

Explanatory Notes pursuant to MFRS 134 for the 4th quarter ended 31 December 2023.

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 28 February 2024.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements, for the period ended 31 December 2023, 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 2022.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2022, except for the adoption of the following new Malaysian Financial Reporting Standards ("MFRSs") effective for financial periods beginning on or after 1 January 2023.

- 1) MFRS 17 and its Amendments to MFRS 17 : Insurance Contracts
- 2) Amendment to MFRS 17 : Initial Application of MFRS 17 and MFRS 9 -Comparative Information
- 3) Amendments to MFRS 101 : Disclosure of Accounting Policies
- 4) Amendments to MFRS 108 : Definition of Accounting Estimates
- 5) Amendments to MFRS 112 : Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- 6) Amendments to MFRS 112 : International Tax Reform - Pillar Two Model Rules

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
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 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 107 & 7 : Supplier Finance Arrangements	1 January 2024
Amendments to MFRS 121 : Lack of Exchangeability	1 January 2025

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 2023	Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Adjustment RM '000	Total RM '000
Segment Revenue					
External sales	371,420	1,105	49,676	-	422,201
Inter-segment sales	11,065	-	1,511	(12,576)	-
Total revenue	382,485	1,105	51,187	(12,576)	422,201
Segment Results					
Interest income	(1,413)	(3,634)	(22)	-	(5,069)
Depreciation & amortisation	15,743	200	2,651	-	18,594
(Loss) / Profit before tax	(23,407)	4,254	3,464	-	(15,689)
Segment Assets					
Total assets	615,978	77,846	55,030	-	748,854
Segment Liabilities					
Total liabilities	(146,735)	(609)	(16,988)	-	(164,332)

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	361,618	4,110	47,887	-	413,615
Inter-segment sales	9,070	1,148	2,828	(13,046)	-
Total revenue	370,688	5,258	50,715	(13,046)	413,615
Segment Results					
Interest income	(1,176)	(2,519)	(68)	-	(3,763)
Depreciation & amortisation	25,292	186	3,599	-	29,077
Profit / (loss) before tax	9,383	1,278	(442)	(3,221)	6,998
Segment Assets					
Total assets	633,485	72,987	56,112	918	763,502
Segment Liabilities					
Total liabilities	(156,219)	(1,855)	(6,702)	(1,579)	(166,355)

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 / (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 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	RM '000	RM '000	RM '000	RM '000
Interest income	(2,225)	(1,670)	(5,069)	(3,763)
Interest expense	1,488	1,242	4,726	3,221
Depreciation of property, plant and equipment	999	4,329	13,671	23,974
Depreciation of right-of-use assets	2,986	3,592	4,923	5,103
Gain on disposal of property, plant and equipment	(411)	(609)	(2,582)	(546)
Gain on disposal of right of use assets	-	-	-	(11,354)
Write back of inventories	(7,737)	(2,760)	(7,727)	(2,702)
Loss / (Gain) on foreign currency exchange-unrealised	194	(847)	769	(1,184)

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 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	RM '000	RM '000	RM '000	RM '000
Malaysian Income Tax	1,554	1,033	1,296	2,262
Foreign Tax	612	3,065	1,427	3,473
	2,166	4,098	2,723	5,735
Deferred Tax	(1,382)	744	(1,124)	471
Total Tax Expense	784	4,842	1,599	6,206

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 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	Earning / (Loss) net of tax attributable to owners of the parent used in the computation of earning / (loss) per share (RM'000)	15,834	(1,726)	(17,288)
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 earning / (loss) per share (sen per share)	7.18	(0.78)	(7.84)	0.36

11. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 31 December 2023, the Group has acquired an asset of RM 1.0 million (31 December 2022: RM 3.0 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 2023 RM '000	31 Dec 2022 RM '000
Cash on hand and at banks	69,233	52,143
Short term deposits with banks	102,148	86,240
Sub-total	171,381	138,383
Less Fixed deposits with tenure of more than 3 months	(68,663)	(61,440)
Total Cash and Cash Equivalents	102,718	76,943

