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If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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**WATTA HOLDING BERHAD**  
(Registration No. 199401038699 (324384-A))  
(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO**

**PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT  
RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

The Notice of the Twenty Fifth Annual General Meeting (“AGM”) of WATTA HOLDING BERHAD (“the Company”) to be held at Ballroom 1 @ Level 2, The Federal Kuala Lumpur, 35 Jalan Bukit Bintang, 55100 Kuala Lumpur on Thursday, 23 July 2020 at 9.00 a.m. and the Form of Proxy are included in the Annual Report 2019 which is sent to you together with this Circular. The Form of Proxy should be completed and lodged 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 stipulated for holding the AGM or at any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the AGM if you subsequently wish to do so.

Last date and time for lodging the Form of Proxy is Tuesday, 21 July 2020 at 9.00 a.m.

This Circular is dated 24 June 2020

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## DEFINITIONS

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For the purpose of this Circular, except where the context otherwise requires, the following terms and expressions shall have the following meanings:-

- |                             |  |
|-----------------------------|--|
| <b>Act</b>                  | - Malaysian Companies Act 2016, as amended from time to time and any re-enactment thereof  |
| <b>AGM</b>                  | - Annual General Meeting   |
| <b>Audit Committee</b>      | - Audit Committee of Watta   |
| <b>Board</b>                | - Board of Directors for the time being of Watta   |
| <b>Bursa Securities</b>     | - Bursa Malaysia Securities Berhad (200301033577 (635998-W))   |
| <b>CMSA</b>                 | - Capital Markets and Services Act 2007 and any amendments made thereto from time to time  |
| <b>Director(s)</b>          | - Has the meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a Director of Watta, its subsidiary or holding company or a chief executive of Watta, its subsidiary or holding company  |
| <b>SST</b>                  | - Sales & Service Tax  |
| <b>Hello Service Centre</b> | - Hello Service Centre (M) Sdn Bhd (199601006696 (379042-U))   |
| <b>Hello Station</b>        | - The Hello Station (M) Sdn Bhd (199601006783 (379129-H)), a wholly-owned subsidiary of Zitron   |
| <b>LPD</b>                  | - 1 June 2020, being the latest practicable date prior to the printing of this Circular  |
| <b>Leko</b>                 | - Syarikat Perniagaan Leko Sdn Bhd (198101006732 (72846-A)), a wholly-owned subsidiary of Watta  |
| <b>Listing Requirements</b> | - Main Market Listing Requirements of Bursa Securities, as amended from time to time and any re-enactment thereof  |
| <b>Major Shareholder(s)</b> | - Means a person who has an interest or interests in one or more voting shares in the Company and the number or aggregate number of those shares, is:-<br><br>(a) 10% or more of the total number of voting shares in the Company, or<br><br>(b) 5% or more of the total number of voting shares in the Company where such person is the largest shareholder of the Company. |

This includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a Major Shareholder of Watta or any other corporation which is its subsidiary or holding company. For the purpose herein, “interest” shall have the meaning of “interest in shares” given in Section 8 of the Act.

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**DEFINITIONS (cont'd)**

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<b>Mega Meranti</b>	- Mega Meranti Sdn Bhd (199101003153 (213463-A)), a wholly-owned subsidiary of Watta
<b>Midland Network</b>	- Midland Network Sdn Bhd (200301002775 (605195-A))
<b>Mobile Technic</b>	- Mobile Technic Sdn Bhd (200101014548 (550305-W)), a wholly-owned subsidiary of Watta
<b>Proposed RRPT Mandate</b>	- Proposed renewal of existing shareholders' mandate for Watta Group to enter into Recurrent Transactions
<b>Recurrent Transaction(s) or RRPT</b>	- Recurrent related party transactions of a revenue and/or trading nature which are necessary for its day-to-day operations and are in the ordinary course of business of the Watta Group involving the interest, direct or indirect, of the Related Party(ies)
<b>Related Party(ies)</b>	- A Director, Major Shareholder or person connected with such Director or Major Shareholder
<b>RM</b>	- Ringgit Malaysia
<b>SEMS</b>	- SEMS Services Sdn Bhd (200201010681 (578344-T)), a wholly-owned subsidiary of Watta
<b>Share(s)</b>	- Ordinary share(s) in Watta
<b>Watta or the Company</b>	- Watta Holding Berhad (199401038699 (324384-A))
<b>Watta Battery</b>	- Watta Battery Industries Sdn Bhd (197401001813 (18880-U)), a wholly-owned subsidiary of Watta
<b>Watta Energy</b>	- Watta Energy (M) Sdn Bhd (199501043017 (372222-U)), a wholly-owned subsidiary of Watta
<b>Watta Group or the Group</b>	- Watta and its subsidiaries collectively
<b>Zitron</b>	- Zitron Enterprise (M) Sdn Bhd (199201010978 (242481-M))
<b>Z'tronic</b>	- Z'tronic Holidays Sdn Bhd (198901010285 (187587-V))

