

WHITE HORSE BERHAD (Company No: 455130-X)

Explanatory Notes pursuant to MFRS 134 for the 4th quarter ended 31 December 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 26 February 2019.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements, for the period ended 31 December 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 4th QUARTER		CUMULATIVE QUARTER 12 MONTHS ENDED	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	Unaudited	Audited	Unaudited	Audited
	RM '000	RM '000	RM '000	RM '000
Goods transferred at a point in time	144,753	166,378	585,129	640,103
Services transferred over time	6,106	-	25,398	-
Total revenue from contracts with customers	150,859	166,378	610,527	640,103

(2) Cost of Goods Sold

Cost of goods sold	CURRENT PERIOD 4th QUARTER		CUMULATIVE QUARTER 12 MONTHS ENDED	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	Unaudited	Audited	Unaudited	Audited
	RM '000	RM '000	RM '000	RM '000
Cost of goods sold	120,723	154,909	487,408	523,660
Carriage outward	6,106	-	25,398	-
Effect of MFRS 15	126,829	154,909	512,806	523,660

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 DEC 2018	Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Eliminations RM '000	Total RM '000
Segment Revenue					
External sales	435,127	108,317	67,083		610,527
Inter-segment sales	12,985	8,429	4,658	(26,072)	-
Total revenue	448,112	116,746	71,741	(26,072)	610,527
Segment Results					
Interest income	653	161	31		845
Depreciation & amortisation	27,232	6,030	2,486		35,748
Profit / (Loss) before tax	(13,419)	(11,171)	1,287	(5,119)	(28,422)

Segment Assets					
Total assets	833,676	164,015	62,152	-	1,059,843
Segment Liabilities					
Total liabilities	240,084	94,381	7,581	-	342,046

SEGMENTAL INFORMATION - By geographical area 31 DEC 2017	Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Eliminations RM '000	Total RM '000
Segment Revenue					
External sales	438,151	135,289	66,663		640,103
Inter-segment sales	20,275	-	-	(20,275)	-
Total revenue	458,426	135,289	66,663	(20,275)	640,103
Segment Results					
Interest income	2,388	43	9		2,440
Depreciation & amortisation	30,830	8,720	2,134		41,684
Profit / (Loss) before tax	20,807	(5,684)	(35)	(8,259)	6,829

Segment Assets					
Total assets	865,637	172,361	63,742	6,316	1,108,056
Segment Liabilities					
Total liabilities	243,212	101,000	7,284	11,125	362,621

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, it incurred a loss before tax mainly due to the provision of slow moving stock, foreign exchange loss, higher production cost resulting from the price hike for the natural gas, and also the slow market 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 lower sales volume coupled with the rationalization of the stock.

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 a norm that the business in the forthcoming quarters would be performed better.

However, for the year of 2018, in view of the slow market pace, stiff market competition, volatility of foreign exchange currencies and high operating cost, the company has suffered a negative impact to its bottom-line in the last three quarters.

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 2018	31 DEC 2017	31 DEC 2018	31 DEC 2017
	RM '000	RM '000	RM '000	RM '000
Interest income	(290)	(484)	(845)	(2,440)
Interest expense	1,810	3,084	6,666	8,259
Amortisation of prepaid lease payments	(567)	(770)	1,730	1,725
Depreciation of property, plant and equipment	12,029	9,694	34,018	39,969
Loss / (Gain) on disposal of property, plant and equipment	(78)	86	12	4
Write down of property, plant and equipment	236	39	328	329
Net realised foreign exchange loss (gain)	(376)	(5,941)	442	
Net unrealised foreign exchange loss (gain)	(145)	7,564	3,141	(5,493)

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		CUMULATIVE QUARTER	
	03 MONTHS ENDED		12 MONTHS ENDED	
	31 DEC 2018	31 DEC 2017	31 DEC 2018	31 DEC 2017
	RM '000	RM '000	RM '000	RM '000
Current Tax:				
Malaysian Income Tax	(1,286)	(2,143)	1,674	5,044
Foreign Tax	475	219	580	606
	(811)	(1,924)	2,254	5,650
Deferred Tax	(775)	(1,900)	(3,475)	(3,900)
Total Tax	(1,586)	(3,824)	(1,221)	1,750

