



WATTA HOLDING BERHAD (324384-A)
Quarter 2 Year 2013 (January 2013 – March 2013)
Financial Year 2013 (October 2012 – September 2013)

Announcement Date: 21 MAY 2013

The Board of Directors of Watta Holding Berhad (hereinafter referred to as “WATTA” or “the Company”) hereby announce the following unaudited results for the first quarter ended 31 March 2013.

A. PRESENTATION OF RESULTS**I) CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

for the financial period ended	2nd Quarter		Year to Date	
	Current Year	Previous Year	Current Year	Previous Year
	31.03.2013 (RM'000)	31.03.2012 (RM'000)	31.03.2013 (RM'000)	31.03.2012 (RM'000)
Revenue	6,271	6,537	12,577	11,823
Interest income from fixed deposits	140	184	282	341
Other income	544	117	865	296
Gain on fair value change of investment properties	0	0	0	0
Depreciation and amortization	(109)	(49)	(198)	(98)
Impairment loss on trade receivables	(45)	(45)	(90)	(90)
Write off of receivables	0	0	0	0
Unrealised/realized (Loss)/Gain on forex	72	(228)	58	(253)
Cost of sales and Administration expenses	(6,614)	(6,356)	(12,785)	(11,717)
Profit from operation	259	160	709	302
Finance cost	(48)	(43)	(109)	(90)
Profit before taxation	211	117	600	212
Taxation	(23)	(97)	(72)	(190)
Profit net of taxation	188	20	528	22
Profit/(Loss) attributable to:				
Equity holders of the parent	157	161	491	199
Non-controlling interests	31	(141)	37	(177)
	188	20	528	22
Total comprehensive income attributable to:				
Equity holders of the parent	157	161	491	199
Non-controlling interests	31	(141)	37	(177)
	188	20	528	22
Earnings per share attributable to equity holders of the parent (sen):				
Basic	0.19	0.19	0.58	0.24
Diluted	N/A	N/A	N/A	N/A

The unaudited condensed statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 30 September 2012 and the accompanying explanatory notes that form an integral part of the Interim Financial Statements.

A. PRESENTATION OF RESULTS (cont.)**II) CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at	UNAUDITED 31.03.2013 (RM'000)	AUDITED 30.09.2012 (RM'000)	UNAUDITED 01.10.2011 (RM'000)
ASSETS			
Non-current assets			
Property, plant and equipment	9,413	6,937	4,400
Investment properties	20,528	20,528	8,168
Other investments	929	924	924
Goodwill	4,789	0	0
Total non-current assets	35,659	28,389	13,492
Current Assets			
Inventories	4,105	3,825	4,855
Trade receivables	6,003	9,475	10,585
Other receivables, deposits & prepayment	1,180	1,755	598
Fixed deposits with licensed banks	15,625	23,104	21,880
Cash and bank balances	10,385	5,527	4,419
Total current assets	37,298	43,686	42,337
TOTAL ASSETS	72,957	72,075	55,829
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	42,240	42,240	42,240
Reserves	15,560	15,069	3,847
Equity attributable to equity holders of the parent	57,800	57,309	46,087
Non-controlling interests	(403)	(440)	220
Total equity	57,397	56,869	46,307
Non-current liabilities			
Deferred taxation	5,158	5,144	972
Long term borrowing	1,068	0	0
Current Liabilities			
Bank borrowings	4,235	6,157	3,993
Trade payables	1,872	729	1,328
Other payables and accruals	3,047	3,165	3,216
Finance lease payable	140	0	0
Tax payable	40	11	13
Total current liabilities	9,334	10,062	8,550
Total equity and liabilities	72,957	72,075	55,829
Net assets	57,397	56,869	46,307
Net assets per share attributable to ordinary equity holders of the parent	RM0.68	RM0.68	RM0.55

The unaudited condensed statement of financial position should be read in conjunction with the audited financial statements for the year ended 30 September 2012 and the accompanying explanatory notes that form an integral part of the Interim Financial Statements.

