

Explanatory Notes pursuant to MFRS 134 for the 4th quarter ended 31 December 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 23 February 2021.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements, for the period ended 31 December 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
- 5) Amendments to MFRS 16: COVID-19-Related Rent Concessions

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

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2018 – 2020	1 January 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 Dec 2020	Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Adjustment RM '000	Total RM '000
Segment Revenue					
External sales	314,254	54,959	40,830		410,043
Inter-segment sales	10,993	1,809	2,042	(14,844)	-
Total revenue	325,247	56,768	42,872	(14,844)	410,043
Segment Results					
Interest income	(1,033)	(519)	(22)		(1,574)
Depreciation & amortisation	31,827	5,932	2,499		40,258
Loss before tax	(39,111)	(7,927)	(1,587)	(12,512)	(61,137)
Segment Assets					
Total assets	697,036	100,086	54,136		851,258
Segment Liabilities					
Total liabilities	164,115	83,727	17,031	-	264,873

SEGMENTAL INFORMATION - By geographical area 31 Dec 2019	Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Adjustment RM '000	Total RM '000
Segment Revenue					
External sales	364,777	97,714	64,927	-	527,418
Inter-segment sales	10,152	5,920	-	(16,072)	-
Total revenue	374,929	103,634	64,927	(16,072)	527,418
Segment Results					
Interest income	(1,129)	(23)	(196)	-	(1,348)
Depreciation & amortisation	26,687	7,392	3,317	-	37,396
Loss before tax	(10,538)	(23,249)	(2,430)	(25,519)	(61,736)
Segment Assets					
Total assets	726,847	160,406	58,121	1,475	946,849
Segment Liabilities					
Total liabilities	198,157	91,294	5,901	9,521	304,873

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 12 MONTHS ENDED	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	RM '000	RM '000	RM '000	RM '000
Interest income	(518)	(482)	(1,574)	(1,348)
Interest expense	1,057	1,773	5,177	7,515
Depreciation of property, plant and equipment	11,681	10,858	33,950	31,398
Depreciation of right-of-use assets	1,680	1,630	6,308	5,998
Gain on disposal of property, plant and equipment	(103)	(1,052)	(36)	(628)
Write down of inventories	8,041	5,034	8,150	5,076
(Gain) / Loss on foreign currency exchange - unrealised	(16,917)	4,782	(14,182)	3,532
Impairment loss on property, plant and equipment	7,400	12,114	7,400	12,114
Impairment loss on right-of-use assets	5,400	-	5,400	-
Bad debt recovered	(157)	(20)	(157)	(20)
Bad debt written off	-	2	-	2
Reversal of impairment loss on trade receivables	(3,147)	(1,616)	(3,147)	(1,616)

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 12 MONTHS ENDED	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	RM '000	RM '000	RM '000	RM '000
Malaysian Income Tax	(476)	5,283	(1,201)	3,279
Foreign Tax	571	(155)	602	(123)
	95	5,128	(599)	3,156
Deferred Tax	(4,893)	(3,170)	(4,124)	(851)
Total Tax Expense / (Income)	(4,798)	1,958	(4,723)	2,305

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 12 MONTHS ENDED	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Loss net of tax attributable to owners of the parent used in the computation of loss per share (RM'000)	(9,180)	(31,964)	(56,414)	(64,041)
Weighted average number of ordinary shares in issue ('000)	240,000	240,000	240,000	240,000
Treasury shares ('000)	(12,289)	(11,779)	(12,289)	(11,779)
Net Weighted average number of ordinary shares in issue ('000)	227,711	228,221	227,711	228,221
Basic loss per share (sen per share)	(4.03)	(14.01)	(24.77)	(28.06)

11. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 31 December 2020, the Group has acquired asset of RM 1.4 million (31 December 2019: RM 7.5 million).

12. ASSETS AND LIABILITIES HELD FOR SALE

During the three months ended 31 December 2020, the Group has identified the following assets and liabilities of White Horse Ceramic Industries (Vietnam) Co., Ltd., a wholly-owned subsidiary of the Company, for disposal:

	RM'000
Assets held for sale	
Property, plant and equipment	34,170
Right-of-use assets	26,088
	<u>60,258</u>
Liabilities held for sale	
Lease liabilities	28,330

Pursuant to *MFRS 5: "Non-Current Assets held for sale" paragraph 6*, the assets and liabilities have been presented in the statement of financial position as "Assets held for sale" and "Liabilities held for sale".

13. 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.

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following amounts:-

	31 Dec	31 Dec
	2020	2019
	RM '000	RM '000
Cash on hand and at banks	59,257	44,621
Short term deposits with banks	49,150	46,800
	108,407	91,421
Less: Fixed deposits with tenure of more than 3 months	-	(557)
Total Cash and Cash Equivalents	108,407	90,864

15. 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.

