

WHITE HORSE BERHAD (Company No: 455130-X)

Explanatory Notes pursuant to MFRS 134 for the First quarter ended 31 Mar 2012.

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 17 May 2012.

2. FIRST-TIME ADOPTION OF MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”)

These condensed consolidated interim financial statements, for the period ended 31 March 2012, 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. For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards (“FRS”).

The consolidated financial statements of the Group for the year ended 31 December 2011 which were prepared under FRS are available upon request from the Company registered office at PLO 464, Jalan Gangsa, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor Darul Takzim.

These condensed consolidated interim financial statements are the Group’s first MFRS condensed consolidated interim financial statements for part of the period covered by Group’s first MFRS annual financial statements for the year ending 31 December 2012. MFRS 1 *First-Time Adoption of Malaysian Financial Reporting Standards* (“MFRS 1”) has been applied.

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 2011.

In preparing its opening MFRS Statement of Financial Position as at 1 January 2011 (which is also the date of transition), the Group has adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group’s financial position, financial performance and cash flows is set out in Note 3 below.

These notes include reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS. The transition from FRS to MFRS has not had a materials impact on the statement of cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES AND APPLICATION OF MFRS 1

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2011 except as discussed below:

(a) Business combination

MFRS 1 provides the option to apply MFRS 3 *Business Combinations*, prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3, which would require restatement of all business combinations prior to the date of transition.

Acquisition before date of transition

The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition,

- (i) The classification of former business combinations under FRS is maintained;
- (ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
- (iii) The carrying amount of goodwill recognised under FRS is not adjusted.

(b) Property, Plant and equipment

Upon transition to MFRS, the Group has elected to measure all its property, plant and equipment using the cost model under MFRS 116 *Property, Plant and Equipment*. At the date of transition to MFRS, the Group elected to regard the revalued amounts of land and building as at 01 January 2011 as deemed cost. The revaluation surplus of RM6,307,000 (31 March 2011 : RM6,307,000; 31 December 2011: RM6,392,000) was transferred to retained earnings on date of transition to MFRS.

(c) Prepaid lease payments

In accordance with the transitional provision of FRS 117 *Leases*, the Group retained the unamortised revalued amount of leasehold land as the surrogate carrying amount of prepaid lease payments. The prepaid lease payments were amortised over the lease term. At the date of transition to MFRS, MFRS 117 *Leases* had been applied retrospectively to prepaid lease payments.

(d) Foreign currency translation reserve

Under FRS, the Group recognized translation differences on foreign operations in a separate component of equity. Cumulative foreign currency translation differences for all foreign operations are deemed to be zero as at the date of transition to MFRS. Accordingly, at date of transition to MFRS, the cumulative foreign currency translation differences of RM1,456,000 (31 March 2011: RM1,418,000; 31 December 2011: RM2,510,000) were adjusted to retained earnings.

(e) Estimates

The estimates at 1 January 2011 and at 31 December 2011 were consistent with those made for the same dates in accordance with FRS. The estimates used by the Group to present these amounts in accordance with MFRS reflect conditions at 1 January 2011, the date of transition to MFRS and as of 31 December 2011.

The reconciliation of equity for comparative periods and at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:

(i) Reconciliation of equity as at 01 January 2011.

	FRS as at 01 JAN 2011 RM '000	Property, plant and equipment RM '000	Foreign currency translation reserve RM '000	MFRS as at 01 JAN 2011 RM '000
ASSETS				
Non-current assets				
Property, plant and equipment	379,060			379,060
Prepaid lease payments	16,989			16,989
Investment in jointly controlled entity	303			303
Goodwill on consolidation	677			677
	<u>397,029</u>			<u>397,029</u>
Current assets				
Inventories	164,162			164,162
Trade receivables	133,205			133,205
Other receivables	45,189			45,189
Tax recoverable	-			-
Cash and bank balances	41,354			41,354
	<u>383,910</u>			<u>383,910</u>
TOTAL ASSETS	<u>780,939</u>			<u>780,939</u>
EQUITY AND LIABILITIES				
Share capital	240,000			240,000
Share premium	6,936			6,936
Treasury share	(15,368)			(15,368)
Revaluation reserves	6,307	(6,307)		-
Foreign currency translation reserve	1,456	-	(1,456)	-
Retained earnings	379,478	6,307	1,456	387,241
Total equity	<u>618,809</u>			<u>618,809</u>
Non-current liabilities				
Borrowings	761			761
Deferred tax liabilities	27,320			27,320
	<u>28,081</u>			<u>28,081</u>
Current liabilities				
Borrowings	42,614			42,614
Trade payables	32,987			32,987
Other payables	36,247			36,247
Tax payable	6,078			6,078
Dividend payable	16,123			16,123
	<u>134,049</u>			<u>134,049</u>
Total liabilities	<u>162,130</u>			<u>162,130</u>
TOTAL EQUITY AND LIABILITIES	<u>780,939</u>			<u>780,939</u>

(ii) Reconciliation of equity as at 31 March 2011.

