

WHITE HORSE BERHAD (Company No: 455130-X)

Notes to the quarterly report on consolidated results for the FOURTH quarter ended 31 Dec 2010.

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 2009. 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 2009.

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 2009, except for the adoption of the following new Financial Reporting Standards ("FRSs") and Issues Committee Interpretations ("IC Interpretations") effective for financial periods beginning on or after 01 January 2010.

FRS 4 Insurance Contracts;
FRS 7 Financial Instruments: Disclosures;
FRS 8 Operating Segments;
FRS 101 Presentation of Financial Statements (revised);
FRS 123 Borrowing Costs;
FRS 139 Financial Instruments: Recognition and Measurement;
Amendments to FRS 1 First-time Adoption of Financial Reporting Standards;
Amendments to FRS 2 Share-based Payment-Vesting Conditions/Cancellations;
Amendments to FRS 127 Consolidated and Separate Financial Statements:
Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate;
Amendment to FRS 5 Non-current Assets Held for Sale and Discontinued Operations
Amendment to FRS 8 Operating Segments;
Amendment to FRS 107 Cash Flow Statements;
Amendment to FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors;
Amendment to FRS 110 Events after the Reporting Period;
Amendment to FRS 116 Property, Plant and Equipment;
Amendment to FRS 117 Leases;
Amendment to FRS 118 Revenue;
Amendment to FRS 119 Employees Benefits;
Amendment to FRS 120 Accounting for Government Grants and Disclosure of Government Assistance;
Amendment to FRS 123 Borrowing Costs;
Amendment to FRS 127 Consolidated and Separate Financial Statements:
Amendment to FRS 128 Investment in Associates;
Amendment to FRS 129 Financial Reporting in Hyperinflationary Economies;
Amendment to FRS 131 Interests in Joint Ventures;
Amendment to FRS 132 Financial Instruments: Presentation;
Amendment to FRS 134 Interim Financial Reporting;

Amendment to FRS 136 Impairment of Assets;
Amendment to FRS 138 Intangible Assets;
Amendment to FRS 139 Financial Instruments: Recognition and Measurement;
Amendment to FRS 140 Investment Property;
Amendments to FRSs "Improvements to FRSs (2009)"
IC Interpretation 9 Reassessment of Embedded Derivatives;
IC Interpretation 10 : Interim Financial Reporting and Impairment;
IC Interpretation 11 : FRS 2 - Group and Treasury Share Transactions;
IC Interpretation 13 : Customer Loyalty Programmes;
IC Interpretation 14 : FRS 119 – The Limit on a Defined Benefit Asset,
Minimum Funding Requirements and their Interaction.
Tri-3 Presentation of Financial Statements of Islamic Financial Institutions.

The following FRSs and IC Interpretations in issue effective from 01 July 2010, have been adopted by the Group and the Company

FRS 1 First-time Adoption of Financial Reporting Standards;
FRS 3 Business Combination;
FRS 127 Consolidated and Separate Financial Statements (amended);
Amendments to FRS 2 Share-based Payments;
Amendment to FRS 5 Non-current Assets Held for Sale and Discontinued Operations
Amendment to FRS 138 Intangible Assets;
Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives;
IC Interpretation 12 : Service Concession Arrangements;
IC Interpretation 15 : Agreements for the Construction of Real Estate;
IC Interpretation 16 : Hedges of a Net Investment in a Foreign Operation, and
IC Interpretation 17: Distribution of Non-Cash Assets to Owners.

The adoption of the new FRS and Interpretations does not have significant impact on the financial statements of the Group and the Company, except for FRS 139. The principal effects of the changes in accounting policies resulting from the adoption of FRS 139 are summarised below:

FRS 139 – Financial Instruments: Recognition and Measurement

The adoption of FRS 139 has resulted in changes to the accounting policies relating to recognition and measurement of financial instruments. A financial instrument is recognised in the financial statements when, and only when, the Group becomes a party to the contractual provisions of the instrument. A financial instrument is recognized initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument.

- 1) **Financial assets** Marketable securities Prior to the adoption of FRS 139, investment in equity securities, other than investments in subsidiaries and associates were stated at cost less allowance for diminution in value, which is other than temporary. With the adoption of FRS 139, quoted investments in non-current equity securities, other than investments in subsidiaries and associates are now categorised and measured as fair value through profit or loss.
- 2) **Derivatives** Prior to the adoption of FRS 139, derivative contracts off balance sheet items and gains and losses were recognised in the financial statements on settlement date. With the adoption of FRS 139, derivative contracts are now required to be initially recognised at fair value on the date the derivative contract is entered into and subsequently re-measured at fair value at each balance sheet date. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Derivatives are classified as fair value through profit and loss with any gains or losses arising from changes in fair value of these derivatives being recognised in the income statement.

3) Financial liabilities Borrowings Prior to the adoption of FRS 139, transaction costs attributable to borrowings were expensed off as incurred. With the adoption of FRS 139, borrowings are now recognised initially at fair value, plus directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest rate method

3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 December 2009 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

An interim 7% tax-exempted dividend in respect of the current financial year of 2010, amounting to RM16.1 million was paid on 18 January 2011.

9. CARRYING AMOUNT OF REVALUED ASSETS

The valuation of landed property, plant and equipment had been brought forward without amendment from the financial statements for the year ended 31 December 2009.

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

Incorporation of a subsidiary

One of the wholly-owned subsidiaries, White Horse Ceramic Industries Sdn Bhd ("WHC"), had on 12 August 2010, incorporated a subsidiary, Grand Mark International Co., Ltd ("GMI") in the People's Republic of China, with a registered capital of USD750,000/=.

