WATTA HOLDING BERHAD

(324384-A)

ANNUAL REPORT 2017

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NOTICE OF TWENTY THIRD ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty Third Annual General Meeting of the Company will be held at Skyroom @ Level 15, The Federal Kuala Lumpur, 35 Jalan Bukit Bintang, 55100 Kuala Lumpur on Thursday, 28 June 2018 at 9.00 a.m. or at any adjournment thereof to transact the following business:-

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial period ended 31 December 2017 and the Reports of the Directors and Auditors thereon. **Please refer to Note 1**

2. To re-elect the following Directors who retire by rotation pursuant to Article 106 of the Company's Constitution:-

   2.1 Hj Ariffin Bin Abdul Aziz; **(Resolution 1)**

   2.2 Hj Ahmad Bin Darus; and **(Resolution 2)**

   2.3 Lee Tak Wing. **(Resolution 3)**

3. To re-elect Datuk Hong Choon Hau who retires pursuant to Article 113 of the Company's Constitution. **(Resolution 4)**

4. To approve the payment of Directors' fees and benefits of RM198,000.00 in respect of the financial period ended 31 December 2017. **(Resolution 5)**

5. To re-appoint Messrs UHY as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**

SPECIAL BUSINESS

To consider and if thought fit, to pass, with or without modifications, the following resolutions:-

6. **ORDINARY RESOLUTION**
   RETENTION OF GAN LENG SWEE AS INDEPENDENT DIRECTOR **(Resolution 7)**

   "THAT in accordance with the Malaysian Code on Corporate Governance, Gan Leng Swee be and is hereby retained as Senior Independent Non-Executive Director of the Company and be designated as such until the conclusion of the next Annual General Meeting, subject to the provisions of the relevant regulatory authorities."

7. **ORDINARY RESOLUTION**
   RETENTION OF HJ AHMAD BIN DARUS AS INDEPENDENT DIRECTOR **(Resolution 8)**

   "THAT subject to the passing of Resolution 2, and in accordance with the Malaysian Code on Corporate Governance, Hj Ahmad Bin Darus be and is hereby retained as Independent Non-Executive Director of the Company and be designated as such until the conclusion of the next Annual General Meeting, subject to the provisions of the relevant regulatory authorities."

8. **ORDINARY RESOLUTION**
   AUTHORITY FOR DIRECTORS TO ISSUE SHARES **(Resolution 9)**

   "THAT pursuant to Sections 75 and 76 of the Companies Act 2016, and subject to the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant governmental and/or regulatory authorities (if any), the Directors be and are hereby empowered to issue new shares in the Company at any time, to such person or persons, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten percent (10%) of the total number of issued shares of the Company at the time of issue AND THAT the Directors be and are hereby also empowered to obtain approval from Bursa Securities for the listing of and quotation for the additional shares so issued AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company."

9. **ORDINARY RESOLUTION**
   PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE") **(Resolution 10)**

   "THAT subject always to the provisions of the Listing Requirements of Bursa Securities, approval be and is hereby given to the Company and its subsidiaries to enter into Recurrent Related Party Transactions of a revenue or trading nature as stated in Section 2.5 of the Circular to Shareholders dated 27 April 2018 with the specified classes of related parties mentioned therein which are necessary for the Group's day-to-day operations and are carried out in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company.

NOTICE OF TWENTY THIRD ANNUAL GENERAL MEETING (CONT'D)

THAT the approval shall continue to be in force until:-

(i) the conclusion of the next AGM of the Company following the AGM at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the AGM whereby the authority is renewed;

(ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the Proposed Shareholders' Mandate described in the Circular."

10. To transact any other business of which due notice shall have been given in accordance with the Act and the Company's Constitution.

By Order of the Board
WATTA HOLDING BERHAD

YEOH CHONG KEAT (MIA 2736)
LIM FEI CHIA (MAICSA 7036158)
LIEW CHAK HOOI (MAICSA 7055965)
Company Secretaries

Kuala Lumpur
27 April 2018

Notes:

(1) The Audited Financial Statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 for discussion only. They do not require shareholders' approval and hence, shall not be put forward for voting.

(2) Only a depositor whose name appears in the Company's Record of Depositors as at 21 June 2018 shall be regarded as a member and entitled to attend, speak and vote at this meeting or appoint proxy(ies) to attend and vote in his stead.

(3) A member may appoint up to two (2) proxies to attend and vote instead of him at the meeting. If the member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. A proxy may but need not be a member of the Company.

(4) Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint up to two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

(5) Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.

(6) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

(7) The original instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office of the Company at Suite 11.1A, Level 11, Menara Weld, 76 Jalan Raja Chulan, 50200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting.

(8) Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by poll.

NOTICE OF TWENTY THIRD ANNUAL GENERAL MEETING (CONT'D)

Notes: (cont'd)

(9) The Personal Data Protection Act 2010, which regulates the processing of personal data in commercial transactions, applies to the Company. By providing to us your personal data which may include your name, contact details and mailing address, you hereby consent, agree and authorise the processing and/or disclosure of any personal data of or relating to you for the purposes of issuing the notice of this meeting and convening the meeting, including but not limited to preparation and compilation of documents and other matters, whether or not supplied by you. You further confirm to have obtained the consent, agreement and authorisation of all persons whose personal data you have disclosed and/or processed in connection with the foregoing.

Explanatory Notes on Special Business:

1. **Resolution 7**

   In observing the recommendation in relation to the tenure of an independent director as prescribed by Malaysian Code on Corporate Governance ("MCCG"), the Board of Directors of the Company, after having assessed the independence of Gan Leng Swee, considers him to be independent and recommends that Gan Leng Swee be retained as Independent Director of the Company. The details of his assessment and justifications are contained in the Statement Accompanying Notice of Annual General Meeting ("AGM").

2. **Resolution 8**

   In observing the recommendation in relation to the tenure of an independent director as prescribed by MCCG, the Board of Directors of the Company, after having assessed the independence of Hj Ahmad Bin Darus, considers him to be independent and recommends that Hj Ahmad Bin Darus be retained as Independent Director of the Company. The details of his assessment and justifications are contained in the Statement Accompanying Notice of AGM.

3. **Resolution 9**

   This proposed resolution, if passed, will renew the authority given to the Directors of the Company to issue and allot new shares in the Company at any time, to such person or persons, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit ("General Mandate"), provided that the number of shares issued pursuant to this General Mandate, when aggregated with any such shares issued during the preceding twelve (12) months, does not exceed 10% of the total number of issued shares of the Company at the time of issue. This renewed General Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

   The General Mandate approved in the preceding year 2017 which was not exercised by the Company during the year, will expire at the forthcoming Twenty Third AGM of the Company.

   With this renewed General Mandate, the Company will be able to raise funds expeditiously for the purpose of funding future investment, working capital and/or acquisition(s) without having to convene a general meeting to seek shareholders' approval when such opportunities or needs arise.

4. **Resolution 10**

   This proposed resolution, if passed, will authorise the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature, particulars of which are as set out in the Circular to Shareholders of the Company dated 27 April 2018 despatched together with the Annual Report. This authority, unless revoked or varied by the Company in a general meeting, will expire at the next AGM of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

RETENTION OF GAN LENG SWEE AS INDEPENDENT DIRECTOR

The Board of Directors of the Company, after having assessed the independence of Gan Leng Swee, considers him to be independent based on amongst others, the following justifications and recommends that Gan Leng Swee be retained as Senior Independent Non-Executive Director of the Company:-

(i) He has confirmed and declared that he is an Independent Director as defined under Paragraph 1.01 of the Listing Requirements of Bursa Securities;

(ii) He does not have any conflict of interest with the Company and has not been entering/is not expected to enter into contract(s) especially material contract(s) with the Company and/or its subsidiary companies;

(iii) He is currently not sitting on the board of any other public and/or private companies having the same nature of business as that of the Company and its subsidiary companies; and

(iv) The Board is of the opinion that Gan Leng Swee is an important Senior Independent Non-Executive Director of the Board in view of his many years on the Board with incumbent knowledge of the Company and the Group's activities and corporate history and has provided invaluable contributions to the Board in his role as a Senior Independent Non-Executive Director and Chairman of both the Nomination Committee and Risk Assessment/Management Committee.

RETENTION OF HJ AHMAD BIN DARUS AS INDEPENDENT DIRECTOR

The Board of Directors of the Company, after having assessed the independence of Hj Ahmad Bin Darus, considers him to be independent based on amongst others, the following justifications and recommends that Hj Ahmad Bin Darus be retained as Independent Non-Executive Director of the Company:-

(i) He has confirmed and declared that he is an Independent Director as defined under Paragraph 1.01 of the Listing Requirements of Bursa Securities;

(ii) He does not have any conflict of interest with the Company and has not been entering/is not expected to enter into contract(s) especially material contract(s) with the Company and/or its subsidiary companies;

(iii) He is currently not sitting on the board of any other public and/or private companies having the same nature of business as that of the Company and its subsidiary companies; and

(iv) The Board is of the opinion that Hj Ahmad Bin Darus is an important Independent Non-Executive Director of the Board in view of his many years on the Board with incumbent knowledge of the Company and the Group's activities and corporate history and has provided invaluable contributions to the Board in his role as an Independent Non-Executive Director.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Lee Foo San
Group Executive Chairman & Chief Executive Officer

Hj Ariffin Bin Abdul Aziz
Group Executive Director

Datin Teoh Lian Tin
Executive Director

Gan Leng Swee
Senior Independent Non-Executive Director

Hj Ahmad Bin Darus
Independent Non-Executive Director

Hj Ahmad Bin Khalid
Non-Independent Non-Executive Director

Lee Tak Wing
Independent Non-Executive Director

Loo Sooi Guan
Executive Director

Datuk Hong Choon Hau
Non-Independent Non-Executive Director

AUDIT COMMITTEE

Lee Tak Wing (Chairman)
Gan Leng Swee
Hj Ahmad Bin Darus

NOMINATION COMMITTEE

Gan Leng Swee (Chairman)
Hj Ahmad Bin Darus
Hj Ahmad Bin Khalid

REMUNERATION COMMITTEE

Hj Ahmad Bin Darus (Chairman)
Gan Leng Swee
Lee Tak Wing

COMPANY SECRETARIES

Yeoh Chong Keat (MIA 2736)
Lim Fei Chia (MAICSA 7036158)
Liew Chak Hooi (MAICSA 7055965)

REGISTERED OFFICE

Suite 11.1A, Level 11
Menara Weld
76, Jalan Raja Chulan
50200 Kuala Lumpur
Tel : (603) 2031 1988
Fax : (603) 2031 9788

SHARE REGISTRAR

Bina Management (M) Sdn Bhd
Lot 10, The Highway Centre
Jalan 51/205
46050 Petaling Jaya
Selangor Darul Ehsan
Tel : (603) 7784 3922
Fax : (603) 7784 1988

AUDITORS

UHY (AF 1411)
Suite 11.05 Level 11
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : (603) 2279 3088
Fax : (603) 2279 3099

PRINCIPAL BANKERS

AmBank (M) Berhad
United Overseas Bank (M) Berhad
Alliance Bank Malaysia Berhad
Malayan Banking Berhad
Citibank Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
Sector : Industrial Products
Stock Name : WATTA
Stock Code : 7226

DIRECTORS' PROFILE

DATO' LEE FOO SAN
(53 years of age, Malaysian, Male)
Group Executive Chairman and Chief Executive Officer

Dato' Lee Foo San was appointed to the Board as an Executive Director on 21 May 1998 and was subsequently appointed as the Group Executive Chairman on 16 October 1998. He is a member of the Risk Assessment/Management Committee.

Dato' Lee is a self-made entrepreneur who has ventured into the business world since 1989. In 1998, he ventured into the automotive battery business. Over the years, he has been involved in the telecommunication and travel business and has gained vast exposure in the said fields.

Dato' Lee also sits on the Board of all the Company's subsidiary companies and several other private limited companies. He does not have any other directorships in other public companies and listed issuers.

Dato' Lee is a substantial shareholder of the Company with direct shareholding of 27,707,730 ordinary shares. He is the spouse of Datin Teoh Lian Tin who is an Executive Director of the Company. He attended all the seven (7) Board of Directors' Meetings of the Company held during the financial period ended 31 December 2017.

He has no conflict of interest with the Company and had no convictions for any offences, other than traffic offences (if any), within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.

HJ ARIFFIN BIN ABDUL AZIZ
(64 years of age, Malaysian, Male)
Group Executive Director

Hj Ariffin Bin Abdul Aziz was appointed to the Board on 16 October 1998. He holds a Bachelor of Economics Degree with honours from University of Malaya in 1977 and a Diploma in Marketing.

Hj Ariffin Bin Abdul Aziz was formerly the General Manager of the banking division of AmInvestment Bank Berhad and the Founder Member and Vice President of the Association of Islamic Banking Malaysia. Apart from the banking industry, his experience covers a wide variety of industries including property development and manufacturing. Prior to joining the Watta Group he was advisor of Islamic Banking for HSBC Malaysia.

Hj Ariffin Bin Abdul Aziz sits on the Board of all the Company's subsidiary companies. He does not have any other directorships in other public companies and listed issuers.

He has indirect shareholdings of 3,468,800 ordinary shares in the Company by virtue of his shareholdings in United Matrix Sdn Bhd pursuant to Section 8 of the Companies Act 2016. He attended all the seven (7) Board of Directors' Meetings of the Company held during the financial period ended 31 December 2017.

He does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years other than traffic offences (if any) nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.

DATIN TEOH LIAN TIN
(50 years of age, Malaysian, Female)
Executive Director

Datin Teoh Lian Tin was appointed to the Board on 21 May 1998. She currently holds the position of Group Human Resource and Administration Director. Datin Teoh is the spouse of Dato' Lee Foo San, the Group Executive Chairman and a substantial shareholder of the Company.

Datin Teoh sits on the Board of several subsidiary companies of Watta Group and several other private limited companies. She does not have any other directorships in other public companies and listed issuers.

Datin Teoh has attended all the seven (7) Board of Directors' Meetings of the Company held during the financial period ended 31 December 2017.

She has no conflict of interest with the Company and had no convictions for any offences, other than traffic offences (if any), within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.

DIRECTORS' PROFILE (CONT'D)

GAN LENG SWEE
(67 years of age, Malaysian, Male)
Senior Independent Non-Executive Director

Mr Gan Leng Swee was appointed to the Board on 16 October 1998. He is the Chairman of the Nomination Committee and Risk Assessment/Management Committee as well as a member of the Audit Committee and Remuneration Committee. He was the Chairman of Audit Committee from the date of his appointment as a Director of the Company until 1 April 2014.

Mr Gan holds a Bachelor of Economics from University of Malaya in 1974. He began his career with Citibank in 1974 and progressed to the position of Assistant Vice President for Institutional Banking Group. From 1984 to 1986, he was the Asean Representative for Dow MBF Ltd. Hong Kong and concurrently General Manager of MBF Leasing Sdn Bhd. Prior to joining Overseas Union Bank, Singapore in 1987 as the head of the Credit Review Unit (Audit & Inspection), he was a Senior Credit Manager of Oriental Bank Berhad. From 1990 to 1991, he was the Dealer's Representative (Institutional Sales) with G.K. Goh (Stockbrokers) Pte. Ltd. He formed his private management consultancy practice named Citation Corporate Concepts Pte. Ltd. Singapore from 1991 till 1998. On a contract basis from November 1998 to November 1999, he was the Deputy President/Chief Operating Officer for Keppel Bank Philippines.

Mr Gan does not have any other directorships in other public/private companies and other listed issuers.

Mr Gan has a direct shareholdings of 764,058 ordinary shares in the Company. He attended six (6) out of the seven (7) Board of Directors' Meetings of the Company held during the financial period ended 31 December 2017.

He does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years other than traffic offences (if any) nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.

HJ AHMAD BIN DARUS
(64 years of age, Malaysian, Male)
Independent Non-Executive Director

Hj Ahmad Bin Darus was appointed to the Board on 16 September 2004. He is the Chairman of the Remuneration Committee and member of the Audit Committee, Nomination Committee and Risk Assessment/Management Committee.

Prior to his appointment as Director of Watta Holding Berhad, he had more than 10 years of working experience in the management of the financial affairs of corporations which he held the positions as Chief Executive Officer (CEO) and Managing Director. He was the CEO of Pernec Telecom Sdn. Bhd. in 1991 and the Managing Director of Alcatel Malaysia from 1994 to 2002. At both Pernec Telecom and Alcatel Malaysia, he was primarily responsible for the companies' financial management including budgeting, financial planning, company's audit, tax planning, cash flow management, risks management and credit management. He retired from Alcatel Malaysia in 2002 to venture into his own business.

Hj Ahmad Bin Darus does not have any other directorships in other public companies and listed issuers. He has attended all the seven (7) Board of Directors' Meetings of the Company held during the financial period ended 31 December 2017.

He does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years other than traffic offences (if any) nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.

DIRECTORS' PROFILE (CONT'D)

HJ AHMAD BIN KHALID
(67 years of age, Malaysian, Male)
Non-Independent Non-Executive Director

Hj Ahmad Bin Khalid was appointed to the Board on 14 February 2011. He is a member of the Nomination Committee.

Hj Ahmad Bin Khalid is a graduate in Accountancy from Universiti Teknologi Mara in 1973. He started his career in banking and subsequently moved to telecommunication industry. He has attended numerous professional courses and seminars both abroad and locally. Hj Ahmad Bin Khalid has held various senior management position in both banking and telecommunication industries for the past thirty (30) years.

He does not have any other directorships in other public companies and listed issuers.

He has indirect shareholdings of 3,468,800 ordinary shares in the Company by virtue of his shareholdings in United Matrix Sdn Bhd pursuant to Section 8 of the Companies Act 2016. He attended all the seven (7) Board of Directors' Meetings of the Company held during the financial period ended 31 December 2017.

He does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years other than traffic offences (if any) nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.

LEE TAK WING
(63 years of age, Malaysian, Male)
Independent Non-Executive Director

Mr Lee Tak Wing was appointed to the Board and as a member of the Audit Committee on 14 October 2011. He was appointed as Chairman of the Audit Committee on 1 April 2014 and a member of the Remuneration Committee on 26 February 2018.

Mr Lee holds a Diploma in Accounting and Business Studies from Goons College in 1974 and Diploma in Strategic Marketing Management from Singapore Institute of Management in 1991. He attended Wharton School of Business US Executive Program in Hong Kong in 1993. He had his first career in the banking industry where he spent 8 years in UMBC Bhd. He then moved into commercial sectors where he held various senior positions and roles. In 1990, he joined Nokia Mobile in Singapore as Regional Manager responsible for Hong Kong, Taiwan and Philippines markets. He was relocated to Hong Kong in 1991 and promoted to Sales General Manager responsible for China market. In 1996, he was relocated back to Malaysia and was promoted as Country Manager. He was appointed as Managing Director for Nokia Malaysia in 2003. In 2006, he ventures into consultancy services.

Mr Lee does not have any other directorships in other public companies and listed issuers. He attended all the seven (7) Board of Directors' Meetings of the Company held during the financial period ended 31 December 2017.

He does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years other than traffic offences (if any) nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.

DIRECTORS' PROFILE (CONT'D)

LOO SOOI GUAN
(53 years of age, Malaysian, Male)
Executive Director

Mr Loo Sooi Guan was appointed to the Board on 21 May 2013.

Mr Loo is a Chartered Accountant and a member of Malaysia Institute of Accountants. He holds a Bachelor of Business Degree in Accountancy from RMIT University, Melbourne, Australia. He joined Watta Group in June 1998 as the Group Financial Controller, overseeing the finance department of the Group. He was promoted to Vice President in January 2002 where he held the position till 21 May 2013.

During his tenure in Watta Group he gained vast experience in corporate affairs, finance, manufacturing, marketing, procurement, logistics and the overall operations of the Watta Group. Prior to joining Watta Group, he has worked in several business industries which includes property development, manufacturing and oil & gas. He also had working experience for several years at BP Australia Limited, Melbourne, Australia.

He is also a director of several subsidiaries in Watta Group.

Mr Loo does not have any other directorships in other public companies and listed issuers. He attended all the seven (7) Board of Directors' Meetings of the Company held during the financial period ended 31 December 2017.

He does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years other than traffic offences (if any) nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.

DATUK HONG CHOON HAU
(42 years of age, Malaysian, Male)
Non-Independent
Non-Executive Director

Datuk Hong Choon Hau was appointed to the Board on 30 May 2017.

Datuk Hong holds a Diploma in Computer Science / Information Technology. Datuk Hong has 4 years working experience in corporate finance and ICT Technology serving in various capacities. He was an Executive Director of Gameview Sdn Bhd from 2012 to 2014 and Executive Director and Financial Controller for Myworld Holdings Berhad from 2014 to 2015.

