

WHITE HORSE BERHAD (Company No: 455130-X)

Notes to the quarterly report on consolidated results for the THIRD quarter ended 30 Sep 2009.

1. BASIS OF PREPARATION

The interim financial statements have been prepared on a historical basis, except for the freehold land and buildings included within property, plant and equipment that have been stated at their fair values

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting, and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2008. These explanatory notes attached to the 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 2008.

2. CHANGES IN ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2008 and the Group have not opted for any early adoption of the following new Financial Reporting Standards ("FRSs") and Issues Committee Interpretations ("IC Interpretations"):

<u>FRSs and IC Interpretations</u>	<u>Effective for financial periods beginning on or after</u>
FRS 4 Insurance Contracts;	01 Jan 2010
FRS 7 Financial Instruments: Disclosures;	01 Jan 2010
FRS 8 Operating Segments	01 Jul 2009
FRS 123 Borrowing Costs	01 Jan 2010
FRS 139 Financial Instruments: Recognition and Measurement;	01 Jan 2010
Amendments to FRS 1 First-time Adoption of Financial Reporting Standards	01 Jan 2010
Amendments to FRS 2 Share-based Payment-Vesting Conditions/Cancellations	01 Jan 2010
Amendments to FRS 127 Consolidated and Separate Financial Statements :	
Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	01 Jan 2010
IC Interpretation 9 Reassessment of Embedded Derivatives	01 Jan 2010
IC Interpretation 10 : Interim Financial Reporting and Impairment	01 Jan 2010
IC Interpretation 11 : FRS 2 - Group and Treasury Share Transactions	01 Jan 2010
IC Interpretation 13 : Customer Loyalty Programmes	01 Jan 2010
IC Interpretation 14 : FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	01 Jan 2010

The new FRS and Interpretations above are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application except for the changes in disclosures arising from the adoption of FRS 8.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 7 and FRS 139

3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 December 2008 was not qualified.

4. SEGMENTAL INFORMATION

No segmental financial information has been prepared as the Group's business activities are primarily in the manufacturing and distribution of ceramic tiles, which were also principally conducted in Malaysia.

5. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter.

6. CHANGES IN ESTIMATES

There were no other changes in estimates that had a material effect in the current quarter results.

7. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The Group's business operation is related to the construction and renovation industries. It is a norm that every first quarter of the calendar year, the business will be performed at a slower pace due to the festive season and it is expected that the business's performance will be improved in the forthcoming quarters.

8. DIVIDENDS PAID

A final 7% tax-exempted dividend in respect of the financial year 2008, amounting to RM16.1 million was paid on 10 July 2009.

9. CARRYING AMOUNT OF REVALUED ASSETS

Except for the landed property, the valuation of plant and equipment had been brought forward without amendment from the financial statements for the year ended 31 December 2008.

10. DEBT AND EQUITY SECURITIES

There were no issuance, cancellations, repurchases, resale and repayment of debt and equity securities for the current quarter.

11. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the current financial quarter.

12. DISCONTINUED OPERATION

White Horse Ceramic (India) Pte Ltd ("WHID"), a wholly owned subsidiary of White Horse Ceramic Industries Sdn Bhd ("WHC"), a wholly owned subsidiary, had ceased operations since January 2008 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 WHID is relatively smaller scale as compare 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.

13. CAPITAL COMMITMENTS

The amount of commitments for the purchase of property, plant and equipment and prepaid lease, which are not provided for in the interim financial statements as at 13 November 2009 is as follows:-

Approved and Contracted for : RM6.1 million

14. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

All contingent liabilities were made-up of corporate guarantees issued to financial institutions for credit facilities, including the Bank Guarantee, utilised by a subsidiary, amounting to RM53.3 million as at 13 November 2009.

15. SUBSEQUENT EVENTS

Subsequent to the end of the third quarter, the company had further purchased its own shares as treasury shares as at 13 November 2009, which were not resale or canceled, as shown below :-

Details of the share buy-back are as follows :-

<u>Month</u>	<u>No. of Shares Purchased</u>	<u>Purchase Price</u>		<u>Average Price</u> RM	<u>Total Consideration</u> RM
		<u>Highest</u> RM	<u>Lowest</u> RM		
Balance b/f	10,027,700	2.5000	0.9200	1.5209	15,339,219
Oct 09	5,000	1.3300	1.3300	1.3300	6,699
Balance c/f	10,032,700	2.5000	0.9200	1.5208	15,345,918

16. PERFORMANCE REVIEW

The Group had achieved a turnover of RM124.4 million, a gross profit of RM39.9 million and a profit before tax of RM21.0 million for the current quarter as compared to the same corresponding period of last year of RM134.5 million, RM44.8 million and RM23.3 million respectively.