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**WATTA HOLDING BERHAD**  
(Registration No. 199401038699 (324384-A))  
(Incorporated in Malaysia)

**Registered Office:**  
Suite 11.1A, Level 11  
Menara Weld  
76 Jalan Raja Chulan  
50200 Kuala Lumpur

24 June 2020

**Directors:**

Hj Ahmad Bin Darus (*Independent Non-Executive Chairman*)  
Dato' Lee Foo San (*Group Executive Deputy Chairman and Chief Executive Officer*)  
Hj Ariffin Bin Abdul Aziz (*Group Executive Director*)  
Datin Teoh Lian Tin (*Executive Director*)  
Loo Sooi Guan (*Executive Director*)  
Gan Leng Swee (*Senior Independent Non-Executive Director*)  
Hj Ahmad Bin Khalid (*Non-Independent Non-Executive Director*)  
Lee Tak Wing (*Independent Non-Executive Director*)  
Datuk Hong Choon Hau (*Non-Independent Non-Executive Director*)

**To: The Shareholders of Watta Holding Berhad**

Dear Sir/Madam

**PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

**1. INTRODUCTION**

The Company had at its Twenty Fourth AGM held on 27 June 2019 obtained shareholders' mandate for the Company and its subsidiaries to enter into RRPT.

On 10 June 2020, the Company announced that it proposes to seek its shareholders' approval for the Proposed RRPT Mandate at the forthcoming AGM.

**The purpose of this Circular is to provide you with details on the Proposed RRPT Mandate, to set out the views of your Board, and to seek your approval for the Ordinary Resolution to be tabled at the forthcoming AGM.**

## 2. DETAILS OF THE PROPOSED RRPT MANDATE

The RRPT covered by the Proposed RRPT Mandate include inter-alia the leases of office premises, purchases of airline tickets, tour arrangements and accommodation bookings, sales and purchases of cellular phones and related phone parts and accessories, service maintenance and repair of phones which are carried out in the ordinary course of the Group's business with the Related Parties as stated in Sections 2.4 and 2.5 below.

Pursuant to Paragraph 10.09(2) of the Listing Requirements, a listed issuer may seek a mandate from its shareholders for Recurrent Transactions subject to the following:-

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (b) the shareholder mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholder mandate during the financial year where:-
  - (i) the consideration, value of assets, capital outlay or costs of the Recurrent Transaction is RM1 million or more; or
  - (ii) the percentage ratio of such Recurrent Transaction is 1% or more,whichever is the lower;
- (c) the listed issuer's circular to shareholders in relation to the shareholder mandate shall include the information set out in Annexure PN12-A of Practice Note 12 of the Listing Requirements;
- (d) in a meeting to obtain shareholder mandate, the interested directors, interested major shareholders or interested persons connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution approving the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions; and
- (e) the listed issuer immediately announces to Bursa Securities when the actual value of a Recurrent Transaction entered into by the listed issuer, exceeds the estimated value of the Recurrent Transaction disclosed in the circular by 10% or more and must include the information as may be prescribed by Bursa Securities in its announcement.

The Proposed RRPT Mandate will allow the Watta Group to enter into Recurrent Transactions in the ordinary course of business provided such transactions are on terms not more favourable to the Related Party than those generally available to the public.