A. PRESENTATION OF RESULTS (cont.)
III) CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	2nd Quarter	
	Current Year	Previous Year
for the financial period ended	31.03.2013	31.03.2012
	(RM'000)	(RM'000)
	(Unaudited)	(Unaudited)
Profit before taxation	600	212
Adjustments for:-		
Professional fee on acquisition of subsidiaries	142	0
Depreciation of property, plant and equipment	198	98
Impairment loss on trade receivables	90	90
Gain on disposal of property, plant and equipment	(38)	0
Gain on fair value adjustment on investment properties	0	0
Interest expenses	109	90
Interest income	(282)	(341)
Reversal of impairment on trade receivables	(492)	(44)
Unrealised loss/(gain) on foreign exchange	(58)	253
Operating profit before working capital changes	269	358
Changes in working capital :		
Inventories	287	1,747
Receivables	7,381	(851)
Payables	(1,823)	(650)
Cash generated from/(used in) operations	6,114	604
Interest received	282	341
Interest paid	(109)	(90)
Income tax paid	(166)	(126)
Net cash generated from operating activities	6,121	729
Investing activities		
Proceed from disposal of property, plant and equipment	38	0
Net cash outflow on acquisition of subsidiaries	(7,311)	0
Purchase of property, plant and equipment	(288)	(4)
Net cash used in investing activities	(7,561)	(4)
Financing activities		
(Repayment)/Proceed of bank borrowings	(1,134)	(587)
Repayment of finance lease payables	(46)	0
Increased in fixed deposit pledged	(1)	(1)
Net cash used in financing activities	(1,181)	(588)
Net increase/ (decreased) in cash and cash equivalents	(2,621)	137
Foreign exchange differences	0	6
Cash and cash equivalents at beginning of financial period	28,593	26,263
Cash and cash equivalents at end of financial period	25,972	26,406
Cash and cash equivalents comprise:		
Cash and bank balances	10,385	3,227
Fixed deposit with licensed banks	15,625	23,216
Total	26,010	26,443
Less : Fixed deposit pledged with a licensed bank	(38)	(37)
	25,972	26,406

The unaudited condensed statement of cash flows should be read in conjunction with the audited financial statements for the year ended 30 September 2012 and the accompanying explanatory notes that form an integral part of the Interim Financial Statements.

A. PRESENTATION OF RESULTS (cont.)
IV) CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<u>Non-distributable</u> Share Capital	<u>Revaluation</u> Reserve	<u>Distributable</u> Retained Profits	Total	Non- Controlling Interest	Total Equity
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
6 months ended 31 March 2012						
Balance as of 1 October 2011	42,240	1,340	2,507	46,087	220	46,307
Net profit/(loss) for the period, representing total comprehensive income	0	0	199	199	(177)	22
Balance as of 31 March 2012 (unaudited)	42,240	1,340	2,706	46,286	43	46,329
6 months ended 31 March 2013						
Balance as of 1 October 2012	42,240	8,908	6,161	57,309	(440)	56,869
Net profit/(loss) for the period, representing total comprehensive income	0	0	491	491	37	528
Balance as of 31 March 2013 (unaudited)	42,240	8,908	6,652	57,800	(403)	57,397

The unaudited condensed statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 30 September 2012 and the accompanying explanatory notes that form an integral part of the Interim Financial Statements.

B. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
(the figures have not been audited)**1. Basis of preparation and changes in Accounting Policies**

The condensed consolidated interim financial report is unaudited and has been prepared in accordance with the requirement of Malaysian Financial Reporting Standard (“MFRS”) 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 2012.

This condensed report is the Group’s first MFRS compliant condensed report for the six months ended 31 March 2013 and in which MFRS 1: *First Time Adoption of Malaysian Financial Standards* has been applied. The MFRS are effective for the Group from 1 October 2012 and the date of transition to the MFRS framework for the purpose of the first MFRS compliant condensed report is 1 October 2011. The Group reviewed its accounting policies and considered transitional opportunities under MFRS on this date.

