

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

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 2023.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements, for the period ended 31 December 2022, 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 2021.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2021, except for the adoption of the following new Malaysian Financial Reporting Standards (“MFRSs”) effective for financial periods beginning on or after 1 January 2022.

- 1) Amendments to MFRS 3: Reference to the Conceptual Framework
- 2) Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use
- 3) Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract
- 4) Annual Improvements to MFRS Standards 2018 – 2020

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

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 10 & 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 17 : Initial Application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
Amendments to MFRS 101 : Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
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

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 31 Dec 2022	Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Adjustment RM '000	Total RM '000
Segment Revenue					
External sales	360,216	5,258	47,876	-	413,350
Inter-segment sales	12,740	-	2,839	(15,579)	-
Total revenue	372,956	5,258	50,715	(15,579)	413,350
Segment Results					
Interest income	(1,026)	(2,449)	(34)	-	(3,509)
Depreciation & amortisation	24,040	120	2,511	-	26,671
Profit / (Loss) before tax	5,794	1,272	(539)	-	6,527
Segment Assets					
Total assets	635,419	71,938	55,093	-	762,450
Segment Liabilities					
Total liabilities	(155,998)	(1,858)	(8,982)	-	(166,838)

Segmental Information - By Geographical Area 31 Dec 2021	Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Adjustment RM '000	Total RM '000
Segment Revenue					
External sales	307,578	37,953	54,261	-	399,792
Inter-segment sales	6,936	6,198	-	(13,134)	-
Total revenue	314,514	44,151	54,261	(13,134)	399,792
Segment Results					
Interest income	(938)	(33)	(1,221)	-	(2,192)
Depreciation & amortisation	27,213	289	4,130	-	31,632
(Loss) / Profit before tax	(30,259)	54,789	1,008	-	25,538
Segment Assets					
Total assets	629,981	70,908	55,511	127	756,527
Segment Liabilities					
Total liabilities	(146,723)	(2,845)	(5,003)	(1,290)	(155,861)

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

7. SEASONALITY OF OPERATIONS

The Group’s business operation is related to the construction and renovation industries. Generally in a year, 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 BEFORE TAX

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

	Current Quarter 3 Months Ended		Cumulative Quarter 12 Months Ended	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	RM '000	RM '000	RM '000	RM '000
Interest income	(1,416)	(1,058)	(3,509)	(2,192)
Interest expense	1,064	9,343	3,043	11,648
Depreciation of property, plant and equipment	4,679	3,828	24,324	26,293
Depreciation of right-of-use assets	836	731	2,347	5,339
Loss / (Gain) on disposal of property, plant and equipment	11,000	(73,967)	(291)	(73,791)
Write down / (Write back) of inventories	2	(15,915)	60	(11,426)
(Gain) / Loss on foreign currency exchange -unrealised	(952)	(8,258)	(1,289)	(5,328)

9. INCOME TAX EXPENSE

Income tax expense 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 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	RM '000	RM '000	RM '000	RM '000
Malaysian Income Tax	1,199	(4,435)	2,428	(5,088)
Foreign Tax	3,098	14,765	3,506	15,313
	4,297	10,330	5,934	10,225
Deferred Tax	15	(2,721)	(258)	(1,426)
Total Tax Expense	4,312	7,609	5,676	8,799

10. (LOSS) / EARNING PER SHARE

Basic (loss) /earning per share amounts are computed by dividing the (loss) / profit 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 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	(Loss) / Earning net of tax attributable to owners of the parent used in the computation of (loss) /earning per share (RM'000)	(1,667)	55,406	851
Weighted average number of ordinary shares in issue ('000)	240,000	240,000	240,000	240,000
Treasury shares ('000)	(19,474)	(19,474)	(19,474)	(19,474)
Net Weighted average number of ordinary shares in issue ('000)	220,526	220,526	220,526	220,526
Basic (loss) / earning per share (sen per share)	(0.76)	25.12	0.39	7.59

11. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 31 December 2022, the Group has acquired an asset of RM 3.0 million (31 December 2021: RM 0.8 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 Dec 2022 RM '000	31 Dec 2021 RM '000
Cash on hand and at banks	52,143	132,713
Short term deposits with banks	86,240	44,900
Total Cash and Cash Equivalents	138,383	177,613

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 December 2022, are as follows :-

No. of shares purchased	Purchase Price		Average Price RM	Total Consideration RM
	Highest RM	Lowest RM		
19,474,400	2.5000	0.7150	1.2486	24,314,842

16. INTEREST-BEARING LOANS AND BORROWINGS

Borrowings as at 31 Dec 2022				
Short-term				
	SGD '000	USD '000	EURO 000	RM '000
Secured				
Revolving Credit	-	4,000	-	22,625
Unsecured				
Revolving Credit	-	-	-	5,000
Trade lines	197	5,400	765	21,906
Total	197	9,400	765	49,531
Foreign exchange rate	3.2740	4.3900	4.6846	1.0000
RM'000 Equivalent	350	41,268	3,586	49,531
Total (RM'000)				94,735

Borrowings as at 31 Dec 2021				
Short-term				
	SGD '000	USD '000	EURO 000	RM '000
Secured				
Revolving Credit		4,500	-	26,592
Unsecured				
Revolving Credit		-	-	13,000
Trade lines	50	926	294	5,275
Total	50	5,426	294	44,867
Foreign exchange rate	3.0853	4.1650	4.7142	1.0000
RM'000 Equivalent	154	22,600	1,386	44,867
Total (RM'000)				69,008

The secured borrowings were secured by a legal charge over a 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 4.1% per annum.

There was an increase in the borrowings for RM 25.7 million in the current year to-date as compare to the same corresponding period in the immediate preceding year. It was mainly due to the increased in the trade related financing. 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 interim dividend has been declared for the current quarter. (31 December 2021 : 3 sen per share).

19. COMMITMENT

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

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 12 months period ended 31 December 2022 and 31 December 2021 as well as the balances with the related parties as at 31 December 2022 and 31 December 2021.

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	2022	9,611	-	4,141	-
	2021	11,114	49	3,990	47
Teobros Ceramica Sdn Bhd	2022	18,172	91	18,075	-
	2021	18,679	49	15,780	-
White Horse Investment (S) Pte Ltd	2022	-	-	-	-
	2021	-	-	-	16,660

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 4th Quarter		Change + / (-)		Cumulative Period		Change + / (-)	
	31 Dec 2022	31 Dec 2021			31 Dec 2022	31 Dec 2021		
	Unaudited	Audited	RM '000	%	Unaudited	Audited	RM '000	%
	RM '000	RM '000	RM '000	%	RM '000	RM '000	RM '000	%
Revenue	113,683	150,107	(36,424)	-24.3%	413,350	399,792	13,558	3.4%
Gross Profit	30,274	25,912	4,362	16.8%	77,258	51,773	25,485	49.2%
Profit Before Tax	2,645	63,015	(60,370)	-95.8%	6,527	25,538	(19,011)	-74.4%

The revenue for the current quarter was lower by 24.3% as compared to the same corresponding period of last year, mainly due to the slow market pace.

The gross profit was higher by 16.8% as compared to last year due to the inventories written back.

The profit before tax was lower as compared to last year which was a profit due to the disposal of assets held by its wholly-owned subsidiary, White Horse Ceramic Industries (Vietnam) Co., Ltd.

24. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

	Current Quarter	Immediate Preceding Quarter	Change + / (-)	
	31 Dec 2022	30 Sep 2022	RM '000	%
	Unaudited	Unaudited	RM '000	%
Revenue	113,683	90,975	22,708	25.0%
Gross Profit	30,274	14,560	15,714	107.9%
Profit/ (loss) Before Tax	2,645	(3,506)	6,151	-175.4%

The revenue, gross profit and profit before tax were higher than previous quarter due to the business norm where the year-end market demand is higher than 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 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 2021 was not qualified.