### 2.1 Validity of the Proposed RRPT Mandate

The authority to be conferred by the Proposed RRPT Mandate will take effect from the passing of the ordinary resolution proposed at the forthcoming AGM and will continue to be in force until:-

- (a) the conclusion of the next AGM of the Company following the forthcoming AGM at which the Proposed RRPT Mandate is approved, at which time it will lapse, unless by a resolution passed at the general meeting, the authority is renewed;

- (b) the expiration of the period within which the next AGM after the forthcoming AGM is required to be held pursuant to Section 340(2) of the Act (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
  - (c) revoked or varied by resolution passed by the shareholders in general meeting,
- whichever is the earlier.

## 2.2 Disclosure in Annual Report

Disclosure has been made in the Annual Report 2019 of the Company of the aggregate value of RRPT pursuant to the previous shareholders' mandate in accordance with Paragraph 3.1.5 of Practice Note 12 of the Listing Requirements based on the following information:-

- (a) the types of RRPT made; and
- (b) the names of the Related Parties involved in each type of the RRPT made and their relationship with the Company.

## 2.3 Principal Activities of Watta Group

The principal activities of Watta are investment holding and the provision of management services. The subsidiary companies and their principal activities are as follows:-

Name of Company	Equity Interest (%)	Principal Activities
Watta Battery	100	Property investment.
Leko	100	Ceased operations.
Mega Meranti	100	Property investment.
Mobile Technic	100	Servicing and repair of mobile telecommunication equipment products and other electronic equipment.
SEMS	100	Servicing and repair of mobile telecommunication equipment products and other electronic equipment.
Watta Energy	100	Marketing and distribution of telecommunication equipment and related products.

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## 2.4

### Class of Related Party

The Proposed RRPT Mandate will apply to transactions with the following classes of Related Parties:-

Related Party	Principal Activities	Relationship
Z'tronic	Provision of tour and ticketing services	<ul style="list-style-type: none"> <li>▪ Dato' Lee Foo San, the Group Executive Deputy Chairman and a Major Shareholder of Watta, is a Director and substantial shareholder of Z'tronic.</li> <li>▪ Datin Teoh Lian Tin, the Executive Director of Watta, is the spouse of Dato' Lee Foo San.</li> <li>▪ 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.</li> <li>▪ Lee Foo Hock, the brother of Dato' Lee Foo San, is a Director of Leko, Watta Battery, Watta Energy and Z'tronic.</li> <li>▪ 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.</li> <li>▪ Lee Li Yen is an Alternate Director to Dato' Lee Foo San in Z'tronic. She is the sister of Dato' Lee Foo San.</li> </ul>
Zitron	Distribution and retailing of telecommunication products and lease of office premises	<ul style="list-style-type: none"> <li>▪ Dato' Lee Foo San, the Group Executive Deputy Chairman and a Major Shareholder of Watta, is a Director and substantial shareholder of Zitron.</li> <li>▪ 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.</li> <li>▪ 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.</li> <li>▪ Lee Foo Hock, the brother of Dato' Lee Foo San, is a Director of Leko, Watta Battery and Watta Energy.</li> <li>▪ Hj Ahmad Bin Khalid, a Director of Watta, is a Director of Zitron and Watta Energy.</li> </ul>
Hello Service Centre	Servicing and repairs of handphone	<ul style="list-style-type: none"> <li>▪ Dato' Lee Foo San, the Group Executive Deputy Chairman and a Major Shareholder of Watta, is a substantial shareholder of Hello Service Centre.</li> <li>▪ 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.</li> <li>▪ Lee Foo Hock, the brother of Dato' Lee Foo San, is a Director of Hello Service Centre.</li> </ul>
Hello Station	Distribution and retailing of mobile phone	<ul style="list-style-type: none"> <li>▪ Dato' Lee Foo San, the Group Executive Deputy Chairman and a Major Shareholder of Watta. He is deemed a substantial shareholder of Hello Station by virtue of his substantial interest in Zitron.</li> <li>▪ Datin Teoh Lian Tin, the Executive Director of Watta, is a Director of Hello Station and is deemed a substantial shareholder of Hello Station by virtue of her substantial interest in Zitron. She is also the spouse of Dato' Lee Foo San.</li> <li>▪ Lee Foo Hock, the brother of Dato' Lee Foo San, is a Director of Hello Station.</li> </ul>



