

WHITE HORSE BERHAD (Company No: 455130-X)

Explanatory Notes pursuant to MFRS 134 for the 4th Quarter ended 31 December 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 27 February 2018.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements, for the period ended 31 December 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

31 December 2017

	Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Eliminations RM '000	Total RM '000
Segment Revenue					
External sales	458,128	125,525	59,174		642,827
Inter-segment sales	21,430	11,365	4,136	(36,931)	-
	479,558	136,890	63,310	(36,931)	642,827
Segment Results					
Interest income	2,306	10	42		2,358
Depreciation & amortisation	29,879	8,720	2,156		40,755
Profit / (Loss) before tax	14,218	(5,419)	952	(2,954)	6,797
Segment Assets					
Total assets	844,044	197,745	58,318	677	1,100,784
Segment Liabilities					
Total liabilities	283,926	62,298	8,868	-	355,092

SEGMENTAL INFORMATION

- By geographical area

31 December 2016

	Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Eliminations RM '000	Total RM '000
Segment Revenue					
External sales	480,295	129,265	85,598		695,158
Inter-segment sales	27,811	15,480	-	(43,291)	-
	508,106	144,745	85,598	(43,291)	695,158
Segment Results					
Interest income	2,900	51	21		2,972
Depreciation & amortisation	34,789	11,694	2,364		48,847
Profit / (Loss) before tax	40,416	(237)	4,313	(6,897)	37,595
Segment Assets					
Total asset	930,718	201,748	75,508	677	1,208,651
Segment Liabilities					
Total liabilities	307,196	120,183	236	12,739	440,354

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. Raw material cost, manufacturing overheads and operating expenses had increased by an average of 5.5% as compared with the corresponding period of last year. The sales and profit before tax had reduced by 5.6% and 64.8% respectively mainly due to the stiff market competition and also the slow pace in the construction industry.

Vietnam operation is facing stiff market condition. The loss before tax is higher than last year mainly due to the bulk sales of slow-moving finished goods at lower pricing.

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		12 MONTHS ENDED	
	31 DEC 2017 RM '000	31 DEC 2016 RM '000	31 DEC 2017 RM '000	31 DEC 2016 RM '000
Interest income	(402)	(837)	(2,358)	(2,972)
Interest expense	1,630	2,563	6,805	6,960
Amortisation of prepaid lease payments	831	461	3,326	2,919
Depreciation of property, plant and equipment	7,154	15,927	37,429	45,928
Loss / (Gain) on disposal of property, plant and equipment	49	(398)	(33)	(481)
Inventories write-back		(11,074)	-	(11,074)
Write down of property, plant and equipment	40	52	330	83

9. INCOME TAX EXPENSE

	CURRENT QUARTER		CUMULATIVE QUARTER	
	03 MONTHS ENDED		12 MONTHS ENDED	
	31 DEC 2017 RM '000	31 DEC 2016 RM '000	31 DEC 2017 RM '000	31 DEC 2016 RM '000
Current Tax:				
Malaysian Income Tax	(1,583)	2,935	5,604	10,332
Foreign Tax	(31)	404	356	1,403
	(1,614)	3,339	5,960	11,735
Deferred Tax	(2,571)	569	(4,571)	(585)
	(4,185)	3,908	1,389	11,150

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		12 MONTHS ENDED	
	31 DEC 2017	31 DEC 2016	31 DEC 2017	31 DEC 2016
Profit net of tax attributable to owners of the parent used in the computation of earning per share (RM'000)	(14,942)	3,807	5,409	26,445
Weighted average number of ordinary shares in issue ('000)	240,000	240,000	240,000	240,000
Treasury shares	11,094	10,745	11,094	10,745
Net Weighted average number of ordinary shares in issue ('000)	228,906	229,255	228,906	229,255
Basic earnings per share (sen per share)	(6.53)	1.66	2.36	11.54

11. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 31 December 2017, the Group acquired assets of RM 5.1 million (31 December 2016 : RM 7.8 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:-

	31 DEC 2017 RM '000	31 DEC 2016 RM '000
Cash on hand and at banks	79,505	148,973
Short term deposits with banks	1,084	1,085
Total Cash and Cash Equivalents	80,589	150,058

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

There is no movement of share capital and treasury shares for the current quarter.

