

**Explanatory Notes pursuant to MFRS 134 for the 4th quarter ended 31 December 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 23 February 2022.

**2. BASIS OF PREPARATION**

The condensed consolidated interim financial statements, for the period ended 31 December 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
- 2) Amendments to MFRS 16 : COVID-19 Related Rent Concessions beyond 30 June 2021

The Group has not adopted the following standards that have been issued, but are not yet effective:

<b>MFRSs and/or IC Interpretations (Including The Consequential Amendments)</b>	<b>Effective Date</b>
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 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.

<b>Segmental Information</b> - By Geographical Area 31 Dec 2021	Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Adjustment RM '000	<b>Total</b> RM '000
<b>Segment Revenue</b>					
External sales	307,242	41,594	50,717	-	399,553
Inter-segment sales	13,135	2,557	1,489	(17,181)	-
<b>Total revenue</b>	<b>320,377</b>	<b>44,151</b>	<b>52,206</b>	<b>(17,181)</b>	<b>399,553</b>
<b>Segment Results</b>					
Interest income	(939)	(533)	(36)	-	(1,508)
Depreciation	23,925	4,949	2,706	-	31,580
(Loss) / Profit before tax	(42,384)	67,891	1,014	-	26,521
<b>Segment Assets</b>					
Total assets	639,536	67,038	51,185	-	757,759
<b>Segment Liabilities</b>					
Total liabilities	(145,353)	(2,564)	(7,534)	-	(155,451)

<b>Segmental Information</b> - By Geographical Area 31 Dec 2020	Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Adjustment RM '000	<b>Total</b> RM '000
<b>Segment Revenue</b>					
External sales	312,409	54,761	42,872	-	410,042
Inter-segment sales	9,168	2,007	-	(11,175)	-
<b>Total revenue</b>	<b>321,577</b>	<b>56,768</b>	<b>42,872</b>	<b>(11,175)</b>	<b>410,042</b>
<b>Segment Results</b>					
Interest income	(1,014)	(27)	(533)	-	(1,574)
Depreciation	28,830	7,651	3,723	-	40,204
Loss before tax	(41,684)	(12,212)	(870)	(7,089)	(61,855)
<b>Segment Assets</b>					
Total assets	670,841	124,877	54,072	1,483	851,273
<b>Segment Liabilities</b>					
Total liabilities	(165,963)	(90,171)	(5,332)	(2,310)	(263,776)

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 profitable position due to the gain from the disposal of assets held by its wholly-owned subsidiary, White Horse Ceramic Industries (Vietnam) Co., Ltd.

## 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. PROFIT / (LOSS) BEFORE TAX

Included in the Profit / (Loss) Before Tax are the following items:-

	Current Quarter 3 Months Ended		Cumulative Quarter 12 Months Ended	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
	RM '000	RM '000	RM '000	RM '000
Interest income	(374)	(518)	(1,508)	(1,574)
Interest expense	9,199	1,057	11,504	5,177
Depreciation of property, plant and equipment	4,658	11,628	27,123	33,897
Depreciation of right-of-use assets	(151)	1,679	4,457	6,307
Gain on disposal of property, plant and equipment	(76,133)	(102)	(75,957)	(35)
Gain on disposal of right-of-use of assets	(1,291)	(14)	(1,291)	(14)
Impairment loss on property, plant and equipment	8,900	7,400	8,900	7,400
Impairment loss on right-of-use assets	-	5,400	-	5,400
Allowance of impairment loss on trade receivables	2,835	70	2,835	70
Property, plant and equipment written off	217	120	217	120
(Write back) / write down of inventories	(15,913)	8,041	(11,424)	8,150
Gain on foreign currency exchange -unrealised	(8,264)	(9,749)	(5,334)	(7,014)

## 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 12 Months Ended	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
	RM '000	RM '000	RM '000	RM '000
Malaysian Income Tax	2,417	38	1,764	(687)
Foreign Tax	7,226	81	7,774	112
	9,643	119	9,538	(575)
Deferred Tax	(2,633)	(6,781)	(1,338)	(6,012)
Total Tax Expense / (Income)	7,010	(6,662)	8,200	(6,587)

## 10. EARNING / (LOSS) PER SHARE

Basic earning / (loss) per share amounts are computed by dividing the profit / (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 12 Months Ended	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
	Earning / (Loss) net of tax attributable to owners of the parent used in the computation of earning / ( loss) per share (RM'000)	56,988	(8,034)	18,321
Weighted average number of ordinary shares in issue ('000)	240,000	240,000	240,000	240,000
Treasury shares ('000)	(14,383)	(12,265)	(14,383)	(12,265)
Net Weighted average number of ordinary shares in issue ('000)	225,617	227,735	225,617	227,735
Basic earning / (loss) per share (sen per share)	25.26	(3.53)	8.12	(24.27)

## 11. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 31 December 2021, the Group has acquired asset of RM 0.8 million (31 December 2020: RM 1.4 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
<b>Assets held for sale</b>	
Property, plant and equipment	34,230
Right-of-use assets	26,088
	<u>60,318</u>
<b>Liabilities held for sale</b>	
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.”

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 February 2022 due to the Covid-19 Pandemic situation in Vietnam, as per public announcements made on 25 November, 23 December 2021 and 24 January 2022.

