

Explanatory Notes pursuant to MFRS 134 for the 3rd Quarter ended 30 September 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 22 November 2018.

2. BASIS OF PREPARATION

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

Timing of Revenue Recognition	CURRENT PERIOD 3rd QUARTER		CUMULATIVE QUARTER 09 MONTHS ENDED	
	30 Sep 2018	30 Sep 2017	30 Sep 2018	30 Sep 2017
	Unaudited	Unaudited	Unaudited	Unaudited
	RM '000	RM '000	RM '000	RM '000
Goods transferred at a point in time	161,784	171,778	440,376	473,725
Services transferred over time	6,694	-	19,292	-
Total revenue from contracts with customers	168,478	171,778	459,668	473,725

(2) Cost of Goods Sold

Timing of Revenue Recognition	CURRENT PERIOD 3rd QUARTER		CUMULATIVE QUARTER 09 MONTHS ENDED	
	30 Sep 2018	30 Sep 2017	30 Sep 2018	30 Sep 2017
	Unaudited	Unaudited	Unaudited	Unaudited
	RM '000	RM '000	RM '000	RM '000
Goods transferred at a point in time	137,454	136,613	366,685	368,751
Services transferred over time	6,694	-	19,292	-
Total revenue from contracts with customers	144,148	136,613	385,977	368,751

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 SEP 2018	Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Eliminations RM '000	Total RM '000
Segment Revenue					
External sales	330,889	78,179	50,600		459,668
Inter-segment sales	16,854	6,516	4,044	(27,414)	-
Total revenue	347,743	84,695	54,644	(27,414)	459,668
Segment Results					
Interest income	431	100	24		555
Depreciation & amortisation	17,917	4,488	1,881		24,286
Profit / (Loss) before tax	3,806	(9,128)	898	(655)	(5,079)

Segment Assets					
Total assets	828,358	175,570	61,355	-	1,065,283
Segment Liabilities					
Total liabilities	270,987	52,166	7,254	-	330,407

SEGMENTAL INFORMATION - By geographical area 30 SEP 2017	Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Eliminations RM '000	Total RM '000
Segment Revenue					
External sales	339,794	91,674	42,258		473,726
Inter-segment sales	15,234	8,627	2,640	(26,501)	-
Total revenue	355,028	100,301	44,898	(26,501)	473,726
Segment Results					
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

Segment Assets					
Total assets	895,515	204,890	57,378	-	1,157,783
Segment Liabilities					
Total liabilities	302,402	74,787	4,075	-	381,264

Malaysia and Vietnam operations consist 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 foreign exchange loss as compare to the foreign exchange gain for the last year, and also the slow pace in the construction industry and 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 09 MONTHS ENDED	
	30 SEP 2018	30 SEP 2017	30 SEP 2018	30 SEP 2017
	RM '000	RM '000	RM '000	RM '000
Interest income	(277)	(631)	(555)	(1,956)
Interest expense	1,793	1,786	4,856	5,175
Amortisation of prepaid lease payments	770	814	2,297	2,495
Depreciation of property, plant and equipment	7,433	10,019	21,989	30,275
Loss / (Gain) on disposal of property, plant and equipment	70	75	90	(82)
Write down of property, plant and equipment	54	58	92	290
Net realised foreign exchange loss (gain)	148	71	818	(866)
Net unrealised foreign exchange loss (gain)	4,342	(3,108)	3,286	(13,057)

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 09 MONTHS ENDED	
	30 SEP 2018	30 SEP 2017	30 SEP 2018	30 SEP 2017
	RM '000	RM '000	RM '000	RM '000
Current Tax:				
Malaysian Income Tax	773	1,625	2,960	7,187
Foreign Tax	(6)	189	105	387
	767	1,814	3,065	7,574
Deferred Tax	(900)	(750)	(2,700)	(2,000)
Total Tax	(133)	1,064	365	5,574

10. EARNINGS PER SHARE

Basic earnings per share amounts are computed by dividing the profit or loss 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 or loss and share data used in the computation of basic earnings per share :-

	CURRENT QUARTER		CUMULATIVE QUARTER	
	03 MONTHS ENDED		09 MONTHS ENDED	
	30 SEP 2018	30 SEP 2017	30 SEP 2018	30 SEP 2017
(Loss) / Profit net of tax attributable to owners of the parent used in the computation of earning per share (RM'000)	(5,578)	5,098	(5,443)	20,351
Weighted average number of ordinary shares in issue ('000)	240,000	240,000	240,000	240,000
Treasury shares	11,396	11,084	11,396	11,084
Net Weighted average number of ordinary shares in issue ('000)	228,605	228,916	228,605	228,916
Basic (loss)/ earnings per share (sen per share)	(2.44)	2.23	(2.38)	8.89

11. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 30 September 2018, the Group acquired assets of RM 6.0 million (30 September 2017 : RM 2.0 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 SEP 2018	30 SEP 2017
	RM '000	RM '000
Cash on hand and at banks	43,469	15,679
Short term deposits with banks	17,204	90,188
Total Cash and Cash Equivalents	60,673	105,867

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 third quarter, the Company had further purchased its own shares as treasury shares as at 15 November 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 30-09-18	11,395,500	2.5000	0.9200	1.5559	17,834,585
October 2018	37,000	1.7000	1.6800	1.6914	62,974
Balance as at 15-11-18	11,432,500	2.5000	0.9200	1.5563	17,897,559

16. INTEREST-BEARING LOANS AND BORROWINGS

	Borrowings as at 30 September 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	-				-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
Unsecured												
Term loan		7,000			-	-	4,000	-	-	-	-	11,000
Revolving Credit					29,600	-	10,000	-	-	29,600	-	10,000
Trade lines	-		-	87	3,140	652	15,591	-	87	3,140	652	15,591
Hire Purchase				-				-	-	-	-	-
Sub-total	-	7,000	-	87	32,740	652	29,591	-	87	32,740	652	36,591
Total	-	7,000	-	87	32,740	652	29,591	-	87	32,740	652	36,591
Foreign exchange rate		1.0000	-	3.0289	4.1405	4.8229	1.0000	-	3.0289	4.1405	4.8229	1.0000
RM'000 Equivalent	-	7,000	-	262	135,560	3,145	29,591	-	262	135,560	3,145	36,591
Total (RM'000)		7,000					168,559					175,559

	Borrowings as at 30 September 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	79				75	-	-	-	-	154	-	-
Unsecured												
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

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 4.65% per annum.

There was a borrowings reduction of RM 32.9 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.

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 Sept 2017: 5 sen per share).

19. COMMITMENT

	30 SEP 2018	30 SEP 2017
	RM '000	RM '000
Capital expenditure :-		
Approved and contracted for		
Property, plant and equipment	1,500	2,800
Approved but not contracted for		
Property, plant and equipment	-	-
Total Commitment	1,500	2,800

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 2018 and 30 September 2017 as well as the balances with the related parties as at 30 September 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	7,367	278	4,482	41
	2017	6,077	-	5,424	-
Teobros Ceramica Sdn Bhd	2018	22,833	129	25,600	85
	2017	25,649	162	26,449	56
White Horse Investment (S) Pte Ltd	2018	-	-	-	65,006
	2017	-	-	-	66,371

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 3rd QUARTER		Change + / (-)		CUMULATIVE PERIOD		Change + / (-)	
	30 SEP 2018	30 SEP 2017			30 SEP 2018	30 SEP 2017		
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	RM '000	RM '000	RM '000	%	RM '000	RM '000	RM '000	%
Revenue	168,478	171,778	(3,300)	-1.9%	459,668	473,725	(14,057)	-3.0%
Gross Profit	24,330	35,165	(10,835)	-30.8%	73,691	104,974	(31,283)	-29.8%
Profit Before Tax	(5,711)	6,162	(11,873)	192.7%	(5,078)	25,925	(31,003)	119.6%

The revenue for the current quarter was lower by 1.9% 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 SEP 2018 Unaudited	Immediate Preceding Quarter 30 JUN 2018 Unaudited	Change + / (-)	
	RM '000	RM '000	RM '000	%
Revenue	168,478	145,414	23,064	15.9%
Gross Profit	24,330	28,571	(4,241)	-14.8%
Profit / (Loss) Before Tax	(5,711)	(4,183)	(1,528)	36.5%

The revenue for the current quarter is 15.9% more than the immediate preceding quarter mainly due to the market condition in Malaysia, in particularly for the month of August 2018, which had received voluminous sales orders from the market before the implementation of the Sales and Service Tax that take effect from 01 September 2018.

The gross profit for the current quarter was lower than the immediate preceding quarter mainly due to the higher production cost.

The loss before tax for the current quarter was higher due to the higher operating expenses.

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.