Datuk Hong currently sits on the Board of Sunzen Biotech Berhad, a company listed on the ACE Market of Bursa Malaysia Securities Berhad and several other private limited companies.

Datuk Hong has indirect shareholdings of 19,344,022 ordinary shares in the Company through Cambridge Asset Holding Limited, the holding company of Surin Bay Resort Sdn Bhd by virtue of Section 8 of the Companies Act 2016.

Upon his appointment to the Board on 30 May 2017, he attended all the three (3) Board of Directors' Meetings of the Company held during the financial period ended 31 December 2017.

He does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years other than traffic offences (if any) nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.

KEY SENIOR MANAGEMENT'S PROFILE

LOO KWONG YONG
(59 years of age, Malaysian, Male)

Mr Loo Kwong Yong was appointed as Director of Mobile Technic Sdn Bhd ("MTSB") and SEMS Services Sdn Bhd ("SEMS") on 16 January 2002 and 27 June 2002 respectively. Both MTSB and SEMS are wholly-owned subsidiaries of the Company. Mr Loo is currently the Managing Director of both MTSB and SEMS. He holds a Master's Degree in Marketing from the University of Stratclyde, Glasglow and is an associate member of the Chartered Institute of Marketing, United Kingdom. He has been in the handphone distribution and servicing business for more than 25 years. He was formerly the Managing Director of Cellstar Amtel Sdn Bhd, a joint venture company between Cellstar USA and Amtel Cellular Malaysia. Cellstar Amtel Sdn Bhd is a subsidiary of Amtel Holdings Bhd, a public company listed on the Main Market of Bursa Malaysia. Prior to joining the Amtel Holding Group, he was also involved in the distribution of mobile handphones mainly the distribution of "OKI" mobile phones.

He does not have any directorship in public companies and listed issuers.

He does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years other than traffic offences (if any) nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.

CHAN SOH HWA
(56 years of age, Malaysian, Male)

Mr Chan Soh Hwa was appointed as Director of MTSB and SEMS on 16 January 2002 and 28 April 2010 respectively. He is also the General Manager of MTSB and SEMS, both wholly-owned subsidiaries of the Company. Both Chan Soh Hwa and Loo Kwong Yong started Mobile Technic Sdn Bhd and SEMS Services Sdn Bhd. He has more than 25 years of experience in the telecommunications industry in Federal Telecommunications and Amtel Communications Sdn Bhd. He specialized in handphone project management, system design and implementation.

He was also involved in wireless telecommunication equipment project design, integration, implementation and management such as Trunked Radio System, Conventional/Auxilliary Radio System, and Paging (in H house/public) System, Analog/ Digital Microwave Radio System, Cellular infrastructure and Digital Pair-Gain. Major projects undertaken include those for the oil and gas industry in Malaysia such as Petronas, Esso and Shell, airports and seaports, Malaysia telecommunication companies and nationwide trunked radio system for the Ministry of Police in Vietnam.

He does not have any directorship in public companies and listed issuers.

He does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years other than traffic offences (if any) nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial period.

FINANCIAL HIGHLIGHTS & FINANCIAL INDICATORS

	Financial Year Ended 30 September				
	2013	2014	2015	2016	2017
Financial Highlights of Income Statement Items (RM)					
Revenue	30,367,823	39,311,673	38,308,018	38,880,608	43,296,463
Earnings Before Interest, Tax, Depreciation And Amortisation	3,163,562	1,042,911	513,216	(235,862)	7,201,728
Profit/(Loss) Before Tax	2,075,926	(64,669)	(528,387)	(1,122,748)	6,672,578
Profit/(Loss) After Tax	1,865,436	(366,538)	(587,433)	(1,429,583)	3,905,930
Net Profit/(Loss) Attributable to Equity Holders	1,431,870	(351,995)	(570,236)	(1,415,895)	3,910,164
Financial Highlights of Financial Position Items (RM)					
Total Assets	71,024,693	70,038,921	70,360,307	69,666,254	71,901,068
Total Borrowings	3,503,660	1,835,394	2,829,681	2,690,018	178,886
Shareholders' Equity	56,489,467	56,137,472	55,567,236	55,671,728	59,035,629
Financial Indicators					
Return of Equity	0.03	(0.01)	(0.01)	(0.03)	0.07
Return on Total Assets	0.02	(0.01)	(0.01)	(0.02)	0.05
Gearing Ratio	0.06	0.03	0.05	0.05	0
Interest Cover	11.05	0.64	(2.53)	(8.90)	86.92
Earnings Per Share (sen)	1.69	(0.42)	(0.67)	(5.47)	5.97
Net Asset Per Share (RM)	0.67	0.66	0.66	0.66	0.70
Gross Dividend Per Share	2.50	NIL	NIL	NIL	NIL
Price Earnings Ratio	18.93	(95.24)	(41.79)	(7.40)	5.36
Gross Dividend Yield Per Share	7.81	NA	NA	NA	NA
Share Price as at Financial Year End	0.32	0.40	0.28	0.405	0.320

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

The Group's principal businesses for the 15 months financial period ended 31 December 2017 ("FPE 2017") were servicing and repair of mobile telecommunication products, distribution of telecommunication equipment and related products, and marketing and distribution of automotive batteries and related products.

On 6 October 2017, the Company had announced its decision to cease the Trading and Distribution of Automotive Batteries Business by 31 December 2017. This is in line with the Group's re-organisation plan to discontinue its loss making business division; as a strategy to reduce the operating costs and overheads of the Group. The practical completion of the proposed cessation was on 31 March 2018.

With the cessation of the automotive batteries business, the Group will in the meantime be concentrating in the servicing and repairing of mobile telecommunication equipment business whilst looking for new businesses.

FINANCIAL RESULTS

The Group recorded a profit after tax ("PAT") of RM3.905 million on a revenue of RM43.296 million for the financial period ended 31 December 2017. There were no comparative financial information as the Group had on 21 August 2017 announced the change in financial year end from 30 September 2017 to 31 December 2017, covering a period of 15 months.

The servicing and repair of mobile telecommunication products had contributed to PAT of RM190,614, marketing and distribution of telecommunication equipment and related products had incurred a loss of RM0.986 million, and marketing and distribution of automotive batteries and related products had incurred a loss of RM2.262 million. During the period under review, the Group had performed a revaluation of its property, plant and equipment and investment properties; and had adopted fair value method for its investment properties and maintained cost method for its property, plant and equipment. As a result, it had contributed a revaluation surplus of RM9.363 million to the Group. There was impairment of goodwill of RM2.401 million on its investment in subsidiaries during the period under review. However, despite the operating losses, the Group reported a PAT of RM3.905 million for FPE 2017.

During the financial period under review, the unfavourable operating conditions, which included the slowdown and reduction in consumer spending, competition and increased operating costs were amongst the challenges that the Group experienced.

The earnings per share attributable to equity holders was 4.63 sen.

The Balance Sheet of the Group remain strong with total Group Assets as at 31 December 2017 standing at RM71.901 million, representing net assets per share of RM0.70.

REVIEW OF OPERATING ACTIVITIES

During the financial period under review, the operating environment was challenging. Please find below the review of the two main operating segments :

SERVICES

The telecommunications servicing and repair business has continued to operate profitably with turnover of RM26 million for the 15 months' period ended December 2017. We expect the positive performance to continue and we will be an active player in the servicing and repair of mobile telecommunications business as our service partners of major brands has commendable sales volume in 2017. Our service partners include major handphone players like Samsung, Huawei, Xiaomi and several others. We are confident that our principal partners will continue to be major handphone sellers in the Malaysian market in 2018.

TRADING

- **Marketing and distribution of telecommunications equipment and related products**

  This trading segment had contributed RM4.388 million to the Group's revenue. The LG brand has not been well accepted in the local market as the features and the pricing were not attractive as compared to other brands like Samsung, Huawei, Vivo, Oppo, iPhone and others. Thus, the sales were slow and eventually led to clearance of ageing stocks at a loss.

  During the period under review, efforts were taken to source for other brands. However, we were unable to secure other brands for distribution as other reputable brands had been awarded to other distributors.

- **Marketing and distribution of automotive batteries and related products**

  The distribution of automotive batteries business has been experiencing tough challenges ever since the inception of AFTA in 2008. The competition has been stiff for the recent few years. More overseas manufacturers resort to direct presence in the local scene. The competition was extremely intense with oversupply situation.

  Having incurred losses in the trading and distribution of automotive batteries for the last 3 years, the Group had on 6 October 2017 announced the proposed cessation of this business segment. For FPE 2017, this business segment had contributed RM12.40 million to the Group's revenue.

DIVIDEND

The Board of Directors does not recommend any dividend payment for FPE 2017.

FUTURE PROSPECTS

The cessation of trading and distribution of automotive batteries business had been completed on 31 March 2018. With the cessation of distribution of automotive battery business, the revenue of the Group will be lower but at the same time, the losses from this segment will be stemmed.

The distribution, servicing and repair of telecommunication products divisions are expected to be stable in the financial year 2018. The board is currently looking at ways of improving the performance of the Group including but not limited to acquisition of new business or assets.

SUSTAINABILITY STATEMENT

The Company believes that sustainable corporate success requires the highest standard of corporate behaviour including measuring up to the public expectations on economic, environmental and social responsibilities.

By applying a good corporate governance framework, environmentally responsible practices and sound social policies, would enable Watta Group to achieve sustainable growth and enhance long-term value for its shareholders. For the financial period under review, the Company continued with this commitment as a good and responsible corporate citizen.

ECONOMIC

To strengthen the business focus, the Group ensures the services rendered are consistent with targeted performances. In this respect, the Group emphasises the value for money for every service rendered.

The Group also continues to improve service delivery to the customers which emphasis on:

- Service and maintenance knowledge enhancement;
- Process improvement;
- Productivity enhancement; and
- Capacity expansion.

Besides, the Group provides job opportunities and preferences are given to the local society. The Group likewise encourages involvement, especially from the locals, in economic opportunities generated by the Group.

ENVIRONMENTAL

Watta Group recognises that several of its activities may have an impact on the environment. As such, Watta Group continues to ensure strict compliance with the environmental laws governing operations and maintenance in areas relating paper usage and waste water.

SOCIAL RISKS

Watta Group is of the view that to build a good and enduring company, we need to balance our performance with social responsibilities. It has been a continuous effort for Watta Group to operate responsibly and care to meet the expectations of our society.

In providing the right opportunity for our workers, we ensure that there is no discrimination and we uphold the fundamental human rights of our staff. We provide minimum wages and payment in accordance with the Employment Act. All employees are above the minimum age requirement and we promote a conducive working environment for their well-being and safety. To ensure sustainability, we ensure our staff are trained to perform their duties with care and professionalism. We provide continuous training to enhance our staff performance and to ensure our prospects and sustainability are well placed.

We also view that we must be a responsible organisation and to take care of those in need. It has been our ongoing activity to visit and provide food and donations to the poor and needy of our society. Our staff and Management visit old folk homes and children’s welfare homes to bring cheer to the inmates and residents as a corporate social activity of the Group.

OPPORTUNITIES

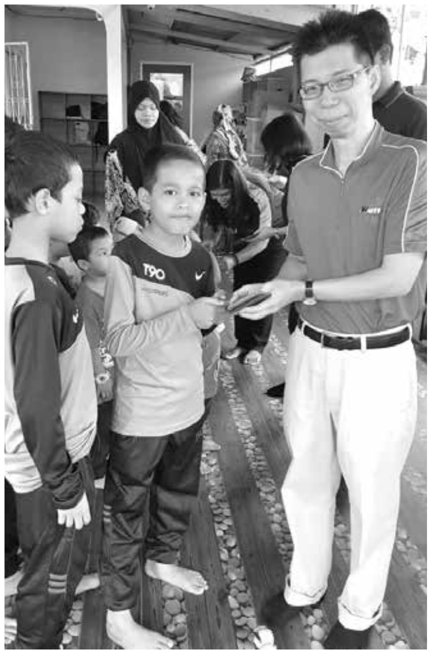
We believe there will be more opportunities for the Watta Group in the years ahead for our telecommunication and repair business by increasing our pool of principals and customers. We believe the future of hand phones distribution and repair business in Malaysia will continue to record growth.

The Board of Directors and Management will meantime continue to scout for new opportunities for the Group.

ACTIVITIES OF CORPORATE SOCIAL RESPONSIBILITIES

As indicated in page 15 of Sustainability Statement, WATTA group is committed to be a responsible corporate citizen by helping the needy of our society.

The management and staff had organised a charity visit to Rumah Jalinan Kasih-Home for Orphanage at Taman Megah, Batu 10, 43200 Cheras, Selangor on Saturday, 15 July 2017. The children were served breakfast and gifts were distributed to each of them.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of Watta Holding Berhad ("the Company") recognises the importance of practising good corporate governance and is committed to ensuring that the principles and practices of the Malaysian Code on Corporate Governance 2017 ("MCCG') are observed and practised as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and financial performance of the Group.

The Board is pleased to report this Statement which sets out the extent of the Group's application with the prescribed practices of MCCG with exceptions reported herein.

The Company's Corporate Governance Report can be downloaded from the Company's website at www.watta.com.my.

A. BOARD LEADERSHIP AND EFFECTIVENESS

Board Composition and Board Balance

The Board is primarily entrusted with the overall responsibility over the strategic direction of the Watta and its subsidiaries ("Watta Group" or "the Group") and overseeing the business development, financial performance as well as corporate governance practices of the Group.

The Board has within its individuals drawn from varied professions and specialisations. The Board is headed by the Group Executive Chairman and Chief Executive Officer ("CEO") and the existing composition of the Board is as follows:

- Four (4) Executive Directors (including the Group Executive Chairman and CEO);
- Three (3) Independent Non-Executive Directors; and
- Two (2) Non-Independent Non-Executive Directors.

The composition of the Board complies with Paragraph 15.02(1) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). The Board is of the opinion that the interests of shareholders of the Company are fairly represented through the current composition of the Board and its size constitutes an effective Board to the Company. The wide spectrum of knowledge, skills and experience of the Board members give added strength to the leadership which is necessary for the effective stewardship of the Group.

The three (3) Independent Non-Executive Directors of the Company provide the Board with a good mix of industry-specific knowledge plus broad business and commercial experience. They provide guidance, unbiased, fully balanced and independent views, advice and judgement to many aspects of the Group's strategy so as to safeguard the interests of minority shareholders and to ensure that the highest standards of conduct and integrity were maintained by the Group.

The Board continues with the view that although with the representatives of major shareholders on the Board, its existing three (3) Independent Non-Executive Directors, with their extensive knowledge and experience would be able to represent the investment of the public and the minority shareholders.

The combined function of the Group Executive Chairman and CEO is perceived as appropriate and of benefit to the Group for the CEO's extensive knowledge, skills, experience and familiarity with the Group's business, industry, products, policies and administration matters. As the Group Executive Chairman, Dato' Lee Foo San ("Dato' Lee") is primarily responsible for the orderly conduct and effectiveness of the Board. Dato' Lee is supported by the Executive Directors who are responsible for the day-to-day running of the business operations of the Group, implementation of the Group's business strategies, plans and policies as endorsed by the Board.

Though the role of Chairman and CEO is combined, the Board does not have half of independent director as recommended by the MCCG. However, the Board is of the view that the presence of the three (3) Independent Directors is sufficient to provide the necessary checks and balances on the decision making process of the Board. The Independent Directors provide independent and objective judgement as well as impartial opinion on Board deliberations and decision making and significant contributions of the Independent Directors is evidenced on their participation as members of the committees of the Board.

Apart from the above, the Company practices a clear demarcation of responsibilities and a balance of power and authority. The Board as a whole has always imposed on itself compliance of all appropriate principles and best practices in respect of impartiality, shareholders and stakeholders' interest and protection and good corporate governance.

Board Responsibilities

The Board retains full and effective control of the Group and has established amongst others, corporate objectives and position descriptions including the limits to management's responsibilities, which the Executive Directors are aware and are responsible for meeting. The Board has an understanding of matters reserved to itself for decision, which include the overall Group strategy and direction, acquisition and divestment policy, approval for major capital expenditures, consideration of significant financial matters and review of the financial and operating performance of the Group.

A. BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Responsibilities (cont'd)

The Board has formalised a Board Charter which sets out the role, composition and responsibilities of the Board of Directors and those delegated to the Board Committees and Management of the Company and key elements of governance principles guiding the business culture and strategic initiatives of the Group. The Board reviews its charter periodically to keep abreast with latest changes in regulations and ensure it remains consistent with the Board objectives.

Whistle-Blowing Policy has been formalised for employees and public to raise genuine concerns about possible improprieties in matters of financial reporting, compliance and other malpractices. Code of Ethics and Conduct was established which stipulating the sound principles that will guide the Watta Group staff in discharging their duties.

The Board Charter, Whistle-Blowing Policy and Code of Ethics and Conduct are accessible through the Company's website at www.watta.com.my.

The size and composition of the Board is balanced to reflect the interests of the shareholders in the Company. The Board acknowledges that gender diversity is one of the key attributes to an effective and balanced board. In this regard, it is committed to having female representation on the Board and the Board currently has one (1) female member.

The Board believes in equality and equal opportunity to be given to an individual whether for appointment as a director or employment within the Group, based on merit and not on gender, age or racial bias.

Board Committees

The Board Committees namely, Audit Committee, Remuneration Committee, Nomination Committee and Risk Assessment/ Management Committee are entrusted with specific powers and responsibilities to assist the Board in discharging its functions within their respective Terms of Reference. The Chairman of the respective Committees report to the Board the outcomes and recommendations from the Committees' meetings and minutes of such Committee meetings will be tabled for the Board's notation. The ultimate responsibility for the final decision on all matters of Board Committees lies with the entire Board.

- **Audit Committee**
  Details of the Audit Committee are set out in the Audit Committee Report of this Annual Report.

- **Nomination Committee**
  Details of the Nomination Committee are set out on page 20 of this Annual Report.

- **Remuneration Committee**
  Details of the Remuneration Committee are set out on page 21 of this Annual Report.

- **Risk Assessment/Management Committee**
  Details of the Risk Assessment/Management Committee are set out in the Statement on Risk Management and Internal Control of this Annual Report.

Reinforce Independence

The existence of the Independent Directors on the Board itself does not ensure absolute unbiased judgement as it can be compromised by familiarity with the other Board members. In this connection, the Board has undertaken an annual assessment of the independence of the Independent Directors via disclosed interests and the criteria for assessing their independence was set by the Nomination Committee as approved and adopted by the Board. The current Independent Directors of the Company have fulfilled the criteria of "independence" as prescribed under Chapter 1 of the MMLR of Bursa Securities.

The Board does not have term limit for its Independent Directors and is of the view that the independence of the Independent Director should not be determined by their tenure of service. The Board is confident that the Independent Directors themselves, having provided all the relevant confirmations on their independence, will be able to determine if they can continue to being independent and objective judgement on Board deliberations and decision making.

As recommended by the MCCG, the Board has considered the tenure of two (2) Independent Directors who had exceeded a cumulative term of nine (9) years, namely Mr Gan Leng Swee and Hj Ahmad Bin Darus. The approval from the shareholders of the Company was obtained at the Twenty Second Annual General Meeting ("AGM") held on 31 March 2017 for the retention of Mr Gan Leng Swee and Hj Ahmad Bin Darus as Independent Non-Executive Directors of the Company notwithstanding that both of them have served for a tenure of more than nine (9) years. Based on the assessment, the Board has concluded that Mr Gan Leng Swee and Hj Ahmad Bin Darus remain to be independent and recommended that they continue to act as Independent Non-Executive Directors based on the following justifications:

i) They have fulfilled the criteria under the definition of Independent Director as stated in the MMLR of Bursa Securities and thus, would be able to function as a check and balance, bringing an element of objectivity to the Board;

A. BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Reinforce Independence (cont'd)

ii) They have been with the Company for more than nine (9) years and are familiar with the Company's business operations;

iii) They have exercised due care during their tenure as Independent Non-Executive Directors of the Company and have carried out their duties proficiently in the interest of the Company and the shareholders.

The proposed retention will be tabled at the Twenty Third AGM of the Company for shareholders' approval.

Time Commitment by Directors

Although the Board expects its members to be committed to the Company's affairs and operations, and devote sufficient time to carry out their roles and responsibilities for the Group, it does not restrict its members from being Directors of other companies. All Directors would immediately notify the Company Secretary and the Company should they accept a new directorship in another company.

Save for Datuk Hong Choon Hau, the other Directors do not have directorship in any other listed companies.

