WATTA HOLDING BERHAD

(199401038699 (324384-A))

ANNUAL REPORT 2019

WATTA

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ANNUAL REPORT | 2019

NOTICE OF TWENTY FIFTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty Fifth Annual General Meeting of the Company 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. or at any adjournment thereof to transact the following business:-

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 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 Clause 109 of the Company's Constitution:-

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

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

   2.3 Loo Sooi Guan. **(Resolution 3)**

3. To approve an additional Directors' fees and benefits of up to RM20,000.00 in respect of the period from 1 January 2019 until the conclusion of this Twenty Fifth Annual General Meeting. **(Resolution 4)**

4. To approve the payment of Directors' fees and benefits of up to RM250,000.00 in respect of the period from 24 July 2020 until the conclusion of the next annual general meeting of the Company. **(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 HJ AHMAD BIN DARUS AS INDEPENDENT DIRECTOR **(Resolution 7)**

   "THAT 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."

7. **ORDINARY RESOLUTION**
   RETENTION OF GAN LENG SWEE AS INDEPENDENT DIRECTOR **(Resolution 8)**

   "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."

8. **ORDINARY RESOLUTION**
   RETENTION OF LEE TAK WING AS INDEPENDENT DIRECTOR **(Resolution 9)**

   "THAT in accordance with the Malaysian Code on Corporate Governance, Lee Tak Wing 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."

9. **ORDINARY RESOLUTION**
   AUTHORITY FOR DIRECTORS TO ISSUE SHARES **(Resolution 10)**

   "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."

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

10. **ORDINARY RESOLUTION**
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE") **(Resolution 11)**

"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 24 June 2020 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.

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."

11. **SPECIAL RESOLUTION**
PROPOSED AMENDMENTS TO THE COMPANY'S CONSTITUTION **(Resolution 12)**

"THAT the amendments to the Company's Constitution as set out in Appendix I of the Annual Report 2019 be and are hereby approved and adopted ("Proposed Amendments").

THAT the Directors of the Company be and are hereby authorised to do all such acts, deeds and things that are necessary and/or expedient to give full effect to the Proposed Amendments."

12. 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 (SSM PC NO. 201908004096) (MIA 2736)
LIM FEI CHIA (SSM PC NO. 202008000515) (MAICSA 7036158)
LIEW CHAK HOOI (SSM PC NO. 201908004042) (MAICSA 7055965)
Company Secretaries

Kuala Lumpur
24 June 2020

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 16 July 2020 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.

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

Notes: (cont'd)

(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.

(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 the Malaysian Code on Corporate Governance ("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 Annual General Meeting ("AGM").

2. Resolution 8

In observing the recommendation in relation to the tenure of an independent director as prescribed by the 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 AGM.

3. Resolution 9

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

4. Resolution 10

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 2019 which was not exercised by the Company during the year, will expire at the forthcoming Twenty Fifth 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.

5. Resolution 11

This proposed resolution, if passed, will authorise the Company and/or its subsidiary companies 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 dated 24 June 2020. This authority, unless revoked or varied by the Company in a general meeting, will expire at the next AGM of the Company.

6. Resolution 12

This proposed special resolution, if passed, will align the Constitution of the Company with the amendments made to the Companies Act 2016.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

RETENTION OF HJ AHMAD BIN DARUS AS INDEPENDENT DIRECTOR

The Board of Directors of the Company ("Board"), 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 Chairman and Chairman of the Remuneration Committee.

RETENTION OF GAN LENG SWEE AS INDEPENDENT DIRECTOR

The Board, 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 LEE TAK WING AS INDEPENDENT DIRECTOR

The Board, after having assessed the independence of Lee Tak Wing, considers him to be independent based on amongst others, the following justifications and recommends that Lee Tak Wing 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 Lee Tak Wing 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 and Chairman of the Audit Committee.

CORPORATE INFORMATION

BOARD OF 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

GAN LENG SWEE
Senior 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)
Hj Ahmad Bin Darus
Gan Leng Swee

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 (Malaysia) Bhd
Alliance Bank Malaysia Berhad
Malayan Banking Berhad
Citibank Berhad

STOCK EXCHANGE LISTING

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

DIRECTORS' PROFILE

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

Hj Ahmad Bin Darus was appointed to the Board on 16 September 2004. He was subsequently appointed as Chairman and re-designated as Independent Non-Executive Chairman on 26 June 2018. 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 five (5) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2019.

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 year.

DATO' LEE FOO SAN
(55 years of age, Malaysian, Male)
Group Executive Deputy 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 was re-designated as Group Executive Deputy Chairman and Chief Executive Officer on 26 June 2018. 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 five (5) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2019.

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 five (5) years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

HJ ARIFFIN BIN ABDUL AZIZ
(66 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 five (5) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2019.

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 year.

DIRECTORS' PROFILE (CONT'D)

DATIN TEOH LIAN TIN
(52 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 Deputy 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 five (5) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2019.

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 five (5) years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

GAN LENG SWEE
(69 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 four (4) out of the five (5) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2019.

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 year.

HJ AHMAD BIN KHALID
(69 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 five (5) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2019.

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 year.

DIRECTORS' PROFILE (CONT'D)

LEE TAK WING
(65 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 five (5) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2019.

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 year.

LOO SOOI GUAN
(55 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 include 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 five (5) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2019.

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 year.

DATUK HONG CHOON HAU
(44 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 holds many positions with years of experience in corporate companies and has been practising good reputation in corporate finance and ICT industry. 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.

He attended three (3) out of the five (5) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2019.

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 year.

KEY SENIOR MANAGEMENT'S PROFILE

LOO KWONG YONG
(61 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 30 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 year.

CHAN SOH HWA
(58 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 MTSB and SEMS. He has more than 30 years of experience in the telecommunications industry in Federal Telecommunications and Amtel Communications Sdn Bhd. He specialised 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 year.

FINANCIAL HIGHLIGHTS & FINANCIAL INDICATORS

	Financial Year Ended 30 September		Financial Period/Year Ended 31 December		
	2015	2016	2017	2018	2019
Financial Highlights of Income Statement Items (RM)					
Revenue	38,308,018	38,880,608	43,296,463	16,093,166	13,369,367
Earnings Before Interest, Tax, Depreciation And Amortisation	513,216	(235,862)	7,201,728	(3,289,809)	4,081,551
Profit/(Loss) Before Tax	(528,387)	(1,122,748)	6,672,578	(3,505,521)	3,534,584
Profit/(Loss) After Tax	(587,433)	(1,429,583)	3,905,930	(3,113,236)	1,928,636
Net Profit/(Loss) Attributable to Equity Holders	(570,236)	(1,415,895)	3,910,164	(3,113,236)	1,928,636
Financial Highlights of Financial Position Items (RM)					
Total Assets	70,360,307	69,666,254	71,963,378	66,241,430	70,128,915
Total Borrowings	2,829,681	2,690,018	178,886	NIL	639,633
Shareholders' Equity	55,567,236	55,671,728	59,035,629	55,922,393	57,851,477
Financial Indicators					
Return of Equity	(0.01)	(0.03)	0.07	(0.06)	0.03
Return on Total Assets	(0.01)	(0.02)	0.05	(0.05)	0.03
Gearing Ratio	0.05	0.05	0	0	0.01
Interest Cover	(2.53)	(8.90)	86.92	(3,134.53)	354.25
Earnings Per Share (sen)	(0.67)	(5.47)	4.63	(3.69)	2.28
Net Asset Per Share (RM)	0.66	0.66	0.70	0.66	0.68
Gross Dividend Per Share	NIL	NIL	NIL	NIL	NIL
Price Earnings Ratio	(41.79)	(7.40)	6.91	(21.57)	22.78
Gross Dividend Yield Per Share	NA	NA	NA	NA	NA
Share Price as at Financial Year End	0.28	0.405	0.320	0.795	0.520

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE GROUP BUSINESS AND OPERATIONS

The Watta Group is principally involved in the business of servicing and repair of mobile telecommunication and other related products.