The turnover, gross profit and profit before tax had reduced by 7%, 11% and 10% respectively, mainly due to the stiff market competition in the current economic downturn environment.

As for last year, there was a price hike in the tiles industry subsequent to the Government's announcement of the prices hike for natural gas, electricity and petrol/diesel, where most of the customers have placed high volume of purchase orders and keeping stock at their end before the said price hike.

17. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAX

The profit before tax of RM21.0 million for the current quarter is 24% higher than the immediate preceding quarter mainly due to the norm of higher sales volume for the third quarter.

18. COMMENTARY ON PROSPECTS

The Group anticipates that the results for the next financial quarter will be performing better than the current quarter.

19. PROFIT FORECAST AND PROFIT GUARANTEE

- (a) Profit forecast : Not applicable
- (b) Profit guarantee : Not applicable

20. INCOME TAX EXPENSE

The taxation charge for the Group is as follows: -

	Current quarter	Year to date
	RM'000	RM'000
Income tax	4,235	9,712
Deferred tax	469	949
Total	4,704	10,661

The effective tax rate on the Group's profits is lower than the statutory rate mainly due to the claim of reinvestment allowance by a subsidiary.

21. SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

There were no sales of unquoted investments and properties for the current quarter.

22. QUOTED SECURITIES

- (a) There were no purchases or sales of quoted securities for the current quarter.
- (b) There were no investments in quoted securities, as at the reporting period.

23. CORPORATE PROPOSALS

There was no corporate proposal announced but not completed as at the date of this quarterly report.

24. BORROWINGS

Group borrowings as at 30 September 2009 are as follows:-

- (a) Securities on banks' borrowings were corporate guarantees and negative pledge.
- (b) (i) Short-term borrowings

	RM'000
Unsecured :	
Bankers acceptance	26,389
Fixed Loan	40,000
Total	66,389

- (ii) Hire-purchase creditors

Secured	
Repayments due within 12 months	39
Repayments after 12 month	0
Total	39

- (iii) Long-term borrowings

Unsecured	
Fixed Loan	30,000
Total	30,000

25. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

Off balance sheet financial instrument as at 13 November 2009 was made-up of Bank Guarantee, details of which are shown as follows :-

(1) Bank Guarantee

- (a) The face amount involved is RM15.2 million, and
- (b) It was issued to the Royal Custom of Malaysia, Immigration Department and Utilities Companies (gas and electricity), including the following :-
 - (i) There is no credit and market risk as it is for the operational transaction;

- (ii) Cash requirement upon presentation of claim, and
- (iii) Recognition of expenditure, asset and liability upon its settlement.

26. CHANGES IN MATERIAL LITIGATION

White Horse Marketing Sdn Bhd ("WHM"), a wholly-owned subsidiary, was served with a second (2nd) writ of summons on 09 July 2004, as a co-defendant, by a customer claiming damages and losses for allegedly committing a tort of malicious prosecution or tort of abuse of process of court, namely presenting a winding-up petition against the said customer's company for failure to settle a debt due to WHM.

On 24 August 2005, the Deputy Registrar of the High Court has allowed WHM's application summarily to strike out the suit filed by the customer, with costs.

On 15 August 2006, the High Court Judicial Commissioner has allowed the customer's appeal with costs.

On 07 September 2006, WHM had filed a Notice of Appeal to the Court of Appeal, against the said decision.

On 04 May 2009, WHM's appeal came up for hearing before the Court of Appeal.

However, as the customer had already been compulsorily wound up by the High Court in Alor Setar, the Official Receiver had requested for a postponement of the hearing of WHM's appeal, so as to enable the Official Receiver to call for a meeting among the contributories and creditors of the customer. The Official Receiver's request was allowed by the presiding Judges of the Court of Appeal on 04 May 2009.

The hearing of the appeal is now adjourned to a date to be fixed by the Court of Appeal.

27. DIVIDEND PAYABLE

The Board has approved a 5% tax-exempted interim dividend for the current quarter.

28. EARNINGS PER SHARE

The basic earnings per share for the current quarter is 7.07 sen.

It was computed by dividing the net profit of current quarter of RM16.3 million by the weighted average number of ordinary shares in issue of 230.0 million, excluding treasury shares held by the company.

29. AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 18 November 2009.