Details of the treasury shares as at 31 December 2017 are as follows

Month	No. of shares purchased	Purchase Price		Average Price	Total Consideration
		Highest	Lowest		
		RM	RM	RM	RM
Balance as at 31-12-17	11,093,900	2.5000	0.9200	1.5500	17,297,338

16. INTEREST-BEARING LOANS AND BORROWINGS

	Borrowings as at 31 December 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
Secured										
Term loan	-				-		-	-	-	-
Unsecured										
Term loan		10,000			-	4,000	-	-	-	14,000
Revolving Credit					31,100		-	-	31,100	-
Trade lines	-		22,260		2,208	35,719	22,260	-	2,208	35,719
Hire Purchase				7				7	-	-
Sub-total	-	10,000	22,260	7	33,308	39,719	22,260	7	33,308	49,719
Total	-	10,000	22,260	7	33,308	39,719	22,260	7	33,308	49,719
Foreign exchange rate	4.0620	1.0000	0.1855	3.0392	4.0620	1.0000	0.1855	3.0392	4.0620	1.0000
RM'000 Equivalent	-	10,000	4,128	20	135,297	39,719	4,128	20	135,297	49,719
Total (RM'000)		10,000				179,164				189,164

	Borrowings as at 31 December 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
Secured										
Term loan					300		-	-	300	-
Unsecured										
Term loan		14,006			-	4,000	-	-	-	18,006
Revolving Credit			41,224		36,842		41,224	-	36,842	-
Trade lines	-		-		5,643	25,857	-	-	5,643	25,857
Hire Purchase				33				33	-	-
Sub-total	-	14,006	41,224	33	42,485	29,857	41,224	33	42,485	43,863
Total	-	14,006	41,224	33	42,785	29,857	41,224	33	42,785	43,863
Foreign exchange rate	4.4860	1.0000	0.1970	3.1016	4.4860	1.0000	0.1970	3.1016	4.4860	1.0000
RM'000 Equivalent	-	14,006	8,121	103	191,935	29,857	8,121	103	191,936	43,863
Total (RM'000)		14,006				230,016				244,023

The secured borrowings had been fully settled in year 2017.

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 4.5%

There was a borrowings reduction of RM 54.9 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

An interim 5 sen per share tax-exempted dividend in respect of the current financial year of 2017, amounting to RM11.4 million was paid on 10 January 2018.

The Board has recommended a final tax-exempt dividend of 2 sen per share that make-up the total tax-exempt dividend for the financial year to 7 sen per share which is 3 sen lower than last year, and it is subjected to the shareholders' approval at the forthcoming Annual General Meeting.

19. COMMITMENT

	31 DEC 2017 RM '000	31 DEC 2016 RM '000
Capital expenditure :-		
Approved and contracted for		
Property, plant and equipment	2,000	11,500
Approved but not contracted for		
Property, plant and equipment	-	-
Total Commitment	2,000	11,500

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 12 months period ended 31 December 2017 and 31 December 2016 as well as the balances with the related parties as at 31 December 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	7,386	-	4,443	-
	2016	5,982	-	2,615	-
Teobros Ceramica Sdn Bhd	2017	34,910	245	28,316	88
	2016	29,911	279	24,840	28
White Horse Investment (S) Pte Ltd	2017	-	-	-	63,773
	2016	-	-	-	74,748

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 4TH QUARTER		Change + / (-)		CUMULATIVE PERIOD		Change + / (-)	
	31 DEC 2017 Unaudited RM '000	31 DEC 2016 Audited RM '000			31 DEC 2017 Unaudited RM '000	31 DEC 2016 Audited RM '000		
			RM '000	%	RM '000	RM '000	RM '000	%
Revenue	169,101	174,066	(4,965)	-2.9%	642,827	695,158	(52,331)	-7.5%
Gross Profit	12,157	59,520	(47,363)	-79.6%	117,132	176,103	(58,971)	-33.5%
(Loss) /Profit Before Tax	(19,128)	7,714	(26,841)	-348.0%	6,797	37,595	(30,797)	-81.9%

The revenue for the current quarter was lower by 2.9% 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 decreased by 79.6% mainly due to the written down / provision of slow-moving stock for the year-end. Henceforth, it incurred a loss before tax for the current quarter.

24. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

	Current Quarter 31 Dec 2017 Unaudited RM '000	Immediate Preceding Quarter 30 Sep 2017 Unaudited RM '000	Change + / (-)	
			RM '000	%
Revenue	169,101	171,778	(2,677)	-1.6%
Gross Profit	12,157	35,165	(23,008)	-65.4%
(Loss) / Profit Before Tax	(19,128)	6,162	(25,289)	-410.4%

The revenue was reduced by a moderate of 1.6%. The gross profit had reduced by 65.4% and incurred a loss before tax of RM 19.1 million as compared to the immediate preceding quarter, mainly due to the written down / provision of slow-moving stock for the year-end .

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. AUDITORS REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

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