of Ringgit Malaysia against the foreign currencies.

26. COMMENTARY ON PROSPECTS

The Group's business is linked with the construction and renovation industries, where its markets coverage is fairly distributed into property development and replacement sectors for both local and exports markets.

Business operations are still challenging in terms of market competitiveness, fluctuation of foreign exchange currencies, higher production and operating costs. Counter measures had been implemented in the manufacturing efficiency improvement, cost-saving and market restructuring 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 2016 and 31 December 2015 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 2016 RM '000	Previous Financial Year Ended 31 Dec 2015 RM '000
Total retained profits of White Horse Berhad and its subsidiaries		
- Realised	509,439	535,850
-Unrealised	(26,569)	(37,666)
	482,870	498,184
Less: Consolidation adjustments	38,451	13,357
Total group retained profits as per financial statement	521,321	511,541

34. AUDITORS REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 December 2015 was not qualified.