Supply of information

The Board meets on a quarterly basis with additional meetings held whenever necessary. There were Seven (7) Board of Directors' Meetings held during the financial period ended 31 December 2017 and the details of attendance are set out as follows:-

Name of Directors	Attendance
Dato' Lee Foo San	7/7
Hj Ariffin Bin Abdul Aziz	7/7
Datin Teoh Lian Tin	7/7
Gan Leng Swee	6/7
Hj Ahmad Bin Darus	7/7
Hj Ahmad Bin Khalid	7/7
Lee Tak Wing	7/7
Loo Sooi Guan	7/7
Datuk Hong Choon Hau *(Appointed on 30 May 2017)*	3/3

The Company Secretary was present at all Board of Directors' meetings held during the financial period ended 31 December 2017.

Prior to Board meetings, the agenda together with relevant documents and information are prepared and distributed to all Directors on a timely manner to ensure that Directors have sufficient time to review and be prepared for discussion. The Group Executive Director and/or other relevant Board members will provide information and clarification on relevant issues and management's recommendations for deliberation and discussion by the Board prior to decision-making. The minutes or record of proceedings of Board meetings are circulated to all Directors and are reviewed prior to confirmation at the following Board meeting.

Annual corporate timetable is prepared and circulated to the Board to provide the proposed scheduled date of meetings of the Board and Board Committees to enable the Board to plan ahead. The Board is reminded quarterly of the closed periods for dealings in the securities of the Company based on the targeted date of announcement of the Group's interim financial results.

Apart from the above, the Board members are updated on the Company's activities and its operations on a regular basis. Management's review and analysis reports on the Group's performance will be tabled to the Board every quarter for review. All Directors whether as a full board or in their individual capacity have full and unrestricted access to all information of the Company on a timely basis in an appropriate form and quality necessary to enable them to discharge their duties and responsibilities.

The Board is supported by the Company Secretaries pertaining to corporate secretarial matters which include, among others, convening of Board, Board Committees' and general meetings, attending the Board, Board Committees' and general meetings, preparation of circular resolutions and minutes of meetings, maintenance of statutory registers and records, release of announcements to Bursa Securities, and advising the Board on compliance with the relevant laws and regulations.

A. BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Supply of information (cont'd)

All Directors have full and unrestricted access to the advice and services of the external Company Secretaries, the external auditors, the outsourced internal auditors for advice and services. The Directors are also entitled to seek independent professional advice, whenever necessary, at the expense of the Group. The appointment and removal of Company Secretary are matters for the Board as a whole.

Directors' Training

The Directors of the Company had attended the following training session during the financial period ended 31 December 2017:-

Name of Directors	Date of Training	Subject
Dato' Lee Foo San	06/12/2017	MCCG – Key Features and Enhancements
Hj Ariffin Bin Abdul Aziz	06/12/2017	MCCG – Key Features and Enhancements
Datin Teoh Lian Tin	06/12/2017	MCCG – Key Features and Enhancements
Gan Leng Swee	06/12/2017	MCCG – Key Features and Enhancements
Hj Ahmad Bin Darus	06/12/2017	MCCG – Key Features and Enhancements
Hj Ahmad Bin Khalid	06/12/2017	MCCG – Key Features and Enhancements
Lee Tak Wing	06/12/2017	MCCG – Key Features and Enhancements
Loo Sooi Guan	06/12/2017	MCCG – Key Features and Enhancements
Datuk Hong Choon Hau	06/12/2017	MCCG – Key Features and Enhancements

The Board acknowledges the fact that continuous education is vital for the Board members to gain insight into the state of economy, manufacturing, technological advances in the core business, latest regulatory developments and management strategies.

The Board will evaluate their own training needs on a continuous basis and to determine the relevant programmes, seminar and briefings that will enhance their knowledge and enable them to discharge their duties effectively.

Appointment to the Board

Appointment to the Board is based on the recommendations of the Nomination Committee established by the Board, the activities of which are described below.

Nomination Committee

The members of the Nomination Committee comprises:-

(a)	Gan Leng Swee	Chairman, Senior Independent Non-Executive Director
(b)	Hj Ahmad Bin Darus	Member, Independent Non-Executive Director
(c)	Hj Ahmad Bin Khalid	Member, Non-Independent Non-Executive Director

The Nomination Committee's responsibilities includes assessing the effectiveness of the Board and the contribution of each individual Director, the size of the Board and reviewing the mix of skills and experience and other qualities required for the Board. The Committee assesses and recommends new nominees for appointment to the Board and review the nomination of Senior Management when the need arises.

The Company's Constitution provides that at every annual general meeting, at least one-third (1/3) of the directors are subject to retirement by rotation at least once in every three (3) years, and shall be eligible for re-election. Any directors appointed during the year shall hold office until the next following annual general meeting and shall be eligible for re-election. The Committee will assess and recommend to the Board the re-election of Directors retiring in accordance with the Company's Constitution.

The Nomination Committee met once during the financial period with full attendance by its members. During the financial period ended 31 December 2017, the Nomination Committee carried out the following activities in discharging its duties and responsibilities as set out in its terms of reference, a copy of which is available at www.watta.com.my:-

- Reviewed and assessed the existing Board structure, size composition and diversity;
- Reviewed and assessed the effectiveness and performance of the Board and Board Committees;
- Reviewed and assessed the Board's and individual Director's required mix of skills, experience and other qualities;

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

A. BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Nomination Committee (cont'd)

- Determined and reviewed on the Directors standing for re-election at the Annual General Meeting ("AGM") of the Company and recommended them to the Board for consideration;
- Conducted annual assessment on the independence of the Independent Directors in accordance with the MCCG based on established criteria and recommended to the shareholders for approval the retention of the Independent Directors who has served for more than nine (9) years at the Company's AGM; and
- Reviewed and nominated a candidate recommended by Management for appointment as a Non-Independent Non-Executive Director.

The nomination of candidate during the financial period under review was based on recommendation by Management, but not other approaches, having considered the suitability of the candidate against consideration such as business acumen, core competencies, knowledge and other attributes. The Nomination Committee may use independent sources in indentifying suitable candidates, as and when the need arises.

The evaluation involves individual Directors and Committee members completing separate performance evaluation sheet regarding the process of the Board and its Committee, their effectiveness and contribution of each individual Director. These assessments and comments by all Directors were tabled and discussed at the Nomination Committee meeting which was then reported to the Board at the Board meeting held thereafter.

The Nomination Committee was satisfied with the experience, contributions and skill mix of the Directors to enable the Board and the Board Committees to discharge their respective duties and responsibilities effectively.

The Board also acknowledges the importance of boardroom diversity in terms of gender, age, nationality as well as ethnicity and recognises the benefits of this diversity. The Board is of the view that while promoting boardroom diversity is essential, the normal selection criteria based on effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board should remain a priority.

Directors' Remuneration

The objective of the Group is to ensure that the Group attracts and retains Directors of the calibre needed to run the Group successfully. The Executive Directors are to be appropriately rewarded giving due regard to the corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the Non-Executive Directors concerned.

The remuneration of the Executive Directors is performance related which are if not higher are compatible to the market rate in order to attract, motivate and retain them to run the Company. The Company also reimburses reasonable expenses incurred by Directors where required, in the course of carrying out their duties as Directors. The determination of remuneration packages of Non-Executive Directors should be a matter of the Board as a whole.

Remuneration Committee

The Remuneration Committee comprises three (3) members namely:-

(a)	Hj Ahmad Bin Darus	Chairman, Independent Non-Executive Director
(b)	Gan Leng Swee	Member, Senior Independent Non-Executive Director
(c)	Lee Tak Wing	Member, Independent Non-Executive Director

The MCCG recommends the Remuneration Committee to consist only of non-executive directors. Mr Lee Tak Wing was appointed as member of the Remuneration Committee on 26 February 2018 in place of the Dato' Lee Foo San, the Group Executive Chairman and CEO of the Company.

The Remuneration Committee is authorised by the Board to establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors, as well as Senior Management where necessary. The Chairman of the Committee may request for a meeting as and when deemed necessary. The remuneration of Directors shall be the ultimate responsibility of the full Board after considering the recommendations of the Remuneration Committee.

The terms of reference of the Remuneration Committee and the Remuneration Policy are available at the Company's website at www.watta.com.my.

The Remuneration Committee's responsibility include review and recommend to the Board the framework of executive remuneration and its cost and the remuneration package for each Executive Director, taking into account the performance of the individual, the inflation price index and information from independent sources on the rates of salary for similar jobs in a selected group of comparable companies and benefits-in-kind for the Executive Directors, review and recommend the bonus scheme for the Executive Directors depending on various performance measurements of the Group.

A. BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Remuneration Committee (cont'd)

The Remuneration Committee met once during the financial period ended 31 December 2017 (15 months) to inter-alia review and considers the annual bonuses and remuneration packages of the Executive Directors.

Directors will abstain from discussion and voting on decisions in respect of their own remuneration. The aggregate annual Directors' fees and benefits are to be approved by shareholders at the AGM based on recommendations of the Board.

Details of Directors' remuneration for the financial period ended 31 December 2017 (15 months) are set out below:-

		DIRECTORS' FEES		SALARY		BONUS		BIK/ALLOWANCE		EPF (EMPLOYER)	
	Name	Company	Group	Company	Group	Company	Group	Company	Group	Company	Group
	Executive Directors										
1	Dato' Lee Foo San	22,500	30,000	-	315,000	-	21,000	-	36,512	-	40,320
2	Datin Teoh Lian Tin	22,500	30,000	-	236,250	-	15,750	-	-	-	30,324
3	Hj Ariffin Bin Abdul Aziz	22,500	30,000	-	283,500	-	18,900	-	12,460	-	16,921
4	Loo Sooi Guan	22,500	30,000	-	345,000	-	23,000	-	5,300	-	44,160
	Non-Executive										
5	Gan Leng Swee	22,500	-	-	-	-	-	2,500	-	-	-
6	Lee Tak Wing	22,500	-	-	-	-	-	2,500	-	-	-
7	Hj Ahmad Bin Khalid	22,500	-	-	-	-	-	-	-	-	-
8	Hj Ahmad Bin Darus	22,500	-	-	-	-	-	2,500	-	-	-
9	Datuk Hong Choon Hau*	10,500	-	-	-	-	-	-	-	-	-

* Datuk Hong Choon Hau was appointed as a Non-Independent Non-Executive Director of the Company on 30 May 2017.

Details of the remuneration of the Senior Management (including salary, bonus, benefits in-kind and other emoluments) in each successive band of RM50,000 during the financial period ended 31 December 2017 (15 months), are as follows:

	Number of Senior Management	
Range of remuneration	**Company**	**Group**
RM250,001 to RM300,000	-	2

B. EFFECTIVE AUDIT AND RISK MANAGEMENT

Financial reporting

The Directors are responsible to present a true and fair assessment of the Group's position and prospects in the annual financial statements and quarterly reports. The quarterly financial results were reviewed by the Audit Committee and approved by the Board of Directors prior to the submission to Bursa Securities.

In addition, the Board is responsible to ensure that the financial statements are properly drawn up in accordance with the provisions of the Companies Act 2016 and approved accounting standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of financial period ended 31 December 2017 and of their financial performance and cash flows for the financial period then ended.

Risk Management and Internal Control

The Board affirms its overall responsibility for maintaining the Company's system of internal controls and risk management and for reviewing the adequacy and integrity of the Group's internal control systems. The Board has established a framework to formulate and review risk management policies and risk strategies.

The Group's Risk Management and Internal Control Statement is set out in the Statement on Risk Management and Internal Control of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

B. EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

Relationship with Auditors

The Board has established a formal and transparent arrangement for maintaining appropriate relationships with the auditors, both external and internal in seeking professional advice and ensuring compliance with appropriate accounting standards, where applicable. The Audit Committee met with the internal and external auditors to discuss and review the audit plan, audit findings and other relevant reports.

The Audit Committee reviews and monitors the suitability, objectivity and independence of the external auditors on an annual basis. In addition, the Audit Committee has received confirmation from the external auditors that they are and have been independent throughout the conduct of the audit engagement.

C. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Dialogue between Company and Stakeholders

In recognising the importance of timely dissemination of information to shareholders and other stakeholders, the Board is committed to ensuring that the shareholders and other stakeholders are well informed of major developments of the Company and the information is communicated to them through the following channels:-

(a) the Annual Report;
(b) the various disclosures and announcements made to Bursa Securities including the quarterly results and annual results.

Information relating to the Group can be viewed at the Company's website at www.watta.com.my.

The annual general meeting is the principal platform for dialogue with shareholders and stakeholders. The Group Executive Chairman, Board Committees' Chairman and other Board members as well as the External Auditors of the Company are present to respond to all questions raised at the meeting. The outcome of all resolutions proposed at general meetings will be announced to Bursa Securities at the end of the meeting day.

Apart from contacts at general meetings, currently there is no other formal program or schedule of meetings with investors, shareholders, stakeholders and the public generally. However, the management has the option of calling for meetings with investors/analysts if it deems necessary. Thus far, the management is of the opinion that the existing arrangement has been satisfactory.

The Board had identified Mr Gan Leng Swee as the Senior Independent Non-Executive Director to whom concerns may be conveyed by shareholders and the general public.

In line with the recent amendments to the MMLR of Bursa Securities, the Company shall be conducting poll voting for all resolutions set out in the notice of general meetings. In addition, the Company will appoint an independent scrutineer to validate the votes at the general meetings.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS

There were no proceeds raised from any corporate proposals during the financial period ended 31 December 2017.

2. MATERIAL CONTRACTS

There were no material contracts subsisting at the end of the financial period or entered into since the end of the previous financial period by the Company or its subsidiaries, which involved the interest of the Directors, and major shareholders other than contracts entered into in the normal course of business.

3. AUDIT AND NON-AUDIT FEES

During the financial period ended 31 December 2017, the amount of audit fees and non-audit fees incurred by the Company and on a Group basis for services rendered by the external auditors, Messrs UHY or a firm or corporation affiliated to Messrs UHY are as follows:-

	Company (RM)	Group (RM)
Audit services	23,500	82,500
Non-audit services	7,500	7,500

4. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("RRPT")

The breakdown of the aggregate value of the RRPT conducted pursuant to the shareholders' mandate obtained at the Twenty Second Annual General Meeting held on 31 March 2017 is as follows:-

Nature of Transaction	Companies in the Watta Group involved in the RRPT	Related Parties	Relationship of the Related Parties with Watta Group	Actual value transacted from 31 March 2017 up to 31 March 2018 (RM)
Purchases of airline tickets, tour arrangements and accommodation bookings	• Watta Battery Industries Sdn Bhd ("Watta Battery") • Watta Energy (M) Sdn Bhd ("Watta Energy") • Syarikat Perniagaan Leko Sdn Bhd ("Leko")	Z'tronic Holidays Sdn Bhd ("Z'tronic")	• Dato' Lee Foo San, the Group Executive Chairman and a Major Shareholder of Watta, is a Director and substantial shareholder of Z'tronic. • Datin Teoh Lian Tin, the Executive Director of Watta, is the spouse of Dato' Lee Foo San. • Lee Fook Sin, the brother of Dato' Lee Foo San, is a shareholder of Watta and a Non-Executive Director of both Leko and Watta Battery. • Lee Foo Hock, the brother of Dato' Lee Foo San, is a Director of Leko, Watta Battery, Watta Energy and Z'tronic. • Hj Ahmad Bin Khalid, a Director of Watta, is the Director of Zitron and Watta Energy and also a Director and substantial shareholder of Z'tronic. • Lee Li Yen is an Alternate Director to Dato' Lee Foo San in Z'tronic. She is the sister of Dato' Lee Foo San.	79,160

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

Nature of Transaction	Companies in the Watta Group involved in the RRPT	Related Parties	Relationship of the Related Parties with Watta Group	Actual value transacted from 31 March 2017 up to 31 March 2018 (RM)
Lease of office premises	Watta Holding Berhad ("Watta")	Zitron Enterprise (M) Sdn Bhd ("Zitron")	• Dato' Lee Foo San, the Group Executive Chairman and a Major Shareholder of Watta, is a Director and substantial shareholder of Zitron. • Datin Teoh Lian Tin, the Executive Director of Watta, is a Director and substantial shareholder of Zitron. She is the spouse of Dato' Lee Foo San. • Lee Fook Sin, the brother of Dato' Lee Foo San, is a shareholder of Watta and a Non-Executive Director of both Leko and Watta Battery. • Lee Foo Hock, the brother of Dato' Lee Foo San, is a Director of Leko, Watta Battery and Watta Energy. • Hj Ahmad Bin Khalid, a Director of Watta, is a Director of Zitron and Watta Energy.	423,383
Purchase of cellular telephones and related cellular telephone accessories	Leko	Zitron	• Dato' Lee Foo San, the Group Executive Chairman and a Major Shareholder of Watta, is a Director and substantial shareholder of Zitron. • Datin Teoh Lian Tin, the Executive Director of Watta, is a Director and substantial shareholder of Zitron. She is the spouse of Dato' Lee Foo San. • Lee Fook Sin, the brother of Dato' Lee Foo San, is a shareholder of Watta and a Non-Executive Director of both Leko and Watta Battery. • Lee Foo Hock, the brother of Dato' Lee Foo San, is a Director of Leko, Watta Battery and Watta Energy. • Hj Ahmad Bin Khalid, a Director of Watta, is a Director of Zitron and Watta Energy.	NIL
Purchase of cellular telephones and related cellular telephone accessories	Leko	The Hello Station (M) Sdn Bhd ("Hello Station")	• Dato' Lee Foo San, the Group Executive Chairman and a Major Shareholder of Watta, is a substantial shareholder of Hello Station. • Datin Teoh Lian Tin, the Executive Director of Watta, is a Director and substantial shareholder of Hello Station. She is the spouse of Dato' Lee Foo San. • Lee Foo Hock, the brother of Dato' Lee Foo San, is a Director of Hello Station.	NIL

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

Nature of Transaction	Companies in the Watta Group involved in the RRPT	Related Parties	Relationship of the Related Parties with Watta Group	Actual value transacted from 31 March 2017 up to 31 March 2018 (RM)
Service maintenance fee and repair of phone	Mobile Technic Sdn Bhd ("Mobile Technic")	Zitron	• Dato' Lee Foo San, the Group Executive Chairman and a Major Shareholder of Watta, is a Director and substantial shareholder of Zitron. • Datin Teoh Lian Tin, the Executive Director of Watta, is a Director and substantial shareholder of Zitron. She is the spouse of Dato' Lee Foo San. • Lee Fook Sin, the brother of Dato' Lee Foo San, is a shareholder of Watta and a Non-Executive Director of both Leko and Watta Battery. • Lee Foo Hock, the brother of Dato' Lee Foo San, is a Director of Leko, Watta Battery and Watta Energy. • Hj Ahmad Bin Khalid, a Director of Watta, is a Director of Zitron and Watta Energy.	NIL
Purchase of phone parts	Mobile Technic	Hello Service Centre (M) Sdn Bhd ("Hello Service Centre")	• Dato' Lee Foo San, the Group Executive Chairman and a Major Shareholder of Watta, is a substantial shareholder of Hello Service Centre. • Datin Teoh Lian Tin, the Executive Director of Watta, is a Director and substantial shareholder of Hello Service Centre. She is the spouse of Dato' Lee Foo San. • Lee Foo Hock, the brother of Dato' Lee Foo San, is a Director of Hello Service Centre.	NIL
Service maintenance fee and repair of phone	SEMS Services Sdn Bhd ("SEMS")	Midland Network Sdn Bhd ("Midland Network")	• Dato' Lee Foo San, the Group Executive Chairman and a Major Shareholder of Watta, is a Director and substantial shareholder of Midland Network. • Datin Teoh Lian Tin, the Executive Director of Watta, is the spouse of Dato' Lee Foo San. • Lee Foo Hock, the brother of Dato' Lee Foo San, is a Director and shareholder of Midland Network. • Hj Ahmad Bin Khalid, a Director of Watta, is a Director and shareholder of Midland Network.	NIL

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

Nature of Transaction	Companies in the Watta Group involved in the RRPT	Related Parties	Relationship of the Related Parties with Watta Group	Actual value transacted from 31 March 2017 up to 31 March 2018 (RM)
Sale and purchase of cellular telephones and related cellular telephone accessories	Watta Energy	Zitron	• Dato' Lee Foo San, the Group Executive Chairman and a Major Shareholder of Watta, is a Director and substantial shareholder of Zitron. • Datin Teoh Lian Tin, the Executive Director of Watta, is a Director and substantial shareholder of Zitron. She is the spouse of Dato' Lee Foo San. • Lee Fook Sin, the brother of Dato' Lee Foo San, is a shareholder of Watta and a Non-Executive Director of both Leko and Watta Battery. • Lee Foo Hock, the brother of Dato' Lee Foo San, is a Director of Leko, Watta Battery and Watta Energy. • Hj Ahmad Bin Khalid, a Director of Watta, is a Director of Zitron and Watta Energy.	1,873,828
Sale and purchase of cellular telephones and related cellular telephone accessories	Watta Energy	Hello Station	• Dato' Lee Foo San, the Group Executive Chairman and a Major Shareholder of Watta, is a substantial shareholder of Hello Station. • Datin Teoh Lian Tin, the Executive Director of Watta, is a Director and substantial shareholder of Hello Station. She is also the spouse of Dato' Lee Foo San. • Lee Foo Hock, the brother of Dato' Lee Foo San, is a Director of Hello Station.	NIL

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors of Watta Holding Berhad is pleased to present the Statement on Risk Management and Internal Control of the Group for the financial period ended 31 December 2017 which has been prepared in accordance with the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers."