2.4 *Class of Related Party – cont'd*

Related Party	Principal Activities	Relationship
Midland Network	Distribution of mobile phone	<ul style="list-style-type: none"> <li>▪ Dato' Lee Foo San, the Group Executive Deputy Chairman and a Major Shareholder of Watta, is a Director and substantial shareholder of Midland Network.</li> <li>▪ Datin Teoh Lian Tin, the Executive Director of Watta, is the spouse of Dato' Lee Foo San.</li> <li>▪ Lee Foo Hock, the brother of Dato' Lee Foo San, is a Director and shareholder of Midland Network.</li> <li>▪ Hj Ahmad Bin Khalid, a Director of Watta, is a Director and shareholder of Midland Network.</li> </ul>

2.5 **Nature and terms of RRPT**

The RRPT as set out below, are transactions to be entered into by Watta Group with the Related Parties in the ordinary course of business under the Proposed RRPT Mandate:-

**Proposed Renewal of Existing Shareholders' Mandate**

Nature of Transaction	Companies in the Watta Group involved in the RRPT	Related Parties	Interested Director, Major Shareholder and person connected	Methods by which Transaction Prices are Determined	Estimated value of transaction from 23 July 2020 to the next AGM (RM) <sup>(1)</sup>	Estimated value as disclosed in the Circular to Shareholders dated 29 April 2019 <sup>(6)</sup> (RM)	Actual value transacted from 27 June 2019 up to LPD <sup>(5)</sup> <sup>(6)</sup> (RM)
Purchases of airline tickets, tour arrangements and accommodation bookings <sup>(2)</sup>	<ul style="list-style-type: none"> <li>▪ Watta Battery</li> <li>▪ Watta Energy</li> <li>▪ Leko</li> </ul>	Z'tronic	<ul style="list-style-type: none"> <li>▪ Dato' Lee Foo San</li> <li>▪ Datin Teoh Lian Tin</li> <li>▪ Lee Fook Sin</li> <li>▪ Lee Foo Hock</li> <li>▪ Hj Ahmad Bin Khalid</li> <li>▪ Lee Li Yen</li> </ul>	Based on prevailing market rates	200,000	200,000	NIL
Lease of office premises <sup>(3)</sup>	Watta	Zitron	<ul style="list-style-type: none"> <li>▪ Dato' Lee Foo San</li> <li>▪ Datin Teoh Lian Tin</li> <li>▪ Lee Fook Sin</li> <li>▪ Lee Foo Hock</li> <li>▪ Hj Ahmad Bin Khalid</li> </ul>	Based on prevailing market rates	500,000	500,000	388,101

2.5 Nature and terms of RRPT – cont'd

Proposed Renewal of Existing Shareholders' Mandate

Nature of Transaction	Companies in the Watta Group involved in the RRPT	Related Parties	Interested Director, Major Shareholder and person connected	Methods by which Transaction Prices are Determined	Estimated value of transaction from 23 July 2020 to the next AGM (RM) <sup>(1)</sup>	Estimated value as disclosed in the Circular to Shareholders dated 29 April 2019 <sup>(6)</sup> (RM)	Actual value transacted from 27 June 2019 up to LPD <sup>(5)</sup> <sup>(6)</sup> (RM)
Service maintenance fee and repair of phone	Mobile Technic	Zitron	<ul style="list-style-type: none"> <li>▪ Dato' Lee Foo San</li> <li>▪ Datin Teoh Lian Tin</li> <li>▪ Lee Fook Sin</li> <li>▪ Lee Foo Hock</li> <li>▪ Hj Ahmad Bin Khalid</li> </ul>	Based on prevailing market rates	1,000,000	1,000,000	NIL
Purchase of phone parts	Mobile Technic	Hello Service Centre	<ul style="list-style-type: none"> <li>▪ Dato' Lee Foo San</li> <li>▪ Datin Teoh Lian Tin</li> <li>▪ Lee Foo Hock</li> </ul>	Based on prevailing market rates	1,000,000	1,000,000	NIL
Service maintenance fee and repair of phone	SEMS	Midland Network	<ul style="list-style-type: none"> <li>▪ Dato' Lee Foo San</li> <li>▪ Datin Teoh Lian Tin</li> <li>▪ Lee Foo Hock</li> <li>▪ Hj Ahmad Bin Khalid</li> </ul>	Based on prevailing market rates	1,000,000	1,000,000	NIL
Sale and purchase of cellular telephones and related cellular telephone accessories <sup>(4)</sup>	Watta Energy	Zitron	<ul style="list-style-type: none"> <li>▪ Dato' Lee Foo San</li> <li>▪ Datin Teoh Lian Tin</li> <li>▪ Lee Fook Sin</li> <li>▪ Lee Foo Hock</li> <li>▪ Hj Ahmad Bin Khalid</li> </ul>	Competitive quotations	50,000,000	50,000,000	NIL
Sale and purchase of cellular telephones and related cellular telephone accessories <sup>(4)</sup>	Watta Energy	Hello Station	<ul style="list-style-type: none"> <li>▪ Dato' Lee Foo San</li> <li>▪ Datin Teoh Lian Tin</li> <li>▪ Lee Foo Hock</li> </ul>	Competitive quotations	10,000,000	10,000,000	NIL

