

Explanatory Notes pursuant to MFRS 134 for the 3rd quarter ended 30 September 2021.

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 November 2021.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements, for the period ended 30 September 2021, 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 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2020, except for the adoption of the following new Malaysian Financial Reporting Standards (“MFRSs”) effective for financial periods beginning on or after 1 January 2021.

- 1) Amendments to MFRS 9, MFRS 139 and MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform – Phase 2

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

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 16 : COVID-19 Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112 : Deferred Tax Related to Assets and Liabilities arising from a single transaction	1 January 2023
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 insignificant 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 2021	Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Adjustment RM '000	Total RM '000
Segment Revenue					
External sales	192,485	18,618	38,582		249,685
Inter-segment sales	10,161	2,481	885	(13,527)	-
Total revenue	202,646	21,099	39,467	(13,527)	249,685
Segment Results					
Interest income	(668)	(445)	(21)		(1,134)
Depreciation	20,176	4,854	2,043		27,073
(Loss) / Profit before tax	(31,208)	(7,837)	1,568	-	(37,477)
Segment Assets					
Total assets	580,308	160,902	48,555		789,765
Segment Liabilities					
Total liabilities	127,943	107,725	10,677	-	246,345

Segmental Information - By Geographical Area 30 Sep 2020	Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Adjustment RM '000	Total RM '000
Segment Revenue					
External sales	206,852	36,318	25,312	-	268,482
Inter-segment sales	3,171	3,033	1,337	(7,541)	-
Total revenue	210,023	39,351	26,649	(7,541)	268,482
Segment Results					
Interest income	(693)	(344)	(19)	-	(1,056)
Depreciation	20,594	4,449	1,854	-	26,897
Loss before tax	(36,450)	(7,323)	(1,180)	(2,206)	(47,159)
Segment Assets					
Total assets	688,807	122,265	43,416	-	854,488
Segment Liabilities					
Total liabilities	194,397	59,125	6,417	-	259,939

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

Other than the negative impact from the Covid-19 Pandemic, the Group experiencing a loss position due to the stiff market competition and also the uprising manufacturing and operating costs.

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 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
	RM '000	RM '000	RM '000	RM '000
Interest income	(500)	(326)	(1,134)	(1,056)
Interest expense	590	1,225	2,305	4,120
Depreciation of property, plant and equipment	7,488	7,337	22,465	22,269
Depreciation of right-of-use assets	1,618	1,596	4,608	4,628
Loss on disposal of property, plant and equipment	72	35	176	67
Write down of inventories	4,421	33	4,489	109
Loss / (Gain) on foreign currency exchange -unrealised	540	(3,031)	2,930	2,735

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 3 Months Ended		Cumulative Quarter 9 Months Ended	
	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
	RM '000	RM '000	RM '000	RM '000
Malaysian Income Tax	699	(697)	(653)	(725)
Foreign Tax	94	418	548	31
	793	(279)	(105)	(694)
Deferred Tax	(335)	265	1,295	769
Total Tax Expense /(Income)	458	(14)	1,190	75

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 3 Months Ended		Cumulative Quarter 9 Months Ended	
	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
	Loss net of tax attributable to owners of the parent used in the computation of loss per share (RM'000)	(16,955)	(4,749)	(38,667)
Weighted average number of ordinary shares in issue ('000)	240,000	240,000	240,000	240,000
Treasury shares ('000)	(19,474)	(12,289)	(19,474)	(12,289)
Net Weighted average number of ordinary shares in issue ('000)	220,526	227,711	220,526	227,711
Basic loss per share (sen per share)	(7.69)	(2.09)	(17.53)	(20.74)

11. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 30 September 2021, the Group has acquired asset of RM 0.2 million (30 September 2020: RM 0.7 million).

12. ASSETS AND LIABILITIES HELD FOR SALE

Per the audited financial statement for the year ended 31 December 2020, the Group has identified the following assets and liabilities of White Horse Ceramic Industries (Vietnam) Co., Ltd. (“WHV”), a wholly-owned subsidiary of the Company, for disposal:

	RM'000
Assets held for sale	
Property, plant and equipment	34,230
Right-of-use assets	26,088
	<u>60,318</u>
Liabilities held for sale	
Lease liabilities	27,825

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.”

As per the public announcement made on 22 June 2021, WHV has entered into a Sale and Purchase Agreement with Viglacera Tien Son Joint Stock Company in Vietnam for the purpose of disposing the buildings, the machinery and the piece of leasehold land for a total sale consideration of VND630,272,727,273 (equivalent to RM113,449,091). WHV has received a progressive deposit up to 95% from the Purchaser as at 31 October 2021. The targeted completion date for the Proposed Disposal has been deferred until December 2021 due to the Covid-19 Pandemic situation in Vietnam, as per public announcement made on 25 November 2021.