RESPONSIBILITY FOR RISK AND INTERNAL CONTROL

The Board of Directors recognises the importance of a sound internal control system and effective risk management practices to safeguard shareholders' investments and the Group's assets. The Board also affirms its overall responsibility for the Group's system of internal control and risk management, and for reviewing the adequacy and integrity of the Group's internal control system.

In view of the limitations inherent in any internal control system, it is recognised that such system is designed to manage rather than eliminate risk. Evaluation and implementation of the system can only provide reasonable assurance of the Group achieving its objectives. The system will not provide absolute assurance against any material misstatement or loss.

The Board has received assurance from the Chief Executive Officer and Group Executive Director that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the existing risk management and internal control system of the Group.

RISK MANAGEMENT FRAMEWORK

The Board regards risk management as an integral part of business operations and in fulfilling its oversight responsibilities for the Group's system of internal control and risk management, the Board has established a framework to formulate and review risk management policies and procedures and corresponding controls to mitigate the risks.

In ensuring the on-going review process for identifying, evaluating and managing significant risks affecting the Group, internal control procedures with clear lines of accountability and delegated authority have been established through a series of standard operating practice manuals for the business units within the Group covering the Battery Segment and Handphone Servicing Segment.

The Audit Committee and Board of Directors had strengthened their efforts to improve and monitor the effectiveness and adequacy of internal control and risk management implementation with regular review and updates through the Risk Assessment / Management Committee ("RAMC").

The RAMC currently consists of three (3) members, namely:-

(a)	Gan Leng Swee	Chairman, Senior Independent Non-Executive Director
(b)	Hj Ahmad Bin Darus	Member, Independent Non-Executive Director
(c)	Dato' Lee Foo San	Member, Group Executive Chairman and Chief Executive Officer

The primary responsibilities and purpose of the RAMC is to assist the Board in fulfilling its responsibilities with respect to review and monitor the Group's risk management framework and activities.

The functions of RAMC shall also include the following:-

(i) Ensuring the process of identifying and documenting principal risks is in place and on an ongoing basis.

(ii) Ascertaining internal competency levels to manage the identified risks.

(iii) Ensuring the implementation of appropriate systems and procedures to manage risks and assigning of accountability.

(iv) Reviewing the adequacy and the integrity of the Group's internal control systems.

(v) Taking actions to rectify control failures or weaknesses and determine disciplinary actions for non-compliance, where appropriate.

The Chairman of the RAMC may request for a meeting as and when deemed necessary to review the risk exposures and control actions and to deal with any other matters within the authority of the committee. The Chairman of the RAMC will report to the Audit Committee and Board every quarter its review of the identified key risks and/or new risks for each business units and relevant mitigating plans.

The RAMC has during the financial period reviewed the Group's quarterly risk management reports with recommendations to improve current risk control system to further strengthen the integrity and effectiveness of the internal control mechanism within the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

OTHER KEY ELEMENTS OF INTERNAL CONTROL

Apart from risk management and internal audit, the other key elements of the Group's internal control systems are described below:-

(i) The battery segment of the Group has set up internal control and operation procedures with clear lines of accountability through a series of standard operating practice manuals in conjunction to the ISO 9001: 2008 requirements. Conformance to the system and procedures is further ensured by periodic internal quality audit and surveillance audit.

(ii) The handphone servicing segment has set up internal control and operation procedures with clear lines of accountability through a series of standard operating practice manuals.

(iii) The Group maintains a formal organisation structure with clearly defined delegation of responsibilities to the management executive and business segments, including limits of authority, authorization level for all aspects of the business.

(iv) An annual budget is submitted for Board review and approval. The actual performance of the business segments is monitored against budget on a quarterly basis to identify and to address significant variances.

(v) Management accounts and reports are prepared monthly and quarterly, covering financial performance as well as key business indicators such as customers' satisfaction level, sales analysis and operating cost analysis. These performance reports are benchmarked against the pre-determined objectives.

(vi) Regular visits to business operation units by members of the Board and the Management team.

(vii) Quarterly review of the Group's related party transactions by the Audit Committee and Board of Directors.

INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to an independent professional consultancy firm, RSM Corporate Consulting (Malaysia) Sdn Bhd who provides the Audit Committee and the Board with the assurance on the adequacy and integrity of the internal control system of the Group.

The Internal Auditors, performed reviews on key processes within the Group and assessed the effectiveness and adequacy of the internal control system. The Audit Committee is kept informed of the audit process, from the approved annual audit plan to the audit findings and reporting at the scheduled quarterly meetings, and would thereafter report and make recommendations to the Board of Directors. Senior Management is responsible for ensuring that approved corrective actions are taken within the stipulated time frame.

The internal audit reviews carried out by the Internal Auditors during the financial period ended 31 December 2017 in accordance with the approved internal audit plan are outlined in the Audit Committee Report of this Annual Report 2017.

The Company has incurred approximately RM39,600 for maintaining the outsourced internal audit function for the financial period ended 31 December 2017.

WEAKNESSES IN INTERNAL CONTROLS THAT RESULT IN MATERIAL LOSSES

During the financial period under review, nothing has come to the attention of the Board which would result in any material losses, contingencies or uncertainties arising from weakness in its internal control system that would require separate disclosure in this annual report. Nevertheless, the Board and Management will continue to take proactive measures to strengthen the internal control environment within the Group.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in this Annual Report and their review was performed in accordance with Recommended Practice Guide 5 (RPG5) (Revised), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants.

Based on their review, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing and assessing the adequacy and integrity of the system of internal controls of the Group.

AUDIT COMMITTEE REPORT

The Audit Committee of Watta Holding Berhad is pleased to present the Audit Committee Report for the financial period ended 31 December 2017.

MEMBERS

1.	Lee Tak Wing	Chairman, Independent Non-Executive Director
2.	Hj Ahmad Bin Darus	Member, Independent Non-Executive Director
3.	Gan Leng Swee	Member, Senior Independent Non-Executive Director

SUMMARY OF WORK DURING THE FINANCIAL PERIOD

A total of six (6) Audit Committee meetings were held during the financial period ended 31 December 2017. Details of attendance are as follows:-

Name	Attendance
Lee Tak Wing	6/6
Hj Ahmad Bin Darus	6/6
Gan Leng Swee	5/6

During the financial period ended 31 December 2017, the Audit Committee in the discharge of its duties and functions carried out the following activities:-

1. Reviewed the unaudited quarterly financial results of the Group and made recommendation to the Board of Directors ("Board") for approval prior to submission to Bursa Malaysia Securities Berhad ("Bursa Securities"). The review is to ensure that the quarterly results presents a true and fair view of the Group's financial positions and were prepared in accordance with the requirements of the Malaysian Financial Reporting Standard 134 – Interim Financial Reporting and Paragraph 9.22 and Part A of Appendix 9B of the Main Market Listing Requirements ("MMLR") of Bursa Securities.

2. Reviewed and made recommendations to the Board in respect of the annual audited financial statements of the Company and the Group with the external auditors for approval prior to submission to Bursa Securities. The review is to ensure that the financial statements were prepared in compliance with the regulatory requirements.

3. Reviewed and discussed with the External Auditors on their audit approach, the areas of audit emphasis, reporting and deliverables, as well as new developments on accounting standards and regulatory requirements;

4. Reviewed the External Auditors' audit findings, results and reports. A private discussion with the External Auditors without the presence of Executive Directors and Management to discuss any problems/issues arising from the final audit and assistance provided by Management to them during the course of audit.

5. Reviewed and assessed the suitability and independence of the External Auditors in relation to the re-appointment of the External Auditors, taking into consideration amongst others, the adequacy of experience and resources of the firm and the professional staff assigned to the audit and the relevant criteria prescribed under the MMLR of Bursa Securities before recommending to the Board.

6. Reviewed and discussed the proposed audit fees of the External Auditors;

7. Reviewed the recurrent related party transactions to ensure the transactions are conducted on arm's length basis and are not detrimental to the interest of minority shareholders.

8. Reviewed the internal audit planning memorandum to ensure the adequacy of the scope, competency and resources of the internal audit function before recommending to the Board for endorsement.

9. Reviewed the internal audit reports, audit recommendations made and management responses to these recommendations. The Internal Auditors monitored the implementation of the Management's action plan on the outstanding issues through follow-up reports to ensure that all key risks and control weaknesses are being properly addressed.

10. Reviewed the renewal of engagement of outsourced internal audit services and recommended to the Board for approval.

11. Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report.

12. Reviewed and discussed the Risk Assessment and Management Report from the Risk Assessment/Management Committee.

13. Reviewed and recommended to the Board for approval the Circular to shareholders on the proposed shareholders' mandate for Recurrent Related Party Transactions.

AUDIT COMMITTEE REPORT (CONT'D)

INTERNAL AUDIT FUNCTION

The internal audit function of the Group has been outsourced to an independent professional consultancy firm, RSM Corporate Consulting (Malaysia) Sdn. Bhd. which was appointed during the financial period with the aim of providing independent and systematic reviews on the systems of internal control. The Internal Audit function provides an independent and objective feedback to the Audit Committee and the Board on the adequacy, effectiveness and efficiency of the internal control system within the Group. Throughout the financial period, the audit assignments were carried out in accordance with the approved annual internal audit plan.

The Internal Auditors adopts a risk-based approach and have carried out their work in accordance with The International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors ("IIA").

None of the Internal Auditors has family relationship with any Director and/or major shareholder of the Company. The Internal Auditors are independent of the activities they audit and perform their audit with impartiality and due professional care.

The Internal Auditors have adequate resources and appropriate standing to undertake their activities independently and objectively to provide reasonable assurance to the Audit Committee regarding the adequacy and effectiveness of the Group's internal control systems. The outsourced internal audit function is headed by Mr. Jaymes Foo, who is a qualified professional accountant and is a member of the Institute of Internal Auditors ('IIA'), Malaysia.

On quarterly basis, the Internal Auditors report to the Audit Committee on their audit findings, their recommendations of the corrective actions to be taken by the management together with the management's responses and action plans in relation thereto were deliberated. Periodically, the Internal Auditors will follow up with Management on the implementation of the agreed audit recommendations.

During the financial period under review, there was no material internal control failure reported that would result in any significant loss to the Group.

In accordance with the approved internal audit plan, the Internal Auditors had carried out internal audit reviews and reported to the Audit Committee on the following processes of the subsidiaries during the financial period under review:

Name of Subsidiary	Areas/Processes
Watta Battery Industries Sdn Bhd ("WBI")	<u>Purchase to Payables</u> i) Procurement request process and authorisation; ii) Sourcing and approval of quotations; iii) Payment to suppliers; iv) Evaluation on suppliers; v) Staff training; vi) Reporting of procurement and payments in General Ledger; and vii) Review of relevant policies and procedures; <u>Sales Returns and Warranty Claims</u> i) Sales returns from customers; and ii) Warranty claims from customers
SEMS Services Sdn Bhd & Mobile Technic Sdn Bhd	<u>Payment Processing</u> i) Adherence to established Authority Limit; ii) Validity of expenses and costs incurred; iii) Payment Authorisation; and iv) Review of Relevant Policies and Procedures. <u>Inventory Management</u> i) Recording of inventory movement; ii) Monitoring of inventory balances and stock level; iii) Safekeeping of inventory; iv) Physical count and verification; v) Handling of slow moving and obsolete inventories; and vi) Review of relevant Policies and Procedures.

AUDIT COMMITTEE REPORT (CONT'D)

INTERNAL AUDIT FUNCTION (CONT'D)

Name of Subsidiary	Areas/Processes
WBI & Syarikat Perniagaan Leko Sdn Bhd	<u>Debtors</u> i) Credit Assessment & Customer Evaluation; ii) Credit Control & Monitoring; iii) Collection & Debtor's Ageing; iv) Accuracy of figures reported in the General Ledger; and v) Review of relevant policies and procedures. <u>Inventory Management</u> i) Recording of Inventory Management; ii) Monitoring of Inventory Balances and Stock Level (Against Sales Trend); iii) Safekeeping of Inventory (Physical location of stocks); iv) Handling of Slow Moving and Obsolete Inventories; v) Physical Count and Verification; and vi) Review of relevant Policies and Procedures.

The Internal Auditors also conducted follow up reviews on status of agreed action plans by Management on previous processes of subsidiaries.

STATEMENT ON DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The Directors are required by the Companies Act 2016 ("the Act") to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and of the Company at the end of the financial year under review and their financial performance and cash flows for the financial year then ended. As required by the Act and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the financial statements have been prepared in accordance with the applicable approved accounting standards in Malaysia.

Therefore, in preparing the financial statements of the Group and the Company for the period ended 31 December 2017, the Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured applicable approved accounting standards have been complied with, subject to any material departures being disclosed and explained in the financial statements; and
- prepared the financial statements on a going concern basis.

The Directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the Act. The Directors are responsible for taking such reasonable steps to safeguard the assets of the Group and of the Company and to prevent and detect fraud and other such irregularities.

The above Statement was reviewed and approved by the Board of Directors on 23 April 2018.

GROUP STRUCTURE

Watta Holding Berhad (324384-A)

- **Syarikat Perniagaan Leko Sdn Bhd** (72846-A) **(100% owned)**
- **Watta Energy (M) Sdn Bhd** (372222-U) **(100% owned)**
- **Watta Battery Industries Sdn Bhd** (18880-U) **(100% owned)**
  - **Mega Meranti Sdn Bhd** (213463-A) **(100% owned)**
- **Mobile Technic Sdn Bhd** (550305-W) **(100% owned)**
- **SEMS Services Sdn Bhd** (578344-T) **(100% owned)**

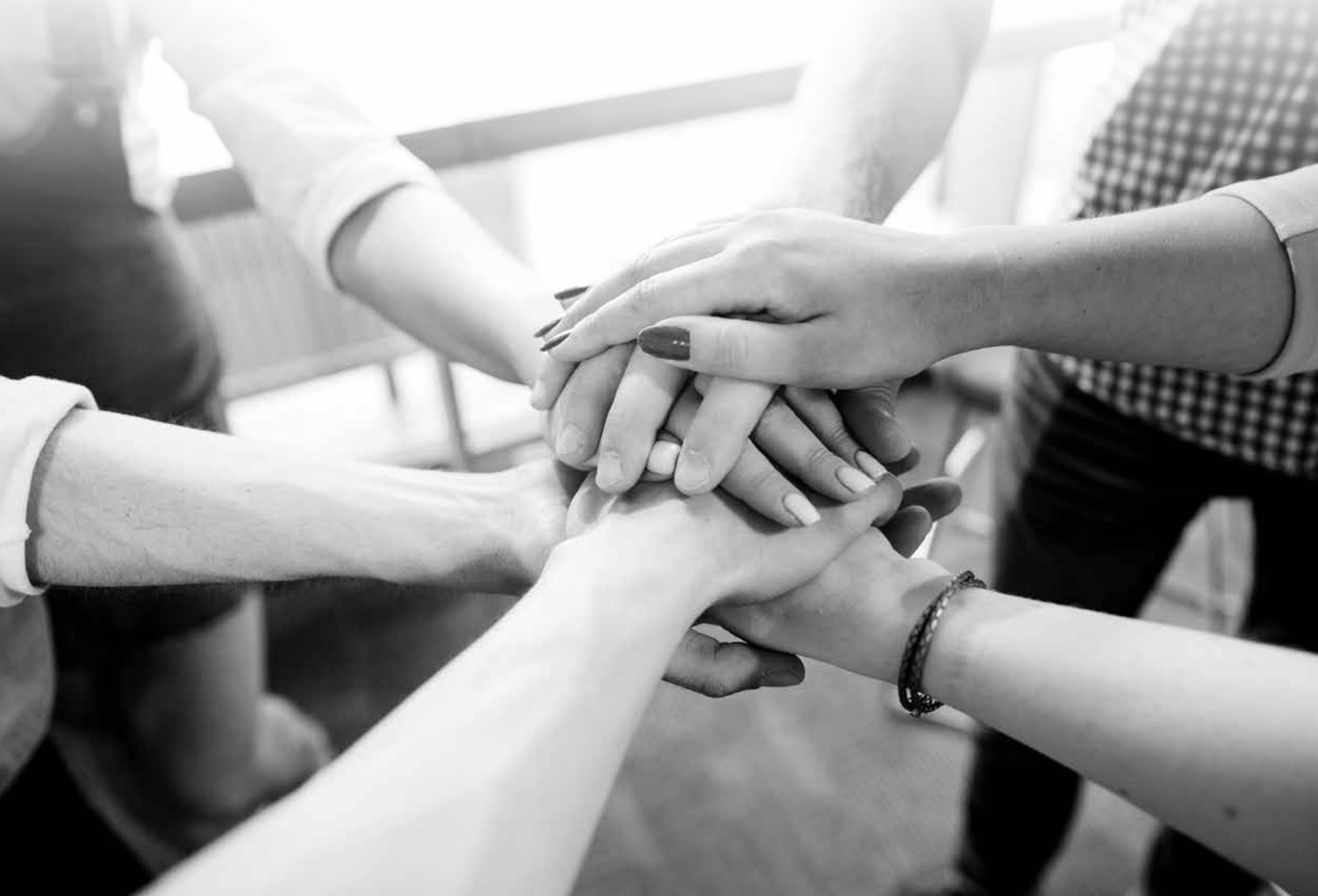
CORPORATE OFFICE

Watta Holding Berhad (324384-A)
12th Floor, Menara Cosway, Plaza Berjaya, Jalan Imbi,
55100 Kuala Lumpur.

OPERATIONS ADDRESSES

OPERATIONAL OFFICE:
Lot 8, Jalan Satu, Kawasan Perusahaan Balakong
Cheras Jaya, 43200 Selangor Darul Ehsan
Tel: 03-9075 1916-9 Fax: 03-9075 6790
Website: http://www.watta.com.my
E-mail: marketing@watta.com.my

SERVICE OF MOBILE PHONE DIVISION:
Suite W-10-21, 10th Floor, Melawangi Business Suite,
Amcorp Trade Centre
No. 18 Jalan Persiaran Barat, 46050 Petaling Jaya,
Selangor Darul Ehsan
Tel: 03-7957 2211 Fax: 03-7958 6878



REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial period ended 31 December 2017.

Principal Activities

The principal activities of the Company are those of investment holding and the provision of management services.

The principal activities of the subsidiary companies are disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities during the financial period.

Change in Financial Year End

The financial year end of the Company was changed from 30 September to 31 December. Accordingly, the current financial statements are prepared for fifteen months from 1 October 2016 to 31 December 2017. As a result, the comparative figure stated in the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows and the related notes are not comparable.

Financial Results

	Group RM	Company RM
Net profit/(loss) for the financial period	2,776,466	(741,967)
Attributable to:		
Owners of the Parent	3,910,164	(741,967)
Non-controlling interests	(4,234)	-
	3,905,930	(741,967)

Reserves and Provisions

There were no material transfers to or from reserves or provisions during the financial period other than as disclosed in the financial statements.

Dividend

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year. The Board of Directors does not recommend any dividend in respect of the current financial period.

Issue of Shares and Debentures

There were no issues of shares or debentures during the financial period.

Options Granted Over Unissued Shares

No options were granted to any person to take up unissued shares of the Company during the financial period.

DIRECTORS' REPORT (CONT'D)

Directors

The Directors in office during the financial period until the date of this report are:

Dato' Lee Foo San *
Haji Ariffin Bin Abdul Aziz*
Datin Teoh Lian Tin *
Gan Leng Swee
Haji Ahmad Bin Darus
Lee Tak Wing
Haji Ahmad Bin Khalid *
Loo Sooi Guan *
Datuk Hong Choon Hau (Appointed on 30.5.2017)

The Directors who held office in the subsidiary companies (excluding Directors who are also Directors of the Company) during the financial period up to the date of this report:

Lee Foo Hock
Lee Fook Sin
Loo Kwong Yong
Chan Soh Hwa

* Director of the Company and its subsidiary companies

The information required to be disclosed pursuant to Section 253 of the Companies Act, 2016 is deemed incorporated herein by such reference to the financial statements of the respective subsidiary companies and made a part hereof.

