

WHITE HORSE BERHAD (Company No: 455130-X)

Explanatory Notes pursuant to MFRS 134 for the Second Quarter ended 30 June 2017.

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 August 2017.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements, for the period ended 30 June 2017, 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 2016.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2016.

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

Segmental financial information for the current quarter has been prepared based on the geographical location as follows:

SEGMENTAL INFORMATION

- By geographical area
30 JUNE 2017

Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Eliminations RM '000	Total RM '000
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Segment Revenue				
External sales	222,739	51,195	28,014	301,948
Inter-segment sales	11,587	6,651	1,010	(19,248)
	234,326	57,846	29,024	(19,248)
				301,948
Segment Results				
Interest income	1,293	5	27	1,325
Depreciation & amortisation	16,182	4,595	1,160	21,937
Profit / (Loss) before tax	21,718	(510)	(333)	(1,112)
				19,763

Segment Assets				
Total asset	908,534	215,690	58,374	-
Segment Liabilities				
Total liabilities	308,061	98,608	4,339	-
				411,008

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
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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	-
Segment Liabilities				
Total liabilities	355,569	127,788	11,188	-
				494,545

7. SEASONALITY OF OPERATIONS

The Group's business operation is related to the construction and renovation industries. Due to the festive season in the first quarter, the business has performed at a slower pace and it is expected that the business in the forthcoming quarters would be performed better.

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 2017 RM '000	30 JUN 2016 RM '000	30 JUN 2017 RM '000	30 JUN 2016 RM '000
Interest income	(725)	(873)	(1,325)	(1,478)
Interest expense	1,822	1,710	3,389	2,835
Amortisation of prepaid lease payments	842	827	1,681	1,638
Depreciation of property, plant and equipment	10,114	10,022	20,256	19,961
(Gain) / Loss on disposal of property, plant and equipment	26	(69)	(157)	(41)
Write down of property, plant and equipment	26	11	232	18
(Written-back) / Written down of inventories	-	-	-	-
Gain on foreign currency exchange : realised	(163)	(641)	(937)	(973)
Gain on foreign currency exchange : unrealised	(6,831)	791	(9,949)	(10,693)

9. INCOME TAX EXPENSE

	CURRENT QUARTER		CUMULATIVE QUARTER	
	03 MONTHS ENDED		06 MONTHS ENDED	
	30 JUN 2017 RM '000	30 JUN 2016 RM '000	30 JUN 2017 RM '000	30 JUN 2016 RM '000
Current Tax:				
Malaysian Income Tax	3,657	240	5,562	7,139
Foreign Tax	172	451	198	174
	3,829	691	5,760	7,313
Deferred Tax	(500)	577	(1,250)	(923)
	3,329	1,268	4,510	6,390

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 earnings per share :-

	CURRENT QUARTER		CUMULATIVE QUARTER	
	03 MONTHS ENDED		06 MONTHS ENDED	
	30 JUN 2017	30 JUN 2016	30 JUN 2017	30 JUN 2016
Profit net of tax attributable to owners of the parent used in the computation of earning per share (RM'000)	11,013	3,978	15,253	21,249
Weighted average number of ordinary shares in issue ('000)	240,000	240,000	240,000	240,000
Treasury shares	10,998	10,632	10,998	10,632
Net Weighted average number of ordinary shares in issue ('000)	229,002	229,368	229,002	229,368
Basic earnings per share (sen per share)	4.81	1.73	6.66	9.26

11. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 30 June 2017, the Group acquired assets of RM 10.8 million (30 June 2016 : RM 2.9 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. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following amounts:-

	30 JUN 2017 RM '000	30 JUN 2016 RM '000
Cash on hand and at banks	17,034	74,502
Short term deposits with banks	107,502	88,515
Total Cash and Cash Equivalents	124,536	163,017

14. 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.

15. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

Subsequent to the end of the second quarter, the Company had further purchased its own shares as treasury shares as at 17 August 2017, 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 30-06-17	10,998,400	2.5000	0.9200	1.5464	17,107,951
1 ~ 15 Aug 2017	10,000	1.9700	1.9700	1.9700	19,852
Balance as at 17-08-17	11,008,400	2.5000	0.9200	1.5468	17,127,803

16. INTEREST-BEARING LOANS AND BORROWINGS

	Borrowings as at 30 June 2017										
	Long term				Short term			Total borrowings			
	SD '000	USD '000	RM '000	VND '000,000	SD '000	USD '000	RM '000	VND '000,000	SD '000	USD '000	RM '000
Secured											
Term loan						150		-	-	150	-
Revolving Credit								-	-	-	-
Trade lines								-	-	-	-
Sub-total	-	-	-	-	-	150	-	-	-	150	-
Unsecured											
Term loan			12,000			-	4,000	-	-	-	16,000
Revolving Credit						34,842		-	-	34,842	-
Trade lines	-	156		118,785		1,080	25,395	118,785	-	1,236	25,395
Hire Purchase					20				20	-	-
Sub-total	-	156	12,000	118,785	20	35,922	29,395	118,785	20	36,078	41,395
Total	-	156	12,000	118,785	20	36,072	29,395	118,785	20	36,228	41,395
Foreign exchange rate		4.2940	1.0000	0.1890	3.1184	4.2940	1.0000	0.1890	3.1184	4.2940	1.0000
RM'000 Equivalent		669	12,000	22,450	62	154,894	29,395	22,450	62	155,563	41,395
Total (RM'000)			12,669				206,802				219,471

