



WATTA HOLDING BERHAD (324384-A)
Quarter 2 Year 2014 (January 2014 – March 2014)
Financial Year 2014 (October 2013 – September 2014)

Announcement Date: 22 MAY 2014

The Board of Directors of Watta Holding Berhad (hereinafter referred to as “WATTA” or “the Company”) hereby announce the following unaudited results for the second quarter ended 31 March 2014.

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

	2nd Quarter		Year to Date	
	Current Year	Previous Year	Current Year	Previous Year
for the financial period ended	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue	8,301	6,271	19,338	12,577
Interest income from fixed deposits	140	140	246	282
Other operating income	137	544	319	865
Depreciation and amortization	(230)	(109)	(467)	(198)
Impairment on trade receivables	(45)	(45)	(90)	(90)
Write off of receivables	0	0	0	0
(Loss)/Gain on unrealized/realized forex	(1)	72	5	58
Cost of sales and Administration expenses	(8,947)	(6,614)	(19,876)	(12,785)
(Loss)/Profit from operation	(645)	259	(525)	709
Finance cost	(64)	(48)	(157)	(109)
(Loss)/Profit before taxation	(709)	211	(682)	600
Taxation	22	(23)	18	(72)
(Loss)/Profit net of taxation	(687)	188	(664)	528
(Loss)/Profit attributable to:				
Equity holders of the parent	(682)	157	(658)	491
Non-controlling interests	(5)	31	(6)	37
	(687)	188	(664)	528
Total comprehensive (loss)/income attributable to:				
Equity holders of the parent	(682)	157	(658)	491
Non-controlling interests	(5)	31	(6)	37
	(687)	188	(664)	528
(Loss)/Earnings per share attributable to equity holders of the parent (sen):				
Basic	(0.81)	0.19	(0.78)	0.58
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 2013 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 31.03.2014 (RM'000)	AUDITED 30.09.2013 (RM'000)
ASSETS		
Non-current assets		
Property, plant and equipment	8,981	9,137
Investment properties	20,480	20,670
Other investments	5	5
Goodwill on consolidation	4,803	4,803
Deferred tax assets	12	12
Total non-current assets	34,281	34,627
Current Assets		
Inventories	9,304	3,919
Trade receivables	6,819	6,653
Other receivables, deposits & prepayment	1,078	1,832
Fixed deposits with licensed banks	15,887	14,793
Cash and bank balances	6,035	9,200
Total current assets	39,123	36,397
TOTAL ASSETS	73,404	71,024
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	42,240	42,240
Reserves	13,592	14,249
Equity attributable to equity holders of the parent	55,832	56,489
Non-controlling interests	(13)	(7)
Total equity	55,819	56,482
Non-current liability		
Deferred taxation	5,527	5,576
Long term borrowings	950	1,021
	6,477	6,597
Current Liabilities		
Bank borrowings	3,073	2,344
Trade payables	4,093	2,824
Other payables and accruals	3,803	2,501
Hire purchase creditor	139	139
Tax payable	0	137
Total current liabilities	11,108	7,945
Total equity and liabilities	73,404	71,024
Net assets	55,832	56,489
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.66	0.67

The unaudited condensed statement of financial position should be read in conjunction with the audited financial statements for the year ended 30 September 2013 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

for the financial period ended	2nd Quarter	
	Current Year	Previous Year
	31.03.2014 (RM'000) (Unaudited)	31.03.2013 (RM'000) (Unaudited)
(Loss)/Profit before taxation	(682)	600
Adjustments for:-		
Professional fee on acquisition of subsidiaries	0	142
Depreciation of property, plant and equipment	467	198
Reversal of impairment on inventories written down	(150)	0
Impairment of trade receivables	90	90
Gain on disposal of property, plant and equipment	0	(38)
Interest expenses	157	109
Interest income	(234)	(282)
Reversal of impairment on trade receivables	(8)	(492)
Unrealised loss/(gain) on foreign exchange	(5)	(58)
Operating profit before working capital changes	(365)	269
Changes in working capital		
Inventories	(5,235)	287
Receivables	633	7,381
Payables	2,586	(1,823)
Cash generated from/(used in) operations	(2,381)	6,114
Interest received	234	282
Interest paid	(157)	(109)
Income tax paid	(309)	(166)
Net cash (used in)/generated from operating activities	(2,613)	6,121
Investing activities		
Net cash outflow on acquisition of subsidiaries	0	(7,311)
Proceed from disposal of property, plant and equipment	0	38
Purchase of property, plant and equipment	(121)	(288)
Net cash used in investing activities	(121)	(7,561)
Financing activities		
(Repayment)/Proceed of bank borrowings	694	(1,134)
Repayment of hire purchase payables	(36)	(46)
Increased in fixed deposit pledged	(1)	(1)
Net cash generated from/(used in) financing activities	657	(1,181)
Net (decreased)/ increased in cash and cash equivalents	(2,077)	(2,621)
Foreign exchange differences	5	0
Cash and cash equivalents at beginning of financial period	23,955	28,593
Cash and cash equivalents at end of financial period	21,883	25,972
Cash and cash equivalents comprise:		
Cash and bank balances	6,035	10,385
Fixed deposit with licensed banks	15,887	15,625
Total	21,922	26,010
Less : Fixed deposit pledged with a licensed bank	(39)	(38)
	21,883	25,972