In Malaysia, we are one of the market leaders in the industry. We mainly repair several brands of new handphones that are under warranty and also repair out of warranty handphones. Our wholly-owned subsidiary companies Mobile Technic Sdn Bhd and SEMS Services Sdn Bhd are the authorised service centers of several popular handphone brands in Malaysia including Samsung, Huawei, Xiaomi, Honor, Nokia, Blackshark, One Plus and HTC.

FINANCIAL PERFORMANCE REVIEW

In the financial year ended December 2019, we continue to experience ongoing highly competitive pressures in the business environment in maintaining our performance. These factors have reduced our turnover for our financial year ended 2019 to RM13.369 million as compared to the revenue of RM16.093 million in the previous year. However, the Group reported profit after tax of RM1.929 million for the year 2019 as a result of a revaluation surplus on its assets. The surplus arising from the revaluation of its investment properties amounted to RM5.238 million.

The revaluation surplus resulted in earnings per ordinary share of 2.28 sen per share in the year under review and Group net assets have accordingly increased from RM55.922 million to RM57.851 million while net assets per share stood at 0.68 sen.

Investment properties increased from RM34.3 million to RM45.5 million as at 31 December 2019 due to the revaluation surplus and reclassification of property assets to investment properties.

For the financial year 2019, 92% of our turnover was from the handphone segment and the remainder from investment income.

REVIEW OF OPERATING ACTIVITIES

The handphone servicing and repairs business for 2019 operated in a highly competitive environment and coupled with the flattish demand for new handphones in 2019, resulted in fewer handphones to service and repair. Hence the decline in turnover from RM15.491 million in 2018 to RM12.304 million in 2019.

For the out of warranty handphones business, small retailers provided competition despite their lack of know-how to repair high-end phones where a higher level of technical skill and equipment is required. Despite that, our out of warranty repairs has shown an increase in volume in 2019 as our handphone service team is continuously improving their technical skills in order to maintain and increase market share.

DIVIDENDS

The Board of Directors does not recommend any dividend for the financial year ended 31 December 2019.

FUTURE PROSPECTS

The operating environment in 2020 is expected to be uncertain and very challenging in view of the Covid-19 pandemic which has disrupted the global and local economies and will affect the local and global supply chains, consumer demand and sentiments.

At the time of writing, the government has imposed Movement Control Order (MCO) in Malaysia from 18 March 2020 to 3 May 2020 and Conditional Movement Control Order (CMCO) from 4 May 2020 till 9 June 2020. During the MCO, all our service centers have to be closed during this lockdown period and this will surely affect our performance. The business operation have resumed during the CMCO and the responses have been encouraging.

Measures are also being constantly taken to improve sales with the opening of exclusive service centers for certain brands and the Group have started selling some handphone accessories as well.

Special joint promotions with manufacturers for out of warranty handphone repairs were also introduced to increase our out of warranty repair sales and we are confident that all these efforts will show positive results in 2020.

Cost-cutting measures are continuously being looked at and we have reduced our staff force to a level that will be cost efficient but will not compromise our quality and service delivery.

We have also relocated some of our service centers to reduce our overheads and converted some service centers to do multi-brand repair works. With all these measures, we aim to be lean and flexible to face the challenges and sustain our business in 2020.

Although we have already been appointed by the major handphone brands, we are still on the lookout to be appointed by new upcoming brands to be their authorised service and repair centers.

We expect economic recovery from the global pandemic to be gradual but foresee the sales volume to be on the uptrend once the dust has settled.

The Group will endeavour to turn in a positive performance based on the above.

SUSTAINABILITY STATEMENT

BUSINESS SUSTAINABILITY

Watta Holding Berhad (WATTA or the Group) is committed towards embracing sustainability as sustainability is the key driver for business growth and it is the aim of WATTA to develop its business in a sustainable and responsible manner. As such it is important to ensure the key areas such as the Economy, Environmental and Social (EES) aspects of the business continue to contribute and benefit the stakeholders at large.

By adopting a good corporate governance framework, environmentally responsible practices and sound social policies, it would enable WATTA to achieve sustainable growth and enhance long-term value for its shareholders and stakeholders.

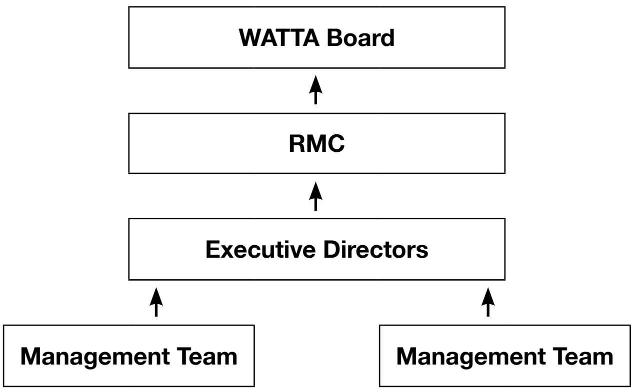
This statement covers the financial year from 1 January 2019 to 31 December 2019 for our major revenue contributor subsidiaries, SEMS Services Sdn. Bhd. (SEMS) and Mobile Technic Sdn. Bhd. (MTSB), given that these business units contribute approximately 92% to the Group's revenue in the financial year ("FY") 2019.

GOVERNANCE STRUCTURE

At Watta Group, we acknowledge that business operations expose to sustainability related risks to the economy, environment and society. We, therefore take responsibility to respond to these risks and embed sustainable considerations in our business management. Our sustainability approaches and efforts are overseen by the Board of Directors who are charged with our sustainability agenda.

Our Group's Risk Assessment / Management Committee (RMC) oversees the structure and reporting systems to address the material risks of the Group. Headed by Executive Directors and Heads of business units and management team, the risk profiles are reported and assessed by the RMC and the Board on a quarterly basis.

WATTA Sustainability Governance Structure



STAKEHOLDERS' ENGAGEMENT

WATTA has established a process for materiality assessment with well-defined resources and responsibilities. It is aimed to identify the Group stakeholders' priorities on issues of concern and appropriate approach to attend to the related EES risks and opportunities in an efficient and effective manner.

