



WATTA HOLDING BERHAD (199401038699)(324384-A) Announcement Date: 14 AUG 2020
Financial Period for Quarter (April 2020 – June 2020)
Financial Year 2020 (January 2020 – December 2020)

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 30 June 2020.

A. PRESENTATION OF RESULTS

I) CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Individual Quarter (3 mths) | | Year to Date (6 mths) | |
|--|-----------------------------|---------------|-----------------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| for the financial period ended | 30.06.2020 | 30.06.2019 | 30.06.2020 | 31.06.2019 |
| | (RM'000) | (RM'000) | (RM'000) | (RM'000) |
| Revenue | 2,514 | 3,152 | 5,522 | 6,598 |
| Interest income | 123 | 132 | 263 | 277 |
| Other operating income | 2 | 5 | 474 | 11 |
| Gain on revaluation of investment properties | 0 | 0 | 0 | 0 |
| Depreciation | (105) | (134) | (210) | (269) |
| Gain on disposal of property, plant and equipment | 0 | 18 | 0 | 18 |
| Loss on unrealised/realised forex | 0 | 0 | 0 | 0 |
| Cost of sales and Administration expenses | (3,157) | (3,541) | (6,616) | (7,478) |
| Profit/(Loss) from operation | (623) | (368) | (567) | (843) |
| Finance cost | (8) | 0 | (11) | 0 |
| Profit/(Loss) before taxation | (631) | (368) | (578) | (843) |
| Taxation | (76) | 27 | (125) | 54 |
| Profit/(Loss) net of taxation | (707) | (341) | (703) | (789) |
| Profit/(Loss) attributable to: | | | | |
| Equity holders of the parent | (707) | (341) | (703) | (789) |
| Non-controlling interests | 0 | 0 | 0 | 0 |
| | (707) | (341) | (703) | (789) |
| Total comprehensive income/(loss) attributable to: | | | | |
| Equity holders of the parent | (707) | (341) | (703) | (789) |
| Non-controlling interests | 0 | 0 | 0 | 0 |
| | (707) | (341) | (703) | (789) |
| Earnings/(Loss) per share attributable to equity holders of the parent (sen): | | | | |
| Basic | (0.84) | (0.40) | (0.83) | (0.93) |
| Diluted | N/A | N/A | N/A | N/A |

The unaudited condensed statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes that form an integral part of the Interim Financial Statements.

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

| as at | UNAUDITED 30.06.2020 (RM'000) | (AUDITED) 31.12.2019 (RM'000) |
|--|--|--|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 59 | 72 |
| Right of use assets | 2,346 | 1,980 |
| Investment properties | 45,555 | 45,555 |
| Other investments | 532 | 532 |
| Total non-current assets | 48,492 | 48,139 |
| Current Assets | | |
| Inventories | 661 | 698 |
| Trade receivables | 937 | 727 |
| Other receivables, deposits & prepayment | 909 | 732 |
| Fixed deposits with licensed banks | 16,225 | 16,882 |
| Cash and bank balances | 2,579 | 2,951 |
| Total current assets | 21,311 | 21,990 |
| TOTAL ASSETS | 69,803 | 70,129 |
| EQUITY AND LIABILITIES | | |
| Capital and reserves | | |
| Share capital | 42,240 | 42,240 |
| Reserves | 14,909 | 15,612 |
| Total equity | 57,149 | 57,852 |
| Non-current liabilities | | |
| Deferred taxation | 9,289 | 9,289 |
| Lease liabilities | 351 | 380 |
| Total non-current liabilities | 9,640 | 9,669 |
| Current Liabilities | | |
| Trade payables | 1,120 | 697 |
| Other payables and accruals | 933 | 1,517 |
| Lease liabilities | 702 | 259 |
| Tax payable | 259 | 135 |
| Total current liabilities | 3,014 | 2,608 |
| Total liabilities | 12,654 | 12,277 |
| Total equity and liabilities | 69,803 | 70,129 |
| Net assets | 57,149 | 57,852 |
| Net assets per share attributable to ordinary equity holders of the parent (RM) | 0.68 | 0.68 |

The unaudited condensed statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes that form an integral part of the Interim Financial Statements.