The unaudited condensed statement of cash flows should be read in conjunction with the audited financial statements for the year ended 30 September 2013 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>Attributable to Owners of the Company</u>				
	Share Capital	<u>Distributable</u> Retained Profits	Total	Non- Controlling Interest	Total Equity
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
6 months ended 31 March 2013					
Balance as of 1 October 2012	42,240	14,930	57,170	(440)	56,730
Net profit for the period, representing total comprehensive income	0	491	491	37	528
Balance as of 31 March 2013 (unaudited)	42,240	15,421	57,661	(403)	57,258
6 months ended 31 March 2014					
Balance as of 1 October 2013	42,240	14,250	56,490	(7)	56,483
Net loss for the period, representing total comprehensive income	0	(658)	(658)	(6)	(664)
Balance as of 31 March 2014 (unaudited)	42,240	13,592	55,832	(13)	55,819

The unaudited condensed statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 30 September 2013 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 2013.

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 accounting policies and presentation adopted for this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 30 September 2013 except for the changes in accounting policies and presentation resulting from the adoption of relevant MFRSs, Amendments to MFRSs and IC Interpretations that are effective for the financial periods beginning on or after 1 October 2013.

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 2013.

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

There were no unusual and material items affecting assets, liabilities, equity, net income or cash flow during the financial quarter under review.

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	11,993	7,345	-	-	19,338
Inter-segment sales	-	-	108	(108)	-
Total revenue	11,993	7,345	108	(108)	19,338

Results					
Segment results	(744)	156	(171)	-	(759)
Loss from operations					(759)
Interest income					234
Interest expenses					(157)
Loss before tax					(682)
Income tax credit					18
Loss for the financial period					(664)

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

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 RM3.49 million.

13. Capital commitments

There were no capital commitments incurred by the Group to any parties as at 31 March 2014.

14. Related party transactions

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

	Current quarter	Cumulative year to date
	as at 31 March 2014	as at 31 March 2014
	RM'000	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	18	18

15. Review of performance

For the quarter under review, the Group recorded a revenue of RM8.30 million, 32.4% higher than revenue of RM6.27 million in the corresponding quarter of the preceding year. The increased in revenue was contributed by the servicing and repair of telecommunication product division.

The Group recorded a loss before tax ("LBT") of RM709,199.07 as compared to profit before tax ("PBT") of RM210,666.99 in the corresponding quarter of the preceding year. The decrease in profit of RM919,866.06 was mainly due to the provision for import duty claw back of automotive batteries imported from Korea for period of January 2012 to September 2013; amounted to RM731,385.11. In addition, the weakening of Ringgit Malaysia against US Dollar, which resulted in the higher costs of importation of automotive batteries during the reporting quarter has affected the contribution margin. The servicing and repair of telecommunication product division has contributed a marginal profit. This division is expected to perform better in the forthcoming quarters.

16. Comparison with immediate preceding quarter's results

The Group recorded a revenue of RM8.30 million, a decrease of 24.82% from the preceding quarter of RM11.04 million. The decrease in revenue was mainly due to lower sales in automotive batteries division. The revenue in servicing and repair of telecommunication product division has been consistent.

The Group recorded a LBT of RM709,199.07 as compared to PBT of RM26,433.85 in the preceding quarter.

The reduction in PBT was mainly due to the reasons stated in Note 15 above.

17. Business prospect

The board anticipates that the business prospects will remain challenging for the distribution of automotive batteries for the financial year ending 2014; given the highly competitive market for automotive battery, fluctuation of LME lead price and foreign exchange rates. The servicing and repair of telecommunication products division is expected to contribute positively to Watta Group's earnings in financial year 2014.

18. Variance from profit forecast

There was no profit forecast or profit guarantee issued.

19. Taxation

	Current quarter as at 31 March 2014 RM'000	Cumulative current year to date as at 31 March 2014 RM'000
Current tax expense	15	31
Deferred taxation	(37)	(49)
Total income tax credit	(22)	(18)

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

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

21. Group borrowings

There were secured bank borrowings amounted RM4.2 million as disclosed in the Condensed Consolidated Statement of Financial Position above.

22. Material litigation

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

23. Dividend

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

24. Disclosure of realised/unrealised retained profits

	As at 31 March 2014 RM'000	As at 31 March 2013 RM'000
Retained profits		
Realised	32,909	34,356
Unrealised	(5,532)	(5,216)
	27,377	29,140
Less: Consolidation adjustments	(13,785)	(13,580)
Total retained profits	13,592	15,560

25. Loss per ordinary share

	Current quarter	Cumulative financial Year to date
Net loss attributable to equity holders of the parent (RM'000)	682	658
Number of shares in issue of RM0.50 each	84,480,000	84,480,000
Basic loss per share (sen)	0.81	0.78

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 22 May 2014.

By order of the Board

Loo Sooi Guan
Executive Director

22 May 2014