## 2.5 Nature and terms of RRPT – Cont'd

### Notes:-

- (1) The estimated value of transactions above is based on management estimates. Due to the nature of the transactions, the actual amount transacted may vary depending on the overall economic and competitive environment. Disclosures will be made in the Annual Report 2020 of the Company of the actual breakdown of the aggregate value of transactions made during the financial year in accordance with the provisions of the Listing Requirements.
- (2) For business travel of Directors, employees and dealers of the Watta Group and is conducted via a combination of commercial documents of trade such as invoices, purchase orders and delivery orders.
- (3) Pursuant to a Lease Agreement dated 3 March 2020 for the renting by Watta from Zitron of office premises measuring 8,000 square feet located at 12<sup>th</sup> Floor, Menara Cosway, Plaza Berjaya, Jalan Imbi, 55100 Kuala Lumpur for a tenure of 24 months from 1 April 2020 to 31 March 2022 at a rental of RM288,000 per annum and maintenance charges (subject to SST, if applicable, quit rent, assessment, insurance, etc.) of approximately RM180,000 per annum.
- (4) Sales and purchases of cellular telephones and related cellular telephone accessories may also be at rates lower than quoted to dealers.
- (5) There were no amounts due and owing by the Related Parties to Watta Group pursuant to the RRPT as at LPD which exceeded the credit terms granted.
- (6) The actual value transacted of each RRPT, from 27 June 2019 up to LPD did not exceed the estimated value as disclosed in the Circular to Shareholders dated 24 June 2020 by 10% or more.

## **2.6 Rationale for and Benefit of the RRPT**

The Proposed RRPT Mandate will benefit the Group by facilitating the Watta Group to enter into transactions described in Section 2.5 with the Related Parties specified in Section 2.4 in the ordinary course of the Group's business on normal commercial terms and in a timely manner. The Proposed RRPT Mandate will also eliminate the need for the Company to announce and/or convene separate general meetings to seek shareholders' approval prior to entering into such transactions with the specified Related Parties. This would thereby reduce substantial administrative time, inconvenience and expenses associated with the convening of such meetings without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Watta Group.

The RRPT as outlined in Section 2.5 above are of a revenue or trading nature in the ordinary course of business of the Watta Group which are transacted from time to time with the Related Parties at market prices or lower but within arm's length basis. The normal commercial terms of the RRPT are not more favourable to the Related Parties than those generally available to the public, not prejudicial to the interest of the shareholders and are not detrimental to the minority shareholders of Watta.

The leasing by the Group of the premises in Menara Cosway, Plaza Berjaya from Zitron is due to its strategic location and monthly rental which is reasonable in view of the location of the premises in the Golden Triangle of Kuala Lumpur. Z'tronic, an established tour and ticketing agent has been offering the Group with both competitive pricing and quality services. Zitron and Hello Station are established distributors of cellular telephones and related parts and accessories both offer competitive pricing for their products. The purchases of phone parts by Mobile Technic from Hello Service Centre and Zitron are based on competitive pricing and are conducted on an arm's length basis and on normal commercial terms that are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders.

