

**Explanatory Notes pursuant to MFRS 134 for the 3rd quarter ended 30 September 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 20 November 2020.

**2. BASIS OF PREPARATION**

The condensed consolidated interim financial statements, for the period ended 30 September 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 30 Sep 2020	Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Eliminations RM '000	Total RM '000
<b>Segment Revenue</b>					
External sales	206,852	36,318	25,312		268,482
Inter-segment sales	3,171	3,033	1,337	(7,541)	-
<b>Total revenue</b>	<b>210,023</b>	<b>39,351</b>	<b>26,649</b>	<b>(7,541)</b>	<b>268,482</b>
<b>Segment Results</b>					
Interest income	693	344	19		1,056
Depreciation & amortisation	20,594	4,449	1,854		26,897
Loss before tax	(36,450)	(7,323)	(1,180)	(2,206)	(47,159)
<b>Segment Assets</b>					
Total assets	688,807	122,265	43,416		854,488
<b>Segment Liabilities</b>					
Total liabilities	194,397	59,125	6,417		259,939

SEGMENTAL INFORMATION - By geographical area 30 Sep 2019	Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Eliminations RM '000	Total RM '000
<b>Segment Revenue</b>					
External sales	274,154	72,396	39,702	-	386,252
Inter-segment sales	6,273	1,861	3,478	(11,612)	-
<b>Total revenue</b>	<b>280,427</b>	<b>74,257</b>	<b>43,180</b>	<b>(11,612)</b>	<b>386,252</b>
<b>Segment Results</b>					
Interest income	776	77	13	-	866
Depreciation & amortisation	18,617	4,513	1,778	-	24,908
Loss before tax	(17,636)	(11,273)	119	(2,940)	(31,730)
<b>Segment Assets</b>					
Total assets	751,687	156,767	50,237	-	958,691
<b>Segment Liabilities</b>					
Total liabilities	225,171	52,500	7,078	-	284,749

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

The Group experiencing a loss position due to the impact from the Covid-19 pandemic, 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 3 MONTHS ENDED		CUMULATIVE QUARTER 9 MONTHS ENDED	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
	RM '000	RM '000	RM '000	RM '000
Interest income	(326)	(342)	(1,056)	(866)
Interest expense	1,225	2,012	4,120	5,742
Depreciation of property, plant and equipment	7,337	6,689	22,269	20,540
Depreciation of right-of-use assets	1,596	1,563	4,628	4,368
Loss / (Gain) on disposal of property, plant and equipment	35	(5)	67	424
Write down of inventories	33	7	109	42
Loss / (Gain) on foreign currency exchange	(3,031)	(1,059)	2,735	(1,250)

## 9. INCOME TAX EXPENSE / ( 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 03 MONTHS ENDED		CUMULATIVE QUARTER 9 MONTHS ENDED	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
	RM '000	RM '000	RM '000	RM '000
Malaysian Income Tax	(697)	2,010	(725)	(2,004)
Foreign Tax	418	171	31	32
	(279)	2,181	(694)	(1,972)
Deferred Tax	265	819	769	2,319
Total Tax Expense / (Income)	(14)	3,000	75	347

## 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 03 MONTHS ENDED		CUMULATIVE QUARTER 09 MONTHS ENDED	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
	Loss net of tax attributable to owners of the parent used in the computation of loss per share (RM'000)	(4,750)	(13,452)	(47,235)
Weighted average number of ordinary shares in issue ('000)	240,000	240,000	240,000	240,000
Treasury shares ('000)	(12,289)	(11,876)	(12,289)	(11,876)
Net Weighted average number of ordinary shares in issue ('000)	227,711	228,124	227,711	228,124
Basic loss per share (sen per share)	(2.09)	(5.90)	(20.74)	(14.06)

## 11. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 30 September 2020, the Group has acquired asset of RM 0.7 million (30 September 2019: RM 1.1 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:-

	30 Sep 2020 RM '000	30 Sep 2019 RM '000
Cash on hand and at banks	52,795	38,278
Short term deposits with banks	39,300	24,624
Total Cash and Cash Equivalents	92,095	62,902

## 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 30 September 2020, are as follows :-

Month	No. of shares purchased	Purchase Price		Average Price	Total Consideration
		Highest	Lowest		
Balance as at 30 Sep 2020	12,289,200	RM 2.5000	RM 0.7700	RM 1.5384	RM 18,905,148

