

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

**Explanatory Notes pursuant to MFRS 134 for the 3rd Quarter ended 30 September 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 23 November 2017.

## **2. BASIS OF PREPARATION**

The condensed consolidated interim financial statements, for the period ended 30 September 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 cumulative quarters has been prepared based on the geographical location as per the table append below.

**SEGMENTAL INFORMATION**

- By geographical area  
30 September 2017

	<b>Malaysia Operation RM '000</b>	<b>Vietnam Operation RM '000</b>	<b>Other Operation RM '000</b>	<b>Eliminations RM '000</b>	<b>Total RM '000</b>
<b>Segment Revenue</b>					
External sales	339,794	91,674	42,258		473,726
Inter-segment sales	15,234	8,627	2,640	(26,501)	-
	355,028	100,301	44,898	(26,501)	473,726
<b>Segment Results</b>					
Interest income	1,913	7	36		1,956
Depreciation & amortisation	24,319	6,723	1,728		32,770
Profit / (Loss) before tax	27,220	145	40	(1,480)	25,925
<b>Segment Assets</b>					
Total assets	895,515	204,890	57,378	-	1,157,783
<b>Segment Liabilities</b>					
Total liabilities	302,402	74,787	4,075	-	381,264

**SEGMENTAL INFORMATION**

- By geographical area  
30 September 2016

	<b>Malaysia Operation RM '000</b>	<b>Vietnam Operation RM '000</b>	<b>Other Operation RM '000</b>	<b>Eliminations RM '000</b>	<b>Total RM '000</b>
<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

Malaysia and Vietnam operations consists manufacturing and distribution activities, while the other operations were merely distribution function in ASEAN region and China.

Malaysia operation experiencing a slow pace market condition that led to its production capacity operating at 80%. Raw material cost, manufacturing overheads and operating expenses had increased by an average of 5.8% as compared with the corresponding period of last year. The profit before tax is slight better than last year although the sales volume had reduced by 12%, mainly due to the strengthening of Ringgit Malaysia against the United State Dollar, resulting to an unrealized foreign exchange gain of RM 7.5 million.

Vietnam operation began profitable in August 2017. The market condition is on an upward trend and its production capacity is operating at 40%. Raw material cost, manufacturing overheads and operating expenses were managed within last year's range. The profit before tax achieved this year mainly due to the production improvement and also good stock ageing control, where bulk of obsolete finished goods had been disposed last year.

Other operation had recorded lower sales and profit due to the weak market condition and also stiff competition. Cost saving measures had been taken place to mitigate the reduced sales volume so as to minimize its losses.

## 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		09 MONTHS ENDED	
	30 SEP 2017 RM '000	30 SEP 2016 RM '000	30 SEP 2017 RM '000	30 SEP 2016 RM '000
Interest income	(631)	(657)	(1,956)	(2,135)
Interest expense	1,786	1,562	5,175	4,397
Amortisation of prepaid lease payments	814	820	2,495	2,458
Depreciation of property, plant and equipment	10,019	10,040	30,275	30,001
Loss / (Gain) on disposal of property, plant and equipment	75	(42)	(82)	(83)
Write down of property, plant and equipment	58	13	290	31
Loss / (Gain) on foreign currency exchange : realised	71	(165)	(866)	(1,138)
Gain on foreign currency exchange : unrealised	(3,108)	3,150	(13,057)	(7,543)

## 9. INCOME TAX EXPENSE

	CURRENT QUARTER		CUMULATIVE QUARTER	
	03 MONTHS ENDED		09 MONTHS ENDED	
	30 SEP 2017 RM '000	30 SEP 2016 RM '000	30 SEP 2017 RM '000	30 SEP 2016 RM '000
Current Tax:				
Malaysian Income Tax	1,625	258	7,187	7,397
Foreign Tax	189	825	387	999
	1,814	1,083	7,574	8,396
Deferred Tax	(750)	(231)	(2,000)	(1,154)
	1,064	852	5,574	7,242

