

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

**Explanatory Notes pursuant to MFRS 134 for the Third Quarter ended 30 September 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 24 November 2016.

## **2. BASIS OF PREPARATION**

The condensed consolidated interim financial statements, for the period ended 30 September 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 SEPTEMBER 2016

	Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Eliminations RM '000	Total RM '000
<b>Segment Revenue</b>					
External sales	379,028	84,440	57,624		521,092
Inter-segment sales	23,896	14,041	5,165	(43,102)	-
	402,924	98,481	62,789	(43,102)	521,092
<b>Segment Results</b>					
Interest income	2,084	18	33		2,135
Depreciation & amortisation	24,179	6,617	1,663		32,459
Profit / (Loss) before tax	26,405	(1,167)	6,271	(1,628)	29,881
<b>Segment Assets</b>					
Total asset	948,660	195,700	72,857	-	1,217,217
<b>Segment Liabilities</b>					
Total liabilities	306,826	124,737	12,831	-	444,394

**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
<b>Segment Revenue</b>					
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
<b>Segment Results</b>					
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
<b>Segment Assets</b>					
Total asset	930,606	186,800	75,707	-	1,193,113
<b>Segment Liabilities</b>					
Total liabilities	319,648	120,505	12,587	-	452,740

## 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 2016 RM '000	30 SEP 2015 RM '000	30 SEP 2016 RM '000	30 SEP 2015 RM '000
Interest income	(657)	(771)	(2,135)	(1,770)
Interest expense	1,562	1,075	4,397	3,748
Amortisation of prepaid lease payments	820	771	2,458	2,312
Depreciation of property, plant and equipment	10,040	9,453	30,001	27,937
(Gain) / Loss on disposal of property, plant and equipment	(42)	34	(83)	(286)
Write down of property, plant and equipment	13	54	31	59
(Gain) / Loss on foreign currency exchange : realised	(165)	(3,150)	(1,138)	(40)
Loss / (Gain) on foreign currency exchange : unrealised	3,150	18,494	(7,543)	32,317

## 9. INCOME TAX EXPENSE

	CURRENT QUARTER		CUMULATIVE QUARTER	
	03 MONTHS ENDED		09 MONTHS ENDED	
	30 SEP 2016 RM '000	30 SEP 2015 RM '000	30 SEP 2016 RM '000	30 SEP 2015 RM '000
Current Tax:				
Malaysian Income Tax	258	2,159	7,397	13,681
Foreign Tax	825	179	999	321
	1,083	2,338	8,396	14,002
Deferred Tax	(231)	914	(1,154)	(146)
	852	3,252	7,242	13,856

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		09 MONTHS ENDED	
	30 SEP 2016	30 SEP 2015	30 SEP 2016	30 SEP 2015
Profit net of tax attributable to owners of the parent used in the computation of earning per share (RM'000)	1,389	(20,905)	22,638	12,259
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)	0.61	(9.11)	9.87	5.34

## 11. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 30 September 2016, the Group has not acquired any asset (30 Sep 2015 : RM 14.4 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 2015: Nil).

### 14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following amounts:-

	30 SEP 2016 RM '000	30 SEP 2015 RM '000
Cash on hand and at banks	51,058	48,779
Short term deposits with banks	90,885	81,884
Total Cash and Cash Equivalents	141,943	130,663

### 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 2016, which were not for resale or cancelled.

Details of the treasury shares are as follows :-

Month	No. of shares purchased	Purchase Price		Average Price RM	Total Consideration RM
		Highest RM	Lowest RM		
Balance as at 30-09-16	10,631,800	2.5000	0.9200	1.5308	16,369,852
October 2016	11,000	2.0400	2.0000	2.0155	22,341
Balance as at 17-11-16	10,642,800	2.5000	0.9200	1.5313	16,392,193

## 17. INTEREST-BEARING LOANS AND BORROWINGS

	30 SEP 2016 RM '000	30 SEP 2015 RM '000
Secured	12,043	21,265
Unsecured	203,177	203,869
Short-term borrowings	215,220	225,134
Secured	1,559	2,570
Unsecured	15,000	-
Long-term borrowings	16,559	2,570
Secured	13,602	23,835
Unsecured	218,177	203,869
<b>Total borrowings</b>	<b>231,779</b>	<b>227,704</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 interest rate of 5.0% 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 1.87% p.a. and 2.65% floating rate United State Dollars ("USD") bank loan for USD 39.8 million (equivalent of RM 164.99 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 cent tax-exempted dividend in respect of the financial year 2015, amounting to RM11.5 million was paid on 12 July 2016

The Board has approved a tax-exempted interim dividend of 5 sen per share for the current quarter (Sep Year 2015 : 5 sen).

## 20. COMMITMENT

	30 SEP 2016 RM '000	30 SEP 2015 RM '000
<b>Capital expenditure :-</b>		
Approved and contracted for Property, plant and equipment	19,000	-
Approved but not contracted for Property, plant and equipment	6,000	25,000
<b>Total Commitment</b>	<b>25,000</b>	<b>25,000</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 9 months period ended 30 Sep 2016 and 30 Sep 2015 as well as the balances with the related parties as at 30 Sep 2016 and 31 December 2015.

<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	2016	4,815	-	3,032	-
	2015	3,469	-	2,418	-
Teobros Ceramica Sdn Bhd	2016	20,200	242	20,755	140
	2015	31,227	226	35,531	-
White Horse Investment (S) Pte Ltd	2016	-	-	48,929	123,389
	2015	-	-	32,686	119,629

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 7% and 26% respectively as compared to the same corresponding period of last year.

The reduced revenue was due to the slower market pace in the construction and renovation industries.

The gross profit was lower due to the higher natural gas price and also the production costs, in particularly the raw material and spare parts costs impacted from the weakening of Ringgit Malaysia against the foreign currencies.

The profit before tax achieved RM 2.2 million for the current quarter, opposed a loss before tax of RM 17.7 million for last year mainly due to the lesser impact from the weakening of Ringgit Malaysia against the foreign currencies.

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

The profit before tax of RM 2.2 million for the current quarter is 57% lower than the immediate preceding quarter mainly due to the lower sales volume coupled with the higher natural gas price and also the production costs for raw material and spare parts impacted from 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 to enhance the manufacturing efficiency, 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 September 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 Sep 2016 RM '000	Previous Financial Year Ended 31 Dec 2015 RM '000
Total retained profits of White Horse Berhad and its subsidiaries		
- Realised	505,336	535,850
-Unrealised	(20,142)	(37,666)
	485,194	498,184
Less: Consolidation adjustments	37,516	13,357
Total group retained profits as per financial statement	522,710	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.