Directors' Interests

The interests and deemed interests in the shares and options over shares of the Company and of its related corporations of those who were Directors at financial period end according to the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.10.2016	Bought	Sold	At 31.12.2017
Interest in the Company				
Direct interest				
Dato' Lee Foo San	27,707,730	-	-	27,707,730
Gan Leng Swee	764,058	-	-	764,058
Loo Sooi Guan	20,200	-	-	20,200
Indirect interest				
Haji Ariffin Bin Abdul Aziz [1]	3,468,800	-	-	3,468,800
Haji Ahmad Bin Khalid [1]	3,468,800	-	-	3,468,800
Loo Sooi Guan [2]	100	-	-	100
Datuk Hong Choon Hau [3]	-	-	-	19,344,022

Note:

[1] *Deemed interest pursuant to Section 8(4)(c) of the Companies Act 2016 by virtue of their interests in United Matrix Sdn. Bhd.*

[2] *Shares held directly by spouse. In accordance with Section 59(11)(c) of the Companies Act 2016 the interests of the spouse/children in the shares of the Company shall be treated as the interest.*

[3] *Indirect interest through Cambridge Asset Holding Limited, the holding company of Surin Bay Resort Sdn Bhd pursuant to Section 8(4)(c) of the Companies Act 2016.*

By virtue of his interests in the shares of the Company, Dato' Lee Foo San is also deemed to have interests in the shares of all its subsidiary companies to the extent the Company has an interest.

By virtue of his indirect interest in the shares of the Company, Datuk Hong Choon Hau is also deemed to have interests in the shares of all its subsidiary companies to the extent the Company has an interest.

None of the other Directors holding office at the end of the financial period had any interest in the ordinary shares of the Company or its related corporations during the financial period.

DIRECTORS' REPORT (CONT'D)

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remunerations received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 22 and 28 to the financial statements.

Neither during nor at the end of the financial period, was the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Indemnity and Insurance Costs

During the financial period, the total amount of indemnity coverage and insurance premium paid for the Directors and certain officers of the Company were RM5 million and RM10,822 respectively. No indemnity was given to or insurance effected for auditors of the Company.

Other Statutory Information

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

   (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that adequate allowance had been made for doubtful debts and there were no bad debts to be written off; and

   (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which the current assets might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances:

   (i) which would render it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

   (ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or

   (iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading, or

   (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(c) At the date of this report, there does not exist:

   (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial period which secures the liabilities of any other person; or

   (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial period.

(d) In the opinion of the Directors:

   (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period which will or may affect the ability of the Group or of the Company to meet its obligations when they fall due;

   (ii) the results of the operations of the Group and of the Company during the financial period were not substantially affected by any item, transaction or event of a material and unusual nature;and

   (iii) there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial period in which this report is made.

DIRECTORS' REPORT (CONT'D)

Subsidiary Companies

The details of the subsidiary companies are disclosed in Note 6 to the financial statements.

Auditors' Remuneration

The details of auditors' remuneration are set out in Note 22 to the financial statements.

Auditors

The Auditors, Messrs. UHY, have expressed their willingness to continue in office.

Signed by of the Board of Directors in accordance with a resolution of the Directors dated 23 April 2018.

DATO' LEE FOO SAN	HAJI ARIFFIN BIN ABDUL AZIZ

KUALA LUMPUR

STATEMENT BY DIRECTORS Pursuant to Section 251(2) of the Companies Act, 2016

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 44 to 88 are drawn up in accordance with Malaysia Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the financial period then ended.

Signed by of the Board of Directors in accordance with a resolution of the Directors dated 23 April 2018.

DATO' LEE FOO SAN

HAJI ARIFFIN BIN ABDUL AZIZ

KUALA LUMPUR

STATUTORY DECLARATION Pursuant to Section 251(1) of the Companies Act, 2016

I, Haji Ariffin Bin Abdul Aziz, being the Director primarily responsible for the financial management of Watta Holding Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements, set out on pages 44 to 88 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed)
at Kuala Lumpur in the Federal Territory on)
23 April 2018)

HAJI ARIFFIN BIN ABDUL AZIZ

Before me,

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WATTA HOLDING BERHAD

Report on the Financial Statements

Opinion

We have audited the financial statements of Watta Holding Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit and loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 15 to 93.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the financial period then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Requirements

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial period. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How we addressed the key audit matters
Valuation of investment properties ("IP") The management changes its accounting policy in relation to the measurement of investment properties. This gave rise to a retrospective adjustment of a fair value gain of RM1,900,845 on its investment properties (Group level) and total fair value gain of RM12,870,000 for the financial period ended 31 December 2017. The value of investment properties was determined by a firm of independent external valuers using the Comparison Method of Valuation. The valuation is dependent on certain key inputs and the most significant input used in this approach is the comparison of selling price per square feet of properties which were recently transacted within the same vicinity of the investment properties adjusting for differences such as tenure, size, current cost of construction and other relevant factors, where necessary.	Our audit procedures in relation to management's valuation of investment properties included: • Evaluation of the independent external valuer's competence, capabilities and objectivity. • Assessing the methodologies used and the appropriateness of the key assumptions used by the external valuers. • Checked the accuracy and relevance of the input data used. • Assessing the adequacy and appropriateness of the disclosures relating to the valuation methodology and estimation made in the financial statements.

Information Other than the financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WATTA HOLDING BERHAD

Responsibilities of Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and sigificant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current finance period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WATTA HOLDING BERHAD (CONT'D)

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

UHY
Firm Number: AF 1411
Chartered Accountants

NG LEONG TECK
Approved Number: 03168/12/2019 J
Chartered Accountant

KUALA LUMPUR
23 April 2018

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

		Group		Company	
			(Restated)		
		31.12.2017	30.9.2016	31.12.2017	30.9.2016
	Note	RM	RM	RM	RM
Non-Current Assets					
Property, plant and equipment	4	7,724,676	8,156,787	-	-
Investment properties	5	34,300,000	21,430,000	-	-
Investment in subsidiary companies	6	-	-	27,683,658	27,683,658
Goodwill on consolidation	7	2,401,709	4,803,417	-	-
Deferred tax assets	8	5,480	5,480	-	-
		44,431,865	34,395,684	27,683,658	27,683,658
Current Assets					
Inventories	9	947,552	6,535,933	-	-
Trade receivables	10	3,206,077	5,741,859	-	-
Other receivables	11	392,660	590,592	8,500	1,000
Amount due by subsidiary companies	12	-	-	1,766,812	1,672,731
Tax recoverable		524,905	272,343	89,787	53,560
Fixed deposits with licensed banks	13	12,383,960	13,523,112	8,973,502	10,254,052
Cash and bank balances	14	10,076,359	8,606,731	1,140,594	647,136
		27,531,513	35,270,570	11,979,195	12,628,479
Total Assets		71,963,378	69,666,254	39,662,853	40,312,137
Equity					
Share capital	15	42,240,000	42,240,000	42,240,000	42,240,000
Retained profits/(Accumulated losses)		16,795,629	13,431,728	(2,863,624)	(2,121,657)
Equity attributable to owners of the Company		59,035,629	55,671,728	39,376,376	40,118,343
Non-controlling interests		-	(52,029)	-	-
Total Equity		59,035,629	55,619,699	39,376,376	40,118,343
Non-Current Liabilities					
Finance lease payables	16	12,348	74,306	-	-
Bank borrowings	17	-	522,862	-	-
Deferred tax liabilities	8	8,343,041	5,560,031	-	-
		8,355,389	6,157,199	-	-
Current Liabilities					
Trade payables	18	1,025,678	2,075,496	-	-
Other payables	19	3,380,144	3,721,010	286,477	193,794
Finance lease payables	16	28,538	87,161	-	-
Bank borrowings	17	138,000	2,005,689	-	-
		4,572,360	7,889,356	286,477	193,794
Total Liabilities		12,927,749	14,046,555	286,477	193,794
Total Equity and Liabilities		71,963,378	69,666,254	39,662,853	40,312,137

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

		Group		Company	
			(Restated)		
		1.10.2016	1.10.2015	1.10.2016	1.10.2015
		to 31.12.2017	to 30.9.2016	to 31.12.2017	to 30.9.2016
	Note	RM	RM	RM	RM
Continuing operations					
Revenue	20	30,891,981	21,758,407	270,000	216,000
Cost of sales		(25,401,629)	(14,138,054)	-	-
Gross profit		5,490,352	7,620,353	270,000	216,000
Other income		8,733,796	420,582	405,408	438,927
Administration expenses		(9,480,529)	(5,844,843)	(1,419,165)	(1,629,630)
Finance costs	21	(5,905)	(19,283)	-	-
Profit/(Loss) before taxation from continuing operations	22	4,737,714	2,176,809	(743,757)	(974,703)
Taxation	23	(1,961,248)	(402,796)	1,790	(22,165)
Net profit/(loss) from continuing operations		2,776,466	1,774,013	(741,967)	(996,868)
Discontinued operations					
Net profit/(loss) from discontinued operations	24	1,129,464	(3,203,596)	-	-
Total comprehensive income for the year		3,905,930	(1,429,583)	(741,967)	(996,868)
Profit/(Loss) attributable to:					
Owners of the parent		3,910,164	(1,415,895)	(741,967)	(996,868)
Non-controlling interests		(4,234)	(13,688)	-	-
		3,905,930	(1,429,583)	(741,967)	(996,868)
Total comprehensive income/(loss) attributable to:					
Owners of the parent		3,910,164	(1,415,895)		
Non-controlling interests		(4,234)	(13,688)		
		3,905,930	(1,429,583)		
Profit/(Loss) per share attributable to equity holders of the parent (sen): Basic/Diluted					
- Continuing operations	25	3.29	2.10		
- Discontinued operations	25	1.34	(3.79)		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

	Attributable to Owners of the Company				
		Distributable			
	Share Capital RM	Retained Profits RM	Total RM	Non-Controlling Interests RM	Total Equity RM
Group					
(Restated) **At 1 October 2015**	42,240,000	13,327,236	55,567,236	(38,341)	55,528,895
Changes in accounting policy	-	1,520,387	1,520,387	-	1,520,387
Restated balance at 1 October 2016	42,240,000	14,847,623	57,087,623	(38,341)	57,049,282
Net loss for the financial year, representing comprehensive income for the financial year	-	(1,415,895)	(1,415,895)	(13,688)	(1,429,583)
At 30 September 2016	42,240,000	13,431,728	55,671,728	(52,029)	55,619,699
As at 1 October 2016	42,240,000	13,431,728	55,671,728	(52,029)	55,619,699
Net loss for the financial year, representing total comprehensive income for the financial period	-	3,910,164	3,910,164	(4,234)	3,905,930
Acquisition of non-controlling interests	-	(546,263)	(546,263)	56,263	(490,000)
At 31 December 2017	42,240,000	16,795,629	59,035,629	-	59,035,629

	Share Capital RM	Accumulated Losses RM	Total RM
Company			
At 1 October 2015	42,240,000	(1,124,789)	41,115,211
Net loss for the financial year, representing total comprehensive income for the financial year	-	(996,868)	(996,868)
At 30 September 2016	42,240,000	(2,121,657)	40,118,343
As at 1 October 2016	42,240,000	(2,121,657)	40,118,343
Net loss for the financial year, representing total comprehensive income for the financial period	-	(741,967)	(741,967)
At 31 December 2017	42,240,000	(2,863,624)	39,376,376

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017 (CONT'D)

		Group		Company	
			(Restated)		
		1.10.2016 to 31.12.2017	1.10.2015 to 30.9.2016	1.10.2016 to 31.12.2017	1.10.2015 to 30.9.2016
	Note	RM	RM	RM	RM
Cash Flows From Operating Activities					
Profit/(Loss) before taxation					
Continuting operations		4,737,714	2,176,809	(743,757)	(974,703)
Discontinued operations	24	1,934,864	(3,299,557)	-	-
		6,672,578	(1,122,748)	(743,757)	(974,703)
Adjustments for:					
Bad debts recovered		(11,305)	(8,160)	-	-
Depreciation of property, plant and equipment		451,492	393,426	-	-
Impairment loss on					
- goodwill		2,401,708	-	-	-
- investment in subsidiary companies		-	-	-	972,228
- trade receivables		18,901	39,282	-	-
- other receivables		55,120	110,240	-	-
Interest expenses		5,905	113,362	-	-
Inventories written down		211,160	101,563	-	-
Gain on disposal of property, plant and equipment		(566)	(7,547)	-	-
Gain on revaluation of investment properties		(12,870,000)	-	-	-
Interest income		(769,381)	(670,715)	(396,427)	(341,132)
Unrealised loss/(gain) on foreign exchange		2,646	(1,080)	-	-
Provision of slow moving inventories		170,000	170,000	-	-
Provision of written down inventories		(126,002)	-	-	-
Reversal on impairment on:					
- Inventories		(127,000)	(109,000)	-	-
- Other receivables		(110,200)	-	-	-
Operating loss before working capital changes		(4,024,944)	(991,377)	(1,140,184)	(343,607)
Decrease/(Increase) in working capital:					
Inventories		5,208,219	(1,221,371)	-	-
Trade receivables		2,525,540	402,628	-	-
Other receivables		47,580	(125,416)	(7,500)	-
Trade payables		(1,049,818)	(481,253)	-	-
Other payables		(373,437)	(230,598)	92,683	4,601
		6,358,084	(1,656,010)	85,183	4,601
Cash generated from/(used in) operations		2,333,140	(2,647,387)	(1,055,001)	(339,006)
Interest received		769,381	670,715	396,427	341,132
Interest paid		(5,905)	(113,362)	-	-
Tax refund		275,266	264,328	55,351	68,095
Tax paid		(511,459)	(408,486)	(89,788)	(76,560)
		527,283	413,195	361,990	332,667
Net cash from/(used in) operating activities		2,860,423	(2,234,192)	(693,011)	(6,339)
Cash Flows From Investing Activities					
Additional investment in subsidiary company		-	-	-	(99,998)
Proceed from disposal of property, plant and equipment		566	7,547	-	-
Purchase of property, plant and equipment		(19,381)	(29,566)	-	-
Proceed from disposal of other investment		-	5,000	-	-
Net cash used in investing activities		(18,815)	(17,019)	-	(99,998)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017 (CONT'D)

		Group		Company	
			(Restated)		
		1.10.2016	1.10.2015	1.10.2016	1.10.2015
		to 31.12.2017	to 30.9.2016	to 31.12.2017	to 30.9.2016
	Note	RM	RM	RM	RM
Cash Flows From Financing Activities					
Advances (from)/to subsidiary companies		-	-	(94,081)	99,998
Net changes in bankers' acceptance		(1,811,000)	39,000	-	-
Repayment of term loan		(579,551)	(70,134)	-	-
Repayment of finance lease payables		(120,581)	(108,529)	-	-
Increase in fixed deposit pledged pledged		(1,247)	(1,289)	-	-
Placement of deposits not for short-term funding requirement		(3,142)	(5,991)	-	-
Withdrawal of deposits not for short-term funding requirement		-	242,958	-	-
Net cash (used in)/from financing activities		(2,515,521)	96,015	(94,081)	99,998
Net increase/(decrease) in cash and cash equivalents carried down		326,087	(2,155,196)	(787,092)	(6,339)
Cash and cash equivalents at beginning of the financial period/year		21,895,186	24,050,382	10,907,527	10,901,188
Cash and cash equivalents at end of the financial period/year		22,221,273	21,895,186	10,114,096	10,901,188
Cash and cash equivalents at end of the financial year comprises:					
Cash and bank balances		10,076,359	8,606,731	1,140,594	647,136
Fixed deposits with licensed banks		12,383,960	13,523,112	8,973,502	10,254,052
		22,460,319	22,129,843	10,114,096	10,901,188
Less: Fixed deposits pledged with licensed banks	13	(43,698)	(42,451)	-	-
Less: Deposits not for short-term funding requirement		(195,348)	(192,206)	-	-
		22,221,273	21,895,186	10,114,096	10,901,188

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal place of business of the Company is at Lot 8, Jalan Satu, Kawasan Perusahaan Balakong, Cheras Jaya, 43200 Selangor Darul Ehsan.

The registered office of the Company is located at Suite 11.1A, Level 11, Menara Weld, 76, Jalan Raja Chulan, 50200 Kuala Lumpur, Wilayah Persekutuan.

The principal activities of the Company are those of investment holding and the provision of management services. The principal activities of its subsidiary companies are disclosed in Note 6 to the Financial Statements. There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial period.

2. Basis of Preparation

(a) Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below.

Adoption of new and amended standards

During the financial year, the Group and the Company have adopted the following amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial period:

Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to MFRSs 2014 - 2016 Cycle	Amendments to MFRS 12

The adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities in Note 27. Other than that, the adoption of above amendments to MFRSs did not have any significant impact on the financial statements of the Group and the Company.

Standards issued but not yet effective

The Group and the Company have not applied the following new MFRSs, new interpretations and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group and the Company:

		Effective dates for financial periods beginning on or after
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendment to MFRS 2	Classification and Management of Share-based Payment Transactions	1 January 2018
Amendment to MFRS 4	Applying MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts*	1 January 2018 *
Amendment to MFRS 15	Clarifications to MFRS 15	1 January 2018
Amendment to MFRS 140	Transfer of Investment Property	1 January 2018
Annual Improvements to MFRSs 2014 - 2016 Cycle:		
• Amendments to MFRS 1		1 January 2018
• Amendments to MFRS 128		1 January 2018
MFRS 16	Leases	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119	Plant, Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128	Long-term interest in Associates and Joint Ventures	1 January 2019

2. **Basis of Preparation (Cont'd)**

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

		Effective dates for financial periods beginning on or after
Annual Improvements to MFRSs 2015 - 2017 Cycle:		
• Amendments to MFRS 3		1 January 2018
• Amendments to MFRS 11		1 January 2018
• Amendments to MFRS 112		1 January 2019
• Amendments to MFRS 123		1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

Note:

* *Entities that meet the specific criteria in MFRS 4, paragraph 20B, may choose to defer the application of MFRS 9 until that earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.*

The Company intends to adopt the above MFRSs when they become effective.

The initial application of the abovementioned MFRSs are not expected to have any significant impacts on the financial statements of the Group and of the Company except as mentioned below:

MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. MFRS 9 when effective will replace MFRS 139 *Financial Instruments: Recognition and Measurement.*

MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not subsequently recycling to profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

Impairment

MFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The rates are determined based on grouping of trade receivables with similar credit risk characteristics, taking into on their payment patterns, credit worthiness, insolvency and collateral received. The Group has determined that, based on its assessment on the market information currently available and the reputation and the past credit history of the counterparties with which the Group traded with, the Group will not be recording an expected loss on its trade receivables in its books.

MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 replaces MFRS 118 Revenue, MFRS 111 Construction Contracts and related IC Interpretations. The Standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. **Basis of Preparation (Cont'd)**

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

MFRS 15 *Revenue from Contracts with Customers* *(Cont'd)*

Revenue is recognised when a customer obtains control of a goods or services and thus has the ability to direct the use and obtain the benefits from the goods or services. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Based on the assessment, the Group and the Company do not expect the application of MFRS 15 to have a significant impact on its consolidated financial statements. Consequently its costs and inventories are not expected to be significantly impacted.

The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group and to the Company in 2018 when the Group and the Company adopt MFRS 15 and the Group and the Company have not finalised the testing and assessment of controls over its new accounting system.

MFRS 16 *Leases*

MFRS 16, which upon the effective date will supersede MFRS 117 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group and the Company do not expect the application of MFRS 16 to have a significant impact on its consolidated financial statements.

MFRS 17 *Insurance Contracts*

MFRS 17 which will supersede MFRS 4 Insurance Contracts is effective for annual reporting periods beginning on or after 1 January 2021 with earlier application permitted as long as MFRS 9 and MFRS 15 are also applied. An entity identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. MFRS 17 requires to separate specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts, as well as to divide the contracts into groups that an entity will recognise and measure. MFRS 17 also include an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts.

The impact of the new MFRSs, amendments and improvements to published standard on the financial statements of the Group and of the Company are currently being assessed by management.

(b) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest RM except when otherwise stated.

(c) Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. **Basis of Preparation (Cont'd)**

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below:

Useful lives of property, plant and equipment (Note 4)

The Group regularly reviews the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The Group engaged an independent valuation specialist to assess fair value as at 31 December 2017 for investment properties. For investment properties, a valuation methodology based on sales comparison approach was used. Land was valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The fair value of buildings was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

The key assumptions used to determine the fair value of the properties are provided in Notes 5.