The Proposed Disposal has generated an extra-ordinary gain of RM60.2 million, as append below and it was recognised in the current financial year of 2021.

	RM '000
Net Sales proceeds	113,845
Net book value of assets	(33,358)
Gross Gain on disposal	80,487
Deduct :	
Agent commission	(2,214)
Raw material written off	(1,140)
Severance pay to terminated staffs	(617)
Professional fee	(294)
Others	(704)
Tax	(15,313)
Expenses	(20,282)
Net Gain on disposal	60,205

In the long run, the ceased production operation in Vietnam is anticipated to improve the bottom-line of the White Horse Group as it reduces 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:-

	31 Dec	31 Dec
	2021	2020
	RM '000	RM '000
Cash on hand and at banks	132,723	59,258
Short term deposits with banks	44,900	49,679
Sub-total	177,623	108,937
Less Fixed deposits with tenure of more than 3 months	-	(529)
Total Cash and Cash Equivalents	177,623	108,408

#### 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 2021, are as follows :-

	No. of shares purchased	Purchase Price		Average Price RM	Total Consideration RM
		Highest RM	Lowest RM		
Balance as at 31 Dec 2021	19,474,400	2.5000	0.7150	1.2486	24,314,842

#### 17. INTEREST-BEARING LOANS AND BORROWINGS

	Borrowings as at 31 Dec 2021							
	Short-term				Total			
	SGD '000	USD '000	EURO 000	RM '000	SGD '000	USD '000	EURO 000	RM '000
<b>Secured</b>								
Revolving Credit	-	4,500	-	26,625	-	4,500	-	26,625
<b>Unsecured</b>								
Revolving Credit	-	-	-	13,000	-	-	-	13,000
Trade lines	50	926	294	5,242	50	926	294	5,242
<b>Total</b>	50	5,426	294	44,867	50	5,426	294	44,867
Foreign exchange rate	3.0853	4.1650	4.7142	1.0000	3.0853	4.1650	4.7142	1.0000
RM'000 Equivalent	154	22,600	1,386	44,867	154	22,600	1,386	44,867
<b>Total (RM'000)</b>				69,007				69,007

	Short-term				Total			
	SGD '000	USD '000	EURO 000	RM '000	SGD '000	USD '000	EURO 000	RM '000
<b>Unsecured</b>								
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
<b>Total</b>	<b>36</b>	<b>12,282</b>	<b>219</b>	<b>62,900</b>	<b>36</b>	<b>12,282</b>	<b>219</b>	<b>62,900</b>
Foreign exchange rate	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
<b>Total (RM'000)</b>				<b>113,427</b>				<b>113,427</b>

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 3.10% per annum.

There was a reduction in borrowings for RM 44.4 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

The Board has recommended a tax-exempt final dividend of 3 sen per share for the year ended 31 December 2021 with the entitlement date and payable date to be determined in due course. (31 December 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 12 months period ended 31 December 2021 and 31 December 2020 as well as the balances with the related parties as at 31 December 2021 and 31 December 2020.

Key Management Personnel of the Group : Directors' interest		Sales to	Purchases	Amounts	Amounts
		related parties RM '000	from related parties RM '000	owed by related parties RM '000	owed to related parties RM '000
White Horse Ceramic Co Ltd	2021	10,807		4,733	-
	2020	14,525	55	7,463	39
Teobros Ceramica Sdn Bhd	2021	18,608	49	19,114	47
	2020	18,517	18	13,937	-
White Horse Investment (S) Pte Ltd	2021	-	-	-	16,660
	2020	-	-	-	54,972

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 4th Quarter		Change + / (-)		Cumulative Period		Change + / (-)	
	31 Dec 2021	31 Dec 2020			31 Dec 2021	31 Dec 2020		
	Unaudited	Audited	Unaudited	Audited				
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	%
Revenue	149,868	141,560	8,308	5.9%	399,553	410,042	(10,489)	-2.6%
Gross Profit	25,581	22,124	3,457	15.6%	51,442	40,762	10,680	26.2%
Profit/ (Loss) Before Tax	63,998	(14,696)	78,694	-535.5%	26,521	(61,855)	88,376	-142.9%

The revenue and gross profit for the current quarter was higher by 5.9% and 15.6% respectively as compared to the same corresponding period of last year, mainly due to the slight improvement in market condition.

The profit before tax for the current quarter was higher than last year mainly due to the gain from the disposal of assets held by its wholly-owned subsidiary, White Horse Ceramic Industries (Vietnam) Co., Ltd.

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

	Current Quarter	Immediate Preceding Quarter	Change + / (-)	
	31 Dec 2021	30 Sep 2021		
	Unaudited	Unaudited	RM '000	%
Revenue	149,868	56,244	93,624	166.5%
Gross Profit	25,581	257	25,324	9853.7%
Profit/(Loss) Before Tax	63,998	(16,497)	80,495	-487.9%

The revenue and gross profit were higher by 166.5% and 9,853.7% respectively for the current quarter as compared with the immediate preceding quarter mainly due to the business operation shut-down in the previous quarter for 71 days, in compliance with the National Recovery Plan imposed by the Government arising from the continuing outbreak of Covid-19 pandemic. The profit before tax was higher mainly due to the gain from the disposal of assets as per note 24 above.

### 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.