

Explanatory Notes pursuant to MFRS 134 for the 3rd quarter ended 30 September 2024.

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 27 November 2024.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements, for the period ended 30 September 2024, 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 2023.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2023, except for the adoption of the following new Malaysian Financial Reporting Standards (“MFRSs”) effective for financial periods beginning on or after 1 January 2024.

- 1) Amendments to MFRS 16 : Lease Liability in a Sale and Leaseback
- 2) Amendments to MFRS 101 : Classification of Liabilities as Current or Non-current
- 3) Amendments to MFRS 101 : Non-current Liabilities with Covenants
- 4) Amendments to MFRS 107 & 7 : Supplier Finance Arrangements

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 121 : Lack of Exchangeability	1 January 2025
MFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
MFRS 19 Subsidiaries without Public Accountability : Disclosures	1 January 2027
Amendments to MFRS 9 & 7 : Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Annual Improvements to MFRS Accounting Standards – Volume 11	1 January 2026

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

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 2024	Malaysia Operation	Vietnam Operation	Other Operation	Adjustment	Total
	RM '000	RM '000	RM '000	RM '000	RM '000
Segment Revenue					
External sales	281,521	395	36,414	-	318,330
Inter-segment sales	8,052	-	1,959	(10,011)	-
Total revenue	289,573	395	38,373	(10,011)	318,330
Segment Results					
Interest income	(1,195)	(2,022)	(18)	-	(3,235)
Depreciation & amortisation	12,155	4	921	-	13,080
(Loss) / Profit before tax	(10,114)	1,082	978	-	(8,054)
Segment Assets					
Total assets	589,748	76,301	54,471	-	720,520
Segment Liabilities					
Total liabilities	(133,934)	(177)	(9,445)	-	(143,556)

Segmental Information - By Geographical Area 30 Sep 2023	Malaysia Operation	Vietnam Operation	Other Operation	Adjustment	Total
	RM '000	RM '000	RM '000	RM '000	RM '000
Segment Revenue					
External sales	260,081	881	34,115	-	295,077
Inter-segment sales	8,584	-	1,419	(10,003)	-
Total revenue	268,665	881	35,534	(10,003)	295,077
Segment Results					
Interest income	(687)	(2,144)	(13)	-	(2,844)
Depreciation & amortisation	13,566	84	959	-	14,609
(Loss) / Profit before tax	(38,449)	3,063	3,079	-	(32,307)
Segment Assets					
Total assets	590,047	74,810	51,090	-	715,947
Segment Liabilities					
Total liabilities	(142,277)	(653)	(8,992)	-	(151,922)

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. 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 2024	30 Sep 2023	30 Sep 2024	30 Sep 2023
	RM '000	RM '000	RM '000	RM '000
Interest income	(1,010)	(1,445)	(3,235)	(2,844)
Interest expense	1,163	938	3,819	3,238
Depreciation of property, plant and equipment	3,672	3,959	11,141	12,672
Depreciation of right-of-use assets	646	647	1,939	1,937
Gain on disposal of property, plant and equipment	(1)	(2,028)	(21)	(2,171)
Write down of inventories	-	-	8	10
Loss / (Gain) on foreign currency exchange-unrealised	384	(45)	411	575

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 9 Months Ended	
	30 Sep 2024	30 Sep 2023	30 Sep 2024	30 Sep 2023
	RM '000	RM '000	RM '000	RM '000
Malaysian Income Tax	-	-	-	(258)
Foreign Tax	(118)	554	216	815
	(118)	554	216	557
Deferred Tax	-	-	-	258
Total Tax Expense	(118)	554	216	815

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 2024	30 Sep 2023	30 Sep 2024	30 Sep 2023
	Loss net of tax attributable to owners of the parent used in the computation of loss per share (RM'000)	(3,608)	(2,928)	(8,270)
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 per share (sen per share)	(1.64)	(1.33)	(3.75)	(15.02)

11. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 30 September 2024, the Group has acquired an asset of RM 0.52 million (30 Sep 2023: RM 0.05 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:-