Impairment of goodwill on consolidation

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use amount requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The key assumptions used to determine the value-in-use is disclosed in Note 7 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised and unrecognised deferred tax assets are disclosed in Note 8 to the financial statements.

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 9 to the financial statements.

Impairment of loan and receivables

The Group assesses at end of each reporting period whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts at the reporting date for loans and receivables are disclosed in Notes 10, 11 and 12 to the financial statements.

Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 December 2017, the Group and the Company has tax recoverable of RM524,905 and RM89,787 (30.9.2016: RM272,343 and RM53,560) respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Significant Accounting Policies

The Group and the Company apply the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiary companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed in profit or loss as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured at its acquisition-date fair value and the resulting gain or loss is recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end to the reporting period in which the combinations occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date, if known, would have affected the amounts recognised at that date.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement,* is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investment in subsidiary companies are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(k) to the financial statements on impairment of non-financial assets.

(ii) Changes in ownership interests in subsidiary companies without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiary companies

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Significant Accounting Policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(iv) Goodwill on consolidation

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary company acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired. See accounting policy Note 3(k) to the financial statements on impairment of non-financial assets.

(b) Foreign Currency Transactions

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(k).

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the assets to working condition for its intended use, cost of replacing components parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Significant Accounting Policies (Cont'd)

(c) Property, plant and equipment (Cont'd)

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in the profit or loss on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life. Leased assets are depreciated over the shorter of the lease term and their useful lives. Property, plant and equipment under construction are not depreciated until the assets are ready for its intended use.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Leasehold land	71 years
Buildings	50 years
Plant and machinery	5 years
Office equipment, tools and equipment	5 years
Furniture, fittings and renovation	5 - 10 years
Motor vehicles	5 years

The residual values, useful lives and depreciation method are reviewed at each reporting date to ensure that the amount and method of depreciation reflect the expected pattern of consumption of future economic benefits embodied in the items of property, plant and equipment.

(d) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

<u>As lessee</u>

(i) Finance Lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as a property, plant and equipment or as investment property if held to earn rental income or for capital appreciation or both.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.

3. Significant Accounting Policies (Cont'd)

(d) Leases (Cont'd)

As lessor

Leases in which the Group or the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(e) Investment properties

The Group have previously measured its investment properties using the cost model in accordance with MFRS 140 *Investment Property*. In the current financial period, the Group adopted the fair value model permitted by MFRS 140 *Investment Property* to enable a more reliable and accurate reflection of the investment properties to their current market value.

The change in accounting policy has been applied retrospectively. The effects from the change in accounting policy are disclosed in Note 34 to the financial statements.

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost, including transaction costs. Subsequently, investment properties are measured at fair value which reflects market conditions at the reporting date. Gains and losses arising from changes in the fair values of investment properties are recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment properties are valued by independent professionally qualified valuers, having appropriate recognised professional qualifications and recent experience in the locations and segments of the investment properties valued. The management team reviewed and discussed the valuations, including valuation processes, performed by the independent valuers for financial reporting purposes.

Investment properties are derecognised when either they are disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from the disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the profit or loss in the reporting period of retirement or disposal.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(f) Financial assets

Financial assets are recognised on the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The Group and the Company classify their financial assets depends on the purpose for which the financial assets were acquired at initial recognition into loans and receivables.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Significant Accounting Policies (Cont'd)

(f) Financial assets (Cont'd)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the end of the reporting period which are presented as non-current assets.

After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases or sales of financial assets are recognised and derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

A financial asset is derecognised when the contractual rights to receive cash flows from the financial asset has expired or has been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in profit or loss.

(g) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of financial liabilities.

Financial liabilities are recognised on the statements of financial position when, and only when, the Group and the Company becomes a party to the contractual provisions of the financial instrument.

The Group and the Company classify their financial liabilities at initial recognition into the following categories:

(i) Financial Liabilities measured at amortised cost

The Group's and the Company's financial liabilities comprise trade and other payables and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Gains and losses on financial liabilities measured at amortised cost are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(ii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specific payment to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Significant Accounting Policies (Cont'd)

(h) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value.

Costs incurred in bringing the inventories to their present location and conditions are accounted for as follows:

- Trading goods: Costs are determined on first-in-first-out basis.
- Spare parts: Costs are determined on weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdraft and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(k) Impairment of Assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of value-in-use and fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Significant Accounting Policies (Cont'd)

(k) Impairment of Assets (Cont'd)

(ii) Financial assets

All financial assets, other than those at fair value through profit or loss and investment in subsidiary companies, are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

Financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account and the amount of impairment loss is recognised in profit or loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised in profit or loss, the impairment loss is reversed, to the extent that the carrying amount of the asset does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of reversal is recognised in profit or loss.

(l) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

(m) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The relating expense relating to any provision is presented in the statements of profit or loss and other comprehensive income net of any reimbursement.

(n) Employee benefits

(i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensation absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

3. Significant Accounting Policies (Cont'd)

(n) Employee benefits (Cont'd)

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF"). Such contributions are recognised as an expense in statement of profit or loss and other comparehensive income as incurred.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after end of the reporting period are discounted to present value.

(o) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates.

(i) Goods sold and services rendered

Revenue from sales of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the buyer. Revenue from services rendered is recognised based on the value of services performed and invoiced to customers during the reporting period.

(ii) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(iii) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(iv) Management fee

Management fee is recognised on an accrual basis when services are rendered.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for theirs intended use or sale, are capitalised as part of the cost of those assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(q) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial period, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Significant Accounting Policies (Cont'd)

(q) Income taxes (Cont'd)

Deferred tax is recognised on the liability method for all temporary differences between the carrying amount of assets or liabilities in the statements of financial position and their tax base. Deferred tax is not recognised for the temporary difference arising from the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction which is not a business combination and that affects neither accounting profit nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Goods and Services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are recognised inclusive of GST.

The net amount of GST being the difference between output and input of GST, payable to or receivables from the authority at the reporting date, is included in other payables or other receivables in the statements of financial position

(s) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segment and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(t) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. Property, Plant and Equipment

	Leasehold land and buildings RM	Plant and machinery RM	Office equipment, tools and equipment RM	Furniture, fittings and renovation RM	Motor vehicles RM	Total RM
Group						
2016						
Cost						
At 1 October 2016	8,404,040	382,781	1,649,851	2,399,479	2,304,752	15,140,903
Additions	-	1,330	5,148	12,903	-	19,381
Disposal	-	-	-	(46,308)	-	(46,308)
At 31 December 2017	8,404,040	384,111	1,654,999	2,366,074	2,304,752	15,113,976
Accumulated depreciation						
At 1 October 2016	701,081	360,606	1,555,924	2,300,254	2,066,251	6,984,116
Charge for the financial period	157,682	10,756	43,615	54,993	184,446	451,492
Disposal	-	-	-	(46,308)	-	(46,308)
At 31 December 2017	858,763	371,362	1,599,539	2,308,939	2,250,697	7,389,300
Carrying amount						
At 30 September 2016	7,545,277	12,749	55,460	57,135	54,055	7,724,676
Group						
2016						
Cost						
At 1 October 2015	8,404,040	382,781	1,729,911	2,393,655	2,402,676	15,313,063
Additions	-	-	23,742	5,824	-	29,566
Disposal	-	-	(103,802)	-	(97,924)	(201,726)
At 30 September 2016	8,404,040	382,781	1,649,851	2,399,479	2,304,752	15,140,903
Accumulated depreciation						
At 1 October 2015	574,792	357,397	1,615,113	2,255,453	1,989,661	6,792,416
Charge for the financial year	126,289	3,209	44,613	44,801	174,514	393,426
Disposal	-	-	(103,802)	-	(97,924)	(201,726)
At 30 September 2016	701,081	360,606	1,555,924	2,300,254	2,066,251	6,984,116
Carrying amount						
At 30 September 2016	7,702,959	22,175	93,927	99,225	238,501	8,156,787

(a) The remaining period of the lease term is 71 years (30.9.2016: 72 years).

(b) Included in the property, plant and equipment of the Group are motor vehicles acquired under finance lease with carrying amounts of RM54,055 (30.9.2016: RM220,625).

(c) Leasehold building with carrying amount of RM1,318,358 (30.9.2016: RM1,341,567) of a subsidiary company has been pledged to licensed bank as securities for credit facilities granted to a subsidiary company as disclosed in Note 17.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. Investment Properties

	Group Leasehold land and buildings RM
At fair value	
2017	
At beginning of financial period	21,430,000
Changes in fair value recognised in profit or loss	12,870,000
At end of the financial period	34,300,000
(Restated) **2016**	
Carrying amount as previously stated under cost model	19,529,515
Changes in fair value recognised directly in retained profits	1,900,485
Carrying amount as restated under fair value model	21,430,000

(a) The rental income earned by the Group from its investment properties amounted to RM774,000 (30.9.2016: RM605,000). Direct operating expenses arising from investment properties that generated rental income during the financial period amounted to RM10,433 (30.9.2016: RM9,029).

(b) The remaining period of the lease term range from 37 to 71 years (30.9.2016: 38 to 72 years).

(c) Fair value of investment properties was determined based on the valuations performed by an accredited independent firm of professional valuers based on sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size or option. The fair value is within Level 2 of the fair value hierarchy.

6. Investment in Subsidiary Companies

(a) Investment in subsidiary companies

	Company	
	31.12.2017 RM	**30.9.2016 RM**
In Malaysia		
Unquoted shares, at cost	32,490,682	32,490,682
Less: Accumulated impairment loss		
At beginning of the financial period/year	(4,807,024)	(3,834,796)
Impairment recognised in profit or loss	-	(972,228)
At end of the financial period/year	(4,807,024)	(4,807,024)
	27,683,658	27,683,658

6. Investment in Subsidiary Companies (Cont'd)

(b) Details of the subsidiary companies, all are incorporated in Malaysia, are as follows:

Name of company	Effective interest 31.12.2017 %	Effective interest 30.9.2016 %	Principal activities
Direct holding:			
Watta Battery Industries Sdn. Bhd.	100	100	Distribution of automotive batteries and battery components
Syarikat Perniagaan Leko Sdn. Bhd.	100	100	Marketing and distributing automotive batteries and related products
Watta Energy (M) Sdn. Bhd.	100	51	Marketing and distribution of telecommunication equipment and related products
Mobile Technic Sdn. Bhd.	100	100	Servicing and repair of mobile telecommunication equipment products and other electronic equipment
SEMS Services Sdn. Bhd.	100	100	Servicing and repair of mobile telecommunication equipment products and other electronic equipment
Indirect holding			
Subsidiary company of Watta Battery Industries Sdn. Bhd.			
Mega Meranti Sdn. Bhd.	100	100	Property investment

On 30 November 2016, the Company entered into a Sale of Shares Agreement for the acquisition of the remaining 49% of the issued and paid-up share capital of Watta Energy (M) Sdn Bhd (WESB) for a total consideration of RM490,000. Upon completion of the proposed acquisition, WESB will become a wholly-owned subsidiary company of the Company.

(c) Non-controlling interests

The summarised financial information of subsidiary company with material non-controlling interests ("NCI") is as follows:

Name of company	Proportion of ownership ownership interest and voting rights held by non-controlling interests 31.12.2017 %	30.9.2016 %	Loss allocated to non controlling interests 31.12.2017 RM	30.9.2016 RM	Accumulated non-controlling interests 31.12.2017 RM	30.9.2016 RM
Watta Energy (M) Sdn. Bhd.	-	49	-	(13,688)	-	(52,029)
Total non-controlling interests					-	(52,029)

The summarised financial information for the subsidiary company that has non-controlling interests that is material to the Group is set out below. The summarised financial information below represents amount before inter-company eliminations.

(i) Statement of financial position

	31.12.2017 RM	30.9.2016 RM
Total assets	-	4,793,570
Total liabilities	-	(4,879,753)
Net liabilities	-	(86,183)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. Investment in Subsidiary Companies (Cont'd)

(c) Non-controlling interests (Cont'd)

(ii) Summarised statements of profit or loss and other comprehensive income

	31.12.2017 RM	30.9.2016 RM
Revenue	-	877,800
Loss before taxation	-	(27,935)
Taxation	-	-
Net loss for the financial year, representing total comprehensive income for the financial year	-	(27,935)

(iii) Summarised statements of cash flows

	31.12.2017 RM	30.9.2016 RM
Net cash generated from operating activities representing net increase in cash and cash equivalents	-	792,680

There are no significant restrictions on the ability of the subsidiary company to transfer funds to the Group in the form of cash dividends or repayment of loans and advances.

7. Goodwill on Consolidation

	Group	
	31.12.2017 RM	30.9.2016 RM
At fair value:		
At 1 October	4,803,417	4,803,417
Impairment during the financial period	(2,401,708)	-
At 31 December/30 September	2,401,709	4,803,417

(a) Impairment test for goodwill on consolidation

The aggregate carrying amount of goodwill has been allocated to the Group's cash generating units ("CGU") in services segment.

The recoverable amount of the CGU is determined based on its value in use, determined by discounting the future cash flows expected to be generated from the continuing use of the unit and was based on the following key assumptions:

(i) Cash flows were projected based on actual operating results and five-years business plan.
(ii) Revenue was projected at anticipated annual revenue growth of approximately 7% to 13% per annum.
(iii) Expenses were projected at annual increase of approximately 1% to 4% per annum.
(iv) A pre-tax discount rate of 4.5% was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the weighted average cost of capital of the Group plus a reasonable risk premium.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources.

Management believes that any reasonably possible changes in the key assumptions on which recoverable amount are based would not cause the carrying values to exceed the recoverable amount of the CGU.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. Deferred Tax (Assets)/Liabilities

(a) Deferred tax assets

	31.12.2017 RM	30.9.2016 RM
At beginning of the financial period/year/At end of the financial period/year	(5,480)	(5,480)

This is in respect of temporary differences between the carrying amount of property, plant and equipment and their tax base.

(b) Deferred tax liabilities

	Group 31.12.2017 RM	(Restated) 30.9.2016 RM
At beginning of the financial year	5,560,031	5,492,294
Recognised in profit or loss	2,783,010	67,737
At end of the financial year	8,343,041	5,560,031
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	8,348,521	5,621,370
Deferred tax asset	(5,480)	(61,339)
	8,343,041	5,560,031

The components and movements of deferred tax liabilities and asset of the Group prior offsetting are as follows:

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM	Investment properties RM	Total RM
At 1 October 2016	903,185	4,718,185	5,621,370
Recognised in profit or loss	20,845	2,706,306	2,727,151
At 31 December 2017	924,030	7,424,491	8,348,521
At 1 October 2015	907,220	4,646,981	5,554,201
Recognised in profit or loss	(4,035)	71,204	67,169
At 30 September 2016	903,185	4,718,185	5,621,370

Deferred tax assets of the Group:

	Unused tax losses RM
At 1 October 2016	(61,339)
Recognised in profit or loss	55,859
At 31 December 2017	(5,480)
At 1 October 2015	(61,907)
Recognised in profit or loss	568
At 30 September 2016	(61,339)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. Deferred Tax (Assets)/Liabilities (Cont'd)

(b) Deferred tax liabilities (Cont'd)

Deferred tax assets have not been recognised in respect of the following temporary difference :-

	Group	
		(Restated)
	31.12.2017	30.9.2016
	RM	RM
Unutilised capital allowances	149,037	74,748
Unused tax losses	11,718,266	8,596,588
Others	172,886	9,721
	12,040,189	8,681,057

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiary companies that have a recent history of losses.

9. Inventories

	Group	
	31.12.2017	30.9.2016
	RM	RM
At cost,		
Handphone spareparts	698,277	-
Trading merchandise	-	1,439,039
	698,277	1,439,039
At net realisable value,		
Handphone spareparts	44,532	1,020,448
Trading merchandise	204,743	4,076,446
	249,275	5,096,894
	947,552	6,535,933

	Group	
	31.12.2017	30.9.2016
	RM	RM
Recognised in profit or loss		
Recongnised as cost of sales	24,457,699	26,319,680
Inventories written off	211,160	101,563
Provision of slow moving inventories	170,000	170,000
Provision of written down inventories	126,002	-
Reversal of write-down of inventories	(127,000)	(109,000)

The reversal of inventories written down was made during the financial period when the related inventories were sold above their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. Trade Receivables

	Group 31.12.2017 RM	Group 30.9.2016 RM
Trade receivables	3,360,436	5,888,622
Less: Accumulated impairment loss	(154,359)	(146,763)
	3,206,077	5,741,859

(i) **The foreign currency exposure profile is as follows:**

	Group 31.12.2017 RM	Group 30.9.2016 RM
United States Dollar	85,029	172,493

(ii) **Concentration risk**

At the end of the reporting period, approximately RM934,424 (30.9.2016: RM3,206,196) of the Group's trade receivables were due from 3 (30.9.2016: 7) major customers.

(iii) **Credit term of trade receivables**

The Group's normal trade credit terms range from 30 to 120 days (30.9.2017: 30 to 120 days). Other credit terms are assessed and approved on a case by case basis.

(iv) **Ageing analysis of trade receivables**

The ageing analysis of the Group's trade receivables as at the end of the financial period are as follows:

	Group 31.12.2017 RM	Group 30.9.2016 RM
Neither past due nor impaired	1,572,992	4,162,284
Past due but not impaired:		
less than 30 days	264,891	888,636
31 to 60 days	277,444	302,311
61 to 90 days	269,759	381,112
more than 90 days	820,991	7,516
	1,633,085	1,579,575
Impaired	154,359	146,763
	3,360,436	5,888,622

<u>Receivables that are neither past due nor impaired</u>
Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records and mostly are regular customers that have been transacting with the Group.

Movements in impairment during the financial period are as follows:

	Group 31.12.2017 RM	Group 30.9.2016 RM
At beginning of the financial period/year	146,763	115,641
Impairment recognised in profit or loss	18,901	39,282
Bad debts recovered	(11,305)	(8,160)
At end of the financial period/year	154,359	146,763

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. Trade Receivables (Cont'd)

(iv) Ageing analysis of trade receivables (Cont'd)

Receivables that are neither past due nor impaired (Cont'd)

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

11. Other Receivables

	Group		Company	
	31.12.2017 RM	30.9.2016 RM	31.12.2017 RM	30.9.2016 RM
Other receivables				
- Third parties	237,295	368,734	-	-
Less: Accumulated impairment loss	(165,360)	(220,440)	-	-
	71,935	148,294	-	-
Deposits	247,287	297,557	8,500	1,000
Prepayments	72,435	130,745	-	-
GST receivable	1,003	13,996	-	-
	392,660	590,592	8,500	1,000

Movements in impairment during the financial period are as follows:

	Group	
	31.12.2017 RM	30.9.2016 RM
At beginning of the financial period/year	220,440	110,200
Impairment recognised in profit or loss	55,120	110,240
Reversal of impairment	(110,200)	-
At end of the financial period/year	165,360	220,440

Other receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments.

12. Amount Owing by Subsidiary Companies

The amount owing by subsidiary companies arose mainly from management fees receivable, dividend receivable, advances and expenses paid on behalf, which are unsecured, interest free and repayable on demand except an amount of RM1,000,000 in previous financial year which bears interest at rates ranging from 4% to 5% per annum.

13. Fixed Deposits with Licensed Banks

Included in the fixed deposits of the Group is an amount of RM43,698 (30.9.2016: RM42,451) pledged to licensed banks as securities for banking facilities granted to a subsidiary company as disclosed in Note 17.

The interest rates of deposits during the financial period range from 3.05% to 3.67% (30.9.2016: 2.90% to 4.04%) per annum and the maturities of deposits are 30 to 365 days (30.9.2016: 30 to 365 days) respectively.

14. Cash and Bank Balances

The foreign currency exposure profile is as follows:

	Group	
	31.12.2017 RM	30.9.2016 RM
United States Dollar	278,601	15,182

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. Share Capital

	Group/Company			
	Number of shares		Amount	
	31.12.2017	30.9.2016	31.12.2017	30.9.2016
	Units	Units	RM	RM
Ordinary shares with no par value (2016: par value of RM0.50 each)				
Authorised:				
At end of financial year/period	- *	200,000,000	- *	100,000,000
Issued and fully paid				
At beginning and end of financial year/period	84,480,000	84,480,000	42,240,000	42,240,000

* The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. There is no impact on the numbers of ordinary shares in issues to the relative entitlement of any of the members as a result of this transition.

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction and rank equally with regard to the Company's residual assets.

