

WHITE HORSE BERHAD (Company No: 455130-X)

Explanatory Notes pursuant to MFRS 134 for the First quarter ended 31 March 2013.

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 29 May 2013.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements, for the period ended 31 March 2013, 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 2012.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2012, except for the adoption of the following new Malaysian Financial Reporting Standards ("MFRSs") effective for financial periods beginning on or after 01 January 2013.

- 1) MFRS 101 Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)
- 2) Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
- 3) MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
- 4) MFRS 10 Consolidated Financial Statements
- 5) MFRS 11 Joint Arrangements
- 6) MFRS 12 Disclosure of interests in Other Entities
- 7) MFRS 13 Fair Value Measurement
- 8) MFRS 119 Employee Benefits
- 9) MFRS 127 Separate Financial Statements
- 10) MFRS 128 Investment in Associate and Joint Ventures
- 11) MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)
- 12) Amendment to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)
- 13) (Annual Improvements 2009-2011 Cycle)
- 14) IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
- 15) Amendments to MFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities
- 16) Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards-Government Loans
- 17) Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)
- 18) Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
- 19) Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
- 20) Amendments to MFRS134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
- 21) Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance
- 22) Amendments to MFRS 11: Joint Arrangements: Transition Guidance
- 23) Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance

The Group has not adopted the following standards that have been issued but not yet effective.

<u>MFRSs</u>	Effective for financial periods beginning <u>on or after</u>
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	01 Jan 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	01 Jan 2014
MFRS 9 Financial Instruments	01 Jan 2015

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, except as discussed below:

(a) MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004) and MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)

An entity shall apply these earlier versions of MFRS 3 and MFRS 127 only if the entity has elected to do so as allowed in MFRS 10 Consolidated Financial Statements. The adoptions of these standards are not expected to have any significant impact to the Group and to the Company.

(b) MFRS 9 Financial Instruments

MFRS 9 reflects the first phase of the work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139 Financial Instruments: Recognition and Measurement. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

(c) MFRS 10 Consolidated Financial Statements

MFRS 10 replaces part of MFRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation-Special Purpose Entities.

Under MFRS 10, an investor controls an investee when:

- (i) the investor has power over an investee,
- (ii) the investor has exposure, or rights, to variable returns from its involvement with the investee, and
- (iii) the investor has ability to use its power over the investee to affect the amount of the investor's returns.

Under MFRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

MFRS 10 includes detailed guidance to explain when an investor has control over the investee. MFRS 10 requires the investor to take into account all relevant facts and circumstances.

(d) MFRS 13 Fair Value Measurement

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS when fair value is required or permitted.

(e) Amendments to MFRS 101 Presentation of Financial Statements (Annual Improvements 2009 - 2011 Cycle)

The amendments to MFRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for

example, exchange differences on translation of foreign operations and net loss or gain on available for sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings).

The amendment affects presentation only and has no impact on the Group's financial position and performance.

(f) MFRS 127 Separate Financial Statements

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

(g) Amendments to MFRS 116 Property, Plant and Equipment

The amendments to MFRS 116 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in MFRS 116 and as inventory otherwise. The directors do not anticipate that the amendments to MFRS 116 will have a significant effect on the and Group's financial statements.

(h) Amendments to MFRS 132 Financial Instruments: Presentation

The amendments to MFRS 132 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with MFRS 112 Income Taxes. The directors anticipate that the amendments to MFRS 132 will have no effect on the Group's financial statements as this treatment has already been adopted.

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.

(ii) CEASED OPERATION

WH Ceramic (Australia) Pty Ltd ("WHCA"), a 50% owned associated company of White Horse Ceramic Industries Sdn Bhd ("WHC"), a wholly owned subsidiary, had ceased operations since January 2013 and is in the midst of voluntary liquidation.

The discontinuation was due to a change in the marketing structure. The operations of WHCA 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 its market expansion.

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 2013 RM '000	31 Mar 2012 RM '000	31 Mar 2013 RM '000	31 Mar 2012 RM '000
Interest income	(204)	(253)	(204)	(253)
Interest expense	953	832	953	832
Amortisation of prepaid lease payments	500	454	500	454
Depreciation of property, plant and equipment	9,861	9,947	9,861	9,947
Loss / (gain) on disposal of property, plant and equipment	8	(21)	8	(21)
Write down of property, plant and equipment	17	80	17	80
Gain on foreign currency exchange : realised	(1,014)	(444)	(1,014)	(444)
Loss / (gain) on foreign currency exchange : unrealised	350	(823)	350	(823)

9. INCOME TAX EXPENSE

	CURRENT QUARTER		CUMULATIVE QUARTER	
	03 MONTHS ENDED		03 MONTHS ENDED	
	31 Mar 2013 RM '000	31 Mar 2012 RM '000	31 Mar 2013 RM '000	31 Mar 2012 RM '000
Current Tax:				
Malaysian Income Tax	2,565	2,698	2,565	2,698
Foreign Tax	186	242	186	242
	2,751	2,940	2,751	2,940
Deferred Tax	1,350	735	1,350	735
	4,101	3,675	4,101	3,675

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 03 MONTHS ENDED		CUMULATIVE QUARTER 03 MONTHS ENDED	
	31 Mar 2013	31 Mar 2012	31 Mar 2013	31 Mar 2012
Profit net of tax attributable to owners of the parent used in the computation of earning per share (RM'000)	12,476	12,036	12,476	12,036
Weighted average number of ordinary shares in issue ('000)	240,000	240,000	240,000	240,000
Treasury shares	10,539	10,322	10,539	10,322
Net Weighted average number of ordinary shares in issue ('000)	229,461	229,678	229,461	229,678
Basic earnings per share (sen per share)	5.44	5.24	5.44	5.24

11. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 31 March 2013, the Group acquired assets at a cost of RM 1,680,000 (31 March 2012 : RM5,068,000).