Stakeholder	Issue of Concerns	Approach
Customers (including Under Warranty and Out of Warranty)	• Repair quality and workmanship • Speed of repair and service • Pricing • Service quality • Customer satisfaction	• Internalised repair skills and periodic training by manufacturers • Customers feedback • Satisfaction survey • Company's Reputation
Principals/Manufacturers	• Repair and service quality • Spare parts availability • Technical updates • Meeting the requirements • Achievement of KPIs set • Renewal of appointments	• Continuous monitoring and training to ensure the understanding and requirements are met • Prompt reconciliation of spare parts used and claims • Proactive co-ordination with manufacturers and principals

STAKEHOLDERS' ENGAGEMENT (CONT'D)

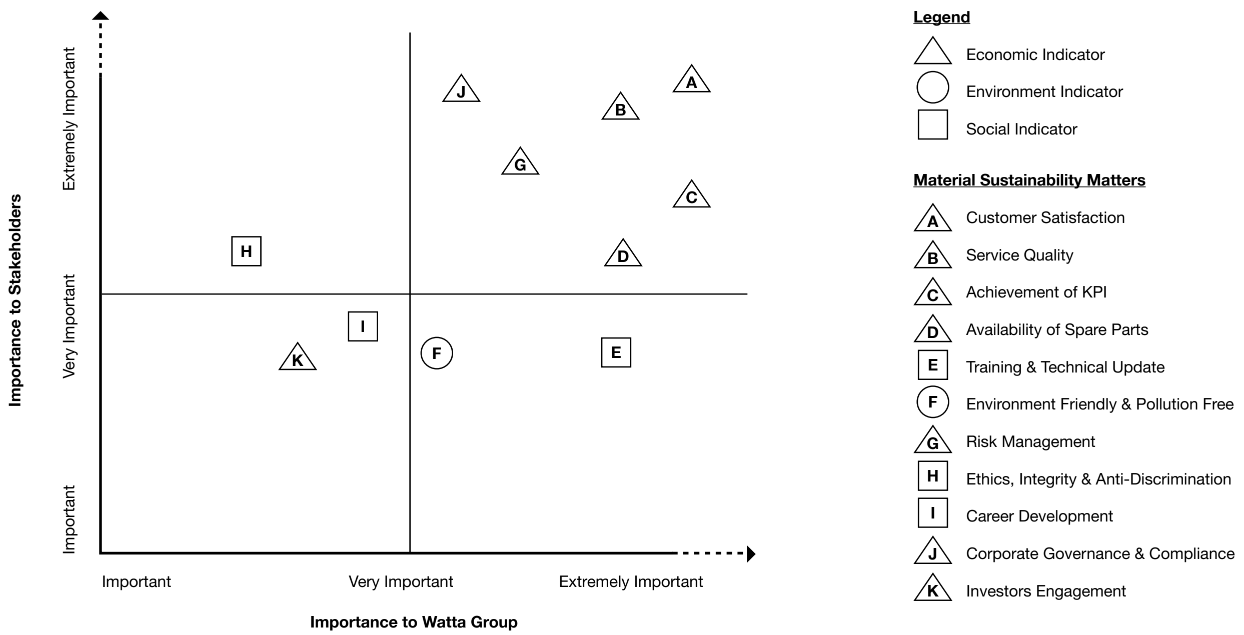
Stakeholder	Issue of Concerns	Approach
Employees	• Employee welfare • Workplace health and safety • Learning and development • Succession planning • Attractive reward system • Corruption & Bribery	• Training program • Career development • Team building • Whistle-Blowing Policy • Code of Ethics and Conduct • Anti-Corruption & Anti-Bribery Policy
Investors	• Prudent financial management • Sustainable financial income • Compliance of corporate governance • Operational efficiency • Risk management	• Quarterly financial results announcement • Annual General Meetings • Website updates • Emails
Regulators	• Compliance • License • Permits • Approvals	• Regulatory compliance • Regulatory disclosures • Timely renewal
Environment	• Handling of defective parts • Pollution • Green the future	• Requirement to return major defective parts directly to Manufactures / Principals • Ensure other parts are disposed to authorised collectors • Conserve on energy, paper and water

MATERIALITY ASSESSMENT

At WATTA, our material assessment involves the application of various aspects to identify, categorise and prioritise sustainable matters in accordance with its materiality to reflect the significant EES impacts on the business units which substantively influence the assessments of our internal and external stakeholders.

In conducting the materiality assessment, the Group has taken into consideration the level of significance and sustainability matters in its business operations; and the impact, relevance and importance of sustainability matters with its stakeholders.

MATERIALITY MATRIX



SUSTAINABILITY STATEMENT (CONT'D)

MATERIALITY MATRIX (CONT'D)

1. Economy Sustainability

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

We aim :

- To provide safe and quality services to its customers through innovative and efficient use of technology to minimise the impact on the EES.
- Adhering to the high standard requirements by manufacturers/principals to ensure consistency in achieving the levels of expectation and satisfaction by the customers.
- To achieve the Key Performance Indicators (KPI) set by manufacturers/principals to ensure continuous renewal of service contracts.
- To maintain high performance service standards and continue to attract new manufacturers/principals to become their after-sales service partners.
- To continue to enhance internal processes and procedures to meet manufacturers/principals changes requirement.
- To conduct our business, services and delivery to customers in an ethical manner.
- To maintain an on-going effort of enhancing relationships between the Company and its manufacturers / principals through organised engagements on a regular basis.
- To identify potential economic risks and employ strategies to mitigate, manage and minimise the impact. We strive to achieve KPIs and meeting all requirements of manufacturers/principals so as to mitigate this economic risk.

2. Environmental Protection

The Group recognises that several of its activities may have an impact on the environment. As such, we continue to ensure strict compliance with the environmental laws governing operations of the services rendered; as well as the environment of our operations so as to address any concerns.

The following are the areas that have been identified and attended to:

- Major defective parts are collected back by manufacturers/principals for proper recycling treatment.
- To ensure the disposal of balance spare parts are to licensed disposal companies that comply with the disposal requirement standards set by the Authority.
- Provide recycle bins for proper disposal of unused electronic parts and items by customers.
- To minimise usage of paper with digital copies and backup policy. Notices are displayed in copier area and notice boards.
- To provide safe and conducive working environment for staff to contribute their best.
- To maintain a clean, tidy and organised workplace at all times for safety and health purposes and promote productivity.

3. Social Responsibility

Watta Group is of the view that to build a good an 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 comply with the minimum wage policy 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.

SUSTAINABILITY STATEMENT (CONT'D)

MATERIALITY MATRIX (CONT'D)

3. Social Responsibility (cont'd)

In view of the high technical learning requirements, we maintain a high level of young workforce, the age range for management and staff in the business units is detailed, in the table below:

Business Units - Management and Staff Headcount

Age Range	FY2018		FY2019	
Group	Number	Percentage	Number	Percentage
< 30	93	69.40%	87	65.91%
31 - 40	31	23.13%	38	28.79%
41 - 50	6	4.48%	3	2.27%
> 51	4	2.99%	4	3.03%
Total	134	100.00%	132	100.00%

We further list below the activities and challenges that were undertaken and faced by the Group.

- Provide continuous skill set training to employees internally and externally to enhance their technical expertise and social responsibility awareness. However, certain centers are experiencing high turnover of staff and lead to more effort in continuous training.
- Inculcating integrity and professionalism in employees and to comply to the KPI set by manufacturers/principals.
- Driving employees to improve with reward and recognition. However, competitors tend to pinch staff by offering higher remuneration. The Company has started to incentivise staff especially in the technical and sales departments.
- Provide internship positions for University and College students to learn and experience actual workplace to better prepare them for employment upon graduating.
- Giving preferential treatment to interns to join upon their graduation.
- Participated in a charitable events organised by HOPE worldwide Malaysia, include contributions of daily essential items to the welfare and needy Homes; and participated in a charity run in October 2019.