	30 Sep 2024 RM '000	30 Sep 2023 RM '000
Cash on hand and at banks	49,606	67,150
Short term deposits with banks	103,808	83,644
Sub-total	153,414	150,794
Less Fixed deposits with tenure of more than 3 months	(19,530)	(62,829)
Total Cash and Cash Equivalents	133,884	87,965

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 30 September 2024, 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 30 Sep 2024							
	Long-term	Short-term			Total		
	RM	USD	EURO	RM	USD	EURO	RM
	'000	'000	'000	'000	'000	'000	'000
Secured							
Term loan	13,948	-	-	1,488	-	-	15,436
Revolving credit	-	3,500	-	20,600	3,500	-	20,600
Trade lines	-	1,163	488	7,403	1,163	488	7,403
Unsecured							
Trade lines	-	-	-	16,331	-	-	16,331
Total	13,948	4,663	488	45,822	4,663	488	59,770
Foreign exchange rate	1.0000	4.1220	4.6183	1.0000	4.1220	4.6183	1.0000
RM'000 Equivalent	13,948	19,221	2,254	45,822	19,221	2,254	59,770
Total (RM'000)	13,948			67,297			81,245

Borrowings as at 30 Sep 2023							
	Long-term	Short-term			Total		
	RM	USD	EURO	RM	USD	EURO	RM
	'000	'000	'000	'000	'000	'000	'000
Secured							
Term loan	17,000	-	-	-	-	-	17,000
Revolving credit	-	4,000	-	19,600	4,000	-	19,600
Unsecured							
Revolving credit	-	-	-	5,000	-	-	5,000
Trade lines	-	805	382	17,933	805	382	17,933
Total	17,000	4,805	382	42,533	4,805	382	59,533
Foreign exchange rate	1.0000	4.6920	4.9775	1.0000	4.6920	4.9775	1.0000
RM'000 Equivalent	17,000	22,545	1,901	42,533	22,545	1,901	59,533
Total (RM'000)	17,000			66,979			83,979

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 a reduction in the borrowings for RM 2.7 million in the current year to-date as compared 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 (30 September 2023 : 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 9 months period ended 30 September 2024 and 30 September 2023 as well as the balances with the related parties as at 30 September 2024 and 31 December 2023.

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	2024	5,136	-	3,721	-
	2023	5,480	-	4,142	-
Teobros Ceramica Sdn Bhd	2024	18,249	-	23,834	81
	2023	14,147	-	12,180	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 3rd Quarter		Change + / (-)		Cumulative Period		Change + / (-)	
	30 Sep 2024	30 Sep 2023			30 Sep 2024	30 Sep 2023		
	Unaudited	Unaudited	RM '000	%	Unaudited	Unaudited	RM '000	%
Revenue	108,838	112,828	(3,990)	-3.5%	318,330	295,077	23,253	7.9%
Gross Profit	13,300	12,116	1,184	9.8%	42,520	16,164	26,356	163.1%
Loss Before Tax	(3,726)	(2,374)	1,352	57.0%	(8,054)	(32,307)	(24,253)	-75.1%

The revenue was lower by 3.5% due to market competition. While the gross profit was higher by 9.8% due to lower operating cost as compared to the same corresponding period of last year.

However, the loss before tax was higher by 57.0% mainly due to reduction of Other Income, where in year 2023, there was a gain of RM 1.5 million from the disposal of a warehouse held by its wholly-owned subsidiary, White Horse Ceramic Industries (Vietnam) Co. Ltd.

24. COMMENT ON MATERIAL CHANGE IN LOSS BEFORE TAXATION

	Current Quarter	Immediate Preceding Quarter	Change	
	30 Sep 2024	30 Jun 2024	+ / (-)	
	Unaudited	Unaudited	RM '000	%
Revenue	108,838	102,956	5,882	5.7%
Gross Profit	13,300	15,643	(2,343)	-15.0%
Loss Before Tax	(3,726)	(1,317)	2,409	182.9%

The revenue for the current quarter was higher by 5.7% due to the improved market condition. However, the gross profit was lower by 15.0% as compared with the immediate preceding quarter due to higher operating cost, which also has impacted the loss before tax.

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 2023 was not qualified.