

**Explanatory Notes pursuant to MFRS 134 for the First quarter ended 31 March 2014.**

**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 2014.

**2. BASIS OF PREPARATION**

The condensed consolidated interim financial statements, for the period ended 31 March 2014, 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 2013.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2013, except for the adoption of the following new Malaysian Financial Reporting Standards ("MFRSs") effective for financial periods beginning on or after 01 January 2014.

- 1) Amendments to MFRS 10 Consolidated Financial Statements (Investment Entities)
- 2) Amendments to MFRS 12: Disclosure of Interests in Other Entities (Investment Entities)
- 3) Amendments to MFRS 127 Consolidated and Separate Financial Statements (Investment Entities)
- 4) Amendments to MFRS 132: Financial Instruments: Presentation (Offsetting Financial Assets and Financial Liabilities)
- 5) Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets
- 6) Amendments to MFRS 139: (Novation of Derivatives and Continuation of Hedge Accounting)
- 7) IC Interpretation 21 Levies

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>
1) Amendments to MFRS 119 Defined Benefit Plans : Employee Contribution	01 Jul 2014
2) Annual Improvements to MFRSs 2010-2012 Cycle	01 Jul 2014
3) Annual Improvements to MFRSs 2011-2013 Cycle	01 Jul 2014
4) MFRS 9 Financial Instruments	To be announced

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:

## 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.

### 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 :-

#### 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

A segmental financial information for the current quarter has been prepared based on the geographical location as follows: \_

SEGMENT INFORMATION - BY GEOGRAPHICAL LOCATION 31 MARCH 2014	Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Total RM '000
<b>Segment Revenue</b>				
Total turnover	151,345	14,141	15,984	181,470
Inter-segment sales	(6,521)	(5,821)	-	(12,342)
	144,824	8,320	15,984	169,128
<b>Segment Results</b>				
Operating profit / (loss)	21,652	(1,009)	803	21,446
Interest expense	(1,161)	(123)	-	(1,284)
Profit / (loss) before tax	20,491	(1,132)	803	20,162
Income tax expense	(4,858)	-	(149)	(5,007)
Profit / (loss) for the period	15,633	(1,132)	654	15,155

<b>Segment Assets</b>				
Total asset	896,024	165,073	81,503	1,142,600
<b>Segment Liabilities</b>				
Total liabilities	314,785	101,828	11,277	427,890

SEGMENT INFORMATION  
- BY GEOGRAPHICAL LOCATION  
31 MARCH 2013

Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Total RM '000
----------------------------------	---------------------------------	-------------------------------	------------------

<b>Segment Revenue</b>				
Total turnover	133,200	-	16,169	149,369
Inter-segment sales	(5,553)	-	-	(5,553)
	127,647	-	16,169	143,816
<b>Segment Results</b>				
Operating profit / (loss)	16,370	-	1,309	17,679
Interest expense	(1,102)	-	-	(1,102)
Profit / (loss) before tax	15,268	-	1,309	16,577
Income tax expense	(3,915)	-	(186)	(4,101)
Profit / (loss) for the period	11,353	-	1,123	12,476

<b>Segment Assets</b>				
Total asset	840,166	-	84,105	924,271
<b>Segment Liabilities</b>				
Total liabilities	234,318	-	7,062	241,380

## 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 2014 RM '000	31 Mar 2013 RM '000	31 Mar 2014 RM '000	31 Mar 2013 RM '000
Interest income	(568)	(204)	(568)	(204)
Interest expense	1,284	953	1,284	953

Amortisation of prepaid lease payments	743	500	743	500
Depreciation of property, plant and equipment	9,611	9,861	9,611	9,861
(Gain) / Loss on disposal of property, plant and equipment	(24)	8	(24)	8
Write down of property, plant and equipment	-	17	-	17
Loss / (Gain) on foreign currency exchange : realised	920	(1,014)	920	(1,014)
(Gain) / loss on foreign currency exchange : unrealised	(1,487)	350	(1,487)	350

## 9. INCOME TAX EXPENSE

	CURRENT QUARTER		CUMULATIVE QUARTER	
	03 MONTHS ENDED		03 MONTHS ENDED	
	31 Mar 2014 RM '000	31 Mar 2013 RM '000	31 Mar 2014 RM '000	31 Mar 2013 RM '000
Current Tax:				
Malaysian Income Tax	4,408	2,565	4,408	2,565
Foreign Tax	149	186	149	186
	4,557	2,751	4,557	2,751
Deferred Tax	450	1,350	450	1,350
	5,007	4,101	5,007	4,101