CONCLUSION

The Group recognises the importance of developing comprehensive sustainability commitments, particularly in the areas of economic, environment and social performance. Moving forward, the Group will further improve its sustainability initiatives while at the same time building a strong, sustainable and resilient business.

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

The Board of Directors and Management will continue to explore for new ventures and business opportunities for the Group.

ACTIVITIES OF CORPORATE SOCIAL RESPONSIBILITIES

The Group also recognises its obligations on Corporate Social Responsibility as a responsible corporate citizen, and the need to develop a community sustainability program. The Group has participated in a charitable events organised by HOPE worldwide Malaysia, include contributions of daily essential items to the welfare and needy Homes; and participated in a charity run in October 2019.

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 Independent Non-Executive Chairman and the existing composition of the Board is as follows:-

- Four (4) Executive Directors (including the Group Executive Deputy Chairman and Chief Executive Officer ("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 positions of Chairman and CEO are separated. Tuan Hj Ahmad Bin Darus, the Chairman, is supported by the Group Executive Deputy Chairman, and is primarily responsible for the orderly conduct and effectiveness of the Board.

The combined function of the Group Executive Deputy 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. Dato' Lee Foo San 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 Board does not have half of its members being independent directors as recommended by the MCCG, 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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 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, Nomination Committee, Remuneration 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 21 of this Annual Report.

- **Remuneration Committee**
  Details of the Remuneration Committee are set out on page 22 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 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 bring 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 Tuan Hj Ahmad Bin Darus and Mr Gan Leng Swee, and another Independent Director whose tenure will exceed a cumulative term of nine (9) years namely Mr Lee Tak Wing. The approval from the shareholders of the Company was obtained at the Twenty Fourth Annual General Meeting ("AGM") held on 27 June 2019 for the retention of Tuan Hj Ahmad Bin Darus and Mr Gan Leng Swee 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 Tuan Hj Ahmad Bin Darus, Mr Gan Leng Swee and Mr Lee Tak Wing remain to be independent and recommended that they continue to act as Independent Non-Executive Directors based on the following justifications:-

A. BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Reinforce Independence (cont'd)

(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;

(ii) They have been with the Company for many 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 Fifth 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 five (5) Board of Directors' Meetings held during the financial year ended 31 December 2019 and the details of attendance are set out as follows:-

Name of Directors	Attendance
Hj Ahmad Bin Darus	5/5
Dato' Lee Foo San	5/5
Hj Ariffin Bin Abdul Aziz	5/5
Datin Teoh Lian Tin	5/5
Gan Leng Swee	4/5
Hj Ahmad Bin Khalid	5/5
Lee Tak Wing	5/5
Loo Sooi Guan	5/5
Datuk Hong Choon Hau	3/5

The Company Secretary was present at all Board of Directors' Meetings held during the financial year ended 31 December 2019.

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, review of announcements, and advising the Board on compliance with the relevant laws and regulations.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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 and the outsourced internal auditors. 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 sessions during the financial year ended 31 December 2019:-

Name of Directors	Date of Training	Subject
Hj Ahmad Bin Darus	15 August 2019	Overview of Related Party Transactions
Dato' Lee Foo San	15 August 2019	Overview of Related Party Transactions
Hj Ariffin Bin Abdul Aziz	15 August 2019	Overview of Related Party Transactions
Datin Teoh Lian Tin	15 August 2019	Overview of Related Party Transactions
Gan Leng Swee	15 August 2019	Overview of Related Party Transactions
Hj Ahmad Bin Khalid	15 August 2019	Overview of Related Party Transactions
Lee Tak Wing	15 August 2019	Overview of Related Party Transactions
Loo Sooi Guan	15 August 2019	Overview of Related Party Transactions
	23 August 2019	Bursa Thought Leadership: The Convergence of Digitisation and Sustainability
	31 October 2019	Session on Corporate Governance and Anti-Corruption
	7 November 2019	Executive Talk on Integrity & Governance: The Corporate Liability Provision, the "Adequate Procedures" & The Implementation of the National Anti-Corruption Plan
Datuk Hong Choon Hau	30 April 2019	MIA's Engagement Session with Audit Committee Members on Integrated Reporting
	15 August 2019	Overview of Related Party Transactions

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, seminars 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.

A. BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Nomination Committee (cont'd)

The Nomination Committee met once during the financial year with full attendance by its members. During the financial year ended 31 December 2019, 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 and composition and diversity;
- Reviewed and assessed the effectiveness and performance of the Board and Board Committees and the term of office of the Audit Committee;
- Reviewed and assessed the Board's and individual Director's required mix of skills, experience and other qualities;
- Determined and reviewed 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 have served for more than nine (9) years at the Company's AGM; and
- Reviewed and noted the training programme(s) attended by the Directors.

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 Nomination Committee may use independent sources in identifying suitable candidates, as and when the need arises.

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 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 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

A. BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Remuneration Committee (cont'd)

The Remuneration Committee met once during the financial year ended 31 December 2019 to inter-alia review and consider the remuneration packages of the Executive Directors and proposed Directors' fees and benefits.

Directors will abstain from discussion and voting on decisions in respect of their own remuneration. The 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 year ended 31 December 2019 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	18,000	42,000	-	252,000	-	-	-	35,364	-	30,240
2 Datin Teoh Lian Tin	18,000	42,000	-	189,000	-	-	-	-	-	22,752
3 Hj Ariffin Bin Abdul Aziz	18,000	42,000	-	226,800	-	-	-	5,300	-	9,072
4 Loo Sooi Guan	18,000	42,000	-	276,000	-	-	-	5,300	-	33,120
Non-Executive Directors										
5 Hj Ahmad Bin Darus	18,000	-	-	-	-	-	20,000	-	-	-
6 Gan Leng Swee	18,000	-	-	-	-	-	2,000	-	-	-
7 Lee Tak Wing	18,000	-	-	-	-	-	2,000	-	-	-
8 Hj Ahmad Bin Khalid	18,000	-	-	-	-	-	-	-	-	-
9 Datuk Hong Choon Hau	18,000	-	-	-	-	-	-	-	-	-

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 year ended 31 December 2019, are as follows:-

	Number of Senior Management	
Range of remuneration	**Company**	**Group**
RM200,001 to RM250,000	-	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 the financial year ended 31 December 2019 and of their financial performance and cash flows for the financial year 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 Chairman, Group Executive Deputy 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 programme 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 requirements of 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 year ended 31 December 2019.

2. MATERIAL CONTRACTS

There were no material contracts subsisting at the end of the financial year or entered into since the end of the previous financial year 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 year ended 31 December 2019, 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	28,000	85,400
Non-audit services	5,000	5,000

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 Fourth Annual General Meeting held on 27 June 2019 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 27 June 2019 up to 1 June 2020 (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 Deputy 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.	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 27 June 2019 up to 1 June 2020 (RM)
Lease of office premises	Watta Holding Berhad ("Watta")	Zitron Enterprise (M) Sdn Bhd ("Zitron")	• Dato' Lee Foo San, the Group Executive Deputy 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.	388,101
Service maintenance fee and repair of phone	Mobile Technic Sdn Bhd ("Mobile Technic")	Zitron	• Dato' Lee Foo San, the Group Executive Deputy 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 Deputy 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

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 27 June 2019 up to 1 June 2020 (RM)
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 Deputy 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
Sale and purchase of cellular telephones and related cellular telephone accessories	Watta Energy	Zitron	• Dato' Lee Foo San, the Group Executive Deputy 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
Sale and purchase of cellular telephones and related cellular telephone accessories	Watta Energy	The Hello Station (M) Sdn Bhd ("Hello Station")	• Dato' Lee Foo San, the Group Executive Deputy 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 year ended 31 December 2019 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 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 Deputy 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 year 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 handphone servicing segment has set up internal control and operation procedures with clear lines of accountability through a series of standard operating practice manuals.