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 realisable value for the current quarter. (year 2012: Nil).

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following amounts:-

	31 Mar 2013 RM '000	31 Mar 2012 RM '000
Cash at bank and in hand	19,067	18,233
Short term deposits	33,484	30,584
Total Cash and Cash Equivalents	52,551	48,817

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 fourth quarter, the company had further purchased its own shares as treasury shares as at 23 May 2013, which were not resale or canceled.

Details of the treasury shares are as follows :-

Month	No. of shares purchased	Purchase Price		Average Price	Total Consideration
		Highest	Lowest		
Balance as at 31-03-13	10,539,300	RM 2.5000	RM 0.9200	RM 1.5279	RM 16,195,788
April & May 2013	50,000	1.6000	1.5500	1.5864	79,900
Balance c/f	10,589,300	2.5000	0.9200	1.5281	16,275,688

17. INTEREST-BEARING LOANS AND BORROWINGS

	31 Mar 2013 RM '000	31 Mar 2012 RM '000
Short-term borrowings		
Unsecured	143,102	135,642
	<u>143,102</u>	<u>135,642</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) Between 1.72% p.a. and 1.99% 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

An interim 5% tax-exempted dividend in respect of the current financial year of 2012, amounting to RM11.5 million was paid on 18 January 2013

No interim dividend has been declared for the current quarter ended 31 March 2013 (31 March 2012: Nil).

However, at the forthcoming Annual General Meeting on 29 May 2013, a final tax exempt dividend of 5 sen per share (Year 2012 : 5 sen) amounting to RM11.5 million, in respect of the financial year ended 31 December 2012 will be proposed for shareholders' approval. The total tax-exempt dividend for the financial year of 2012, would be amounting to 10 sen per share (Year 2011: 10 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 16 July 2013 to depositors who are registered in the Record of Depositors at the close of business on 21 June 2013. It would be accounted for in shareholders' equity as an appropriation of retained profits in the current financial year ending 31 December 2013.

20. COMMITMENT

	31 Mar 2013 RM '000	31 Mar 2012 RM '000
Capital expenditure :-		
Approved and contracted for Property, plant and equipment	-	2,337
Approved but not contracted for Property, plant and equipment	-	8,000
	<u>-</u>	<u>10,337</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-months period ended 31 Mar 2013 and 31 Mar 2012 as well as the balances with the related parties as at 31 Mar 2013 and 31 December 2012.

		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	2013	-	-	1,740	-
(Australia) Pty Ltd	2012	558	-	2,208	-
Key Management Personnel of the Group : Directors' interest					
White Horse Ceramic Industries (Vietnam) Co Ltd	2013	241	2,480	24,746	-
	2012	5,035	6,070	13,696	-
White Horse Ceramic Co Ltd	2013	678	-	2,110	-
	2012	116	90	2,119	-
Teobros Ceramica Sdn Bhd	2013	5,222	285	27,518	556
	2012	6,371	22	30,641	35

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 as disclosed in Notes 16 and 27.

24. PERFORMANCE REVIEW

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

The revenue, gross profit and profit before tax for the current quarter had increased by 12%, 5% and 5% respectively, as compared to the same corresponding period of last year. The increase in gross profit and profit before tax was mainly due to the higher sales volume and pricing.

25. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The profit before tax of RM 16.6 million for the current quarter is 33% higher than the immediate preceding quarter mainly due to the impact from the increase in selling price.

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 and operating costs. We have implemented some strategies such as manufacturing efficiency improvement, cost-reduction measures and market restructuring, so as to address such challenges.

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 were corporate proposals announced on 03 and 10 April 2013, but not completed as at the date of this quarterly report.

The announcements were as follows:-

White Horse Berhad proposed an acquisition of the entire equity interest in White Horse Ceramic Industries (Vietnam) Co. Ltd from White Horse Investment (S) Pte Ltd, for a cash consideration of USD 21 million (equivalent to RM 64.7 million).

Details of the proposed acquisition can be obtained from the website of Bursa Malaysia Berhad.

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 Mar 2013 and 31 December 2012 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 2013 RM '000	Previous Financial Year Ended 31 Dec 2012 RM '000
Total retained profits of White Horse Berhad and its subsidiaries		
- Realised	587,765	578,062
-Unrealised	(19,007)	(26,965)
	<u>568,758</u>	<u>551,097</u>
Total share of retained profits from a joint venture		
- Realised	-	(312)
-Unrealised	-	-
	<u>-</u>	<u>(312)</u>
Less: Consolidation adjustments	(117,557)	(112,060)
Total group retained profits as per financial statement	<u>451,201</u>	<u>438,725</u>

34. AUDITORS REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 December 2012 was not qualified.