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		09 MONTHS ENDED	
	30 SEP 2017	30 SEP 2016	30 SEP 2017	30 SEP 2016
Profit net of tax attributable to owners of the parent used in the computation of earning per share (RM'000)	5,098	1,390	20,351	22,638
Weighted average number of ordinary shares in issue ('000)	240,000	240,000	240,000	240,000
Treasury shares	11,084	10,632	11,084	10,632
Net Weighted average number of ordinary shares in issue ('000)	228,916	229,368	228,916	229,368
Basic earnings per share (sen per share)	2.23	0.61	8.89	9.87

## 11. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 30 September 2017, the Group acquired assets of RM 2.0 million (30 September 2016 : Nil).

## 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 SEP 2017 RM '000	30 SEP 2016 RM '000
Cash on hand and at banks	15,679	51,058
Short term deposits with banks	90,188	90,885
Total Cash and Cash Equivalents	105,867	141,943

## 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 AND TREASURY SHARES

Subsequent to the end of the second quarter, the Company had further purchased its own shares as treasury shares as at 16 November 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 30-09-17	11,083,900	2.5000	0.9200	1.5497	17,277,486
October 2017	10,000	1.9700	1.9700	1.9700	19,852
Balance as at 16-11-17	11,093,900	2.5000	0.9200	1.5500	17,297,338

## 16. INTEREST-BEARING LOANS AND BORROWINGS

Borrowings as at 30 September 2017										
	Long term			Short term			Total borrowings			
	USD '000	RM '000	VND '000,000	SD '000	USD '000	RM '000	VND '000,000	SD '000	USD '000	RM '000
<b>Secured</b>										
Term loan	79				75		-	-	154	-
<b>Unsecured</b>										
Term loan		11,000			-	4,000	-	-	-	15,000
Revolving Credit					33,100		-	-	33,100	-
Trade lines	-		30,069		2,833	35,323	30,069	-	2,833	35,323
Hire Purchase				13				13	-	-
Sub-total	-	11,000	30,069	13	35,933	39,323	30,069	13	35,933	50,323
Total	79	11,000	30,069	13	36,008	39,323	30,069	13	36,087	50,323
Foreign exchange rate	4.2275	1.0000	0.1855	3.1125	4.2275	1.0000	0.1855	3.1125	4.2275	1.0000
RM'000 Equivalent	334	11,000	5,576	41	152,224	39,323	5,576	41	152,558	50,323
Total (RM'000)		11,334				197,165				208,499

Borrowings as at 30 September 2016										
	Long term			Short term			Total borrowings			
	USD '000	RM '000	VND '000,000	SD '000	USD '000	RM '000	VND '000,000	SD '000	USD '000	RM '000
<b>Secured</b>										
Term loan	376				2,905		-	-	3,281	-
<b>Unsecured</b>										
Term loan		15,000			-	4,000	-	-	-	19,000
Revolving Credit			7,042		39,342		7,042	-	39,342	-
Trade lines	-		-		3,022	22,168	-	-	3,022	22,168
Hire Purchase				40				40	-	-
Sub-total	-	15,000	7,042	40	42,364	26,168	7,042	40	42,364	41,168
Total	376	15,000	7,042	40	45,269	26,168	7,042	40	45,645	41,168
Foreign exchange rate	4.1455	1.0000	0.1800	3.0359	4.1455	1.0000	0.1800	3.0359	4.1455	1.0000
RM'000 Equivalent	1,559	15,000	1,268	121	187,663	26,168	1,268	121	189,222	41,168
Total (RM'000)		16,559				215,220				231,779

.The above secured borrowings of USD 75,000 for the current quarter were mortgaged over its machinery of White Horse Ceramic Industries (Vietnam) Co. Ltd. (“WHV”).