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 audited financial statements of the Group for the financial year ended 30 September 2012 were prepared in accordance with Financial Reporting Standards (“FRS”). With the exception of certain differences, the requirements under FRS and MFRS are similar. The accounting policies adopted in preparing this interim report with MFRS is consistent with those used in the Audited Financial Statements of the Group for the financial year ended 30 September 2012.

The adoption of new MFRS has had no significant financial effect on this interim report.

2. 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 2012.

3. 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.

4. Unusual and material items affecting assets, liabilities, equity, net income or cash flow

On 28 February 2013, the Company acquired 100% equity interest in Mobile Technic Sdn Bhd (“MTSB”) and SEMS Services Sdn Bhd (“SEMS”). Upon the acquisition, MTSB and SEMS became subsidiaries of the Group. Both MTSB and SEMS, unlisted companies incorporated in Malaysia, are involved in the servicing of mobile telecommunication products.

The fair values of the identifiable assets and liabilities of MTSB and SEMS as at the date of acquisition were:

	MTSB(RM'000)	SEMS(RM'000)	TOTAL(RM'000)
Property, plant and equipment	1,860	126	1,986
Investment	5	0	5
Trade and other receivables	2,274	658	2,932
Inventories	238	329	567
Cash and cash equivalents	493	638	1,131
	4,870	1,751	6,621
Trade and other payables	(1,224)	(1,687)	(2,911)
Finance lease payable	(146)	0	(146)
Income tax payable	(53)	0	(53)
	(1,423)	(1,687)	(3,110)
Net identifiable assets	3,447	64	3,511

4. Unusual and material items affecting assets, liabilities, equity, net income or cash flow (cont'd)Total cost of business combination:

The total cost of the business combination and the effect of acquisition on cash flow is as follow:

	RM'000
Cash paid	8,300
Directly attributable professional fees	142
	<hr/> 8,442
Less : Cash and cash equivalents of subsidiaries acquired	<hr/> (1,131)
Net cash outflow on acquisition	<hr/> <hr/> 7,311

Goodwill arising on acquisition:

	RM'000
Cost of business combination	8,300
Less : Group's interest in fair value of net identifiable assets	<hr/> (3,511)
Goodwill on acquisition	<hr/> <hr/> 4,789

Impact of acquisition in Statement of Comprehensive Income

From the date of acquisition, the subsidiaries have contributed a profit of RM63 thousand to the Group's profit before tax.

5. Material changes in estimates

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

6. Debts and equity securities

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

7. Dividend paid

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

8. 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	11,497	1,080	-	-	12,577
Inter-segment sales	-	-	108	(108)	-
Total revenue	<hr/> 11,497	<hr/> 1,080	<hr/> 108	<hr/> (108)	<hr/> 12,577
Results					
Segment results	<hr/> 672	<hr/> 222	<hr/> (359)	<hr/> (108)	<hr/> 427
Profit from operations					427
Interest income					282
Interest expenses					<hr/> (109)
Profit before tax					600
Income tax expenses					<hr/> (72)
Profit for the financial period					<hr/> 528 <hr/>

9. Valuation of property, plant and equipment and investment properties

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

10. 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.

11. Changes in the composition of the Group

Save for the disclosure Note 4 above, there were no changes in the composition of the Group for the financial quarter under review.

12. Contingent liabilities

Unsecured corporate guarantees were given to various institutions for facilities granted to subsidiary companies amounted to RM5.98 million.

13. Capital commitments

There were no capital commitments incurred by the Group to any parties as at 31 March 2013.

14. Related party transactions

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

	Current quarter as at 31 March 2013 RM'000	Cumulative year to date as at 31 March 2013 RM'000
Zitron Enterprise (M) Sdn Bhd: Rental of premises	72	144
Z'tronic Holidays (M) Sdn Bhd: Purchase of airline tickets, tour arrangement and accommodation booking	6	129

15. Review of performance

For the quarter under review, the Group recorded a revenue of RM6.27 million, 4.1% lower than revenue of RM6.54 million in the corresponding quarter of the preceding year. The decrease in revenue was due to decrease in the volume of units of automotive batteries sold.

