

Explanatory Notes pursuant to MFRS 134 for the 2nd Quarter ended 30 June 2018.

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 21 August 2018.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements, for the period ended 30 June 2018, 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 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2017 except the followings:-

MFRS 9 Financial Instruments

The Group adopted MFRS 9, Financial Instruments on 1 January 2018, MFRS 9 replaces the guidance in MFRS 139 Financial Instruments Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment of financial assets and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

The three principal classifications categories for financial assets are measured at amortized cost fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

There was no material impact on the accounting for the Group's financial assets upon initial application of the new classification requirements.

MFRS9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss (ECL) model Under MFRS 9, loss allowances will be measured on either 12 month ECLs or Lifetime ECLs. As allowed by the transitional provision of MFRS 9, the Group elected not to restate the comparatives.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 supersedes MFRS 111 Construction Contracts. MFRS 118 Revenue and related interpretations and it applied to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group elected to adopt the modified retrospective method.

Henceforth, the Group's revenue and cost of goods sold are shown below:-

(1) Revenue

	CURRENT PERIOD		CUMULATIVE QUARTER	
	2nd QUARTER		06 MONTHS ENDED	
	30 JUN 2018	30 JUN 2017	30 JUN 2018	30 JUN 2017
Timing of Revenue Recognition	Unaudited	Unaudited	Unaudited	Unaudited
	RM '000	RM '000	RM '000	RM '000
Goods transferred at a point in time	139,252	159,337	278,592	301,947
Services transferred over time	6,162	-	12,598	-
Total revenue from contracts with customers	145,414	159,337	291,190	301,947

(2) Cost of Goods Sold

	CURRENT PERIOD		CUMULATIVE QUARTER	
	2nd QUARTER		06 MONTHS ENDED	
	30 JUN 2018	30 JUN 2017	30 JUN 2018	30 JUN 2017
Cost of goods sold	Unaudited	Unaudited	Unaudited	Unaudited
	RM '000	RM '000	RM '000	RM '000
Cost of goods sold	110,681	120,268	229,231	232,138
Carriage outward	6,162	-	12,598	-
Effect of MFRS 15	116,843	120,268	241,829	232,138

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 JUNE 2018	Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Eliminations RM '000	Total RM '000
Segment Revenue					
External sales	210,488	46,723	33,979		291,190
Inter-segment sales	11,285	5,204	1,816	(18,305)	-
Total revenue	221,773	51,927	35,795	(18,305)	291,190
Segment Results					
Interest income	223	42	13		278
Depreciation & amortisation	11,915	2,878	1,290		16,083
Profit / (Loss) before tax	6,269	(5,962)	1,287	(961)	633
Segment Assets					
Total assets	811,257	180,219	59,556	-	1,051,032
Segment Liabilities					
Total liabilities	249,393	53,968	6,729	-	310,090

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
Segment Revenue					
External sales	222,738	51,195	28,014		301,947
Inter-segment sales	11,587	6,651	1,010	(19,248)	-
Total revenue	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 assets	908,534	215,690	58,374	-	1,182,598
Segment Liabilities					
Total liabilities	308,061	98,608	4,339	-	411,008

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

In Malaysia operation, the profit before tax had reduced mainly due to lower foreign exchange gain for the current year, other than the slow pace in the construction industry coupled with the festive season in June 2018 where heavy vehicles were not allowed on the road.

Vietnam operation is facing stiff market condition. The loss before tax is higher than last year mainly due to the lower sales volume coupled with the rationalization of the stock.

The overall performance of the Group was mitigated by the Other operation, which had recorded higher sales and profit before tax.

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 03 MONTHS ENDED		CUMULATIVE QUARTER 06 MONTHS ENDED	
	30 JUN 2018	30 JUN 2017	30 JUN 2018	30 JUN 2017
	RM '000	RM '000	RM '000	RM '000
Interest income	(202)	(725)	(278)	(1,325)
Interest expense	1,581	1,822	3,063	3,389
Amortisation of prepaid lease payments	820	842	1,527	1,681
Depreciation of property, plant and equipment	7,415	10,114	14,556	20,256
Loss / (Gain) on disposal of property, plant and equipment	25	26	20	(157)
Write down of property, plant and equipment	24	26	38	232
Net realised foreign exchange loss (gain)	432	(163)	670	(937)
Net unrealised foreign exchange loss (gain)	7,203	(6,830)	(1,056)	(9,949)

9. INCOME TAX EXPENSE

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.

	CURRENT QUARTER 03 MONTHS ENDED		CUMULATIVE QUARTER 06 MONTHS ENDED	
	30 JUN 2018	30 JUN 2017	30 JUN 2018	30 JUN 2017
	RM '000	RM '000	RM '000	RM '000
Current Tax:				
Malaysian Income Tax	374	3,657	2,187	5,562
Foreign Tax	21	172	111	198
	395	3,829	2,298	5,760
Deferred Tax	(900)	(500)	(1,800)	(1,250)
Total Tax	(505)	3,329	498	4,510

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 2018	30 JUN 2017	30 JUN 2018	30 JUN 2017
Profit net of tax attributable to owners of the parent used in the computation of earning per share (RM'000)	(3,678)	11,013	135	15,253
Weighted average number of ordinary shares in issue ('000)	240,000	240,000	240,000	240,000
Treasury shares	11,120	10,998	11,120	10,998
Net Weighted average number of ordinary shares in issue ('000)	228,880	229,002	228,880	229,002
Basic earnings per share (sen per share)	(1.61)	4.81	0.06	6.66

11. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 30 June 2018, the Group acquired assets of RM 1.9 million (30 June 2017 : RM 10.8 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:-

	30 JUN 2018	30 JUN 2017
	RM '000	RM '000
Cash on hand and at banks	46,910	17,034
Short term deposits with banks	15,098	107,502
Total Cash and Cash Equivalents	62,008	124,536

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 first quarter, the Company had further purchased its own shares as treasury shares as at 14 August 2018, 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 30-06-18	11,120,200	2.5000	0.9200	1.5508	17,346,881
July & Aug 2018	195,800	1.8200	1.7500	1.7864	351,622
Balance as at 14-08-18	11,316,000	2.5000	0.9200	1.5549	17,698,503

16. INTEREST-BEARING LOANS AND BORROWINGS

	Borrowings as at 30 June 2018											
	Long term				Short term			Total borrowings				
	USD '000	RM '000	VND '000,000	SD '000	USD '000	EURO 000	RM '000	VND '000,000	SD '000	USD '000	EURO 000	RM '000
Secured												
Term loan	-				-	-		-	-	-	-	-
Unsecured												
Term loan		8,000			-	-	4,000	-	-	-	-	12,000
Revolving Credit					29,600	-	10,000	-	-	29,600	-	10,000
Trade lines	-		-		1,209	491	23,340	-	-	1,209	491	23,340
Hire Purchase				-				-	-	-	-	-
Sub-total	-	8,000	-	-	30,809	491	37,340	-	-	30,809	491	45,340
Total	-	8,000	-	-	30,809	491	37,340	-	-	30,809	491	45,340
Foreign exchange rate		1.0000	-	-	4.0385	4.6990	1.0000	-	-	4.0385	4.6990	1.0000
RM'000 Equivalent	-	8,000	-	-	124,423	2,309	37,340	-	-	124,423	2,309	45,340
Total (RM'000)		8,000					164,072					172,072

	Borrowings as at 30 June 2017											
	Long term				Short term			Total borrowings				
	USD '000	RM '000	VND '000,000	SD '000	USD '000	EURO 000	RM '000	VND '000,000	SD '000	USD '000	EURO 000	RM '000
Secured												
Term loan	-				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

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% per annum.

There was a borrowings reduction of RM 47.4 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 the Malaysia operation and Vietnam operation respectively.

No hedging was made for the borrowings denominated in United State Dollar, as source of repayment of which is from the export proceeds denominated in the same currency.

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 2 sen per share tax-exempted dividend in respect of the financial year 2017, amounting to RM4.6 million was paid on 10 July 2018

No interim dividend has been declared for the current quarter. (30 June 2017: Nil).

19. COMMITMENT

Capital expenditure :-	30 JUN 2018	30 JUN 2017
	RM '000	RM '000
Approved and contracted for		
Property, plant and equipment	1,600	3,500
Approved but not contracted for		
Property, plant and equipment	-	-
Total Commitment	1,600	3,500

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 6 months period ended 30 June 2018 and 30 June 2017 as well as the balances with the related parties as at 30 June 2018 and 31 December 2017.

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	2018	3,998	278	4,482	278
	2017	2,679	-	2,655	-
Teobros Ceramica Sdn Bhd	2018	14,467	60	23,711	17
	2017	16,551	152	25,828	189
White Horse Investment (S) Pte Ltd	2018	-	-	-	63,404
	2017	-	-	-	79,490

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 2018 Unaudited	30 JUN 2017 Unaudited			30 JUN 2018 Unaudited	30 JUN 2017 Unaudited		
	RM '000	RM '000	RM '000	%	RM '000	RM '000	RM '000	%
Revenue	145,414	159,337	(13,923)	-8.7%	291,190	301,947	(10,757)	-3.6%
Gross Profit	28,571	39,069	(10,498)	-26.9%	49,361	69,809	(20,448)	29.3%
Profit / (Loss) Before Tax	(4,183)	14,342	(18,525)	129.2%	633	19,763	(19,130)	96.8%

The revenue for the current quarter was lower by 8.7% as compared to the same corresponding period of last year, due to the slow pace in the construction industry.

The loss before tax for the current quarter was mainly due to the foreign exchange loss as opposed to the foreign exchange gain in the corresponding quarter of last year.

24. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

	Current Quarter 30 Jun 2018 Unaudited	Immediate Preceding Quarter 31 Mar 2018 Unaudited	Change + / (-)	
	RM '000	RM '000	RM '000	%
Revenue	145,414	145,776	(362)	-0.2%
Gross Profit	28,571	20,790	7,781	37.4%
Profit / (Loss) Before Tax	(4,183)	4,816	(8,999)	-186.9%

The revenue for the current quarter is 0.2% marginally lower than the immediate preceding quarter mainly due to the market condition in Malaysia, in particularly the month of May 2018, where the market was at a slower pace pending for the abolishment of Goods and Service Tax (GST) with effect from 01 June 2018.

The gross profit for the current quarter was higher than the immediate preceding quarter mainly due to the sale of stock which had been provided for with no carrying value.

The loss before tax for the current quarter was mainly due to the foreign exchange loss as opposed to the foreign exchange gain in the previous 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 view 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 to address these challenges include enhancing the manufacturing efficiency and productivity, new products development, cost-control and market restructuring.

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 2017 was not qualified.