## 16. INTEREST-BEARING LOANS AND BORROWINGS

Borrowings as at 30 September 2020									
Long term	Short term				Total Borrowings				
RM '000	SD '000	USD '000	EURO 000	RM '000	SD '000	USD '000	EURO 000	RM '000	
<b>Unsecured</b>									
Term loan	-		-	-	3,000	-	-	-	3,000
Revolving Credit			14,300	-	44,625	-	14,300	-	44,625
Trade lines		45	486	134	10,856	45	486	134	10,856
<b>Total</b>	-	45	14,786	134	58,481	45	14,786	134	58,481
Foreign exchange rate	1.0000	3.0665	4.1725	4.9690	1.0000	3.0665	4.1725	4.9690	1.0000
RM'000 Equivalent	-	137	61,694	665	58,481	137	61,694	665	58,481
<b>Total (RM'000)</b>	-				<b>120,977</b>				<b>120,977</b>

Borrowings as at 30 September 2019									
Long term	Short term				Total Borrowings				
RM '000	SD '000	USD '000	EURO 000	RM '000	SD '000	USD '000	EURO 000	RM '000	
<b>Unsecured</b>									
Term loan	3,000		-	-	4,000	-	-	-	7,000
Revolving Credit			24,100	-	39,625	-	24,100	-	39,625
Trade lines		78	903	431	17,013	78	903	431	17,013
<b>Total</b>	3,000	78	25,003	431	60,638	78	25,003	431	63,638
Foreign exchange rate	1.0000	3.0304	4.1900	4.5813	1.0000	3.0304	4.1900	4.5813	1.0000
RM'000 Equivalent	3,000	236	104,763	1,975	60,638	236	104,763	1,975	63,638
<b>Total (RM'000)</b>	3,000				<b>167,612</b>				<b>170,612</b>

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 4.05% per annum.

There was a reduction in borrowings for RM 49.6 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.

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. (30 September 2019 : Nil).

## 19. COMMITMENT

	30 Sep 2020 RM '000	30 Sep 2019 RM '000
Capital expenditure		
Approved and contracted for Property, plant and equipment	-	463
Approved but not contracted for Property, plant and equipment	-	-
<b>Total Commitment</b>	-	<b>463</b>

## 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 2020 and 30 September 2019 as well as the balances with the related parties as at 30 September 2020 and 31 December 2019.

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	2020	10,010		7,807	-
	2019	8,253		6,048	-
Teobros Ceramica Sdn Bhd	2020	12,731	16	18,151	16
	2019	14,186	65	20,135	78
White Horse Investment (S) Pte Ltd	2020	-	-	-	65,241
	2019	-	-	-	65,783

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 2020 Unaudited RM '000	30 Sep 2019 Unaudited RM '000			30 Sep 2020 Unaudited RM '000	30 Sep 2019 Unaudited RM '000		
			RM '000	%	RM '000	RM '000	RM '000	%
Revenue	118,262	131,119	(12,857)	-9.8%	268,482	386,252	(117,770)	-30.5%
Gross Profit	11,044	12,564	(1,520)	-12.1%	18,638	41,416	(22,778)	-55.0%
Loss Before Tax	(4,763)	(10,452)	5,689	-54.4%	(47,159)	(31,730)	(15,429)	48.6%

The revenue and gross profit for the current quarter were lower by 9.8% and 12.1% respectively as compared to the same corresponding period of last year, mainly due to impact from the Covid-19 pandemic, other than the slow market pace in the construction industry and stiff market competition.

The loss before tax was 54.4% lower than last year due to the lower operating expenses resulting from the effect of cost-control measures and also a higher net foreign exchange gain

## 24. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

	Current Quarter 30 Sep 2020 Unaudited RM '000	Immediate Preceding Quarter 30 Jun 2020 Unaudited RM '000	Change + / (-)	
			RM '000	%
Revenue	118,262	55,224	63,038	114.1%
Gross Profit	11,044	(2,165)	13,209	-610.1%
Loss Before Tax	(4,763)	(22,219)	17,456	-78.6%

The revenue, gross profit and loss before tax were better off across the board for the current quarter as compared with the immediate preceding quarter mainly due to the slight recovery from the negative impact of the Covid-19 pandemic, which had affected the second quarter of the year. Furthermore, there was a net foreign exchange gain in the current quarter as oppose to a loss 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 the Covid-19 pandemic, other than the 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**

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.