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

| for the financial period ended | Current Year | Previous Year |
|---|---------------------|----------------------|
| | 30.06.2020 | 30.06.2019 |
| | (RM'000) | (RM'000) |
| | (Unaudited) | (unaudited) |
| Profit / (Loss) before taxation | (578) | (843) |
| Adjustments for: | | |
| Interest expenses | 11 | 0 |
| Interest income | (263) | (277) |
| Gain on disposal of property, plant and equipment | 0 | (18) |
| Gain on revaluation of investment property | 0 | 0 |
| Waiver of debts from payable | 0 | 0 |
| Depreciation of property, plant and equipment | 210 | 269 |
| Inventories written down | 0 | 0 |
| Unrealised (gain)/loss on foreign exchange | 0 | 0 |
| Operating profit/(loss) before working capital changes | (620) | (869) |
| Changes in working capital | | |
| Inventories | 37 | (24) |
| Receivables | (305) | 56 |
| Payables | (161) | (273) |
| Cash generated from/(used in) operations | (1,049) | (1,110) |
| Interest received | 263 | 277 |
| Interest paid | (11) | 0 |
| Income tax paid | (82) | (153) |
| Income tax refunded | 0 | 354 |
| Net cash generated from/(used in) operating activities | (879) | (632) |
| Investing activities | | |
| Proceed from disposal of property, plant and equipment | 0 | 18 |
| Purchase of property, plant and equipment | (1) | (1) |
| Net cash from/ (used in) investing activities | (1) | 17 |
| Financing activities | | |
| Repayment of lease liabilities | (148) | (240) |
| Withdrawal/ (Placement) of deposits not for short term funding | 481 | (144) |
| Net cash generated from/(used in) financing activities | 333 | (384) |
| Net increase/ (decrease) in cash and cash equivalents | (547) | (999) |
| Cash and cash equivalents at beginning of financial period | 11,160 | 12,351 |
| Cash and cash equivalents at end of financial year | 10,613 | 11,352 |
| Cash and cash equivalents comprise: | | |
| Cash and bank balances | 2,579 | 3,273 |
| Fixed deposit with licensed banks | 16,225 | 17,147 |
| | 18,804 | 20,420 |
| Less: Deposit not for short term funding requirement | (8,171) | (9,068) |
| Fixed deposits pledged with licensed banks | (20) | 0 |
| | 10,613 | 11,352 |

The unaudited condensed statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes that form an integral part of the Interim Financial Statements.

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

| | <u>Attributable to Owners of the Company</u> | | | | |
|--|--|---------------------------------------|---------------|---------------------------------|---------------------|
| | <u>Share Capital</u> | <u>Distributable Retained Profits</u> | <u>Total</u> | <u>Non-Controlling Interest</u> | <u>Total Equity</u> |
| | (RM'000) | (RM'000) | (RM'000) | (RM'000) | (RM'000) |
| 6 months ended 30 June 2019 | | | | | |
| Balance as at 1 January 2019 | 42,240 | 13,682 | 55,922 | 0 | 55,922 |
| Net loss for the financial period, representing total comprehensive loss | - | (789) | (789) | 0 | (789) |
| Balance as at 30 June 2019 (unaudited) | 42,240 | 12,893 | 55,133 | 0 | 55,133 |
| 6 months ended 30 June 2020 | | | | | |
| Balance as at 1 January 2020 | 42,240 | 15,612 | 57,852 | 0 | 57,852 |
| Net loss for the financial period, representing total comprehensive income | - | (703) | (703) | 0 | (703) |
| Balance as at 30 June 2020 (unaudited) | 42,240 | 14,909 | 57,149 | 0 | 57,149 |

The unaudited condensed statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2019 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 31 December 2019.

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 31 December 2019 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 year beginning on or after 1 January 2020.

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

2. Qualification of annual financial statements

There were no audit qualifications on the financial statements of the Company and its subsidiary companies for the financial year ended 31 December 2019.

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.

| | Cumulative year ended 30 June 2020 | | | | Consolidated RM'000 |
|---------------------|--|--------------------|---------------------------------|-----------------------|------------------------|
| | Trading/ Property Investment RM'000 | Services RM'000 | Investment Holding RM'000 | Elimination RM'000 | |
| External sales | 554 | 4,968 | - | - | 5,522 |
| Inter-segment sales | - | - | 36 | (36) | - |
| Total revenue | 554 | 4,968 | 36 | (36) | 5,522 |

| | | | | | |
|---|-----|-------|-------|---|--------------|
| Results | | | | | |
| Segment results | 121 | (557) | (394) | 0 | (830) |
| Profit/ (Loss) from operations | | | | | (830) |
| Interest income | | | | | 263 |
| Interest expenses | | | | | (11) |
| Profit/(Loss) before tax | | | | | (578) |
| Income tax (expenses)/credit | | | | | (125) |
| Profit/(Loss) for the financial period | | | | | (703) |

| | Cumulative year ended 30 June 2019 | | | | |
|---|--|--------------------|---------------------------------|-----------------------|------------------------|
| | Trading/ Property Investment RM'000 | Services RM'000 | Investment Holding RM'000 | Elimination RM'000 | Consolidated RM'000 |
| External sales | 494 | 6,104 | - | - | 6,598 |
| Inter-segment sales | - | - | 36 | (36) | - |
| Total revenue | 494 | 6,104 | 36 | (36) | 6,598 |
| Results | | | | | |
| Segment results | (565) | (183) | (372) | 0 | (1,120) |
| Profit/ (Loss) from operations | | | | | (1,120) |
| Interest income | | | | | 277 |
| Interest expenses | | | | | 0 |
| Profit/(Loss) before tax | | | | | (843) |
| Income tax (expenses)/credit | | | | | 54 |
| Profit/(Loss) for the financial period | | | | | (789) |

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

The Group had performed valuation on its property, plant and equipment and investment properties during the last financial year. The Group has adopted fair value method for its investment properties and maintained cost method for its property, plant and equipment.