The rationale for the incorporation of GMI is to expand the wholesale channel of WHC products in China.

Henceforth, GMI would become a wholly owned subsidiary of WHC, while White Horse Berhad would become the ultimate holding company.

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, which are not provided for in the interim financial statements as at 18 February 2011 is as follows:-

Approved and Contracted for : RM 3.4 million

14. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

All Contingent Liabilities were made-up of Corporate Guarantees, Letter of Credit and Foreign Currency Forward Contract issued to financial institutions for credit facilities, including the Bank Guarantee, utilised by a subsidiary, amounting to RM 71.0 million as at 18 February 2011.

15. SUBSEQUENT EVENTS

There were no material events subsequent to the end of the quarterly report.

16. PERFORMANCE REVIEW

The Group had achieved a turnover of RM136.2 million, a gross profit of RM49.6 million and a profit before tax of RM25.3 million for the current quarter as compared to the same corresponding period of last year of RM137.5 million, RM54.7 million and RM31.2 million respectively.

The turnover, gross profit and profit before tax had reduced by 1%, 9% and 19% respectively, mainly due to the higher market demand for last year.

17. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAX

The profit before tax of RM25.3 million for the current quarter is 2% higher than the immediate preceding quarter mainly due to the production efficiency achieved for the current quarter.

18. COMMENTARY ON PROSPECTS

In view of the additional production capacity to be set-up in the First Half of 2011, coupled with the continuous market demand, the Group anticipates that the results for the next financial year would be more encouraging.

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	5,476	18,742
Deferred tax	30	986
Total	5,506	19,728

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 31 December 2010 are as follows:-

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

(b) (i) Short-term borrowings

	RM'000
Unsecured :	
Bankers Acceptance	21,228
Trust Receipts	6,307
Revolving Credit	10,000
Hire Purchase	105
Total	37,640

(ii) Long-term borrowings

Unsecured	
Fixed Loan	2,615
Total	2,615

25. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

Off balance sheet financial instruments as at 18 February 2011 was made-up of Bank Guarantee and Letter of Credit, details of which are shown as follows :-

(1) Bank Guarantee

- (a) The face amount involved is RM14.8 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.

(2) Letter of Credit

- (a) The face amount involved is RM3.4 million, and
(b) It is for the purchase of plant and machinery and safeguarded by insurance coverage, include the following :-
- (i) There is no credit and market risk as it is for the purchase transaction;
 - (ii) Cash requirement upon presentation of documents, and
 - (iii) Recognition of asset and liabilities upon its settlement.

26. DERIVATIVE FINANCIAL INSTRUMENTS

Details of the outstanding derivative financial instrument as at 31 December 2010 are as follows:-

Type of Derivatives	Contract / Notional Value (RM '000)	Fair Value (RM '000)	Gain / (Loss) on Fair Value Changes (RM '000)	Reason for Gain /(Loss)
Forward Foreign Exchange Contract in Euro -Maturing within 1 month	3,658	3,658	NIL	It was booked on 30 Dec 2010

Forward foreign exchange contract is used as a hedging tool to minimise the group's exposure to changes in fair value of its capital commitment, conducted in the ordinary course of business, as a result of fluctuation in the exchange rate.

The fair value of forward exchange contract is determined by using the market rates at the end of reporting period and changes in the fair value is recognised in the profit or loss. The subsequent cumulative change in the fair value of the commitment attributable to the hedged risk is recognised as an asset or a liability with the corresponding gain or loss recognised in the profit or loss.

The above derivative financial instrument is not subjected to any credit risk, market risk and liquidity risk as the Group had sufficient internal funds for its settlement when it falls due.

27. 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, ex-directors and creditors of the customer for sanction whether to oppose the appeal. The Official Receiver's request for adjournment was allowed by the presiding Judges of the Court of Appeal on 04 May 2009.

The hearing of the appeal was fixed on 30 June 2010 before the panel Judges of the Court of Appeal on that day.

In view of the wound-up status of the customer and its failure to set down the suit for trial, the High Court in Alor Setar had struck off the suit with no order as to cost on 31 May 2010. Henceforth, the above appeal had become academic and a Notice of Discontinuance of the above appeal has been filed with the Court of Appeal. The appeal was taken off the list of hearing on 30 June 2010 due to the discontinuance of the said appeal

Consequently, the said litigation had come to an end.

28. DIVIDEND PAYABLE

The Board has recommended a final tax-exempt dividend of 5% for the current quarter, that make-up the total tax-exempt dividend for the financial year to 12%, which is 2% higher than last year, and it is subjected to the shareholders' approval at the forthcoming Annual General Meeting.

29. EARNINGS PER SHARE

The basic earnings per share for the current quarter is 8.61 sen.

It was computed by dividing the net profit of current quarter of RM19.8 million by the weighted average number of ordinary shares in issue of 230.0 million, excluding treasury shares held by the company.

30. REALISED AND UNREALISED PROFITS

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits, is as follows :-

	As at 31.12.2010 RM'000	As at 30.09.2010 RM'000
<u>Group</u>		
Total retained profits of White Horse Berhad and its subsidiaries:		
- Realised	515,582	510,747
- Unrealised	(31,326)	(31,296)
	<u>484,256</u>	<u>479,451</u>
Total share of retained profits / accumulated losses from Jointly controlled entities:		
- Realised	(106)	(82)
	<u>484,150</u>	<u>479,369</u>
Less: Consolidated adjustments	(101,060)	(99,992)
	<u>383,090</u>	<u>379,377</u>
Total Group's retained profits as per consolidated accounts	<u>=====</u>	<u>=====</u>

31. 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 23 February 2011.