	FRS as at 31 MAR 2011 RM '000	Property, plant and equipment RM '000	Foreign currency translation reserve RM '000	MFRS as at 31 MAR 2011 RM '000
ASSETS				
Non-current assets				
Property, plant and equipment	413,245			413,245
Prepaid lease payments	16,486			16,486
Investment in jointly controlled entity	359			359
Goodwill on consolidation	677			677
	<u>430,767</u>			<u>430,767</u>
Current assets				
Inventories	177,451			177,451
Trade receivables	132,701			132,701
Other receivables	31,475			31,475
Tax recoverable	-			-
Cash and bank balances	67,641			67,641
	<u>409,268</u>			<u>409,268</u>
TOTAL ASSETS	<u><u>840,035</u></u>			<u><u>840,035</u></u>
EQUITY AND LIABILITIES				
Share capital	240,000			240,000
Share premium	6,936			6,936
Treasury share	(15,368)			(15,368)
Revaluation reserves	6,307	(6,307)		-
Foreign currency translation reserve	1,418	-	(1,456)	(38)
Retained earnings	392,437	6,307	1,456	400,200
Total equity	<u>631,730</u>			<u>631,730</u>
Non-current liabilities				
Borrowings	-			-
Deferred tax liabilities	27,945			27,945
	<u>27,945</u>			<u>27,945</u>
Current liabilities				
Borrowings	92,557			92,557
Trade payables	47,303			47,303
Other payables	33,649			33,649
Tax payable	6,819			6,819
Dividend payable	32			32
	<u>180,360</u>			<u>180,360</u>
Total liabilities	<u>208,305</u>			<u>208,305</u>
TOTAL EQUITY AND LIABILITIES	<u><u>840,035</u></u>			<u><u>840,035</u></u>

(iii) Reconciliation of equity as at 31 December 2011.

	FRS as at 31 DEC 2011	Property, plant and equipment	Foreign currency translation reserve	MFRS as at 31 DEC 2011
	RM '000	RM '000	RM '000	RM '000
ASSETS				
Non-current assets				
Property, plant and equipment	421,929			421,929
Prepaid lease payments	15,748			15,748
Investment in jointly controlled entity	237			237
Goodwill on consolidation	677			677
	<u>438,591</u>			<u>438,591</u>
Current assets				
Inventories	208,242			208,242
Trade receivables	147,758			147,758
Other receivables	30,700			30,700
Tax recoverable	1,789			1,789
Cash and bank balances	77,029			77,029
	<u>465,518</u>			<u>465,518</u>
TOTAL ASSETS	<u>904,109</u>			<u>904,109</u>
EQUITY AND LIABILITIES				
Share capital	240,000			240,000
Share premium	6,936			6,936
Treasury share	(15,838)			(15,838)
Revaluation reserves	6,392	(6,392)		-
Foreign currency translation reserve	2,510	-	(1,456)	1,054
Retained earnings	417,099	6,392	1,456	424,947
Total equity	<u>657,099</u>			<u>657,099</u>
Non-current liabilities				
Borrowings	-			-
Deferred tax liabilities	26,513			26,513
	<u>26,513</u>			<u>26,513</u>
Current liabilities				
Borrowings	124,946			124,946
Trade payables	35,575			35,575
Other payables	48,465			48,465
Tax payable	-			-
Dividend payable	11,511			11,511
	<u>220,497</u>			<u>220,497</u>
Total liabilities	<u>247,010</u>			<u>247,010</u>
TOTAL EQUITY AND LIABILITIES	<u>904,109</u>			<u>904,109</u>

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 :-

(i) 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.

6. SEGMENT 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.

7. SEASONALITY OF OPERATIONS

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 the business's performance will be improved in the forthcoming quarters.

8. PROFIT BEFORE TAX

Included in the Profit Before Tax are the following items:-

	CURRENT QUARTER		CUMULATIVE QUARTER	
	03 MONTHS ENDED		03 MONTHS ENDED	
	31 MAR 2012 RM '000	31 MAR 2011 RM '000	31 MAR 2012 RM '000	31 MAR 2011 RM '000
Interest income	(253)	(177)	(253)	(177)
Interest expense	832	452	832	452
Amortisation of prepared lease payments	454	456	454	456
Depreciation of property, plant and equipment	9,947	8,885	9,947	8,885
Gain on disposal of property, plant and equipment	(21)	(14)	(21)	(14)
Write down of property, plant and equipment	80	9	80	9
(Gain) / Loss on foreign currency exchange : realised	(444)	(282)	(444)	(282)
(Gain) / Loss on foreign currency exchange : unrealised	(823)	(756)	(823)	(756)

9. INCOME TAX EXPENSE

	CURRENT QUARTER		CUMULATIVE QUARTER	
	03 MONTHS ENDED		03 MONTHS ENDED	
	31 MAR 2012 RM '000	31 MAR 2011 RM '000	31 MAR 2012 RM '000	31 MAR 2011 RM '000
Current Tax:				
Malaysian Income Tax	2,698	3,059	2,698	3,059
Foreign Tax	242	183	242	183
	2,940	3,242	2,940	3,242
Deferred Tax	735	625	735	625
	3,675	3,867	3,675	3,867

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.