	Borrowings as at 30 June 2016										
	Long term				Short term			Total borrowings			
	SD '000	USD '000	RM '000	VND '000,000	SD '000	USD '000	RM '000	VND '000,000	SD '000	USD '000	RM '000
Secured											
Term loan		300				150		-	-	450	-
Revolving Credit		-				3,531		-	-	3,531	-
Trade lines	26	146						-	26	146	-
Sub-total	26	446	-	-	-	3,681	-	-	26	4,127	-
Unsecured											
Term loan			16,000			-	4,000	-	-	-	20,000
Revolving Credit				2,000		40,353		2,000	-	40,353	-
Trade lines	-	-		-		4,002	35,554	-	-	4,002	35,554
Hire Purchase	-				20				20	-	-
Sub-total	-	-	16,000	2,000	20	44,355	39,554	2,000	20	44,355	55,554
Total	26	446	16,000	2,000	20	48,036	39,554	2,000	46	48,482	55,554
Foreign exchange rate	2.9816	4.0225	1.0000	0.1800	2.9816	4.0225	1.0000	0.1800	2.9816	4.0225	1.0000
RM'000 Equivalent	78	1,794	16,000	360	60	193,226	39,554	360	137	195,020	55,554
Total (RM'000)			17,872				233,199				251,071

The above secured loans and borrowings for the current quarter were mortgaged over its machinery of White Horse Ceramic Industries (Vietnam) Co. Ltd. ("WHV"). It carries an interest rate of 5.0% p.a.

While, the unsecured loans and borrowings are subject to corporate guarantee and negative pledge, and it also included borrowings denominated in United State Dollars (“USD”), which carries the interest rate of between 2.20% p.a. and 2.90% p.a.

17. PROVISIONS FOR COSTS OF RESTRUCTURING

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

18. DIVIDEND

A final 5 sen per share tax-exempted dividend in respect of the financial year 2016, amounting to RM11.5 million was paid on 12 July 2017

No interim dividend has been declared for the current quarter. (30 June 2016: Nil).

19. COMMITMENT

	30 JUN 2017 RM '000	30 JUN 2016 RM '000
Capital expenditure :-		
Approved and contracted for		
Property, plant and equipment	3,500	19,000
Approved but not contracted for		
Property, plant and equipment	-	6,000
Total Commitment	3,500	25,000

20. 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.

21. 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 2017 and 30 June 2016 as well as the balances with the related parties as at 30 June 2017 and 31 December 2016.

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	2017	2,679	-	2,655	-
	2016	4,204	-	4,476	-
Teobros Ceramica Sdn Bhd	2017	16,551	152	25,828	189
	2016	15,188	156	24,355	49
White Horse Investment (S) Pte Ltd	2017	-	-	-	79,490
	2016	-	-	48,929	123,255

All outstanding balances with these related parties are unsecured and repayable on demand.

22. EVENTS AFTER THE REPORTING PERIOD

There were no significant subsequent events after the reporting period.

23. PERFORMANCE REVIEW

	CURRENT PERIOD 2ND QUARTER		Change + / (-)		CUMULATIVE PERIOD		Change + / (-)	
	30 JUN 2017	30 JUN 2016			30 JUN 2017	30 JUN 2016		
	Unaudited RM '000	Unaudited RM '000	RM '000	%	Unaudited RM '000	Unaudited RM '000	RM '000	%
Revenue	159,338	185,769	(26,431)	-14.2%	301,948	355,499	(53,551)	-15.1%
Gross Profit	39,070	37,811	1,259	3.3%	69,810	78,903	(9,093)	-11.5%
Profit Before Tax	14,342	5,246	9,096	173.4%	19,763	27,639	(7,876)	-28.5%

The revenue for the current quarter was lower by 14.2% as compared to the same corresponding period of last year, due to the stiff market competition and also the slow pace in the construction industry.

The gross profit had improved by 3.3% due to the effect of production efficiency and production cost savings.

The higher profit before tax for the second quarter was mainly due to the higher net foreign exchange gain of RM 7 million coupled with the reduced operating cost of RM 1 million.

24. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

	Current Quarter 30 JUN 2017 Unaudited RM '000	Immediate Preceding Quarter 31 MAR 2017 Unaudited RM '000	Change + / (-)	
			RM '000	%
Revenue	159,338	142,610	16,728	11.7%
Gross Profit	39,070	30,740	8,330	27.1%
Profit Before Tax	14,342	5,421	8,921	164.6%

The revenue, gross profit and profit before tax had improved by 11.7%, 27.1% and 164.6% respectively as compared to the immediate preceding quarter mainly due to the norm in the ceramic tiles industry where every first quarter of the calendar year, the business will be performed at a slower pace and its performance will be improved in the forthcoming quarters.

25. 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.

26. PROFIT FORECAST OR PROFIT GUARANTEE

There was no profit forecast or profit guarantee announced as at the date of this quarterly report

27. CORPORATE PROPOSALS

There was no corporate proposal announced but not completed as at the date of this quarterly report.

28. CHANGES IN MATERIAL LITIGATION

There was no material litigation as at the date of this quarterly report

29. DIVIDEND PAYABLE

Please refer to Note 18 for details.

30. DISCLOSURE OF NATURE OF OUTSTANDING DERIVATIVES

There was no outstanding derivative as at the reporting period

31. 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.

32. BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained profits of the Group as at 30 June 2017 and 31 December 2016 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 2017 RM '000	Previous Financial Year Ended 31 Dec 2016 RM '000
Total retained profits of White Horse Berhad and its subsidiaries		
- Realised	515,714	521,805
-Unrealised	(13,775)	(21,517)
	501,939	500,288
Add : Consolidation adjustments	16,919	14,767
Total group retained profits as per financial statement	518,858	515,055

33. AUDITORS REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 December 2016 was not qualified.