16. SHARE CAPITAL AND TREASURY SHARES

Details of the treasury shares as at 31 December 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 Dec 2020	12,289,200	2.5000	0.7700	1.5384	18,905,148

17. INTEREST-BEARING LOANS AND BORROWINGS

	Borrowings as at 31 December 2020									
	Long term	Short term				Total Borrowings				
	RM	SD	USD	EURO	RM	SD	USD	EURO	RM	
	'000	'000	'000	'000	'000	'000	'000	'000	'000	
Unsecured										
Term loan	-	-	-	-	2,000	-	-	-	2,000	
Revolving Credit			11,800	-	44,625	-	11,800	-	44,625	
Trade lines		36	482	219	16,275	36	482	219	16,275	
Total	-	36	12,282	219	62,900	36	12,282	219	62,900	
Foreign exchange rate	1.0000	3.0396	4.0170	4.9413	1.0000	3.0396	4.0170	4.9413	1.0000	
RM '000 Equivalent	-	109	49,336	1,082	62,900	109	49,336	1,082	62,900	
Total (RM '000)	-				113,427				113,427	

	Borrowings as at 31 December 2019									
	Long term	Short term				Total Borrowings				
	RM	SD	USD	EURO	RM	SD	USD	EURO	RM	
	'000	'000	'000	'000	'000	'000	'000	'000	'000	
Unsecured										
Term loan	2,000	-	-	-	4,000	-	-	-	6,000	
Revolving Credit			21,800	-	44,625	-	21,800	-	44,625	
Trade lines		208	1,103	220	10,601	208	1,103	220	10,601	
Total	2,000	208	22,903	220	59,226	208	22,903	220	61,226	
Foreign exchange rate	1.0000	3.0410	4.0930	4.5907	1.0000	3.0412	4.0930	4.5907	1.0000	
RM '000 Equivalent	2,000	633	93,742	1,010	59,226	633	93,742	1,010	61,226	
Total (RM '000)	2,000				154,611				156,611	

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 43.2 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.

18. PROVISIONS FOR COSTS OF RESTRUCTURING

There were no provisions for costs of restructuring for the current quarter and comparative period.

19. DIVIDEND

No dividend has been recommended for the current quarter. (31 December 2019 : Nil).

20. COMMITMENT

	31 Dec 2020 RM '000	31 Dec 2019 RM '000
Capital expenditure		
Approved and contracted for Property, plant and equipment	-	463
Approved but not contracted for Property, plant and equipment	-	-
Total Commitment	-	463

21. 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.

22. 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 2020 and 31 December 2019 as well as the balances with the related parties as at 31 December 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	13,416		8,065	-
	2019	11,869	64	4,472	184
Teobros Ceramica Sdn Bhd	2020	18,517	17	17,840	18
	2019	18,722	66	14,455	-
White Horse Investment (S) Pte Ltd	2020	-	-	-	63,067
	2019	-	-	-	55,911

All outstanding balances with these related parties are unsecured and repayable on demand.

23. EVENTS AFTER THE REPORTING PERIOD

There were no significant subsequent events after the reporting period.

24. PERFORMANCE REVIEW

	CURRENT PERIOD		Change + / (-)		CUMULATIVE PERIOD		Change + / (-)	
	4th QUARTER				Unaudited RM '000	Audited RM '000		
	31 Dec 2020	31 Dec 2019						
	Unaudited RM '000	Audited RM '000						
Revenue	141,561	141,166	395	0.3%	410,043	527,418	(117,375)	-22.3%
Gross Profit	22,161	18,392	3,769	20.5%	40,799	59,808	(19,009)	-31.8%
Loss Before Tax	(13,978)	(30,006)	16,028	-53.4%	(61,137)	(61,736)	599	-1.0%

The revenue and gross profit for the current quarter were higher by 0.3% and 20.5% respectively as compared to the same corresponding period of last year.

The higher gross profit was mainly due to the improvement in the production efficiency and also cost-savings measures.

The loss before tax was lower by 53.4% due to lower operating expenses resulting from the effect of cost-control measures and also the foreign exchange gain.

25. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

	Current Quarter	Immediate Preceding Quarter	Change + / (-)	
	31 Dec 2020	30 Sep 2020		
	Unaudited	Unaudited		
	RM '000	RM '000	RM '000	%
Revenue	141,561	118,262	23,299	19.7%
Gross Profit	22,161	11,044	11,117	100.7%
Loss Before Tax	(13,978)	(4,763)	(9,215)	193.5%

The revenue and gross profit were higher by 19.7% and 100.7% respectively for the current quarter as compared with the immediate preceding quarter mainly due to the seasonal year-end market condition, which commands the highest sales for the year and also the recovery from the negative impact of the Covid-19 pandemic.

The loss before tax was higher by 193.5% mainly due to the provision of slow-moving stock and impairment of assets that took place at the end of the year.

26. 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.

27. PROFIT FORECAST OR PROFIT GUARANTEE

There was no profit forecast or profit guarantee announced as at the date of this quarterly report.

28. CORPORATE PROPOSALS

No corporate proposal announced but not completed as at the date of this quarterly report.

29. CHANGES IN MATERIAL LITIGATION

There was no material litigation as at the date of this quarterly report.

30. DIVIDEND PAYABLE

Please refer to Note 18 for details.

31. DISCLOSURE OF NATURE OF OUTSTANDING DERIVATIVES

There was no outstanding derivative as at the reporting period

32. 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.

33. AUDITORS REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 December 2019 was not qualified.