16. Finance Lease Payables

	Group	
	31.12.2017	30.9.2016
	RM	RM
Minimum lease payments:		
Within one year	30,072	119,176
Later than one year and not later than two years	12,515	50,105
Later than two year and not later than five years	-	-
	42,587	169,281
Less: Future finance charges	(1,701)	(7,814)
	40,886	161,467
Present value of minimum lease payment:		
Within one year	28,538	87,161
Later than one year and not later than two years	12,348	37,153
Later than two year and not later than five years	-	37,153
	40,886	161,467

The Group leases motor vehicle under finance lease (Note 4). At the end of the lease term, the Group has the option to acquire the assets at a nominal price deemed to be a bargain purchase option. There are no restrictive covenants imposed by the lease agreement and no arrangements have been entered into for contingent rental payments.

The interest rates charged are ranging from 2.28% to 3.20% (30.9.2016: 2.28% to 3.20%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. Bank Borrowings

The bankers' acceptance obtained from a licensed bank of the Group are secured by the following:

	Group	
	31.12.2017	30.9.2016
	RM	RM
Secured		
Bankers' acceptance	138,000	1,949,000
Term loan	-	579,551
	138,000	2,528,551
Non-current		
Term loan	-	522,862
Current		
Bankers' acceptance	138,000	1,949,000
Term loan	-	56,689
	138,000	2,005,689
	138,000	2,528,551

(a) pledge of fixed deposits of a subsidiary company as disclosed in Note 14; and
(b) corporate guarantee by the Company.

The term loan of the Group obtained from licensed bank is secured by the following:

(a) charge over the leasehold building of a subsidiary company as disclosed in Note 4; and
(b) joint and several guarantee by certain Directors of the subsidiary company.

Maturity of the bank borrowings is as follows:

	Within 1 year	1 - 2 years	2 - 5 years	5 years	Total
	RM	RM	RM	RM	RM
2017					
Bankers' acceptance	138,000	-	-	-	138,000
2016					
Bankers' acceptance	1,949,000	-	-	-	1,949,000
Term loan	56,689	59,738	199,190	263,934	579,551
	2,005,689	59,738	199,190	263,934	2,528,551

The interest rates per annum are as follows:

	Group	
	31.12.2017	30.9.2016
	%	%
Bankers' acceptance	3.75 - 4.00	3.75 - 4.00
Term loan	-	5.25

18. Trade Payables

The normal trade credit terms granted to the Group range from 30 to 90 days (30.9.2016: 30 to 90 days). Other credit terms are assessed and approved on a case by case basis.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. Other Payables

	Group		Company	
	31.12.2017	**30.9.2016**	**31.12.2017**	**30.9.2016**
	RM	**RM**	**RM**	**RM**
Other payables	150,944	315,215	-	-
Accruals	2,745,547	2,760,716	286,477	193,794
Deposits	446,869	589,872	-	-
GST payable	36,784	55,207	-	-
	3,380,144	3,721,010	286,477	193,794

Included in other payables is an amount of RM25,999 (30.9.2016: RM25,999) owing to a director of a subsidiary company. The amount is unsecured, interest free advance and are repayable on demand.

20. Revenue

	Group		Company	
	1.10.2016 to 31.12.2017	**1.10.2015 to 30.9.2016**	**1.10.2016 to 31.12.2017**	**1.10.2015 to 30.9.2016**
	RM	**RM**	**RM**	**RM**
Continuing operations				
Sales of goods	4,383,614	877,000	-	-
Services rendered	26,508,367	20,881,407	-	-
Management fee receivable from subsidiary companies	-	-	270,000	216,000
	30,891,981	21,758,407	270,000	216,000

21. Finance Costs

	Group	
	1.10.2016 to 31.12.2017	**1.10.2015 to 30.9.2016**
	RM	**RM**
Continuing operations		
Interest expense on:		
Term loan	5,905	19,283

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

22. Profit/(Loss) before Taxation

Profit/(Loss) before taxation is derived after charging/(crediting):

	Group		Company	
	1.10.2016 to 31.12.2017 RM	1.10.2015 to 30.9.2016 RM	1.10.2016 to 31.12.2017 RM	1.10.2015 to 30.9.2016 RM
Auditors' remuneration				
- Statutory audits	60,000	69,000	33,000	20,000
- Continuing operations	40,200	52,000	33,000	20,000
- Discontinued operation	19,800	17,000	-	-
- Underprovision in prior year	3,000	500	1,000	3,000
- Continuing operations	1,000	500	1,000	3,000
- Discontinued operation	2,000	-	-	-
- Non-audit services	7,500	4,000	5,000	4,000
Bad debts recovered	(11,305)	(8,160)	-	-
- Continuing operations	-	-	-	-
- Discontinued operation	(11,305)	(8,160)	-	-
Depreciation of property, plant and equipment	451,492	393,426	-	-
- Continuing operations	114,352	100,949	-	-
- Discontinued operation	337,140	292,477	-	-
Directors' remuneration				
- Executive Directors				
- Fees	210,000	168,000	90,000	72,000
- Continuing operations	90,000	72,000	90,000	72,000
- Discontinued operation	120,000	96,000	-	-
- Salaries and other emoluments	1,600,125	1,130,468	-	-
- Continuing operations	-	8,405	-	-
- Discontinued operation	1,600,125	1,122,063	-	-
- Benefits-in-kind	50,088	55,117	-	-
Non-Executive Directors				
- Fees	100,500	72,000	100,500	72,000
Directors of subsidiary companies				
- Fees	60,000	48,000	-	-
- Salaries and other emoluments	512,270	409,816	-	-
Loss/(Gain) on foreign exchange				
- Realised	75,931	101,613	-	-
- Continuing operations	16,946	119,423	-	-
- Discontinued operation	58,985	(17,810)	-	-
- Unrealised	(1,896)	(1,080)	-	-
- Continuing operations	2,646	(1,080)	-	-
- Discontinued operation	(4,542)	-	-	-
Impairment on investment in subsidiary companies	-	-	-	972,228
Impairment loss on trade receivables	18,901	39,282	-	-
- Continuing operations	1,368	-	-	-
- Discontinued operation	17,533	39,282	-	-
Impairment loss on othe receivables	55,120	110,240	-	-
- Continuing operations	55,120	-	-	-
- Discontinued operation	-	110,240	-	-
Inventories written down	211,160	101,563	-	-
- Continuing operations	-	-	-	-
- Discontinued operation	211,160	101,563	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

22. Profit/(Loss) before Taxation (Cont'd)

Profit/(Loss) before taxation is derived after charging/(crediting) (Cont'd):

	Group		Company	
	1.10.2016 to 31.12.2017 RM	1.10.2015 to 30.9.2016 RM	1.10.2016 to 31.12.2017 RM	1.10.2015 to 30.9.2016 RM
Rental expenses				
- A company in which a Director has financial interest	360,000	288,000	360,000	288,000
- Third party	291,208	227,750	-	-
- Continuing operations	198,208	154,550	-	-
- Discontinued operation	93,000	73,200	-	-
Gain on disposal of property, plant and equipment	(566)	(7,547)	-	
- Continuing operations	-	-	-	-
- Discontinued operation	(566)	(7,547)	-	-
Gain on fair value adjustment on investment properties	(12,870,000)	-	-	-
- Continuing operations	(8,215,000)	-	-	-
- Discontinued operation	(4,655,000)	-	-	-
Provision of slow moving inventories	170,000	170,000	-	-
Provision of written down inventories	(126,002)	-	-	-
Reversal of impairment on inventories	(127,000)	(109,000)	-	-
- Continuing operations	(127,000)	-	-	-
- Discontinued operation	-	(109,000)	-	-
Reversal of amortisation on investment properties	-	-	-	-
Impairment loss on goodwill	2,401,708	-	-	-
Interest income				
- Fixed deposits	(727,611)	(648,208)	(396,427)	(341,132)
- Continuing operations	(588,355)	(409,183)	(396,427)	(341,132)
- Discontinued operation	(139,256)	(239,025)	-	-
- Unit trusts	(41,770)	(22,507)	-	-
- Continuing operations	-	-	-	-
- Discontinued operation	(41,770)	(22,507)	-	-
- Inter-company balances	-	-	(7,000)	(42,500)
Rental income	(774,000)	(605,000)	-	-
- Continuing operations	-	-	-	-
- Discontinued operation	(774,000)	(605,000)	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. Taxation

	Group		Company	
	1.10.2016 to 31.12.2017 RM	1.10.2015 to 30.9.2016 RM	1.10.2016 to 31.12.2017 RM	1.10.2015 to 30.9.2016 RM
Current income tax				
Current year provision	85,098	147,902	23,000	23,000
(Over)/under provision in prior year	(85,841)	29,885	(24,790)	(835)
	(743)	177,787	(1,790)	22,165
Deferred tax				
Relating to origination and reversal of temporary differences	1,964,681	295,193	-	-
Effect on opening deferred tax of reduction in Malaysia income tax rate	-	(72,422)	-	-
Over/(Under)provision in prior year	(2,690)	2,238	-	-
	1,961,991	225,009	-	-
Tax expense for the financial period/year	1,961,248	402,796	(1,790)	22,165

Income tax is calculated at the statutory tax rate of 24% (30.9.2016: 24%) of the estimated assessable profit for the financial period/year.

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	1.10.2016 to 31.12.2017 RM	1.10.2015 to 30.9.2016 RM	1.10.2016 to 31.12.2017 RM	1.10.2015 to 30.9.2016 RM
Profit/(Loss) before taxation from continuing operations	4,737,714	2,176,809	(743,757)	(974,703)
Profit before taxation from discontinued operation	1,934,864	(3,299,557)	-	-
	6,672,578	(1,122,748)	(743,757)	(974,703)
Taxation at statutory tax rate of 24% (30.9.2016: 24%)	1,601,419	(269,460)	(178,502)	(233,929)
Income not subject to tax	(3,216,804)	(304,569)	-	-
Expenses not deductible for tax purposes	926,475	343,345	201,502	256,929
Deferred tax assets not recognised	771,148	329,766	-	-
Utilisation of previously unrecognised tax losses	(4,059)	-	-	-
Utilisation of current year capital allowances	-	190,232	-	-
Crystallisation of deferred tax	1,971,600	153,781	-	-
(Over)/under provision of current taxation in prior year	(85,841)	29,885	(24,790)	(835)
Over/Under provsion of deferred taxation in prior year	(2,690)	2,238	-	-
Effect on opening deferred tax of reduction in Malaysia income tax rate	-	(72,422)	-	-
Tax expense for the financial period/year	1,961,248	402,796	(1,790)	22,165

The Group has unused tax losses and unutilised capital allowances of amounting to RM11,718,266 and RM149,037 (30.9.2016: RM8,596,588 and RM74,748) are available for offset against future taxable profits of the subsidiary companies.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. Net Profit from Discontinued Operations

On 6 October 2017, the Group decided to cease its trading and distribution of automotive batteries business in Syarikat Perniagaan Leko Sdn. Bhd. and Watta Battery Industries Sdn. Bhd. ("trading business") by 31 December 2017 in line with the Group's re-organisation plan to discontinue its loss-making business decision, as a strategy to reduce the operating costs and overheads of the Group.

Statement of profit or loss and other comprehensive income disclosures

During the period, the results from the trading business are presented separately on the consolidated statement of profit or loss and other comprehensive income as discontinued operations. An analysis of the result of discontinued operations is as follow:

	Group	
	1.10.2016 to 31.12.2017 RM	1.10.2015 to 30.9.2016 RM
Revenue	12,404,482	17,122,201
Cost of sales	(9,457,476)	(15,756,419)
Gross profit	2,947,006	1,365,782
Other income	6,237,652	921,506
Administration expenses	(7,178,041)	(5,492,766)
Finance costs	(71,753)	(94,079)
Profit/(Loss) before taxation from discontinued operations	1,934,864	(3,299,557)
Taxation	(805,400)	95,961
Net profit/(Loss) from discontinued operations	1,129,464	(3,203,596)

The cash flows attributable to the discontinued operations are as follows:

	Group	
	1.10.2016 to 31.12.2017 RM	1.10.2015 to 30.9.2016 RM
Net cash from/(used in) operating activities	5,819,198	(3,256,355)
Net cash (used in)/from investing activities	(5,090,539)	1,752
Net cash used in financing activiies	(1,133,300)	(70,818)
Effect on cash flows	(404,641)	(3,325,421)

25. Profit Per Share basic and diluted

The basic earnings per share are calculated based on the consolidated profit/(loss) for the financial year attributable to owners of the parent and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	1.10.2016 to 31.12.2017 RM	1.10.2015 to 30.9.2016 RM
Net profit/(loss) for the financial period/year attributable to the owners of the parent (RM)	3,910,164	(1,415,895)
Net profit/(loss) from discontinued operation for the financial period attributable to the equity holders of parent (RM)	1,129,464	(3,203,596)
Net profit from continuing operations for the financial period/year attributable to the owners of the parent (RM)	2,780,700	1,787,701
Weighted number of shares in issue	84,480,000	84,480,000
Basic earnings/(loss) per share attributable to the equity holders of the Parent (cent)		
- Continuing operations	3.29	2.12
- Discontinued operation	1.34	(3.79)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

25. Profit Per Share basic and diluted (Cont'd)

The Group and the Company have no dilution in their earnings per ordinary share as there are no dilutive potential ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the end of the financial year and before the authorisation of these financial statements.

26. Staff Costs

	Group	
	1.10.2016 to 31.12.2017 RM	1.10.2015 to 30.9.2016 RM
Staff cost (excluding Directors)		
- Continuing operations	4,537,884	3,648,601
- Discontinued operation	4,214,517	1,545,039
	8,752,401	5,193,640

Included in the total staff costs above are contributions made to the Employees Provident Fund under a defined contribution plan for the Group as follows :

	Group	
	1.10.2016 to 31.12.2017 RM	1.10.2015 to 30.9.2016 RM
Defined contributon plan (excluding Directors)		
- Continuing operations	449,882	371,972
- Discontinued operation	307,808	155,981
	757,690	527,953

27. Reconciliation of Liabilities arising from Financing Activities

The table below details changes in the liabilities of the Group and Company arising from financing activities:

	At 1 October	Financing cash flows	At 31 December
Group			
Bank borrowing	2,528,551	(2,390,551)	138,000
Finance lease liabilities	161,467	(120,581)	40,886
Company			
Advances from subsidiary company	1,672,731	94,081	1,766,812

28. Related Party Disclosures

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group or to the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprise the Directors and management personnel of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. Related Party Disclosures (Cont'd)

(b) Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and of the Company are as follows:

	Group		Company	
	1.10.2016 to 31.12.2017 RM	1.10.2015 to 30.9.2016 RM	1.10.2016 to 31.12.2017 RM	1.10.2015 to 30.9.2016 RM
Subsidiary companies				
Management fee received/receivable	-	-	270,000	216,000
Interest income	-	-	7,000	42,500
A company in which a Director has interest				
Rental expenses	360,000	288,000	360,000	288,000

(c) Information regarding outstanding balances arising from related party transactions are disclosed in Notes 12.

(d) Information regarding compensation of key management personnel is as follows:

	Group		Company	
	1.10.2016 to 31.12.2017 RM	1.10.2015 to 30.9.2016 RM	1.10.2016 to 31.12.2017 RM	1.10.2015 to 30.9.2016 RM
Short-term employee benefits				
- Continuing operations	90,000	72,000	90,000	72,000
- Discontinued operation	2,442,983	1,811,401	120,000	96,000
	2,532,983	1,883,401	210,000	168,000

29. Segmental Information

For management purposes, the Group is organised into business segments based on their products and services, and has three reportable operating segments as follows:-

Trading	Marketing and distribution of automotive batteries and related products
Services	Servicing of telecommunication equipment and related products
Investment holding and others	Investment holding

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation. The measurement basis and classification are consistent with those adopted in the previous financial period.

Segment assets and liabilities

Segment assets and liabilities information are neither included in the internal management reports nor provided regularly to the management. Hence no disclosures are made on segment assets and liabilities.

29. **Segmental Information (Cont'd)**

	Continuing operations						
	Trading RM	Services RM	Investment holdings and others RM	Eliminations RM	Total RM	Discontinued operations RM	Total operations RM
1.10.2016 to 31.12.2017							
Revenue							
Total external revenue	4,387,950	26,234,031	-	-	30,621,981	12,404,482	43,026,463
Inter-segment revenue	-	274,336	270,000	(544,336)	-	-	270,000
Total segment revenue	4,387,950	26,508,367	270,000	(544,336)	30,621,981	12,404,482	43,026,463
Results							
Operating result	(981,760)	305,505	15,262,721	(1,921,888)	12,664,578	1,934,864	14,599,442
Interest income	-	5,631	603,609	-	609,240	160,141	769,381
Finance costs	-	(5,905)	-	-	(5,905)	(71,753)	(77,658)
Depreciation	-	(114,352)	-	-	(114,352)	(337,140)	(451,492)
Other non-cash items	(3,998)	(55,116)	8,215,000	-	8,155,886	4,442,700	12,598,586
Segment result	(985,758)	135,763	24,081,330	(1,921,888)	21,309,447	6,149,697	27,459,144
Tax (expense)/credit	-	8,562	(1,969,810)	-	(1,961,248)	(805,400)	(2,766,648)
Profit for the financial period	(985,758)	144,325	22,111,520	(1,921,888)	19,348,199	5,344,297	24,692,496
Other non-cash items							
Bad debts recovered	-	-	-	-	-	11,305	11,305
Impairment loss on trade receivables	-	(1,348)	-	-	(1,348)	(17,553)	(18,901)
Impairment loss on other receivables	-	(55,120)	-	-	(55,120)	-	(55,120)
Inventories written down	-	-	-	-	-	(274,852)	(274,852)
Gain on disposal of property, plant and equipment	-	-	-	-	-	566	566
Gain on revaluation of investment properties	-	-	8,215,000	-	8,215,000	4,655,000	12,870,000
Unrealised gain on foreign exchange	(3,998)	1,352	-	-	(2,646)	4,542	1,896
Additions to property, plant and equipmen	11,744	7,637	-	-	19,381	-	19,381
Segment liabilities	5,400,713	8,089,802	561,588	(1,186,664)	12,865,439	-	12,865,439

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. **Segmental Information (Cont'd)**

	Continuing operations						
	Trading RM	Services RM	Investment holdings and others RM	Adjustment and eliminations RM	Total RM	Discontinued operations RM	Total operations RM
1.10.2015 to 30.9.2016							
Revenue							
Total external revenue	-	21,758,407	-	-	21,758,407	17,122,201	38,880,608
Inter-segment revenue	-	-	216,000	(216,000)	-	-	-
Total segment revenue	-	21,758,407	216,000	(216,000)	21,758,407	17,122,201	38,880,608
Results							
Operating result	-	634,622	554,756	1,801,795	2,991,173	(3,299,557)	(308,384)
Interest income	-	19,066	438,927	(42,500)	415,493	255,222	670,715
Finance costs	-	(61,783)	-	42,500	(19,283)	(94,079)	(113,362)
Depreciation	-	(100,949)	-	-	(100,949)	(292,477)	(393,426)
Other non-cash items	-	168,920	972,228	(972,228)	168,920	(126,378)	42,542
Segment result	-	659,876	1,965,911	829,567	3,455,354	(3,557,269)	(101,915)
Tax credit/(expense)	-	(156,901)	177,516	-	20,615	(95,961)	(75,346)
(Loss)/Profit for the financial year	-	502,975	2,143,427	829,567	3,475,969	(3,653,230)	(177,261)
Other non-cash items							
Bad debts recovered	-	-	-	-	-	8,160	8,160
Impairment on investment in subsidiary companies	-	-	972,228	(972,228)	-	-	-
Impairment on trade receivables	-	-	-	-	-	(39,282)	(39,282)
Impairment on other receivables	-	-	-	-	-	(110,240)	(110,240)
Inventories written down	-	-	-	-	-	(101,563)	(101,563)
Reversal of impairment on inventories	-	-	-	-	-	109,000	109,000
Gain on disposal of property, plant and equipment	-	-	-	-	-	7,547	7,547
Provision of slow moving inventories	-	170,000	-	-	170,000	-	170,000
Unrealised gain on foreign exchange	-	(1,080)	-	-	(1,080)	-	(1,080)
Segment assets							
Additions to property, plant and equipment	5,795	23,771	-	-	29,566	-	29,566
Segment liabilities	16,730,506	5,679,676	2,348,999	(10,712,626)	14,046,555	-	14,046,555

29. Segmental Information (Cont'd)

Geographical segments

No geographical segments information such as segment revenue, segment assets and segment capital expenditure is presented as the Group business is entirely carried out in Malaysia.