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 2023, are as follows :-

No. of shares purchased	Purchase Price		Average Price	Total Consideration
	Highest	Lowest		
	RM	RM	RM	RM
19,474,400	2.5000	0.7150	1.2486	24,314,843

16. INTEREST-BEARING LOANS AND BORROWINGS

Borrowings as at 31 Dec 2023									
	Long-term	Short-term				Total			
	RM '000	SGD '000	USD '000	EURO '000	RM '000	SGD '000	USD '000	EURO '000	RM '000
Secured									
Term Loan	15,120	-	-	-	1,683	-	-	-	16,803
Revolving Credit	-	-	3,500	-	23,600	-	3,500	-	23,600
Trade lines	-	-	2,814	367	23,048	-	2,814	367	23,048
Unsecured									
Trade lines	-	-	-	-	739	-	-	-	739
Total	15,120	-	6,314	367	49,070	-	6,314	367	64,190
Foreign exchange rate	1.0000	3.4787	4.5900	5.0768	1.0000	3.4787	4.5900	5.0768	1.0000
RM'000 Equivalent	15,120	-	28,981	1,863	49,070	-	28,981	1,863	64,190
Total (RM'000)	15,120				79,914				95,034

Borrowings as at 31 Dec 2022									
	Long-term	Short-term				Total			
	RM '000	SGD '000	USD '000	EURO '000	RM '000	SGD '000	USD '000	EURO '000	RM '000
Secured									
Revolving Credit	-	-	4,000	-	22,617	-	4,000	-	22,617
Unsecured									
Revolving Credit	-	-	-	-	5,000	-	-	-	5,000
Trade lines	-	197	5,539	765	20,059	197	5,539	765	20,059
Total	-	197	9,539	765	47,676	197	9,539	765	47,676
Foreign exchange rate	1.0000	3.2740	4.3900	4.6846	1.0000	3.2740	4.3900	4.6846	1.0000
RM'000 Equivalent	-	645	41,876	3,584	47,676	645	41,876	3,584	47,676
Total (RM'000)	-				93,781				93,781

Other than the corporate guarantee and negative pledge for all the loan and borrowings, the secured borrowings were secured by legal charges over landed properties.

All borrowings are based on the floating interest rate and its weighted average interest rate is about 5.5% per annum.

There was an increase in the borrowings for RM 1.3 million in the current year to-date as compare to the same corresponding period in the immediate preceding year. 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 Dec 2022 : Nil).

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 2023 and 31 December 2022 as well as the balances with the related parties as at 31 December 2023 and 31 December 2022.

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	2023	8,255	-	3,724	261
	2022	10,086	53	3,979	251
Teobros Ceramica Sdn Bhd	2023	19,371	-	15,624	81
	2022	18,172	91	15,908	81

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 2023	31 Dec 2022			31 Dec 2023	31 Dec 2022		
	Unaudited RM '000	Audited RM '000	RM '000	%	Unaudited RM '000	Audited RM '000	RM '000	%
Revenue	127,124	113,948	13,176	11.6%	422,201	413,615	8,586	2.1%
Gross Profit	43,459	31,963	11,496	36.0%	59,623	78,947	(19,324)	-24.5%
Profit / (Loss) Before Tax	16,618	3,116	13,502	433.3%	(15,689)	6,998	(22,687)	-324.2%

The Revenue, Gross Profit and Profit / (Loss) Before Tax were higher by 11.6%, 36.0% and 433.3% respectively as compared to the same corresponding period of last year, mainly due to the better market sentiment.

24. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

	Current Quarter 31 Dec 2023 Unaudited RM '000	Immediate Preceding Quarter 30 Sep 2023 Unaudited RM '000	Change + / (-)	
			RM '000	%
Revenue	127,124	112,828	14,296	12.7%
Gross Profit	43,459	12,116	31,343	258.7%
Profit / (Loss) Before Tax	16,618	(2,374)	18,992	800.0%

A betterment in the Revenue, Gross Profit and Profit / (Loss) Before Tax for the current quarter as compared with the immediate preceding quarter mainly due to the seasonal market norm sentiment, where the business is performed at a slowest pace in the first quarter and gradually improving in the forthcoming quarters for the whole year.

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 terms of 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 2022 was not qualified.