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

On 5 August 2020, the Board of Directors received a notice of conditional mandatory take-over offer from AmInvestment Bank Berhad on behalf of Dato' Lee Foo San ("Offeror") to acquire all the remaining ordinary shares in Watta not already owned by the Offeror and persons acting in concert with him ("Offer Shares") at a cash offer price of RM0.50 per Offer Share.

On 11 August 2020, the notification to shareholders in relation to the receipt of above Notice had been sent to the shareholders.

The Company will make the necessary announcement on the above as required

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 guarantee was given to a licensed bank for facility granted to a subsidiary company amounted to RM0.70 million.

13. Capital commitments

There were no capital commitments contracted by the Group to any parties as at 30 June 2020.

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 30 June 2020 RM'000 | Cumulative year to date as at 30 June 2020 RM'000 |
|---|--|--|
| Zitron Enterprise (M) Sdn Bhd: Rental and maintenance charge of premises | 106 | 212 |

15. Review of performance

For the quarter under review, the Group recorded revenue of RM2.51 million, 20.3% lower than revenue of RM3.15 million in the corresponding quarter of the preceding year. The decrease in revenue was due to the drop in sales from the servicing and repairs of mobile telecommunication equipment products division. The said division experienced the loss of revenue due to the implementation of Movement Control Order ("MCO") which commenced from 18 March 2020 in quarter one and extended to Conditional Movement Control Order ("CMCO") and Recovery Movement Control Order ("RMCO") in current quarter.

The Group recorded a loss before tax ("LBT") of RM0.63 million as compared to LBT of RM0.58 million in the corresponding quarter of the preceding year. The LBT was due to drop in sales from the servicing and repairs of mobile telecommunication equipment products division as mentioned above. The business operation has resumed in mid of May 2020.

16. Comparison with immediate preceding quarter's results

The Group recorded revenue of RM2.51 million, a decrease of 16.6% from the preceding quarter of RM3.01 million. The decrease in revenue was due to the drop in sales from the servicing and repairs of mobile telecommunication equipment products division as stated in Note 15.

The Group recorded a LBT of RM0.63 million as compared to profit before taxation ("PBT") of RM0.05 million in the preceding quarter. The PBT of RM0.05 million in the preceding quarter was resulted from reversal of accrued import duty in a subsidiary company amounted to RM0.47 million where it had obtained approval for part waiver of the import duty from Ministry of Finance.

17. Prospects

The global health crisis involving COVID-19 will have impact to the performance of the Group in financial year 2020, where the MCO started and extended to CMCO and RMCO in quarter two. The servicing and repair of mobile telecommunication equipment products division had experienced the drop in revenue during the MCO and CMCO. The revenue of the said division has improved during the RMCO period.

The Board foresee the business performance of the Group will be affected in the following quarters of financial year 2020. It is prudent that the Group does not explore or consider any acquisitions or investments in new businesses/assets until the outlook is more certain. Meantime, the Group will actively manage costs and seek to maintain its current level of activities.

18. Variance from profit forecast

There were no profit forecasts or profit guarantee issued.

19. Taxation

| | Current quarter as at 30 June 2020 RM'000 | Cumulative current year to date as at 30 June 2020 RM'000 |
|------------------------------------|--|--|
| Current tax credit/ (expense) | (76) | (125) |
| Deferred taxation | 0 | 0 |
| Total income tax credit /(expense) | <u>(76)</u> | <u>(125)</u> |

The Group's taxation charge for the current quarter under review mainly represents taxation for rental and fixed deposits interest income from property investment division as no group relief available.

20. Corporate proposal

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

21. Group borrowings

There were no bank borrowings secured by the Group to any parties as at 30 June 2020.

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. Profit / (Loss) per ordinary share

| | Current quarter | Cumulative financial year to date |
|---|------------------------|--|
| Net loss attributable to equity holders of the parent (RM'000) | 707 | 703 |
| Number of shares in issue | 84,480,000 | 84,480,000 |
| Basic loss per share (sen) | 0.84 | 0.83 |

25. Notes to the consolidated statement of profit or loss and other comprehensive income

| | Current quarter | Cumulative financial year to date |
|-------------------------------------|------------------------|--|
| | RM'000 | RM'000 |
| Interest income from fixed deposits | 123 | 263 |
| Depreciation and amortisation | (105) | (210) |

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 14 August 2020.

By order of the Board

Haji Ariffin Bin Abdul Aziz
Group Executive Director
14 August 2020