

Explanatory Notes pursuant to MFRS 134 for the Fourth quarter ended 31 December 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 28 February 2014.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements, for the period ended 31 December 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
- 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 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) NEWLY ACQUIRED WHOLLY-OWNED SUBSIDIARY

Upon completed acquisition of the entire equity interest in White Horse Ceramic Industries (Vietnam) Co. Ltd ("WHV") by White Horse Berhad on 15 October 2013, WHV's financial result would be consolidated into the Group Account for the current quarter.

(ii) DISCONTINUED 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 resulting from the changed in the marketing strategy where dealers could deal directly with the factory, WHC, instead of WHCA..

6. SEGMENT INFORMATION

In view of the completed acquisition of the entire equity interest in White Horse Ceramic Industries (Vietnam) Co. Ltd, a segmental financial information for the current quarter has been prepared based on the geographical location as follows: _

SEGMENT INFORMATION	Malaysia	Vietnam	Other	Total
- BY GEOGRAPHICAL LOCATION	Operation	Operation	Operation	Total
31 DECEMBER 2013	RM '000	RM '000	RM '000	RM '000

Segment Revenue				
Total turnover	549,782	27,616	78,375	655,773
Inter-segment sales	(24,404)	(9,235)	-	(33,639)
	525,378	18,381	78,375	622,134
Segment Results				
Operating profit / (loss)	78,165	(2,737)	4,035	79,463
Interest expense	(4,264)	(654)	(33)	(4,951)
Profit / (loss) before tax	73,901	(3,391)	6,330	74,512
Income tax expense	(21,084)	-	(909)	(21,993)
Profit / (loss) for the period	52,817	(3,391)	5,421	52,519

Segment Assets				
Total asset	918,216	177,992	87,127	1,183,335
Segment Liabilities				
Total liabilities	299,996	136,303	44,827	481,126

SEGMENT INFORMATION	Malaysia	Vietnam	Other	Total
- BY GEOGRAPHICAL LOCATION	Operation	Operation	Operation	Total
31 DECEMBER 2012	RM '000	RM '000	RM '000	RM '000

Segment Revenue				
Total turnover	536,640	-	77,509	614,149
Inter-segment sales	(28,111)	-	-	(28,111)
	508,529	-	77,509	586,038
Segment Results				
Operating profit / (loss)	46,818	-	5,362	52,180
Interest expense	(3,408)	-	-	(3,408)
Profit / (loss) before tax	43,410	-	5,362	48,772
Income tax expense	(10,011)	-	(586)	(10,597)
Profit / (loss) for the period	33,399	-	4,776	38,175

Segment Assets				
Total asset	830,707	-	88,483	919,190
Segment Liabilities				
Total liabilities	197,591	-	50,922	248,513

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		12 MONTHS ENDED	
	31 Dec	31 Dec	31 Dec	31 Dec
	2013	2012	2013	2012
	RM '000	RM '000	RM '000	RM '000
Interest income	(611)	(239)	(1,568)	(890)
Interest expense	2,040	1,017	4,951	3,408
Amortisation of prepaid lease payments	682	(417)	2,165	1,084
Depreciation of property, plant and equipment	10,036	10,804	38,481	40,376
Loss / (gain) on disposal of property, plant and equipment	(5)	(150)	30	(146)
Write down of property, plant and equipment	4	19	35	138
Loss / (Gain) on foreign currency exchange : realised	412	2,498	(1,094)	2,900
(Gain) /loss on foreign currency exchange : unrealised	(4,809)	1,596	(4,155)	194

9. INCOME TAX EXPENSE

	CURRENT QUARTER		CUMULATIVE QUARTER	
	03 MONTHS ENDED		12 MONTHS ENDED	
	31 Dec	31 Dec	31 Dec	31 Dec
	2013	2012	2013	2012
	RM '000	RM '000	RM '000	RM '000
Current Tax:				
Malaysian Income Tax	2,905	8,820	10,963	15,619
Foreign Tax	(17)	(157)	909	469
	2,888	8,663	11,872	16,088
Deferred Tax	6,731	(7,287)	10,121	(5,491)
	9,619	1,376	21,993	10,597

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.