30. Contingent Liabilities

	Company	
	31.12.2017	30.9.2016
	RM	RM
Corporate guarantees given to licensed banks for credit facilities granted to subsidiary companies		
- Limit of guarantees	8,400,000	8,400,000
- Amount utilised	200,000	1,949,000

31. Financial Instruments

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Loans and receivables	Financial liabilities at amortised cost	Total
	RM	RM	RM
Group			
31.12.2017			
Financial Assets			
Trade receivables	3,206,077	-	3,206,077
Other receivables	319,222	-	319,222
Fixed deposits with licensed bank	12,383,960	-	12,383,960
Cash and bank balances	10,076,359	-	10,076,359
	25,985,618	-	25,985,618
Financial Liabilities			
Trade payables	-	1,025,678	1,025,678
Other payables	-	3,317,834	3,317,834
Finance lease payables	-	40,886	40,886
Bank borrowings	-	138,000	138,000
	-	4,522,398	4,522,398
30.9.2016			
Financial Assets			
Trade receivables	5,741,859	-	5,741,859
Other receivables	445,851	-	445,851
Fixed deposits with licensed bank	13,523,112	-	13,523,112
Cash and bank balances	8,606,731	-	8,606,731
	28,317,553	-	28,317,553
Financial Liabilities			
Trade payables	-	2,075,496	2,075,496
Other payables	-	3,721,010	3,721,010
Finance lease payables	-	161,467	161,467
Bank borrowings	-	2,528,551	2,528,551
	-	8,486,524	8,486,524

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
Company			
31.12.2017			
Financial Assets			
Other receivables	8,500	-	8,500
Amount owing by subsidiary companies			
subsidiary companies companies	1,766,812	-	1,766,812
Fixed deposits with licensed bank	8,973,502	-	8,973,502
Cash and bank balances	1,140,594	-	1,140,594
	11,889,408	-	11,889,408
Financial Liability			
Other payables	-	286,477	286,477
30.9.2016			
Financial Assets			
Other receivables	1,000	-	1,000
Amount owing by subsidiary companies			
subsidiary companies companies	1,672,731	-	1,672,731
Fixed deposits with licensed banks	10,254,052	-	10,254,052
Cash and bank balances	647,136	-	647,136
	12,574,919	-	12,574,919
Financial Liability			
Other payables	-	193,794	193,794

(b) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its credit, liquidity, foreign currency and interest rate risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group's and Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its customers and deposits with licensed banks. The Company's exposure to credit risk arises principally from loans and advances to subsidiary companies and financial guarantees given to banks for credit facilities granted to subsidiary companies.

The Group has adopted a policy of only dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The Company provides unsecured loans and advances to subsidiary companies. It also provides unsecured financial guarantees to banks for banking facilities granted to certain subsidiary companies. The Company monitors on an ongoing basis the results of the subsidiary companies and repayments made by the subsidiary companies.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(i) Credit risk (Cont'd)

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial period represent the Group's maximum exposure to credit risk except for financial guarantees provided to banks for banking facilities granted to certain subsidiary companies. The Group's maximum exposure in this respect is RM200,000 (30.9.2016: RM1,949,000) representing the outstanding banking facilities of the subsidiary companies as at the end of the reporting period. There was no indication that any subsidiary company would default on repayment as at the end of the reporting period.

As disclosed in Note 10, approximately RM934,424 (30.9.2016: RM3,206,196) of the Group's trade receivables were due from 3 (30.9.2016: 7) major customers as at the end of the reporting period. The Company has no significant concentration of credits risks except for loans to its subsidiary companies where risks of default have been assessed to be low.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group will encounter difficulty in meeting its financial obligations as they fall. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

	On demand or within 1 year	1 to 2 years	2 to 5 years	After 5 years	Total Contractual Cash Flows	Total Carrying amount
	RM	RM	RM	RM	RM	RM
Group						
31.12.2017						
Financial Liabilities						
Trade payables	1,025,678	-	-	-	1,025,678	1,025,678
Other payables	3,317,834	-	-	-	3,317,834	3,317,834
Finance lease payables	30,072	12,515	-	-	42,587	40,886
Bank borrowings	138,000	-	-	-	138,000	138,000
Total financial liabilities	4,511,584	12,515	-	-	4,524,099	4,522,398
31.12.2016						
Financial Liabilities						
Trade payables	2,075,496	-	-	-	2,075,496	2,075,496
Other payables	3,721,010	-	-	-	3,721,010	3,721,010
Finance lease payables	119,176	50,105	-	-	169,281	161,467
Bank borrowings	2,005,689	59,738	199,190	263,934	2,528,551	2,528,551
Total financial liabilities	7,921,371	109,843	199,190	263,934	8,494,338	8,486,524

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	Total Contractual Cash Flows/Carrying amount RM
Company		
31.12.2017		
Financial Liability		
Other payables	286,477	286,477
30.9.2016		
Financial Liability		
Other payables	193,794	193,794

The following table analyses the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

(c) Market risks

(i) Foreign currency exchange risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of the Group entities. The currencies giving rise to this risk is primarily United States Dollar (USD).

The Group has not entered into any derivative instruments for hedging or trading purposes. Where possible, the Group will apply natural hedging by selling and purchasing in the same currency. However, the exposure to foreign currency risk is monitored from time to time by management.

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities are disclosed in Notes 10 and 14.

<u>Sensitivity analysis for foreign currency exchange risk</u>

The Group's exposure to sensitivity of currency risk is insignificant as the transactional currencies are mostly in the functional currencies of the respective operating entities.

(ii) Interest rate risk

The Group and the Company are exposed to interest rate risk arising primarily from financing through interest bearing financial assets and financial liabilities. The Group's and the Company's policy is to obtain the financing with the most favourable interest rates in the market.

The Group and the Company constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31. Financial Instruments (Cont'd)

(c) Market risks (Cont'd)

(ii) Interest rate risk (Cont'd)

The carrying amounts of the Group financial instruments that are exposed to interest rate risk are as follows:

	31.12.2017 RM	30.9.2016 RM
Group		
Fixed rate instruments		
Financial Asset		
Fixed deposits with licensed bank	12,383,960	13,523,112
Financial Liabilities		
Finance lease payables	40,886	161,467
Bank borrowings	138,000	1,949,000
	178,886	2,110,467
Floating rate instruments		
Financial Liability		
Bank borrowings	-	579,551
Company		
Fixed rate instruments		
Financial Assets		
Fixed deposits with licensed bank	8,973,502	10,254,052
Amount owing by subsidiary companies	300,000	1,000,000
	9,273,502	11,254,052

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate financial liabilities of the Group which have variable interest rate at the end of the financial period would have increase/(decreased) profit before taxation by the amounts shown below. This analysis assumes all other variables remain constant.

	Group Effect on loss before tax 31.12.2017 RM	 30.9.2016 RM
Interest rate increase by 1%	-	(5,796)
Interest rate decrease by 1%	-	5,796

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31. Financial Instruments (Cont'd)

(d) Fair value of financial instruments

The carrying amounts of short term payable, cash and cash equivalents and short term borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

The table below analyses financial instruments those not carried at fair value for which fair value is disclosed, together with their values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments not carried at fair value				
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Carrying Amount RM
2017					
Financial liability					
Finance lease liability	-	35,715	-	35,715	40,886
2016					
Financial liability					
Finance lease liability	-	69,489	-	69,489	161,467

(i) Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of date of the event or change in circumstances that caused the transfer.

There are no transfer between levels during current and previous financial years.

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or libility, either directly (i.e. as prices) or indirectly (i.e. derived from priced)

Non-derivative financial instruments
Fair value which determined for disclosure purposes, is calculated based on the present value of future and interest cash flows, discounted at the market rate of interst at the end of the reporting period.

(iv) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

32. Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. Capital Management (Cont'd)

The Group monitors capital using a gearing ratio. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants and regulatory requirements. The gearing ratios at end of the reporting period are as follows:

	31.12.2017 RM	30.9.2016 RM
Total interest-bearing borrowings	178,886	2,690,018
Less: Cash and cash equivalents	22,460,319	22,129,843
Total net debts	(22,281,433)	(19,439,825)
Total equity	59,035,629	55,671,728
Debt to equity ratio	N/A	N/A

N/A – Not applicable

The debt to equity ratio is not applicable as the Group is in a cash position.

There were no changes in the Group's approach to capital management during the financial period.

33. Significant events

(a) On 30 November 2016, the Company entered into a Sale of Shares Agreement for the acquisition of the remaining 49% of the issued and paid-up share capital of Watta Energy (M) Sdn Bhd (WESB) for a total consideration of RM490,000. Upon completion of the proposed acquisition, WESB will become a wholly-owned subsidiary company of the Company.

(b) On 6 October 2017, the Group decided to cease its trading and distribution of automotive batteries business by 31 December 2017 in line with the Group's re-organisation plan to discontinue its loss-making business decision, as a strategy to reduce the operating costs and overheads of the Group.

34. Comparative Figure

The Group have adopted the fair value model permitted by MFRS 140 *Investment Property*, which have been applied in preparing the financial statements of the Group for the financial period ended 31 December 2017, the comparative information presented in these financial statements for financial period ended 31 December 2017 and financial year ended 30 September 2016.

In preparing the opening statement of financial position at 1 October 2016, the Group had adjusted amounts reported previously in financial statements prepared accordance with the cost model permitted by MFRS 140 *Investment Property*. The effects of the change are disclosed below:

	30.9.2016		1.10.2015	
	As restated RM	As previously stated RM	As restated RM	As previously stated RM
Group				
Statement of financial position				
Non-current asset				
Investment properties	21,430,000	19,529,515	21,430,000	19,909,613
Equity				
Retained profit	13,431,728	11,872,647	14,847,623	13,327,236
Non-current liabilities				
Deferred tax liabilities	5,560,031	5,218,627	5,560,031	5,492,294

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

35. Comparative Information

The prior year financial statement as at 30 September 2016 cover period from 1 October 2015 to 30 September 2016 and hence, the comparative figures are not direct comparable.

36. Date of Authorisation for Issue

The financial statements of the Group and of the Company for the financial period ended 31 December 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 23 April 2018.

LIST OF PROPERTIES 31 DECEMBER 2017

Location & Details	Description	Tenure (Age of Property)	Existing Use	Land Area	Date of Acquisition or Last Revaluation	Net Book Value RM
WATTA BATTERY INDUSTRIES SDN.BHD.						
P.T. No. 7620 Mukim of Cheras District of Ulu Langat No. 6 Jalan I, Kaw. Per. Balakong, Cheras Jaya, 43200 Selangor D.E.	Corner detached factory with double storey office	99 years leasehold expiring on 14 May 2088 (28 years)	Rented	4,571 sq. metres	• 26/12/2017	9,010,000
P.T. No. 7619 Mukim of Cheras District of Ulu Langat No. 16 Lorong 2A, Kaw. Per. Balakong, Cheras Jaya, 43200 Selangor D.E.	Corner semi-detached factory with double storey office	99 years leasehold expiring on 14 May 2088 (28 years)	Rented	2,019 sq. metres	• 26/12/2017	4,365,000
P.T. No. 7608 Mukim of Cheras District of Ulu Langat No. 7 Lorong 2A, Kaw. Per. Balakong, Cheras Jaya, 43200 Selangor D.E.	Corner semi-detached factory with double storey office	99 years leasehold expiring on 14 May 2088 (28 years)	Rented	1,600 sq. metres	• 26/12/2017	3,475,000
P.T. No. 7626 Mukim of Cheras District of Ulu Langat No. 8 Jalan I, Kaw. Per. Balakong, Cheras Jaya, 43200 Selangor D.E.	Corner detached factory with double storey office	99 years leasehold expiring on 14 May 2088 (28 years)	Office and Store	4,347 sq. metres	• 26/12/2017	6,226,742
P.T. No. 10159 Mukim of Sungai Trap District of Kinta 6 1/2 miles Lahat Pusing Main Road Ipoh, Perak	Vacant land	60 years leasehold expiring on 5 May 2062 (38 years)	Vacant	6,845 sq. metres	• 26/12/2017	950,000
MEGA MERANTI SDN. BHD.						
H.S. (M) 1011 P.T. 22538 Mukim Cheras District of Ulu Langat Balakong, Selangor D.E.	Vacant land	60 years leasehold expiring on 29 August 2054 (23 years)	Vacant	25,660 sq. metres	• 26/12/2017	16,500,000
MOBILE TECHNIC SDN. BHD						
Suite W-10-21 to W-10-26 10th Floor, Melawangi Business Suites, Amcorp Trade Centre, No. 18 Jalan Persiaran Barat, 46050 Petaling Jaya Selangor D.E.	Business building	99 years leasehold expiring on 11 September 2088 (28 years)	Office and Store	372 sq. metres	• 5/12/2017	1,318,356

• indicates date of last revaluation

ANALYSIS OF SHAREHOLDINGS AS AT 06 APRIL 2018

SHARE CAPITAL

Total number of issued shares	:	RM84,480,000
Issued and Paid-up share capital	:	RM42,240,000/-
Class of shares	:	Ordinary shares
Voting rights	:	One (1) vote for each share held

ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 06 APRIL 2018
(as per the Record of Depositors)

Size of Shareholdings	Number of Shareholders	% of Shareholders	Number of Shares Held	% of Shares Held
Less than 100	121	11.74	2,706	0.00
100 - 1,000	138	13.39	35,415	0.04
1,001 - 10,000	479	46.46	2,447,791	2.89
10,001 - 100,000	239	23.18	7,887,952	9.34
100,001 to less than 5% of issued shares	52	5.04	28,920,116	34.24
5% and above of issued shares	2	0.19	45,186,020	53.49
Total	1,031	100.00	84,480,000	100.00

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS AT 06 APRIL 2018
(as per the Register of Substantial Shareholders)

	No. of ordinary shares			
Name	**Direct**	**%**	**Indirect**	**%**
Dato' Lee Foo San	27,707,730	32.80	-	-
Surin Bay Resort Sdn Bhd	19,344,022	22.90	-	-
Cambridge Asset Holding Limited	-	-	19,344,022*	22.90
Datuk Hong Choon Hau	-	-	19,344,022**	22.90
Chum Mun Cuan	-	-	19,344,022**	22.90

* Deemed interested by virtue of Section 8(4)(c) of the Companies Act 2016
** Deemed interested by virtue of Section 8(4)(c) of the Companies Act 2016 through Cambridge Asset Holding Limited.

DIRECTORS' SHAREHOLDINGS AS AT 06 APRIL 2018
(as per the Register of Directors' Shareholdings)

	No. of ordinary shares			
Name	**Direct**	**%**	**Indirect**	**%**
Dato' Lee Foo San	27,707,730	32.80	-	-
Gan Leng Swee	764,058	0.90	-	-
Hj Ariffin Bin Abdul Aziz	-	-	3,468,800*	4.11
Datin Teoh Lian Tin	-	-	-	-
Hj Ahmad Bin Darus	-	-	-	-
Hj Ahmad Bin Khalid	-	-	3,468,800*	4.11
Lee Tak Wing	-	-	-	-
Loo Sooi Guan	20,200	0.02	100**	0.00
Datuk Hong Choon Hau	-	-	19,344,022***	22.90

* Deemed interested by virtue of Section 8(4)(c) of the Companies Act 2016
** Shares held directly by spouse. Deemed interest pursuant to Section 59(11)(c) of the Companies Act 2016.
*** Deemed interested by virtue of Section 8(4)(c) of the Companies Act 2016 through Cambridge Asset Holding Limited.

ANALYSIS OF SHAREHOLDINGS AS AT 06 APRIL 2018 (CONT'D)

30 LARGEST SHAREHOLDERS
(as per the Record of Depositors)

No.	Name of Shareholders	No. of Shares Held	%
1.	Dato' Lee Foo San	26,687,998	31.59
2.	Surin Bay Resort Sdn Bhd	18,498,022	21.90
3.	CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB Bank for United Matrix Sdn Bhd (MM0649)	3,200,000	3.79
4.	AMSEC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tiow Liu Chung Yun	2,476,000	2.93
5.	Tan Han Chuan	2,142,500	2.54
6.	Affin Hwang Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lim Sing (M01)	1,834,666	2.17
7.	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Yeo Guik Hiang (JBU/UOB)	1,459,100	1.73
8.	Lim Wei Ling	1,073,158	1.27
9.	Dato' Lee Foo San	1,019,732	1.21
10.	Tan Ching Ching	863,400	1.02
11.	Surin Bay Resort Sdn Bhd	846,000	1.00
12.	AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ker Min Choo (8109400)	807,000	0.96
13.	Gan Leng Swee	764,058	0.90
14.	Chan Wan Moi	763,000	0.90
15.	Lee Tiam Hock @ Lee Tiam Fook	668,000	0.79
16.	CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB Bank for Yeo Guik Hiang (M78063)	661,700	0.78
17.	AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ker Yan Ling (6000927)	650,400	0.77
18.	Lim Cheng Mee @ Lim Cheng Kah	642,000	0.76
19.	RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Tan Gaik Suan	622,500	0.74
20.	Lim Sing	621,334	0.74
21.	Cheah Kuan Beng	555,200	0.66
22.	Surinder Singh A/L Wassan Singh	555,000	0.66
23.	Goh Ling Yau	520,000	0.62
24.	JF Apex Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Teow Wooi Huat (STA 2)	454,400	0.54
25.	Celina Lee Ching Ling	387,400	0.46
26.	Lai Thiam Poh	321,700	0.38
27.	Teoh Ah Lak	282,000	0.33
28.	RHB Ominees (Tempatan) Sdn Bhd - Pledged Securities Account For Loh Kwok Yee	278,000	0.33
29.	HLIB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chew Chee Seng	276,204	0.33
30.	United Matrix Sdn Bhd	268,800	0.32
	Total	70,199,272	83.12

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WATTA HOLDING BERHAD (324384-A)
(Incorporated in Malaysia)

Number of shares held	
CDS Account No.	
Contact No.	

FORM OF PROXY

I/We ______________________________ NRIC/Company No. ______________
[Full name in block letters]

of ______________________________
[Full address]

being a member of **Watta Holding Berhad**, hereby appoint ______________________________
[Full name in block letters and NRIC No.]

of ______________________________
[Full address]

or failing him/her ______________________________
[Full name in block letters and NRIC No.]

of ______________________________
[Full address]

or failing him/her, the Chairman of the meeting as *my/our proxy to vote for me/us on *my/our behalf at the Twenty Third Annual General Meeting of the Company to be held at Skyroom @ Level 15, The Federal Kuala Lumpur, 35 Jalan Bukit Bintang, 55100 Kuala Lumpur on Thursday, 28 June 2018 at 9.00 a.m. or at any adjournment thereof.

*My/our Proxy(ies) is/are to vote as indicated below:-

Ordinary Resolutions		For	Against
Ordinary Business			
1.	To re-elect the Director, Hj Ariffin Bin Abdul Aziz		
2.	To re-elect the Director, Hj Ahmad Bin Darus		
3.	To re-elect the Director, Lee Tak Wing		
4.	To re-elect the Director, Datuk Hong Choon Hau		
5.	To approve the payment of Directors' fees and benefits		
6.	To re-appoint Messrs UHY as the Company's Auditors		
Special Business			
7.	To approve the retention of Gan Leng Swee as Independent Director		
8.	To approve the retention of Hj Ahmad Bin Darus as Independent Director		
9.	Authority for Directors to Issue Shares		
10.	Proposed Shareholders' Mandate		

(Please indicate with an "X" or "√" in the space provided above on how you wish your vote to be cast. If no specific instruction is given on voting, the proxy will vote or abstain from voting at his/her discretion.)

Dated this day of

____
Signature/Common Seal of Member

Notes:

(1) Only a depositor whose name appears in the Company's Record of Depositors as at 21 June 2018 shall be regarded as a member and entitled to attend, speak and vote at this meeting or appoint proxy(ies) to attend and vote in his stead.

(2) A member may appoint up to two (2) proxies to attend and vote instead of him at the meeting. If the member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. A proxy may but need not be a member of the Company.

(3) Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint up to two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

(4) Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.

(5) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

(6) The original instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office of the Company at Suite 11.1A, Level 11, Menara Weld, 76 Jalan Raja Chulan, 50200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting.

(7) Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by poll.

(8) The Personal Data Protection Act 2010, which regulates the processing of personal data in commercial transactions, applies to the Company. By providing to us your personal data which may include your name, contact details and mailing address, you hereby consent, agree and authorise the processing and/or disclosure of any personal data of or relating to you for the purposes of issuing the notice of this meeting and convening the meeting, including but not limited to preparation and compilation of documents and other matters, whether or not supplied by you. You further confirm to have obtained the consent, agreement and authorisation of all persons whose personal data you have disclosed and/or processed in connection with the foregoing.

STAMP

The Company Secretary
WATTA HOLDING BERHAD (324384-A)
Suite 11.1A, Level 11, Menara Weld
76 Jalan Raja Chulan
50200 Kuala Lumpur

WATTA HOLDING BERHAD
(324384-A)

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