

Explanatory Notes pursuant to MFRS 134 for the 1st quarter ended 31 March 2020.

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 24 June 2020.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements, for the period ended 31 March 2020, 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 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2019, except for the adoption of the following new Malaysian Financial Reporting Standards ("MFRSs") effective for financial periods beginning on or after 1 January 2020.

- 1) Amendments to MFRS 3: Definition of a Business
- 2) Amendments to MFRS 101 and MFRS 108: Definition of Material
- 3) Amendments to references to the Conceptual Framework in MFRS Standards
- 4) Amendments to MFRS 9, MFRS 7 and MFRS139: Interest Rate Benchmark Reform

The Group has not adopted the following standards that have been issued but not yet effective.

<u>MFRSs</u>	Effective for financial periods beginning <u>on or after</u>
1) MFRS 17: Insurance Contracts	1 Jan 2021
2) Amendments to MFRS 10 and MFRS 128: Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
3) Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 Jan 2022

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application.

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, except the following:-

PT. WH Ceramic Indonesia ("WHIN"), a wholly owned subsidiary of White Horse Ceramic Industries Sdn Bhd ("WHC"), a wholly owned subsidiary, had ceased operations since January 2020 and is in the midst of voluntary liquidation.

The discontinuation was due to the change in the marketing strategies and also cost-savings measures. The operations of WHIN is relatively a smaller scale as compared to the Group, henceforth the discontinuation had little impact on the Group's result as its past performances had been reflected in the financial reporting each year.

In the long run, the discontinuation will contribute positively to the Group's bottom-line due to cost-savings measures.

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 Mar 2020	Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Eliminations RM '000	Total RM '000
Segment Revenue					
External sales	73,128	10,870	10,998		94,996
Inter-segment sales	4,063	1,432	145	(5,640)	-
Total revenue	77,191	12,302	11,143	(5,640)	94,996
Segment Results					
Interest income	317	91	8		416
Depreciation & amortisation	6,923	1,483	613		9,019
Loss before tax	(16,307)	(3,842)	(3)	(25)	(20,177)
Segment Assets					
Total assets	698,466	138,448	49,830		886,744
Segment Liabilities					
Total liabilities	206,772	52,272	6,050		265,094

SEGMENTAL INFORMATION - By geographical area 31 Mar 2019	Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Eliminations RM '000	Total RM '000
Segment Revenue					
External sales	92,751	20,306	13,843		126,900
Inter-segment sales	3,586	885	447	(4,918)	-
Total revenue	96,337	21,191	14,290	(4,918)	126,900
Segment Results					
Interest income	194	45	4		243
Depreciation & amortisation	6,242	1,504	598		8,344
Loss before tax	(3,074)	(3,258)	(300)	(143)	(6,775)
Segment Assets					
Total assets	777,725	176,861	53,376		1,007,962
Segment Liabilities					
Total liabilities	240,851	59,582	7,161		307,594

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

The outbreak of Covid-19 pandemic has prompted the Government to impose the Movement Control Order (“MCO”) on 18 March 2020, where most of the economic activities have to be lockdown and thus, our business operation was shut-down accordingly.

Subsequently, we have obtained an approval from the Ministry of Trade and Industries of Malaysia on 30 April 2020 to recommence our operation on 04 May 2020.

Other than the above, the Group experiencing a loss position also due to the slow market pace in the construction industry and stiff market competition.

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 will perform better.

8. LOSS BEFORE TAX

Included in the Loss Before Tax are the following items:-

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 MONTHS ENDED		3 MONTHS ENDED	
	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019
	RM '000	RM '000	RM '000	RM '000
Interest income	(416)	(243)	(416)	(243)
Interest expense	1,538	1,753	1,538	1,753
Depreciation of property, plant and equipment	7,520	6,949	7,520	6,949
Depreciation of right-of-use assets	1,499	1,395	1,499	1,395
Loss on disposal of property, plant and equipment	(22)	(15)	(22)	(15)
Write down of inventories	22	10	22	10
Loss/(Gain) on foreign currency exchange-unrealised	6,531	(2,582)	6,531	(2,582)

9. INCOME TAX INCOME

Income tax income 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		3 MONTHS ENDED	
	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019
	RM '000	RM '000	RM '000	RM '000
Current Tax:				
Malaysian Income Tax	(275)	(1,530)	(275)	(1,530)
Foreign Tax	(18)	(54)	(18)	(54)
	(293)	(1,584)	(293)	(1,584)
Deferred Tax	249	750	249	750
Total Tax Income	(44)	(834)	(44)	(834)

10. LOSS PER SHARE

Basic loss per share amounts are computed by dividing the 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.