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		03 MONTHS ENDED	
	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013
Profit net of tax attributable to owners of the parent used in the computation of earning per share (RM'000)	15,155	12,476	15,155	12,476
Weighted average number of ordinary shares in issue ('000)	240,000	240,000	240,000	240,000
Treasury shares ('000)	10,594	10,539	10,594	10,539
Net Weighted average number of ordinary shares in issue ('000)	229,406	229,461	229,406	229,461
Basic earnings per share (sen per share)	6.61	5.44	6.61	5.44

## 11. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 31 March 2014, the Group acquired assets at a cost of RM 6,631,000 (31 Mar 2013 : RM 1,680,000).

## 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 2013: Nil).

## 14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following amounts:-

	31 Mar 2014 RM '000	31 Mar 2013 RM '000
Cash at bank and in hand	36,365	19,067
Short term deposits	73,284	33,484
Total Cash and Cash Equivalents	109,649	52,551

## 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 2014, 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 31-03-14	10,594,100	RM 2.5000	RM 0.9200	RM 1.5282	RM 16,284,150
April 2014	6,000	2.3400	2.3400	2.3400	14,143
Balance c/f	10,600,100	2.5000	0.9200	1.5287	16,298,293

## 17. INTEREST-BEARING LOANS AND BORROWINGS

	31 Mar 2014 RM '000	31 Mar 2013 RM '000
Secured	2,742	-
Unsecured	166,406	143,102
Short-term borrowings	169,148	143,102
Secured	2,925	-
Unsecured	-	-
Long-term borrowings	2,925	-
Secured	5,667	-
Unsecured	166,406	143,102
<b>Total borrowings</b>	<b>172,073</b>	<b>143,102</b>

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 104.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

No interim dividend has been declared for the current quarter ended 31 March 2014 (31 March 2013: Nil).

However, at the forthcoming Annual General Meeting on 29 May 2014, 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 2013 will be proposed for shareholders' approval. The total tax-exempt dividend for the financial year of 2013, would be amounting to 10 sen per share (Year 2012: 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 15 July 2014 to depositors who are registered in the Record of Depositors at the close of business on 25 June 2014. 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 2014 RM '000	31 Mar 2013 RM '000
<b>Capital expenditure :-</b>		
Approved and contracted for Property, plant and equipment	24,000	-
Approved but not contracted for Property, plant and equipment	27,000	-
<b>Total Commitment</b>	<b>51,000</b>	<b>-</b>

## 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 03 months period ended 31 March 2014 and 31 March 2013 as well as the balances with the related parties as at 31 March 2014 and 31 December 2013.

		Sales to related parties RM '000	Purchases from related parties RM '000	Amounts owed by related parties RM '000	Amounts owed to related parties RM '000
<b>Joint Venture :</b>					
WH Ceramic	2014	-	-	1,103	-
(Australia ) Pty Ltd	2013	-	-	1,141	-
<b>Key Management Personnel of the Group : Directors' interest</b>					
White Horse Ceramic Co Ltd	2014	1,176	-	2,815	-
	2013	678	-	2,147	-

Teobros Ceramica Sdn Bhd	2014	7,257	58	29,253	242
	2013	5,222	285	28,388	184
White Horse Investment (S) Pte Ltd	2014	-	-	-	120,558
	2013	-	-	-	120,558

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 18%, 21% and 22% 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-saving measures.

### 25. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The profit before tax of RM 20.2 million for the current quarter is 11% 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 and operating costs. We have implemented some strategies such as manufacturing efficiency improvement, cost-saving 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 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 2014 and 31 December 2013 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 2014 RM '000	Previous Financial Year Ended 31 Dec 2013 RM '000
Total retained profits of White Horse Berhad and its subsidiaries		
- Realised	512,910	486,791
- Unrealised	(31,454)	(32,148)
	481,456	454,643
Total share of retained profits from a joint venture		
- Realised	-	(429)
- Unrealised	-	-
	-	(429)
Less: Consolidation adjustments	2,335	9,752
Total group retained profits as per financial statement	479,121	463,966

### 34. AUDITORS REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 December 2013 was not qualified.