

WATTA HOLDING BERHAD (324384-A) Quarter 4 Year 2010 (July 2010 – September 2010) Financial Year 2010 (October 2009 – September 2010)

Notes on the quarterly report – 30 September 2010

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

A1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standard ("FRS") 134 Interim Financial Reporting and Paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 September 2009.

The following notes explain the events and transactions that are significant to an understanding of the changes in the financial position and performance of Watta Holdings Berhad ("WATTA") and its subsidiary companies (hereinafter referred to as the "Group") during the financial quarter under review.

The Group and the Company has adopted the following applicable Financial Reporting Standards ("FRSs") issued by the Malaysian Accounting Standards Board that are mandatory for the current financial period:

FRS 8 Operating Segments

The revised FRSs are either not applicable to the Group and to the Company or the adoptions did not result in significant changes in accounting policies of the Group and the Company and did not have significant impact on the Group and the Company.

The Group and the Company have not early adopted the following amendments to FRSs which have been issued as at the date of authorisation of these financial statements and will be effective for the financial periods as stated below:

		Effective date for financial periods beginning on or after
		1.1. 0010
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 101	Presentation of Financial Statements	1 January 2010
FRS 123	Borrowing Costs	1 January 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 2	Share-based Payment-Vesting Conditions and	1 January 2010
	Cancellations	
Amendments to FRS 132	Financial Instruments: Presentation	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	FRS 119 - The Limit on a defined Benefit Asset,	1 January 2010
-	Minimum Funding Requirements and their Interaction	·

	Effective date for financial periods beginning on or after		
st-time Adoption Financial Reporting Standards and FRS arate Financial Statements - Cost of an investment in a led Entity or Associate	1 January 2010		
Amendments to FRS 139, Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives			
ained in the document entitled "Improvements to FRSs	1 January 2010		
Financial Instruments: Presentation	1 March 2010		
First-time Adoption of Financial Reporting Standards Business Combinations Consolidated & Separate Financial Statements Share-based Payment Non-current Assets Held for Sale and Discontinued Operations Intangible Assets	1 July 2010 1 July 2010 1 July 2010 1 July 2010 1 July 2010 1 July 2010		
Service Concession Arrangements Hedges of a Net Investment in a Foreign Operation Distributions of Non-cash Assets to Owners	1 July 2010 1 July 2010 1 July 2010		
Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives			
Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters Additional Exemptions for First-time Adopters Group Cash-settled Share-based Payment Transactions Improving Disclosures about Financial Instruments Determining whether an Arrangement contains a Lease Transfers of Assets from Customers Agreements for Construction of Real Estate	1 January 2011 1 January 2011 1 January 2011 1 January 2011 1 January 2011 1 January 2011 1 January 2012		
	arate Financial Statements - Cost of an investment in a led Entity or Associate Financial Instruments: Recognition and Measurement, its: Disclosures and IC Interpretation 9, Reassessment of ained in the document entitled "Improvements to FRSs Financial Instruments: Presentation First-time Adoption of Financial Reporting Standards Business Combinations Consolidated & Separate Financial Statements Share-based Payment Non-current Assets Held for Sale and Discontinued Operations Intangible Assets Service Concession Arrangements Hedges of a Net Investment in a Foreign Operation Distributions of Non-cash Assets to Owners etation 9 Reassessment of Embedded Derivatives Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters Additional Exemptions for First-time Adopters Group Cash-settled Share-based Payment Transactions Improving Disclosures about Financial Instruments Determining whether an Arrangement contains a Lease Transfers of Assets from Customers		

A2. Qualification of annual financial statements

There was no audit qualification on the financial statements of the Company and its subsidiary companies for the financial year ended 30 September 2009.

A3. Seasonal and cyclical factors

The business operations for the Group were not materially affected by any seasonal or cyclical factors during the financial quarter under review.

A4. Unusual material event

There were no unusual material events during the financial quarter under review.

A5. Material changes in estimates

There were no material changes in the estimates of amounts reported during the financial quarter under review.

A6. Debts and equity securities

The Company has not issued any new shares or debentures during the financial quarter under review.

A7. Dividend paid

No interim dividend has been paid or declared during the current quarter and the financial period under review.

A8. Segmental reporting

The Group business segmental information is as follow. As the Group operates predominantly in Malaysia, the geographical segmental information is not presented.