SEMS provides service maintenance and repair of phone to Midland Network and the transactions are conducted on an arm's length basis and on normal commercial terms which are not more favourable to Midland Network than those generally available to the public and not to the detriment to the minority shareholders of Watta and are consistent with the Group's usual business practices and policies.

The sale and purchase of cellular telephones and related cellular telephone accessories between Watta Energy and Zitron and Hello Station are expected to enhance the business operations of Watta Energy. This will be undertaken based on competitive pricing and conducted on an arm's length basis and on normal commercial terms that are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders.

Overall, the products and/or services provided by Hello Station, Hello Service Centre, Zitron and Z'tronic meet the requirements of Watta. The close co-operation between the Watta Group and the Related Parties have reaped mutual benefits and have been and is expected to continue to be of benefit to the business of the Watta Group.

## **2.7 Guidelines and Review Procedures**

The Watta Group implements the following guidelines and procedures to ensure that the RRPT contemplated under the Proposed RRPT Mandate are undertaken on transaction prices and terms which are generally not more favourable to the Related Parties than those generally available to the public, not detrimental to minority shareholders and are in the best interest of the Group:-

**(i) Methods for Determination of Transaction Price**

- (a) The pricing of the product/service is negotiated between Watta Group and the Related Parties based on prevailing market prices. A database or quotations obtained from third parties are being maintained by the Company. This information would provide true and fair evaluations and ranking of the price, delivery, services and other terms and conditions before entering into such transactions.
- (b) Any tender, quotation or contract received from or proposed to be entered into with a Related Party will not be approved unless:-
- at least 2 other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered to/by the Related Parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities.
  - In the event that quotation or comparative pricing from unrelated parties cannot be obtained, the Watta Group's pricing for the RRPT will be determined in accordance with the Group's usual business practices and policies, consistent with the usual margin of the Group for the same or substantially similar type of transactions made by the Group with unrelated third parties; and
  - the terms are not more favourable to the Related Parties than those extended to unrelated third parties and available to the public and the RRPT are not detrimental to minority shareholders of Watta.

**(ii) Approving authority in relation to RRPT**

The thresholds for the approval of RRPT within the Watta Group are as follows:-

- (a) Where the RRPT is one with a value below RM500,000, it will be reviewed and approved by any one Director of the Company who has no interest in the transaction.
- (b) Where the RRPT is one with a value equal to or in excess of RM500,000, it will be reviewed by the Audit Committee and approved by the Board of Directors.

**(iii) Monitoring of RRPT**

- (a) A list of Related Parties will be circulated within the Group to notify that all RRPT are required to be undertaken on arm's length basis and on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and not detrimental to the minority shareholders.
- (b) All Department Heads are required to report on all transactions involving Related Parties.
- (c) The Company shall keep a record of all RRPT which are entered into pursuant to the Proposed RRPT Mandate which will be available to the Audit Committee for inspection, as and when required.
- (d) All RRPT shall be tabled to the Audit Committee for review on a quarterly basis. Any member of the Audit Committee may as he deems fit, request for additional information pertaining to the transactions under review from independent sources or advisers, including obtaining valuations from independent professional valuers.

- (e) The internal audit functions will conduct periodic reviews of any or all of the RRPT to ascertain that the relevant approvals have been obtained and the guidelines and review procedures in respect of such transactions are adhered to. Any divergence is reported to the Audit Committee.
- (f) The Audit Committee will review the internal audit reports to ascertain that the guidelines and review procedures established to monitor the RRPT are complied with.
- (g) Should the Audit Committee during its review determine that the guidelines and/or procedures are inadequate or have become inappropriate or certain RRPT are not being conducted on arm's length basis or normal commercial terms and are detrimental to the interests of the minority shareholders, the Company will be advised to obtain a fresh shareholders' mandate for those transactions based on the new guidelines and/or procedures.
- (h) The Audit Committee shall also have the discretion to request for limits to be imposed or for additional procedures to be followed if it considers such a request to be appropriate. In that event, such limits or procedures may be implemented without the approval of shareholders, provided that they are more stringent than the existing limits or procedures.
- (i) The Board of Watta and the Audit Committee have reviewed the procedures and shall continue to review the procedures as and when necessary. If a member of the Board of Watta or the Audit Committee has an interest, whether direct or indirect, in a transaction to be reviewed by the Board of Watta or the Audit Committee, as the case may be, he/she will abstain from all deliberations and voting on such transaction.