The Group recorded a profit before tax ("PBT") of RM211 thousand as compared to profit before tax ("PBT") of RM117 thousand in the corresponding quarter of the preceding year. The increase in PBT was mainly contributed by the recovery of bad and doubtful debts in the Group.

With the completion of the Proposed Acquisition of MTSB and SEMS on 28 February 2013 (reference to Note 4 and 20), the service of mobile telecommunication products division has contributed a PBT of RM63 thousand, out of RM211 thousand; during the financial quarter under review.

16. Comparison with immediate preceding quarter's results

The Group recorded a revenue of RM6.27 million, a decrease of 0.6% from the preceding quarter of RM6.31 million. The revenue were consistent as the fluctuation of lead price was minimal.

The Group recorded a PBT of RM211 thousand as compared to PBT of RM389 thousand in the preceding quarter, a decrease of 45.7%. The decrease was mainly due to decrease in the volume of units of automotive batteries sold.

17. Business prospect

The board anticipates that the business prospects will remain challenging for the distribution of automotive batteries for the financial year ending 2013; given the highly competitive market for automotive battery, fluctuation of LME lead price and foreign exchange rates. With the completion of the Proposed Acquisition stated in Note 4 and 20, the servicing and repair of telecommunication products; is expected to contribute positively to Watta Group's earnings in financial year 2013.

18. Variance from profit forecast

There was no profit forecast or profit guarantee issued.

19. Taxation

	Current quarter as at 31 March 2013 RM'000	Cumulative current year to date as at 31 March 2013 RM'000
Current tax expense	11	30
Deferred taxation	12	42
Total income tax expense	23	72

The Group's taxation charge for the current quarter under review mainly represents taxation for interest income and rental income, which were treated as separate source of income.

20. Corporate proposal

On 20 September 2012, we announced that Watta had entered into a sale and purchase agreement ("SPA") with Loo Kwong Yong and Chan Soh Hwa for the proposed acquisition of the entire equity interest in Mobile Technic Sdn Bhd and SEMS Services Sdn Bhd for the purchase consideration of RM8.3 million to be satisfied in cash under the terms and conditions of the SPA ("Proposed Acquisition").

Upon the completion of the Proposed Acquisition, the principal activities of the Watta Group would be diversified to include the servicing of mobile telecommunication products ("Proposed Diversification").

On 6 December 2012, the shareholders of WATTA have passed all resolutions pertaining to the Proposed Acquisition and Proposed Diversification at the Company's Extraordinary General Meeting.

The proposed acquisition had been completed on 28 February 2013 in accordance with the sales and purchase agreement dated 20 September 2012. Upon the acquisition, MTSB and SEMS became wholly-owned subsidiaries of the Group.

21. Group borrowings

There was short term secured bank borrowing amounted RM5.4 million as disclosed in the Condensed Consolidated Statement of Financial Position above.

22. Material litigation

There were no material litigation pending at the date of this report.

23. Dividend payable

The Board is pleased to declare a First Interim Dividend of 2.50sen (tax exempt) per share for the financial year ending 30 September 2013 (31 March 2012: NIL). The dividend amounting to RM2,112,000.00 will be payable on 19 August 2013 to shareholders registered in the Record of Depositors on 29 July 2013.

24. Disclosure of realised/unrealised retained profits

	As at 31 March 2013 RM'000	As at 31 March 2012 RM'000
Retained profits		
Realised	23,438	17,040
Unrealised	16	(343)
	<hr/> 23,454	<hr/> 16,697
Less: Consolidation adjustments	(16,802)	(13,901)
Total retained profits	<hr/> 6,652	<hr/> 2,706

25. Earnings per ordinary share

	Current quarter	Cumulative financial Year to date
Net profit attributable to equity holders of the parent (RM'000)	157	491
Number of shares in issue of RM0.50 each	84,480,000	84,480,000
Basic earnings per share (sen)	<hr/> 0.19	<hr/> 0.58

26. Authorisation for issue

This quarterly report was authorised for issue by the Board of Directors in accordance with the resolution of the directors on 21 May 2013.

By order of the Board

Haji Ariffin Bin Abdul Aziz
Group Executive Director

21 May 2013