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

(iii) 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.

(iv) 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.

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

(vi) 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 year ended 31 December 2019 in accordance with the approved internal audit plan are outlined in the Audit Committee Report of this Annual Report 2019.

The Company has incurred approximately RM25,150.00 for maintaining the outsourced internal audit function for the financial year ended 31 December 2019.

WEAKNESSES IN INTERNAL CONTROLS THAT RESULT IN MATERIAL LOSSES

During the financial year 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 year ended 31 December 2019.

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 YEAR

A total of five (5) Audit Committee meetings were held during the financial year ended 31 December 2019. Details of attendance are as follows:-

Name	Attendance
Lee Tak Wing	5/5
Hj Ahmad Bin Darus	5/5
Gan Leng Swee	4/5

During the financial year ended 31 December 2019, the Audit Committee in 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 as well as 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. Private discussions with the External Auditors without the presence of Executive Directors and Management to discuss any problems/issues arising from the interim audit/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 plan to ensure the adequacy of the scope, competency and resources of the internal audit function.

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 plans on the outstanding issues through follow-up report 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 & Management Report from the Risk Assessment/Management Committee.

13. Reviewed and recommended to the Board for approval the Related Party Transactions Policies and Procedures.

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 year 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 IIA, Malaysia.

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 year 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 subsidiary companies during the financial year under review:-

Name of Subsidiary Companies	Areas/Processes
SEMS Services Sdn Bhd ("SEMS") & Mobile Technic Sdn Bhd ("MTSB")	<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.
SEMS & MTSB	<u>Manpower efficiency review (technician staff)</u> (i) Analysis of manpower adequacy and efficiency (HQ and branches); (ii) Timeliness in resolving Work Orders; and (iii) Review of relevant policies and procedures. <u>GP margin analysis by sampling basis</u> (i) With spare parts; and (ii) Without spare parts.
SEMS & MTSB	<u>IT General Controls</u> (i) Review of relevant policies and procedures; (ii) Data backup process (including backup of server, employees' personal information, etc.); (iii) Review of Disaster Recovery Plan; (iv) Security Management; and (v) System Access Control.

The Internal Auditors also conducted follow up reviews upon request on status of agreed action plans by Management on previous processes of subsidiary companies.

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 year ended 31 December 2019, 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 10 June 2020.

GROUP STRUCTURE

Watta Holding Berhad
(199401038699 (324384-A))

- **Syarikat Perniagaan Leko Sdn Bhd** (198101006732 (72846-A)) **(100% owned)**
- **Watta Energy (M) Sdn Bhd** (199501043017 (372222-U)) **(100% owned)**
- **Watta Battery Industries Sdn Bhd** (197401001813 (18880-U)) **(100% owned)**
  - **Mega Meranti Sdn Bhd** (199101003153 (213463-A)) **(100% owned)**
- **Mobile Technic Sdn Bhd** (200101014548 (550305-W)) **(100% owned)**
- **SEMS Services Sdn Bhd** (200201010681 (578344-T)) **(100% owned)**

CORPORATE OFFICE

Watta Holding Berhad **(199401038699 (324384-A))**
12th Floor, Menara Cosway, Plaza Berjaya, Jalan Imbi,
55100 Kuala Lumpur.
Tel: 03-2144 2929 Fax: 03-2144 9929
Website: http://www.watta.com.my
E-mail: marketing@watta.com.my

Service of Mobile Phones Division:
Suite W-10-21, 10th Floor, Melawangi Business Suites,
Amcorp Trade Centre,
No. 18 Jalan Persiaran Barat, 46050 Petaling Jaya,
Selangor Darul Ehsan.
Tel: 03-7957 2211 Fax: 03-7958 6878

WATTA HOLDING BERHAD
(199401038699 (324384-A))

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REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

Principal Activities

The principal activities of the Company consist of investment holding and the provision of management services. The principal activities of its subsidiary companies are disclosed in Note 7 to the financial statements.

Financial Results

	Group RM	Company RM
Profit/(loss) for the financial year attributable to owners of the parent	1,928,636	(789,596)

Reserves and Provisions

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

Dividends

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 year.

Issue of Shares and Debentures

There was no issuance of shares or debentures during the financial year.

Options Granted Over Unissued Shares

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

Directors

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

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

* *Director of the Company and its subsidiary companies*

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

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

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

DIRECTORS' REPORT (CONT'D)

Directors' Interests in Shares

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiary companies) of those who were Directors at financial year end (including their spouse or children) according to the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2019	Bought	Sold	At 31.12.2019
Interests 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	265,200	760,600	-	1,025,800
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	-	-	19,344,022

Notes:

[1] *Deemed interest pursuant to Section 8(4)(c) of the Companies Act 2016 in Malaysia, 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 in Malaysia, the interests of the spouse/children in the shares of the Company shall be treated as the interest of the Directors.*

[3] *Deemed interest pursuant to Section 8(4)(c) of the Companies Act 2016 in Malaysia, by virtue of his interests in Cambridge Asset Holding Limited, the holding company of Surin Bay Resort Sdn. Bhd.*

By virtue of his interests in the shares of the Company, Dato' Lee Foo San is also deemed interested in the shares of all the subsidiary companies during the financial year to the extent that the Company has an interest pursuant to Section 8 of the Companies Act 2016 in Malaysia.

By virtue of his indirect interests in the shares of the Company, Datuk Hong Choon Hau is also deemed interested in the shares of all the subsidiary companies during the financial year to the extent that the Company has an interest pursuant to Section 8 of the Companies Act 2016 in Malaysia.

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

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 remuneration received or due and receivable by Directors as shown in Note 26 to 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 Director 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 28(b) to the financial statements.

Neither during nor at the end of the financial year, 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 year, the total amount of indemnity coverage and insurance premium paid for the Directors and certain officers of the Company were RM5 million and RM9,020 respectively. No indemnity was given to or insurance effected for auditors of the Company.

DIRECTORS' REPORT (CONT'D)

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 there were no bad debts to be written off and no allowance for doubtful debts was required; 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 to make any allowance for doubtful debts in the financial statements of the Group and of the Company; or

(ii) which would render the values attributed to 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 year which secures the liabilities of any other person; or

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

(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 year which will or may affect the ability of the Group and 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 year 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 year 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 year in which this report is made.

Subsidiary Companies

The details of the subsidiary companies are disclosed in Note 7 to the financial statements.

Auditors

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

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 10 June 2020.

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 42 to 89 are drawn up in accordance with Malaysian 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 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 10 June 2020.