The effective tax rate was lower than the statutory tax rate principally due to the utilization of unabsorbed business losses incurred by other subsidiaries.

10. EARNINGS PER SHARE

Basic earnings per share amounts are computed by dividing the profit 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.

The following reflect the profit and share data used in the computation of basic earning per share :-

	CURRENT QUARTER		CUMULATIVE QUARTER	
	03 MONTHS ENDED		03 MONTHS ENDED	
	31 MAR 2012	31 MAR 2011	31 MAR 2012	31 MAR 2011
Profit net of tax attributable to owners of the parent used in the computation of earning per share (RM'000)	12,036	12,959	12,036	12,959
Weighted average number of ordinary shares in issue ('000)	240,000	240,000	240,000	240,000
Treasury shares	10,322	10,046	10,322	10,046
Net Weighted average number of ordinary shares in issue ('000)	229,678	229,954	229,678	229,954
Basic earnings per share (sen per share)	5.24	5.64	5.24	5.64

11. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 31 March 2012, the Group acquired assets at a cost of RM 5,068,000 (31 March 2011 : RM41,106,000).

Assets with a carrying amounts of RM370,078 were disposed of by the Group during the three months ended 31 March 2012 (31 March 2011 : RM378,000), resulting in a gain on disposal of RM21,378 (31 March 2011: RM13,966), recognised and included in other income in the statement of comprehensive income.

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. INVENTORIES

There was no write-down of inventories to net realizable value for the current quarter. (year 2011: Nil)

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following amounts:-

	31 Mar 2012 RM '000	31-Dec 2011 RM '000	01 Jan 2011 RM '000
Cash at bank and in hand	18,233	24,245	19,270
Short term deposits	30,584	52,784	22,084
Total Cash and Cash Equivalents	48,817	77,029	41,354

15. 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.

16. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

Subsequent to the end of the first quarter, the company had further purchased its own shares as treasury shares as at 11 May 2012, which were not resale or canceled, as shown below :-

Details of the treasury shares are as follows :-

Month	No. of shares purchased	Purchase Price		Average Price	Total Consideration
		Highest	Lowest		
		RM	RM	RM	RM
Balance b/f	10,321,600	2.5000	0.9200	1.5257	15,838,459
April 2012	11,700	1.7000	1.6900	1.6993	20,027
Balance c/f	10,333,300	2.5000	0.9200	1.5259	15,858,486

17. INTEREST-BEARING LOANS AND BORROWINGS

	31 Mar 2012 RM '000	31-Dec 2011 RM '000	01 Jan 2011 RM '000
Short-term borrowings :			
Secured	-	-	-
Unsecured	123,018	124,946	42,614
	<u>123,018</u>	<u>124,946</u>	<u>42,614</u>
Long-term borrowings:			
Secured	-	-	-
Unsecured	-	-	761
	<u>-</u>	<u>-</u>	<u>761</u>
	<u>123,018</u>	<u>124,946</u>	<u>43,375</u>

The above loans and borrowings are subject to corporate guarantee and negative pledge.

It also included borrowings denominated in foreign currency as follows:-

- (i) 2.65% p.a. fixed rate Singapore Dollars ("SD") bank loan for SD 131,000 (RM equivalent of 314,400), and
- (ii) Between 1.80% p.a. and 2.80% floating rate United State Dollars ("USD") bank loan for USD 22 million (RM equivalent of 67.3 million).

18. PROVISIONS FOR COSTS OF RESTRUCTURING

There were no provisions for costs of restructuring for the current quarter and comparative period.

19. DIVIDEND

No interim dividend has been declared for the current quarter ended 31 March 2012 (31 March 2011: Nil).

However, at the forthcoming Annual General Meeting on 17 May 2012, a final tax exempt dividend of 5 sen per share (Year 2011 : 5 sen) amounting to RM11.5 million, in respect of the financial year ended 31 December 2011 will be proposed for shareholders' approval. The total tax-exempt dividend for the financial year of 2011, would be amounting to 10 sen per share (Year 2010: 12 sen per share). The financial statements for the current quarter do not reflect this proposed dividend.