### **3. STATEMENT BY THE AUDIT COMMITTEE**

The Audit Committee has considered the guidelines and review procedures mentioned in Section 2.7 above and is of the view that:-

- (a) the said procedures are sufficient to ensure that the RRPT are conducted at arm's length and on normal commercial terms which are not more favourable to the Related Party than those generally available to the public and are not to the detriment of the minority shareholders;
- (b) the Watta Group has in place adequate procedures and processes to monitor, track and identify RRPT in a timely and orderly manner; and
- (c) The Audit Committee will review these procedures and processes on a yearly basis or whenever the need arises with the authority to sub-delegate such function to individuals or committees within the Watta Group as it deems appropriate,

and the same has been reviewed and approved by the Board of Directors of Watta.

### **4. FINANCIAL EFFECTS OF THE PROPOSED RRPT MANDATE**

The Proposed RRPT Mandate will not have any effect on the issued and paid-up share capital of Watta and it will not have any financial effects on the consolidated earnings and net assets of the Watta Group.

**5. INTERESTS OF DIRECTORS AND/OR MAJOR SHAREHOLDERS AND/OR PERSON(S) CONNECTED WITH DIRECTOR OR MAJOR SHAREHOLDER**

Save as disclosed below, none of the other Directors, Major Shareholders nor any persons connected to them, has any interest, direct or indirect, in the Proposed RRPT Mandate.

The direct and indirect shareholdings of the interested Directors, Major Shareholders and persons connected to them in Watta as at LPD are as follows:-

Directors/Major Shareholders/Persons Connected	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Dato' Lee Foo San	27,707,730	32.80	-	-
Datin Teoh Lian Tin	-	-	-	-
Lee Fook Sin	112,000	0.13	-	-
Lee Foo Hock	-	-	-	-
Hj Ahmad Bin Khalid	-	-	3,468,800*	4.11
Lee Li Yen	-	-	-	-

\* Deemed interested pursuant to Section 8(4)(c) of the Companies Act 2016 by virtue of his shareholdings in United Matrix Sdn Bhd, a shareholder of Watta.

As at LPD, Dato' Lee Foo San holds 10,500,000 shares and 57,000 shares in Zitron and Z'tronic representing 70% and 19% respectively in the share capital of Zitron and Z'tronic. Datin Teoh Lian Tin holds 4,500,000 shares in Zitron representing 30% in the share capital of Zitron.

Dato' Lee Foo San, the Group Executive Deputy Chairman and a Major Shareholder of Watta; Datin Teoh Lian Tin, an Executive Director of the Watta Group and the spouse of Dato' Lee Foo San; and Hj Ahmad Bin Khalid, a Non-Independent Non-Executive Director of Watta are interested in the Proposed RRPT Mandate. Accordingly, they have abstained and will continue to abstain from all deliberations and voting on the Proposed RRPT Mandate at the Board meeting of Watta.

In addition, Dato' Lee Foo San will also abstain from voting in respect of his direct and/or indirect shareholdings on the ordinary resolution pertaining to the Proposed RRPT Mandate to be tabled at the forthcoming AGM.

Lee Fook Sin is the brother of Dato' Lee Foo San. He is also a shareholder of Watta and a Non-Executive Director of both Leko and Watta Battery. Lee Fook Sin will abstain from voting in respect of his direct and/or indirect shareholdings on the ordinary resolution pertaining to the Proposed RRPT Mandate to be tabled at the forthcoming AGM. As at LPD, Lee Fook Sin does not have any direct or indirect shareholdings in Zitron and Z'tronic.

Lee Foo Hock is the brother of Dato' Lee Foo San. He is also a Director of Leko, Watta Battery, Watta Energy and Z'tronic. As at LPD, Lee Foo Hock holds 90,000 shares representing 30% in the share capital of Z'tronic. He does not have any direct or indirect shareholdings in Watta.