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 statement, set out on pages 42 to 89 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 10 June 2020)

HAJI ARIFFIN BIN ABDUL AZIZ

Before me,

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WATTA HOLDING BERHAD

Report on the Audit of 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 2019 of the Group and of the Company, and the statements of profit or 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 42 to 89.

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 2019, and of their financial performance and their cash flows for the financial year 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 Responsibilities

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 the 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 year. 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	
Investment properties are measured initially at cost and subsequently at fair value with any changes therein recognised in profit or loss for the period in which they arise. The fair value of the investment properties was determined by a firm of independent external valuers using 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.	We reviewed and discussed with management on the carrying amount of investment properties in accordance with MFRS 140 *Investment Properties*. We evaluated the independent valuer's competence, capabilities, independence and objectivity. We assessed the methodologies used and the appropriateness of the key assumptions of the valuation report based on our knowledge. We assessed 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 information included in 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 (CONT'D)

Responsibilities of the 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 have 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 these 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 of 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 significant 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 financial year 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

LIM GE RU
Approved Number: 03360/03/2022 J
Chartered Accountant

KUALA LUMPUR

10 June 2020

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Non-current assets					
Property, plant and equipment	4	72,283	7,504,008	-	-
Right-of-use assets	5	1,980,294	-	70,184	-
Investment properties	6	45,555,000	34,300,000	-	-
Investment in subsidiary companies	7	-	-	23,707,300	24,169,256
Goodwill on consolidation	8	-	-	-	-
Other investment	9	531,504	512,183	-	-
		48,139,081	42,316,191	23,777,484	24,169,256
Current assets					
Inventories	10	698,491	716,539	-	-
Trade receivables	11	727,231	865,705	-	-
Other receivables	12	434,280	325,696	54,000	8,500
Amount due from subsidiary companies	13	-	-	200,000	-
Tax recoverable		297,518	742,141	47,014	133,996
Fixed deposits with licensed banks	14	16,881,916	16,870,518	9,029,626	9,303,683
Cash and bank balances		2,950,398	4,404,640	261,899	557,176
		21,989,834	23,925,239	9,592,539	10,003,355
Total assets		70,128,915	66,241,430	33,370,023	34,172,611
Equity					
Share capital	15	42,240,000	42,240,000	42,240,000	42,240,000
Retained earnings/ (Accumulated losses)		15,611,477	13,682,393	(9,102,749)	(8,309,920)
Total equity		57,851,477	55,922,393	33,137,251	33,930,080
Non-current liabilities					
Lease liabilities	16	380,674	-	-	-
Deferred tax liabilities	17	9,289,004	7,903,356	-	-
		9,669,678	7,903,356	-	-
Current liabilities					
Lease liabilities	16	258,959	-	71,705	-
Trade payables	18	696,498	1,101,667	-	-
Other payables	19	1,517,433	1,314,014	161,067	242,531
Tax payable		134,870	-	-	-
		2,607,760	2,415,681	232,772	242,531
Total liabilities		12,277,438	10,319,037	232,772	242,531
Total equity and liabilities		70,128,915	66,241,430	33,370,023	34,172,611

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Continuing operations					
Revenue	20	13,369,367	15,491,195	72,000	72,000
Cost of sales		(8,847,626)	(11,505,870)	-	-
Gross profit		4,521,741	3,985,325	72,000	72,000
Other income		5,911,197	369,601	328,932	330,181
Administration expenses		(6,888,348)	(7,471,084)	(1,237,977)	(4,298,477)
Net gain/(loss) on impairment of financial assets		-	-	53,000	(1,550,000)
Finance costs	21	(10,006)	-	(5,551)	-
Profit/(Loss) before tax from continuing operations	22	3,534,584	(3,116,158)	(789,596)	(5,446,296)
Taxation	23	(1,605,948)	87,217	-	-
Net profit/(loss) from continuing operations		1,928,636	(3,028,941)	(789,596)	(5,446,296)
Discontinued operations					
Net loss from discontinued operations	24	-	(84,295)	-	-
Total comprehensive income/(loss) for the financial year		1,928,636	(3,113,236)	(789,596)	(5,446,296)
Profit/(Loss) per share					
Basic/Diluted (sen)					
- Continuing operations	25	2.28	(3.59)		
- Discontinued operations	25	-	(0.10)		

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

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Share Capital RM	Distributable Retained Profits RM	Total RM
Group			
At 1 January 2018	42,240,000	16,795,629	59,035,629
Net loss for the financial year, representing total comprehensive loss for the financial year	-	(3,113,236)	(3,113,236)
At 31 December 2018	42,240,000	13,682,393	55,922,393
At 1 January 2019, as previously reported	42,240,000	13,682,393	55,922,393
Effect of adoption of MFRS 16 [Note 2(a)]	-	448	448
At 1 January 2019, as restated	42,240,000	13,682,841	55,922,841
Net profit for the financial year, representing total comprehensive income for the financial year	-	1,928,636	1,928,636
At 31 December 2019	42,240,000	15,611,477	57,851,477

	Share Capital RM	Accumulated Losses RM	Total RM
Company			
At 1 January 2018	42,240,000	(2,863,624)	39,376,376
Net loss for the financial year, representing total comprehensive loss for the financial year	-	(5,446,296)	(5,446,296)
At 31 December 2018	42,240,000	(8,309,920)	33,930,080
At 1 January 2019, as previously reported	42,240,000	(8,309,920)	33,930,080
Effect of adoption of MFRS 16 [Note 2(a)]	-	(3,233)	(3,233)
At 1 January 2019, as restated	42,240,000	(8,313,153)	33,926,847
Net loss for the financial year, representing total comprehensive loss for the financial year	-	(789,596)	(789,596)
At 31 December 2019	42,240,000	(9,102,749)	33,137,251

