

WHITE HORSE BERHAD (Company No: 455130-X)

Notes to the quarterly report on consolidated results for the FIRST quarter ended 31 Mar 2011.

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 shall be read in conjunction with the audited financial statements for the year ended 31 December 2010. 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 2010.

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 2010, 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 2011.

FRS 1 First-time Adoption of Financial Reporting Standards;
FRS 3 Business Combinations (Revised);
Amendments to FRS 2 Share-based Payment;
Amendment to FRS 5 Non-current Assets Held for Sale and Discontinued Operations;
Amendment to FRS 127 Consolidated and Separate Financial Statements;
Amendment to FRS 138 Intangible Assets;
Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives;
IC Interpretation 12 Service Concession Arrangements;
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation;
IC Interpretation 17 Distributions of Non-cash Assets to Owners;
Amendment to FRS 132 Classification of Right Issues;
Amendments to FRS 1 Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters;
Amendments to FRS 1 Additional Exemptions for First-time Adopters;
Amendments to FRS 2 Group Cash-settled Share-based Payment Transactions;
Amendments to FRS 7 Improving Disclosure about Financial Instruments;
Improvements to FRS issued in 2010;
IC Interpretation 4 Determining Whether an Arrangement contains a Lease;
IC Interpretation 18 Transfer of Assets from Customers;

The adoption of the new FRS and Interpretations does not have significant impact on the financial statements of the Group and the Company.

Meanwhile, the Group has not adopted the following standards and interpretations that have been issued but not yet effective.

FRSs and IC Interpretations

Effective for financial
periods beginning
on or after

| | |
|---|-------------|
| IC Interpretation 19: Extinguishing Financial Liabilities with Equity instruments | 01 Jul 2011 |
| Amendments to IC Interpretation 14: Prepayments of a Minimum Fund Requirement | 01 Jul 2011 |
| TRi 4: Shariah Compliant Sales Contract | 01 Jan 2012 |
| FRS 124: Related Party Disclosure (Revised) | 01 Jan 2012 |
| IC Interpretation 15: Agreements for the construction of Real Estate | 01 Jan 2012 |

3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 December 2010 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 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 2010.

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, which are not provided for in the interim financial statements as at 13 May 2011 is as follows:-

Approved and Contracted for : RM 5.2 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 RM 73.7 million as at 13 May 2011.

15. SUBSEQUENT EVENTS

Subsequent to the end of the first quarter, the company had further purchased its own shares as treasury shares as at 13 May 2011, 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 c/f | 10,045,700 | 2.5000 | 0.9200 | 1.5210 | 15,367,968 |
| Apr 2011 | 10,000 | 1.9200 | 1.9200 | 1.9200 | 19,341 |
| Balance c/f | 10,055,700 | 2.5000 | 0.9200 | 1.5214 | 15,387,309 |

16. PERFORMANCE REVIEW

The Group had achieved a turnover of RM118.3 million, a gross profit of RM37.6 million and a profit before tax of RM16.8 million for the current quarter as compared to the same corresponding period of last year of RM115.5 million, RM36.7 million and RM16.5 million respectively.

The turnover, gross profit and profit before tax had increased by 3%, 2% and 2% respectively, mainly due to the higher sales for the current quarter.

17. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAX

The profit before tax of RM16.8 million for the current quarter is 34% lower than the immediate preceding quarter mainly due to the norm of lower sales volume resulting from the festive season 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 quarter 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 | 3,242 | 3,242 |
| Deferred tax | 625 | 625 |
| Total | 3,867 | 3,867 |

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 March 2011 are as follows:-

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

| | RM'000 |
|--------------------|---------------|
| Unsecured : | |
| Bankers Acceptance | 22,715 |
| Trust Receipts | 21,607 |
| Revolving Credit | 46,055 |
| Hire Purchase | 66 |
| Fixed Loan | 2,114 |
| Total | 92,557 |

25. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

Off balance sheet financial instruments as at 13 May 2011 was made-up of Bank Guarantee, details of which are shown as follows :-

- (a) The face amount involved is RM15.6 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. DERIVATIVE FINANCIAL INSTRUMENTS

There was no outstanding derivative financial instrument as at the reporting period

27. CHANGES IN MATERIAL LITIGATION

There was no material litigation as at the date of this quarter report.

28. DIVIDEND PAYABLE

No interim dividend has been recommended for the current quarter.

However, at the forthcoming Annual General Meeting, a final tax exempt dividend of 5% amounting to RM11.5 million, in respect of the financial year ended 31 December 2010 will be proposed for shareholders' approval.

The financial statements for the current quarter do not reflect this proposed dividend. Upon approval by the shareholders, it will be accounted for in shareholders' equity as an appropriation of retained profits in the current financial year.

29. EARNINGS PER SHARE

The basic earnings per share for the current quarter is 5.64 sen.

It was computed by dividing the net profit of current quarter of RM13.0 million by the weighted average number of ordinary shares in issue of 229.9 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 31.03.2011 | As at 31.12.2010 |
|---|-----------------------------|-----------------------------|
| | RM'000 | RM'000 |
| <u>Group</u> | | |
| Total retained profits of White Horse Berhad and its subsidiaries: | | |
| - Realised | 521,877 | 516,367 |
| - Unrealised | (27,945) | (37,147) |
| | <hr/> | <hr/> |
| | 493,932 | 479,220 |
| | | |
| Total share of retained profits / accumulated losses from Jointly controlled entities: | | |
| - Realised | (64) | (154) |
| | <hr/> | <hr/> |
| | 493,868 | 479,066 |
| | | |
| Less: Consolidated adjustments | (101,431) | (99,588) |
| | <hr/> | <hr/> |
| | | |
| Total Group's retained profits as per consolidated accounts | 392,437 | 379,478 |
| | ===== | ===== |

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 20 May 2011.