The Proposed Disposal is expected to generate an estimated gain of RM58.3 million, but in the long run, it is anticipated to improve the bottom-line of the White Horse Group as the ceased production operation in Vietnam would reduce its loss position and also to consolidate its production facility in Malaysia. WHV would be remained as a trading company in Vietnam.

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:-

	30 Sep	30 Sep
	2021	2020
	RM '000	RM '000
Cash on hand and at banks	56,111	52,795
Short term deposits with banks	109,110	39,300
Total Cash and Cash Equivalents	165,221	92,095

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 30 September 2021, are as follows :-

Month	No. of shares purchased	Purchase Price		Average Price RM	Total Consideration RM
		Highest	Lowest		
		RM	RM		
Balance as at 30 Jun 2021	12,289,200	2.5000	0.7700	1.5384	18,905,148
September 2021	7,185,200	0.7750	0.7150	0.7529	5,409,694
Balance as at 30 Sep 2021	19,474,400	2.5000	0.7150	1.2486	24,314,842

17. INTEREST-BEARING LOANS AND BORROWINGS

	Borrowings as at 30 Sep 2021							
	Short-term				Total			
	SGD '000	USD '000	EURO 000	RM '000	SGD '000	USD '000	EURO 000	RM '000
Secured								
Revolving Credit		4,500	-	27,625	-	4,500	-	27,625
Unsecured								
Term loan		-	-	-	-	-	-	-
Revolving Credit		-	-	15,000	-	-	-	15,000
Trade lines	79	2,210	204	8,554	79	2,210	204	8,554
Total	79	6,710	204	51,179	79	6,710	204	51,179
Foreign exchange rate	3.0772	4.1870	4.8586	1.0000	3.0772	4.1870	4.8586	1.0000
RM'000 Equivalent	242	28,095	991	51,179	242	28,095	991	51,179
Total (RM'000)				80,507				80,507

	Borrowings as at 30 Sep 2020							
	Short-term				Total			
	SGD '000	USD '000	EURO 000	RM '000	SGD '000	USD '000	EURO 000	RM '000
Unsecured								
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
Total	45	14,786	134	58,481	45	14,786	134	58,481
Foreign exchange rate	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
Total (RM'000)				120,977				120,977

The secured borrowing was on a charge of landed property, while 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 3.20% per annum.

There was a reduction in borrowings for RM 40.5 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. (30 September 2020: Nil).

20. COMMITMENT

There were no commitments for the current quarter and comparative period.

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 9 months period ended 30 September 2021 and 30 September 2020 as well as the balances with the related parties as at 30 September 2021 and 31 December 2020.

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	2021	8,345		5,675	-
	2020	10,010		7,807	-
Teobros Ceramica Sdn Bhd	2021	11,248	42	15,504	44
	2020	12,731	16	18,151	16
White Horse Investment (S) Pte Ltd	2021	-	-	-	65,736
	2020	-	-	-	65,241

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 3rd Quarter		Change + / (-)		Cumulative Period		Change + / (-)	
	30 Sep 2021 Unaudited RM '000	30 Sep 2020 Unaudited RM '000			30 Sep 2021 Unaudited RM '000	30 Sep 2020 Unaudited RM '000		
			RM '000	%			RM '000	%
Revenue	56,244	118,262	(62,018)	-52.4%	249,685	268,482	(18,797)	-7.0%
Gross Profit / (Loss)	257	11,044	(10,787)	-97.7%	25,861	18,638	7,223	38.8%
Loss Before Tax	(16,497)	(4,763)	(11,734)	246.4%	(37,477)	(47,159)	9,682	-20.5%

The revenue and gross profit for the current quarter was lower by 52.4% and 97.7% respectively as compared to the same corresponding period of last year, mainly due to the business operation shut-down since 01 June 2021 in compliance with the National Recovery Plan imposed by the Government arising from the continuing outbreak of Covid-19 pandemic. Subsequently, we recommence our operation on 10 September 2021 upon our staff force reaching more than 80% full vaccination.

The loss before tax for the current quarter was higher by 246.4% mainly due to lower revenue achieved, in addition to the foreign exchange loss as opposed to a foreign exchange gain in previous year.

25. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

	Current Quarter 30 Sep 2021 Unaudited RM '000	Immediate Preceding Quarter 30 Jun 2021 Unaudited RM '000	Change + / (-)	
			RM '000	%
	Revenue	56,244	75,561	(19,317)
Gross Profit	257	8,032	(7,775)	-96.8%
Loss Before Tax	(16,497)	(15,857)	(640)	4.0%

The revenue and gross profit were lower by 25.6% and 96.8% respectively for the current quarter as compared with the immediate preceding quarter mainly due to the prolong business operation shut-down in compliance with the National Recovery Plan as per Note 24 above. The business operation shut-down periods for the current quarter and the immediate preceding quarter were 71 days and 30 days respectively.

The loss before tax was higher by 4.0% mainly due to the lower revenue achieved.

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 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 19 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 2020 was not qualified.