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

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash flows from operating activities					
Profit/(Loss) before tax					
- Continuing operations		3,534,584	(3,116,158)	(789,596)	(5,446,296)
- Discontinued operations	24	-	(389,363)	-	-
		3,534,584	(3,505,521)	(789,596)	(5,446,296)
Adjustments for:					
Depreciation of:					
- property, plant and equipment		36,813	214,594	-	-
- right-of-use assets		500,148	-	280,737	-
Impairment losses on:					
- goodwill on consolidation		-	2,401,709	-	-
- investment in subsidiary companies		-	-	461,956	3,514,402
- amount due from subsidiary companies		-	-	-	1,550,000
Finance costs		10,006	1,118	5,551	-
Inventories written down		35,200	-	-	-
Fair value gain on other investment		(19,321)	(12,183)	-	-
Gain on disposal of property, plant and equipment		(18,000)	(112,503)	-	-
Fair value gain on investment properties		(5,237,835)	-	-	-
Finance income		(605,158)	(556,445)	(328,932)	(330,181)
Unrealised (gain)/loss on foreign exchange		(1,771)	2,932	-	-
Property, plant and equipment written off		795	3,515	-	-
Reversal of impairment losses on amount due from subsidiary company subsidiary companies		-	-	(53,000)	-
Waiver of debts		(25,999)	-	-	-
Operating loss before working capital changes		(1,790,538)	(1,562,784)	(423,284)	(712,075)
Change in working capital:					
Inventories		(17,152)	231,013	-	-
Trade receivables		140,245	2,341,125	-	-
Other receivables		(108,584)	66,964	(45,500)	-
Trade payables		(405,169)	75,989	-	-
Other payables		229,418	(2,066,130)	(81,464)	(43,946)
		(161,242)	648,961	(126,964)	(43,946)
Cash used in operations		(1,951,780)	(913,823)	(550,248)	(756,021)
Interest received		605,158	556,445	328,932	330,181
Interest paid		(10,006)	(1,118)	(5,551)	-
Tax refund		626,188	-	133,996	-
Tax paid		(266,995)	(259,156)	(47,014)	(44,209)
		954,345	296,171	410,363	285,972
Net cash used in operating activities		(997,435)	(617,652)	(139,885)	(470,049)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		18,000	154,426	-	-
Acquisition of:					
- property, plant and equipment		(12,832)	(39,364)	-	-
- right-of-use assets	5(a)	(55,903)	-	-	-
Acquisition of other investment		-	(500,000)	-	-
Net cash used in investing activities		(50,735)	(384,938)	-	-
Cash flows from financing activities					
(Advances to)/Repayment from subsidiary companies		-	-	(147,000)	216,812
Net changes in bankers' acceptance		-	(138,000)	-	-
Repayment of finance lease payables		-	(40,886)	-	-
Payment of lease liabilities		(394,674)	-	(282,449)	-
(Increase)/Decrease in fixed deposits pledged with licensed banks		(20,500)	43,698	-	-
Withdrawal/(Placement) of deposits not for short-term funding requirements		272,339	(1,298,550)	395,802	(209,138)
Net cash (used in)/from fnancing activities		(142,835)	(1,433,738)	(33,647)	7,674
Net decrease in cash and cash equivalents		(1,191,005)	(2,436,328)	(173,532)	(462,375)
Foreign exchange differences		-	(3,685)	-	-
Cash and cash equivalents at the beginning of the financial year		12,351,370	14,791,383	4,167,927	4,630,302
Cash and cash equivalents at the end of the financial year		11,160,365	12,351,370	3,994,395	4,167,927
Cash and cash equivalents at the end of the financial year comprises:					
Cash and bank balances		2,950,398	4,404,640	261,899	557,176
Fixed deposits with licensed banks		16,881,916	16,870,518	9,029,626	9,303,683
		19,832,314	21,275,158	9,291,525	9,860,859
Less: Fixed deposits pledged with licensed banks	14	(20,500)	-	-	-
Less: Deposits not for short-term funding requirements	14	(8,651,449)	(8,923,788)	(5,297,130)	(5,692,932)
		11,160,365	12,351,370	3,994,395	4,167,927

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 was located at 12th Floor, Menara Cosway, Plaza Berjaya, Jalan Imbi, 55100 Kuala Lumpur, Wilayah Persekutuan.

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 consist of investment holding and the provision of management services. The principal activities of its subsidiary companies are disclosed in Note 7 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 year.

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 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 new MFRSs, new interpretations and amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

MFRS 16	Leases
IC Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures

Annual Improvements to MFRSs 2015 - 2017 Cycle:
- Amendments to MFRS 3
- Amendments to MFRS 11
- Amendments to MFRS 112
- Amendments to MFRS 123

The adoption of the new MFRSs, new interpretations and amendments to MFRSs did not have any significant impact on the financial statements of the Group and of the Company, except for:

<u>MFRS 16 *Leases*</u>

MFRS 16, which upon the effective date will supersede MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases - Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

As a result of the adoption of MFRS 16, the existing requirements for a lessee to distinguish between finance leases and operating leases under the MFRS 117 *Leases* are no longer required. MFRS 16 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 ("ROU") 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 ROU 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 statements of cash flows.

The ROU 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.

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

MFRS 16 *Leases* (Cont'd)

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.

As permitted by the transitional provision of MFRS 16, the Group has elected to adopt a simplified transition approach where cumulative effects of initial application are recognised on 1 January 2019 as an adjustment to the opening balance of retained earnings.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the ROU asset and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the lease asset and lease liability under MFRS 117 immediately before that date.

The Group has also applied the following practical expedients when applying MFRS 16 to lease previously classified as operating lease under MFRS 117:

- Applied a single discount rate to portfolio of leases with reasonably similar characteristics.
- The Group does not apply the standard to leases which lease terms end within 12 months from 1 January 2019.
- No adjustments are made on transition for leases for which the underlying assets are of low value.
- Excluded initial direct costs from measuring the ROU assets at the date of initial application.
- The Group uses hindsight in determining lease terms for contracts that contain options for extension or termination.

As a result, the leasehold land and buildings under property, plant and equipment classification have been reclassified to ROU assets on 1 January 2019 for the Group.

Impact arising from the adoption of MFRS 16 on the financial statements of the Group and of the Company are as follows:

Statements of Financial Position

	As at 31.12.2018 RM	MFRS 16 adjustments RM	As at 1.1.2019 RM
Group			
Property, plant and equipment	7,504,008	(7,406,949)	97,059
Right-of-use assets	-	7,934,747	7,934,747
Lease liabilities	-	(527,350)	(527,350)
Retained earnings	13,682,393	448	13,682,841
Company			
Right-of-use assets	-	350,921	350,921
Lease liabilities	-	(354,154)	(354,154)
Accumulated losses	(8,309,920)	(3,233)	(8,313,153)

The following table explains the difference between operating lease commitments disclosed applying MFRS 117 at 31 December 2018, and lease liabilities recognised in the statements of financial position at 1 January 2019.

	Group RM	Company RM
Operating lease commitments as at 31 December 2018	570,280	360,000
Discounted using the incremental borrowings rate at 1 January 2019	(10,930)	(5,846)
Less: Recognition exemption for short-term leases	(32,000)	-
Lease liabilities recognised as at 1 January 2019	527,350	354,154

The weighted average incremental borrowing rate applied to lease liabilities on 1 January 2019 was 2.95% to 3.50%.

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective

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

		Effective dates for financial periods beginning on or after
Amendments to References to the Conceptual Framework in MFRS Standards		1 January 2020
Amendments to MFRS 3	Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101 and MFRS 108	Definition of Material	1 January 2020
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2022
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

The Group and the Company intend to adopt the above new MFRSs and amendments to MFRSs when they become effective.

The initial application of the above-mentioned new MFRSs and amendments to MFRSs are not expected to have any significant impacts on the financial statements of the Group and of the Company.

(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.

Judgements

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

<u>Classification between investment properties and right-of-use assets</u>

The Group has developed certain criteria based on MFRS 140 *Investment Property* in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes.

If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are significant that a property does not qualify as investment property.

<u>Determining the lease term of contracts with renewal and termination options - Group as lessee</u>

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

2. Basis of Preparation (Cont'd)

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

Judgements (Cont'd)

Determining the lease term of contracts with renewal and termination options - Group as lessee (Cont'd)

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Group includes the renewal period as part of the lease term for leases of building with non-cancellable period included as part of the lease term as these are reasonably certain to be exercised because there will be a significant negative effect on operation if a replacement asset is not readily available.

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 and right-of-use ("ROU") assets

The Group regularly reviews the estimated useful lives of property, plant and equipment and ROU assets 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 and ROU assets would increase the recorded depreciation and decrease the value of property, plant and equipment and ROU assets.

The carrying amount at the reporting date for property, plant and equipment and ROU assets are disclosed on Notes 4 and 5 to the financial statements respectively.

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 2019 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 Note 6 to the financial statements.