Upon approval by the shareholders, it will be payable on 12 July 2012 to depositors who are registered in the Record of Depositors at the close of business on 21 June 2012. It would be accounted for in shareholders' equity as an appropriation of retained profits in the current financial year ending 31 December 2012.

20. COMMITMENTS

	31 Mar 2012 RM '000	31-Dec 2011 RM '000	01 Jan 2011 RM '000
Capital expenditure :-			
Approved and contracted for Property, plant and equipment	2,337	3,897	9,890
Approved but not contracted for Property, plant and equipment	8,000	8,000	-
	<u>10,337</u>	<u>11,897</u>	<u>9,890</u>

21. 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.

22. RELATED PARTY TRANSACTIONS

The following table provides information on the transactions, which have been entered into with related parties during the three-month period ended 31 March 2012 and 31 March 2011 as well as the balances with the related parties as at 31 March 2012 and 31 December 2011.

		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
Joint Venture :					
WH Ceramic	2012	558		773	
(Australia) Pty Ltd	2011	1,044		1,070	
Key Management Personnel of the Group : Directors' interest					
White Horse Ceramic	2012	5,035	6,070	27,283	7,499
Industries (Vietnam) Co Ltd	2011	2,960	3,622	24,048	5,672
White Horse Ceramic Co Ltd	2012	116	90	246	
	2011	618		716	
Teobros Ceramica Sdn Bhd	2012	6,371	22	25,864	35
	2011	5,895	120	26,204	13

All outstanding balances with these related parties are unsecured and repayable on demand.

23. EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period except for the above Note 16.

24. PERFORMANCE REVIEW

The local market remained competitive, while export market has potential to grow further, in particular the ASEAN region, China and India.

The Group's production capacity operates at 88%, slightly lower than last year's corresponding period of 92%. However, its production quantity is 3.4% more than the same corresponding period of last year, due to a new capacity added in the 3rd Quarter of 2011.

The revenue and gross profit for the current quarter had increased by 9% and 2% respectively as compared to the same corresponding period of last year. The gross profit's growth rate is lower than the revenue mainly due to the higher cost of production resulting from the higher payroll cost and also the price hike on raw and packaging materials, natural gas and electricity, while the selling price remained stable.

The profit before tax for the current quarter had reduced by 7% as compared to the same corresponding period of last year, due to higher operating expenses resulting from higher payroll cost, distribution cost hike and increase in borrowings cost.

25. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The profit before tax of RM 15.7 million for the current quarter is 24% lower than the immediate preceding quarter mainly due to the norm of lower sales volume resulting from the festive season for the current quarter.

26. COMMENTARY ON PROSPECTS

As the Group's business is linked with the construction and renovation industries, its markets coverage is fairly distributed into property development and replacement sectors for both local and exports markets. Besides the growing ASEAN market, China and India have emerged as up and coming markets, resulting from the implementation of Asean Free Trade Agreements "(AFTA)" plus China and India.

Business operations are still challenging in terms of higher production costs for raw materials, natural gas, electricity, packaging materials and transportation cost, while the selling price remains stable. We have implemented strategies such as manufacturing efficiency improvement and cost-reduction measures, to address such challenges.

In addition to the above, we believe that the strategies, which we plan to implement in the remaining months of year 2012, bode well for our future prospect and growth.

27. PROFIT FORECAST OR PROFIT GUARANTEE

There was no profit forecast or profit guarantee announced as at the date of this quarterly report

28. CORPORATE PROPOSALS

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

29. CHANGES IN MATERIAL LITIGATION

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

30. DIVIDEND PAYABLE

Please refer to Note 19 for details.

31. DISCLOSURE OF NATURE OF OUTSTANDING DERIVATIVES

There was no outstanding derivative as at the reporting period

32. DISCLOSURE OF GAINS / LOSSES ARISING FROM FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

There was no gains or losses arising from fair value changes of financial liabilities as at the reporting period.

33. BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained profits of the Group as at 31 March 2012 and 31 December 2011 into realised and unrealised profits, is presented in accordance with the directives issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and 20 December 2010, prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Current Quarter Ended 31 Mar 2012 RM '000	Previous Financial Year Ended 31 Dec 2011 RM '000 (Restated)
Total retained profits of White Horse Berhad and its subsidiaries		
- Realised	562,010	550,845
-Unrealised	<u>(27,248)</u>	<u>(28,130)</u>
	<u>534,762</u>	<u>522,715</u>
Total share of retained profits from a joint venture		
- Realised	(177)	(229)
-Unrealised	<u>-</u>	<u>-</u>
	<u>(177)</u>	<u>(229)</u>
Less: Consolidation adjustments	(96,548)	(97,539)
Total group retained profits as per financial statement	<u>438,037</u>	<u>424,947</u>

34. AUDITORS REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 December 2011 was not qualified.