	Trading	Services	Investment Holding	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
External sales	29,886	-	-	-	29,886
Inter-segment sales	-	-	216	(216)	-
Total revenue	29,886	-	216	(216)	29,886
Results					
Segment results	1,098	(1,650)	334	(311)	(529)
(Loss)/Profit from operations					(529)
Interest income					249
Interest expenses					(133)
(Loss) before tax					(413)
Income tax expenses					(365)
(Loss) for the financial year					(778)
Attributable to :					
Equity holders of the parent					177
Minority interest					(955)
					(778)

A9. Valuation of property, plant and equipment

The Group did not carry out any valuation on its property, plant and equipment during the financial quarter under review.

A10. Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the financial period reported that have not been reflected in the financial statements.

A11. Changes in the composition of the Group

There were no changes in the composition of the Group for the financial quarter under review.

A12. Contingent liabilities

Unsecured corporate guarantees were given to various institutions for facilities granted to subsidiary companies amounted to RM6.04 million.

A13. Capital commitments

There were no capital commitments incurred by the Group to any parties as at 30 September 2010.

A14. Related party transactions

During the financial period, significant related party transactions for the current quarter under review are as follows:-

Current quarter as at 30 September 2010 RM'000

Cumulative year to date as at 30 September 2010 RM'000

Zitron Enterprise (M) Sdn Bhd :		
Rental of premises	36	144
Z'tronic Holidays (M) Sdn Bhd :		
Purchase of airline tickets, tour arrangement and accommodation booking	161	161

PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS

B1. Review of performance

To date, the Group recorded a turnover and pre-tax loss of RM29.89 million and RM413 thousand respectively. The automotive batteries business has remained challenging.

B2. Comparison with immediate preceding quarter

The Group recorded a revenue of RM6.67 million and RM7.12 million in both current and immediate preceding quarter under review. With a lower turnover, the Group recorded a pre-tax loss of RM310 thousand as compared to pre-tax profit of RM227 thousand in the preceding quarter.

B3. Business prospect

The market for automotive batteries is expected to be steady and the need for replacement batteries will persist. The Group expects the competition in the distribution of automotive batteries to remain keen. However, continuous efforts will be taken to align the selling price so as to remain competitive and to maintain market share. The Group is currently reassessing its involvement in the trading of telecommunication equipment business.

B4. Variance of actual profit from forecast profit

There was no profit forecast or profit guarantee issued.

B5. Taxation

	Current quarter as at 30 September 2010 RM'000	Cumulative current year to date as at 30 September 2010 RM'000
Current tax expense	26	20
Deferred taxation	225	225
Total income tax expense	<u>251</u>	<u>365</u>

The effective rate of taxation of the Group is higher than the statutory rate of taxation principally due to losses of certain subsidiaries which cannot be set off against profits made by other subsidiaries in the Group as no group relief are available.

B6. Profit/ (Loss) on sale of unquoted investments and/ or properties

There was a net gain on disposal of certain Non Current Assets held for sale amounted to RM9 thousand during the financial quarter under review.

B7. Purchase or disposal of quoted securities

There were no purchases or disposal of quoted securities during the financial quarter under review.

B8. Status of corporate proposal

There were no new corporate proposals announced or pending as at the date of this announcement.

B9. Group borrowings

As at 30 September 2010, the Group's borrowings were as follows:-

	Short term RM'000	Long term RM'000	Total RM'000
Secured	3,495	0	3,495
Unsecured	32	0	32
Total	3,527	0	3,527

B10. Off balance sheet financial instruments

There were no material financial instruments with off balance sheet risk during the current financial period.

B11. Material litigation

There were no material litigations pending at the date of this financial period under review.

B12. Dividends

The directors do not recommend any dividend payment in respect of the current financial period.

B13. Earning/(Loss) per ordinary share

	Current quarter	Cumulative financial Year to date
Net (loss)/profit attributable to equity holders of the parent (RM'000)	(285)	177
Number of share in issue of RM0.50 each	84,480,000	84,480,000
Basic earning per share (sen)	(0.34)	0.21

B14. Authorisation for issue

This quarterly report was authorized for issue by the Board of Directors in accordance with the resolution of the directors on 30 November 2010.

By order of the Board

Haji Ariffin Bin Abdul Aziz Group Executive Director

30 November 2010