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		12 MONTHS ENDED	
	31 DEC 2018	31 DEC 2017	31 DEC 2018	31 DEC 2017
Profit net of tax attributable to owners of the parent used in the computation of earning per share (RM'000)	(21,758)	(15,272)	(27,201)	5,079
Weighted average number of ordinary shares in issue ('000)	240,000	240,000	240,000	240,000
Treasury shares	11,521	10,876	11,521	10,876
Net Weighted average number of ordinary shares in issue ('000)	228,479	229,124	228,479	229,124
Basic earnings per share (sen per share)	(9.52)	(6.67)	(11.91)	2.22

11. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 31 December 2018, the Group acquired assets of RM 7.5 million (31 December 2017 : RM 5.1 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 2018	31 DEC 2017
	RM '000	RM '000
Cash on hand and at banks	79,341	79,498
Short term deposits with banks	24	1,091
Total Cash and Cash Equivalents	79,365	80,589

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 fourth quarter, the Company had further purchased its own shares as treasury shares as at 21 February 2019, 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		
Balance as at 31 Dec 2018	11,520,600	RM 2.5000	RM 0.9200	RM 1.5654	RM 18,033,799
Jan & Feb 2019	102,000	1.5400	1.3600	1.4233	145,181
Balance as at 21 Feb 2019	11,622,600	2.5000	0.9200	1.5641	18,178,980

16. INTEREST-BEARING LOANS AND BORROWINGS

	Borrowings as at 31 December 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
Unsecured												
Term loan		6,000			-	-	4,000	-	-	-	-	10,000
Revolving Credit					29,600	-	10,000	-	-	29,600	-	10,000
Trade lines	-		-	149	6,267	1,042	11,080	-	149	6,267	1,042	11,080
Hire Purchase				-				-	-	-	-	-
Sub-total	-	6,000	-	149	35,867	1,042	25,080	-	149	35,867	1,042	31,080
Total	-	6,000	-	149	35,867	1,042	25,080	-	149	35,867	1,042	31,080
Foreign exchange rate		1.0000	-	3.0322	4.1385	4.7340	1.0000	-	3.0322	4.1385	4.7340	1.0000
RM'000 Equivalent	-	6,000	-	453	148,435	4,931	25,080	-	453	148,435	4,931	31,080
Total (RM'000)		6,000					178,899					184,899

	Borrowings as at 31 December 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
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

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 4.85% per annum.

There was a borrowings reduction of RM 4.3 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

No dividend has been recommended for the current quarter. (31 Dec 2017: 2 sen per share).

19. COMMITMENT

Capital expenditure :-	31 DEC	31 DEC
	2018	2017
	RM '000	RM '000
Approved and contracted for		
Property, plant and equipment	1,312	1,916
Total Commitment	1,312	1,916

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 2018 and 31 December 2017 as well as the balances with the related parties as at 31 December 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	10,616	278	7,073	-
	2017	7,611	-	4,256	-
Teobros Ceramica Sdn Bhd	2018	27,890	152	21,770	12
	2017	35,080	245	28,523	139
White Horse Investment (S) Pte Ltd	2018	-	-	-	64,974
	2017	-	-	-	63,773

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 PERIOD		Change + / (-)	
	4th QUARTER				31 DEC 2018	31 DEC 2017		
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
	RM '000	RM '000	RM '000	%	RM '000	RM '000	RM '000	%
Revenue	150,859	166,378	(15,519)	-9.3%	610,527	640,103	(29,576)	-4.6%
Gross Profit	24,030	11,469	12,561	109.5%	97,721	116,443	(18,722)	-16.1%
Profit / (Loss) Before Tax	(23,344)	(19,096)	(4,248)	22.2%	(28,422)	6,829	(35,251)	516.2%

The revenue for the current quarter was lower by 9.3% as compared to the same corresponding period of last year, due to the slow market pace in the construction industry.

The gross profit is 109.5% higher due to the lower stock provision for the current quarter as compared to the same corresponding period of last year.

The loss before tax for the current quarter was higher than the same corresponding period of last year mainly due to the higher operating expenses.

24. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

	Current Quarter	Immediate Preceding Quarter	Change	
	31 DEC 2018 Unaudited	30 SEP 2018 Unaudited	RM '000	%
Revenue	150,859	168,478	(17,619)	-10.5%
Gross Profit	24,030	24,330	(300)	-1.2%
Profit / (Loss) Before Tax	(23,344)	(5,711)	(17,633)	308.8%

The revenue and gross profit for the current quarter are 10.5% and 1.2% lower than the immediate preceding quarter respectively mainly due to the slow market condition in Malaysia.

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.