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		12 MONTHS ENDED	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Profit net of tax attributable to owners of the parent used in the computation of earning per share (RM'000)	12,938	7,668	52,519	38,175
Weighted average number of ordinary shares in issue ('000)	240,000	240,000	240,000	240,000
Treasury shares	10,594	10,483	10,594	10,483
Net Weighted average number of ordinary shares in issue ('000)	229,406	229,517	229,406	229,517
Basic earnings per share (sen per share)	5.64	3.34	22.89	16.63

11. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 31 Dec 2013, the Group acquired assets at a cost of RM 2,068,000 (31 Dec 2012 : RM 10,039,000).

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 Dec 2013 RM '000	31 Dec 2012 RM '000
Cash at bank and in hand	25,708	34,350
Short term deposits	102,600	23,184
Total Cash and Cash Equivalents	128,308	57,534

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

There is no movement of share capital, share premium and treasury shares for the current quarter.

Details of the treasury shares as at 31 December 2013 are as follows:-

Month	No. of shares purchased	Purchase Price		Average Price	Total Consideration
		Highest	Lowest		
		RM	RM	RM	RM
Balance as at 31 Dec 13	10,594,100	2.5000	0.9200	1.5281	16,284,150

17. INTEREST-BEARING LOANS AND BORROWINGS

	31 Dec 2013 RM '000	31 Dec 2012 RM '000
Short-term borrowings		
Secured	990	-
Unsecured	197,814	135,642
	<u>198,804</u>	<u>135,642</u>
Long-term borrowings		
Secured	2,970	-
Unsecured	-	-
	<u>2,970</u>	<u>-</u>

Total borrowings

Secured	3,960	-
Unsecured	197,814	135,642
	<u>201,774</u>	<u>135,642</u>

The above secured loans and borrowings are denominated in USD and mortgaged over its machinery of WHV. It carries an interest rate of 6.1% .

While, the unsecured loans and borrowings are subjected to corporate guarantee and negative pledge. It also included borrowings denominated in foreign currency as follows:-

- (i) Between 1.4% p.a. and 1.99% floating rate United State Dollars (“USD”) bank loan for USD 32 million (RM equivalent of 105.60 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 2013, amounting to RM11.5 million was paid on 13 January 2014

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 10%, which is same rate as last year, and it is subjected to the shareholders’ approval at the forthcoming Annual General Meeting.

20. COMMITMENT

	31 Dec 2013 RM '000	31 Dec 2012 RM '000
Capital expenditure :-		
Approved and contracted for Property, plant and equipment	-	4,192
Approved but not contracted for Property, plant and equipment	-	-
	<u>-</u>	<u>4,192</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 12 months period ended 31 Dec 2013 and 31 Dec 2012 as well as the balances with the related parties as at 31 Dec 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	-	-	1,103	-
(Australia) Pty Ltd	2012	3,308	-	2,273	-
Key Management Personnel of the Group : Directors' interest					
White Horse Ceramic Co Ltd	2013	3,450	-	1,929	-
	2012	2,549	157	2,205	-
Teobros Ceramica Sdn Bhd	2013	28,759	784	27,882	185
	2012	33,640	530	30,610	272

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.

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 had increased by 11%, 39% and 149% respectively, as compared to the same corresponding period of last year. The increased revenue was partly due to the incorporation of the sales from the newly acquired subsidiary, WHV, and also from the local market.

The increase in gross profit and profit before tax was mainly due to the higher selling price, production efficiency and also cost-cutting measures.

25. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The profit before tax of RM 22.6 million for the current quarter is 46% higher than the immediate preceding quarter mainly due to the higher sales volume, where festive season was occurred in August 2013.

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

The acquisition by White Horse Berhad 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) has been completed on 15 October 2013 as per the announcement made on 16 October 2013.

Details of the 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 Dec 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 Dec 2013 RM '000	Previous Financial Year Ended 31 Dec 2012 RM '000
Total retained profits of White Horse Berhad and its subsidiaries		
- Realised	626,791	578,062
-Unrealised	<u>(30,478)</u>	<u>(26,965)</u>
	596,313	551,097
Total share of retained profits from a joint venture		
- Realised	-	(312)
-Unrealised	<u>-</u>	<u>-</u>
	-	(312)
Less: Consolidation adjustments	(130,031)	(112,060)
Total group retained profits as per financial statement	<u>466,282</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.