Hj Ahmad Bin Khalid is a Director of Watta, Watta Energy, Midland Network, Zitron and Z'tronic. As at LPD, Hj Ahmad Bin Khalid has an indirect shareholdings of 3,468,800 shares representing 4.11% in the share capital of Watta; he is a shareholder of Z'tronic and Midland Network holding 153,000 shares representing 51% in Z'tronic and 1 ordinary share in Midland Network. Hj Ahmad Bin Khalid will abstain from voting in respect of his direct and/or indirect shareholdings, where applicable, on the ordinary resolution pertaining to the Proposed RRPT Mandate to be tabled at the forthcoming AGM.

Lee Li Yen, the sister of Dato' Lee Foo San is an Alternate Director to Dato' Lee Foo San in Z'tronic. As at LPD, Lee Li Yen does not have any direct or indirect shareholdings in Watta, Zitron and Z'tronic.

Dato' Lee Foo San, Datin Teoh Lian Tin, Lee Fook Sin, Lee Foo Hock, Hj Ahmad Bin Khalid and Lee Li Yen have also undertaken to ensure that where applicable, persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings, deliberating and/or approving the ordinary resolution pertaining to the Proposed RRPT Mandate to be tabled at the forthcoming AGM.

**6. DIRECTORS' RECOMMENDATION**

Having considered all aspects of the Proposed RRPT Mandate, your Board (save for Dato' Lee Foo San, Datin Teoh Lian Tin and Hj Ahmad Bin Khalid, who have abstained from and will continue to abstain from making any recommendations in respect thereof), is of the opinion that the Proposed RRPT Mandate is in the best interests of the Company and recommends that you vote in favour of the ordinary resolution pertaining to the Proposed RRPT Mandate to be tabled at the forthcoming AGM.

**7. APPROVALS REQUIRED**

The Proposed RRPT Mandate is conditional upon the approval of the shareholders of the Company being obtained at the forthcoming AGM.

**8. ANNUAL GENERAL MEETING**

The AGM of the Company, the notice of which is enclosed in the Company's Annual Report 2019, will be held at Ballroom 1 @ Level 2, The Federal Kuala Lumpur, 35 Jalan Bukit Bintang, 55100 Kuala Lumpur on Thursday, 23 July 2020 at 9.00 a.m. for the purpose of considering and, if thought fit, passing the ordinary resolution on the Proposed RRPT Mandate as set out in the said Notice of AGM.

If you are unable to attend and vote in person at the AGM, you are requested to complete, sign and lodge the Form of Proxy enclosed in the Annual Report 2019 in accordance with the instructions stated therein 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 fixed for holding the AGM.

The lodging of the Form of Proxy will not preclude you from attending and voting in person at the AGM should you subsequently wish to do so.

**9. FURTHER INFORMATION**

Shareholders are requested to refer to the attached Appendix I for further information.

Yours faithfully,  
For and on behalf of the Board of Directors of  
**WATTA HOLDING BERHAD**

**HJ AHMAD BIN DARUS**  
Independent Non-Executive Chairman



**1. RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by the Board of Directors of Watta and they collectively and individually accept full responsibility for the accuracy of the information contained herein. The Board of Directors confirms that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this Circular misleading.

**2. MATERIAL LITIGATION, CLAIMS OR ARBITRATION**

None of the companies in the Watta Group have engaged in any material litigation, claims or arbitration either as plaintiff or defendant and the Board of Directors does not have any knowledge of any proceedings, pending or threatened, against the Watta Group or of any fact which is likely to give rise to any proceedings which might materially or adversely affect the financial position or business of the Watta Group.

**3. MATERIAL CONTRACTS**

There are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Watta Group within the two (2) years immediately preceding the date of this Circular.

**4. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the Registered Office of the Company at Suite 11.1A, Level 11, Menara Weld, 76 Jalan Raja Chulan, 50200 Kuala Lumpur during normal business hours from Monday to Friday (except public holidays) from the date of this Circular up to and including the date of the forthcoming AGM:-

- (a) Watta's Constitution;
- (b) The audited financial statements of Watta Group for the past two (2) financial years ended 31 December 2019 and 31 December 2018; and
- (c) The Lease Agreement between Watta and Zitron dated 3 March 2020.