	CURRENT QUARTER		CUMULATIVE QUARTER	
	03 MONTHS ENDED		03 MONTHS ENDED	
	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019
Loss net of tax attributable to owners of the parent used in the computation of loss per share (RM'000)	(20,133)	(5,941)	(20,133)	(5,941)
Weighted average number of ordinary shares in issue ('000)	240,000	240,000	240,000	240,000
Treasury shares ('000)	(12,289)	(11,623)	(12,289)	(11,623)
Net Weighted average number of ordinary shares in issue ('000)	227,711	228,377	227,711	228,377
Basic loss per share (sen per share)	(8.84)	(2.60)	(8.84)	(2.60)

11. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 31 March 2020, the Group has acquired asset of RM 0.5 million (31 March 2019 : RM 1.3 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 Mar 2020	31 Mar 2019
	RM '000	RM '000
Cash on hand and at banks	39,588	31,809
Short term deposits with banks	35,250	19,374
Total Cash and Cash Equivalents	74,838	51,183

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

Details of the treasury shares as at 31 March 2020, are as follows :-

Month	No. of shares purchased	Purchase Price		Average Price	Total Consideration
		Highest	Lowest		
		RM	RM	RM	RM
Balance as at 31 Mar 2020	12,289,200	2.5000	0.7700	1.5384	18,905,148

16. INTEREST-BEARING LOANS AND BORROWINGS

Borrowings as at 31 March 2020											
	Long term	Short term					Total Borrowings				
	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	1,000			-	-	4,000	-	-	-	-	5,000
Revolving Credit		-		18,300	-	44,625	-	-	18,300	-	44,625
Trade lines		-	67	829	160	10,850	-	67	829	160	10,850
Total	1,000	-	67	19,129	160	59,475	-	67	19,129	160	60,475
Foreign exchange rate	1.0000	-	3.0255	4.3130	4.7352	1.0000	-	3.0255	4.3130	4.7352	1.0000
RM'000 Equivalent	1,000	-	203	82,503	758	59,475	-	203	82,503	758	60,475
Total (RM'000)	1,000					142,939					143,939

Borrowings as at 31 March 2019											
	Long term	Short term					Total Borrowings				
	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			-	-	3,000	-	-	-	-	9,000
Revolving Credit		13,240		30,600	-	10,000	13,240	-	30,600	-	10,000
Trade lines		656	149	2,575	1,270	17,926	656	149	2,575	1,270	17,926
Total	6,000	13,896	149	33,175	1,270	30,926	13,896	149	33,175	1,270	36,926
Foreign exchange rate	1.0000	0.1760	3.0098	4.0810	4.5824	1.0000	0.1760	3.0098	4.0810	4.5824	1.0000
RM'000 Equivalent	6,000	2,446	449	135,387	5,820	30,926	2,446	449	135,387	5,820	36,926
Total (RM'000)	6,000					175,028					181,028

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 4.25% per annum.

There was a reduction in borrowings for RM 37.1 million in the current year to-date as compare to the same corresponding period in the immediate preceding year. It was due to the repayment of borrowing to the Banks.

16 INTEREST-BEARING LOANS AND BORROWINGS (Continued)

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 March 2019 : Nil).

19. COMMITMENT

Capital expenditure :-	31 Mar 2020	31 Mar 2019
	RM '000	RM '000
Approved and contracted for Property, plant and equipment	-	1,100
Approved but not contracted for Property, plant and equipment	-	-
Total Commitment	-	1,100

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 3 months period ended 31 March 2020 and 31 March 2019 as well as the balances with the related parties as at 31 March 2020 and 31 December 2019.

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	2020	2,280		5,813	-
	2019	2,557		6,076	-
Teobros Ceramica Sdn Bhd	2020	4,803	16	19,103	16
	2019	4,221	31	22,287	44
White Horse Investment (S) Pte Ltd	2020	-	-	-	67,714
	2019	-	-	-	64,483

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 1st QUARTER		Change + / (-)	
	31 Mar 2020 Unaudited	31 Mar 2019 Unaudited		
	RM '000	RM '000	RM '000	%
Revenue	94,996	126,900	(31,904)	-25.1%
Gross Profit	9,759	15,210	(5,451)	-35.8%
Loss Before Tax	(20,177)	(6,775)	(13,402)	197.8%

The revenue and gross profit for the current quarter were lower by 25.1% and 35.8% respectively as compared to the same corresponding period of last year, mainly due to the slow market pace in the construction industry, stiff market competition.

The loss before tax was 197.8% higher than last year mainly due to its foreign exchange loss of RM 8.8 million as oppose to the gain of RM 2.8 million in the previous year and also the business operation shut down since 18 March 2020, in compliance with the Movement Control Order imposed by the Government due to the Covid-19 pandemic.

Subsequently, we have obtained an approval from the Ministry of Trade and Industries of Malaysia on 30 April 2020 to recommence our operation on 4 May 2020.

24. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

	Current Quarter 31 Mar 2020 Unaudited	Immediate Preceding Quarter 31 Dec 2019 Unaudited	Change + / (-)	
	RM '000	RM '000	RM '000	%
	Revenue	94,996	145,664	(50,668)
Gross Profit	9,759	20,462	(10,703)	-52.3%
Loss Before Tax	(20,177)	(30,034)	9,857	-32.8%

The revenue and gross profit for the current quarter were 34.8% and 52.3% respectively lower than the immediate preceding quarter mainly due to the seasonal business trend at the beginning of the year, which command a slowest pace for the year.

The loss before tax for the current quarter was lower than the immediate preceding quarter mainly due to the impairment of assets for the last quarter of previous year and also the impact from the Covid-19 pandemic as mentioned in Note 23.

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.

Looking forward, we view the post MCO would remained challenging for our business operation.

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 2019 was not qualified.