The unsecured borrowings are subject to corporate guarantee and negative pledge

All borrowings are based on the floating interest rate and its weighted average interest rate is about 4.0%

There was a borrowings reduction of RM 23.28 million in the current year to-date as compare to the same corresponding period in the immediate preceding year. It was a repayment of debt, which fell due for settlement, henceforth, no interest savings incurred as it was not a prepayment of debt.

There are two local currency borrowings denominated in Ringgit Malaysia and Vietnamese Dong for Malaysia operation and Vietnam operation respectively.

No hedging was made for the borrowings denominated in foreign currency of :-

- (1) United State Dollar, as source of repayment of which is from the export proceeds denominated in the same currency, and
- (2) Singapore Dollar, as it 's monthly amount is negligible and would be fully settled by 30 April 2018.

## 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

The Board has approved a tax-exempted interim dividend of 5 sen per share for the current quarter. (September 2016: 5 sen per share).

## 19. COMMITMENT

	30 SEP 2017 RM '000	30 SEP 2016 RM '000
<b>Capital expenditure :-</b>		
Approved and contracted for		
Property, plant and equipment	2,800	19,000
Approved but not contracted for		
Property, plant and equipment	-	6,000
<b>Total Commitment</b>	<b>2,800</b>	<b>25,000</b>

## 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 9 months period ended 30 September 2017 and 30 September 2016 as well as the balances with the related parties as at 30 September 2017 and 31 December 2016.

Key Management Personnel of the Group : Directors' interest		Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
		RM '000	RM '000	RM '000	RM '000
White Horse Ceramic Co Ltd	2017	6,077	-	5,424	-
	2016	4,815	-	3,032	-
Teobros Ceramica Sdn Bhd	2017	25,649	162	26,449	56
	2016	20,200	242	20,755	140
White Horse Investment (S) Pte Ltd	2017	-	-	-	66,371
	2016	-	-	48,929	123,389

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		Change + / (-)		CUMULATIVE		Change + / (-)	
	3RD QUARTER				30 SEP	30 SEP		
	30 SEP	30 SEP	2017	2016	Unaudited	Unaudited	RM '000	%
	Unaudited	Unaudited	Unaudited	Unaudited				
RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	
Revenue	171,778	165,593	6,185	3.7%	473,726	521,092	(47,366)	-9.1%
Gross Profit	35,165	37,680	(2,515)	-6.7%	104,975	116,583	(11,608)	-10.0%
Profit Before Tax	6,162	2,242	3,920	174.8%	25,925	29,881	(3,956)	-13.2%

The revenue for the current quarter was higher by 3.7% as compared to the same corresponding period of last year, due to the improved sales from the export market.

The gross profit had lowered by 6.7% due to the increased in the production costs.

The higher profit before tax for the third quarter was mainly due to the higher net foreign exchange gain of RM 6 million.



## 24. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

	Current Quarter 30 Sep 2017 Unaudited RM '000	Immediate Preceding Quarter 30 Jun 2017 Unaudited RM '000	Change + / (-)	
			RM '000	%
Revenue	171,778	159,338	12,440	7.8%
Gross Profit	35,165	39,070	(3,905)	-10.0%
Profit Before Tax	6,162	14,342	(8,180)	-57.0%

The revenue had improved by 7.8% due to the increased in export sales, while the gross profit and profit before tax had reduced by 10.0% and 57.0% respectively as compared to the immediate preceding quarter mainly due to the increased in production costs and also lower net foreign exchange gain for the current quarter.

## 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, pricing strategy, marketing structure, fluctuation in foreign currencies, high production and operating costs, which have a great impact to the bottom-line of the Group.

Counter measures would be taken from time to time to enhance the manufacturing efficiency and productivity, new products development, cost-control 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 September 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 Sep 2017 RM '000	Previous Financial Year Ended 31 Dec 2016 RM '000
Total retained profits of White Horse Berhad and its subsidiaries		
- Realised	519,943	521,805
-Unrealised	(13,025)	(21,517)
	506,918	500,288
Add : Consolidation adjustments	17,038	14,767
Total group retained profits as per financial statement	523,956	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.