

Explanatory Notes pursuant to MFRS 134 for the Second quarter ended 30 June 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 28 August 2014.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements, for the period ended 30 June 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. It has obtained approval for its voluntary deregistration on 29 July 2014.

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 30 JUNE 2014	Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Total RM '000
Segment Revenue				
Total turnover	311,430	37,991	35,012	384,433
Inter-segment sales	(12,770)	(14,131)	-	(26,901)
	298,660	23,860	35,012	357,532
Segment Results				
Operating profit / (loss)	42,827	(2,372)	2,344	42,799
Interest expense	(2,108)	(434)	-	(2,542)
Profit / (loss) before tax	40,719	(2,806)	2,344	40,257
Income tax expense	(10,701)	-	(386)	(11,087)
Profit / (loss) for the period	30,018	(2,806)	1,958	29,170

Segment Assets				
Total asset	891,086	175,723	80,562	1,147,371
Segment Liabilities				
Total liabilities	319,063	100,832	9,779	429,674

SEGMENT INFORMATION
- BY GEOGRAPHICAL LOCATION
30 JUNE 2013

Malaysia Operation RM '000	Vietnam Operation RM '000	Other Operation RM '000	Total RM '000
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Segment Revenue				
Total turnover	286,458	-	33,330	319,788
Inter-segment sales	(11,546)	-	-	(11,546)
	274,912	-	33,330	308,242
Segment Results				
Operating profit / (loss)	35,312	-	3,079	38,391
Interest expense	(1,888)	-	-	(1,888)
Profit / (loss) before tax	33,424	-	3,079	36,503
Income tax expense	(8,227)	-	(498)	(8,725)
Profit / (loss) for the period	25,197	-	2,581	27,778

Segment Assets				
Total asset	839,090	-	85,577	924,667
Segment Liabilities				
Total liabilities	231,326	-	6,699	238,025

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		06 MONTHS ENDED	
	30 Jun 2014 RM '000	30 Jun 2013 RM '000	30 Jun 2014 RM '000	30 Jun 2013 RM '000
Interest income	(576)	(289)	(1,144)	(493)
Interest expense	3,959	935	5,243	1,888
Amortisation of prepaid lease payments	742	487	1,485	987

Depreciation of property, plant and equipment	12,610	9,787	22,221	19,648
(Gain) / Loss on disposal of property, plant and equipment	-	38	(24)	46
Write down of property, plant and equipment	-	1	-	18
Loss / (Gain) on foreign currency exchange : realised	1,275	(586)	2,195	(1,600)
(Gain) / loss on foreign currency exchange : unrealised	2,337	385	(850)	735

9. INCOME TAX EXPENSE

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.

	CURRENT QUARTER		CUMULATIVE QUARTER	
	03 MONTHS ENDED		06 MONTHS ENDED	
	30 Jun	30 Jun	30 Jun	30 Jun
	2014	2013	2014	2013
	RM '000	RM '000	RM '000	RM '000
Current Tax:				
Malaysian Income Tax	5,304	3,283	9,712	5,847
Foreign Tax	237	212	386	398
	5,541	3,495	10,098	6,245
Deferred Tax	539	1,130	989	2,480
	6,080	4,625	11,087	8,725

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		06 MONTHS ENDED	
	30 Jun	30 Jun	30 Jun	30 Jun
	2014	2013	2014	2013
Profit net of tax attributable to owners of the parent used in the computation of earning per share (RM'000)	14,016	15,301	29,170	27,778
Weighted average number of ordinary shares in issue ('000)	240,000	240,000	240,000	240,000
Treasury shares	10,600	10,589	10,600	10,589
Net Weighted average number of ordinary shares in issue ('000)	229,400	229,411	229,400	229,411
Basic earnings per share (sen per share)	6.11	6.67	12.72	12.11

11. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 30 June 2014, the Group acquired assets at a cost of RM 6,471,000 (30 June 2013 : RM 1,251,000).

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:-

	30 Jun 2014 RM '000	30 Jun 2013 RM '000
Cash at bank and in hand	51,063	25,545
Short term deposits	60,584	44,784
Total Cash and Cash Equivalents	111,647	70,329

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 30 June 2014 are as follows:-

Month	No. of shares purchased	Purchase Price		Average Price	Total Consideration
		Highest	Lowest		
Balance as at 30-06-14	10,600,100	RM 2.5000	RM 0.9200	RM 1.5287	RM 16,298,293

17. INTEREST-BEARING LOANS AND BORROWINGS

	30 Jun 2014 RM '000	30 Jun 2013 RM '000
Secured	17,238	-
Unsecured	156,490	140,826
Short-term borrowings	173,728	140,826
Secured	3,474	-
Unsecured	-	-
Long-term borrowings	3,474	-
Secured	20,712	-
Unsecured	156,490	140,826
Total borrowings	177,202	140,826

The above secured loans and borrowings are denominated in USD and mortgaged over its machinery of White Horse Ceramic Industries (Vietnam) Co. Ltd. It carries an interest rate of 6.4% .

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 1.8% p.a. and 1.99% floating rate United State Dollars ("USD") bank loan for USD 41 million (RM equivalent of 132.million).

18. PROVISIONS FOR COSTS OF RESTRUCTURING

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

19. DIVIDEND

A final 5% tax-exempted dividend in respect of the financial year 2013, amounting to RM11.5 million was paid on 16 July 2014

No interim dividend has been declared for the current quarter ended 30 June 2014 (30 June 2013: Nil).

20. COMMITMENT

	30 Jun 2014 RM '000	30 Jun 2013 RM '000
Capital expenditure :-		
Approved and contracted for Property, plant and equipment	24,000	-
Approved but not contracted for Property, plant and equipment	38,000	-
Total Commitment	62,000	-

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 06 months period ended 30 June 2014 and 30 June 2013 as well as the balances with the related parties as at 30 June 2014 and 31 December 2013.

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

		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	2014	-	-	460	-
(Australia) Pty Ltd	2013	-	-	1,103	-
Key Management Personnel of the Group : Directors' interest					
White Horse Ceramic Co Ltd	2014	2,206	-	3,435	-
	2013	1,649	-	1,486	-
Teobros Ceramica Sdn Bhd	2014	14,884	204	28,356	388
	2013	12,770	490	25,983	762
White Horse Investment (S) Pte Ltd	2014	-	-	-	116,167
	2013	-	-	-	120,558

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 15%, 18% and 1% 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 was mainly due to the higher sales volume, production efficiency and also cost-saving measures.

The slight increased in profit before tax was caused by the higher operating expenditures.

25. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The profit before tax of RM 20.1 million for the current quarter is same as the immediate preceding quarter mainly due to the higher operating expenses.

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 30 June 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 30 Jun 2014 RM '000	Previous Financial Year Ended 31 Dec 2013 RM '000
Total retained profits of White Horse Berhad and its subsidiaries		
- Realised	515,630	486,791
- Unrealised	(31,993)	(32,148)
	483,637	454,643
Total share of retained profits from a joint venture		
- Realised	-	(429)
- Unrealised	-	-
	-	(429)
Less: Consolidation adjustments	1,971	9,752
Total group retained profits as per financial statement	481,666	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.