Impairment of investment in subsidiary companies

The Company reviews its investment in subsidiary companies when there are indicators of impairment. Impairment is measured by comparing the carrying amount of an investment with its recoverable amount. Significant judgement is required in determining the recoverable amount. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the cash-generating units and also to determine a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount at the reporting date for investment in subsidiary companies 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 17 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Basis of Preparation (Cont'd)

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

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 10 to the financial statements.

Provision for expected credit loss of financial assets at amortised cost

The Group reviews the recoverability of its receivables, include trade and other receivables, amount due from subsidiary companies at each reporting date to assess whether an impairment loss should be recognised. The impairment provisions for receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions at the end of each reporting period.

The carrying amounts at the reporting date for receivables are disclosed in Notes 11, 12 and 13 to the financial statements respectively.

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 2019, the Group and the Company have tax recoverable of RM297,518 (2018: RM742,141) and RM47,014 (2018: RM133,996) and tax payable of RM134,870 (2018: RM Nil) and RM Nil (2018: RM Nil) respectively.

Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgement the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

There is no estimation required in determining the transaction price, as revenue from rendering of services are based on invoiced values. Discounts are not considered as they are not only given in rare circumstances.

Discount rate used in leases

Where the interest rate implicit in the lease cannot be readily determined, the Group uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation, particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the Note 31(c) regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Significant Accounting Policies (Cont'd)

(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 of the reporting period in which the combination 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 9 *Financial Instruments* 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(l)(i) 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

(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 (i.e. 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(l)(i) to the financial statements on impairment of non-financial assets.

(b) Foreign currency transactions and balances

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.

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(l)(i) to the financial statements on impairment of non-financial assets.

(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.

(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.

3. Significant Accounting Policies (Cont'd)

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

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight-line basis to write off the cost of each asset to its residual value over its estimated useful life.

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

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 the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates the expected pattern of consumption of future economic benefits embodied in the property, plant and equipment.

Leasehold land and buildings

The above accounting policies for property, plant and equipment applies to leasehold land and buildings until 31 December 2018. The leasehold land and buildings was depreciated over the remaining lease period.

Following the adoption of MFRS 16 *Leases* on 1 January 2019, the Group and the Company have reclassified the carrying amount of the leasehold land and buildings to ROU assets. The policy of recognition and measurement of the right-of-use assets is in accordance with Note 3(d) to the financial statements.

(d) Leases

Policy applicable after 1 January 2019

(i) As lessee

The Group and the Company recognise a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The ROU asset is subsequently measured at cost less any accumulated depreciation, accumulated impairment loss and, if applicable, adjusted for any remeasurement of lease liabilities. The policy of recognition and measurement of impairment losses is in accordance with Note 3(l)(i) to the financial statements on impairment of non-financial assets.

The ROU asset under cost model is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property, plant and equipment as follows:

Leasehold land and buildings	Over the remaining lease period
Office spaces	Over the remaining lease period
Motor vehicles	5 years

The ROU assets are subject to impairment.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the respective Group entities' incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group and the Company are reasonably certain to exercise.

Variable lease payments that do not depend on an index or a rate and are dependent on a future activity are recognised as expenses in profit or loss in the period in which the event or condition that triggers the payment occurs.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group or the Company changes its assessment of whether it will exercise an extension or termination option.

3. Significant Accounting Policies (Cont'd)

(d) Leases (Cont'd)

Policy applicable after 1 January 2019 (Cont'd)

(i) As lessee (Cont'd)

Lease payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less and do not contain a purchase option. Low value assets are those assets valued at less than RM20,000 each when purchased new.

(ii) As lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. 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.

If the lease arrangement contains lease and non-lease components, the Group and the Company apply MFRS 15 *Revenue from Contracts with Customers* to allocate the consideration in the contract based on the stand-alone selling price.

The Group and the Company recognise assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group and the Company use the interest rate implicit in the lease to measure the net investment in the lease.

The Group recognises lease payments under operating leases as income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The lease payment recognised is included as part of "Other income". 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.

Policy applicable before 1 January 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether 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, 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 or the Company 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 the leased assets are not recognised on the statements of financial position.

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.

3. Significant Accounting Policies (Cont'd)

(d) Leases (Cont'd)

Policy applicable after 1 January 2019 (Cont'd)

<u>As lessor</u>

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

Investment properties, including right-of-use assets held by lessee, 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 in the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss ("FVTPL"), directly attributable transaction costs.

The Group and the Company determine the classification of its financial assets at initial recognition, and the categories include other investment measured at FVTPL, trade and other receivables, amount due from subsidiary companies, fixed deposits with licensed banks, cash and bank balaces.

3. Significant Accounting Policies (Cont'd)

(f) Financial assets (Cont'd)

(a) Financial assets at amortised cost

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(b) Financial assets at fair value through other comprehensive income

Debt instruments

A debt security is measured at fair value through other comprehensive income ("FVTOCI") if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group and the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income on an investment-by-investment basis.

Financial assets categorised as FVTOCI are subsequently measured at fair value, with unrealised gains and losses recognised directly in other comprehensive income and accumulated under fair value reserve in equity. For debt instruments, when the investment is derecognised or determined to be impaired, the cumulative gain or loss previously recorded in equity is reclassified to the profit or loss. For equity instruments, the gains or losses are never reclassified to profit or loss.

The Group and the Company have not designated any financial assets as FVTOCI.

(c) Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or FVTOCI, as described above, are measured at FVTPL. This includes derivative financial assets (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as FVTPL are subsequently measured at their fair value with gains or losses recognised in the profit or loss.

All financial assets, except for those measured at FVTPL and equity investments measured at FVTOCI, are subject to impairment.

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 or 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 where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received for financial instrument is recognised in profit or loss.

3. Significant Accounting Policies (Cont'd)

(g) Financial liabilities

Financial liabilities are recognised when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments. All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability 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.

(h) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs when the guaranteed debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as financial liabilities at fair value, net of transaction costs. Subsequent, the liability is measured at the higher of:

- The amount of the loss allowance; and
- The amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15 *Revenue from Contracts with Customers.*

(i) 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.

(j) Inventories

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

Cost of inventories comprise cost of purchase and other costs incurred in bringing it to their present location and condition are determined on a 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.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts 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 statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(l) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories, deferred tax assets and investment property measured at fair value) 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 that has indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Significant Accounting Policies (Cont'd)

(l) Impairment of assets (Cont'd)

(i) Non-financial assets (Cont'd)

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. 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.

(ii) Financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("a lifetime ECL").

For trade receivables, other receivables, and inter-company balances, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience and the economic environment.

(m) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of 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.

3. Significant Accounting Policies (Cont'd)

(n) 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 the end of each 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 expense relating to any provision is presented in the statements of profit or loss and other comprehensive income net of any reimbursement.

(o) 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. 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.

(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 the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(p) Revenue recognition

(i) Revenue from contracts with customers

Revenue is recognised when the Group satisfied a performance obligation ("PO") by transferring a promised goods or services to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

The Group recognises revenue from the following major sources:

(a) Sale of goods

Revenue from sale of goods is recognised when control of the products has transferred, being at the point the customer purchases the goods at the retail outlet.

Revenue is recognised based on the price specified in the contract net of the rebates, discounts and taxes. Payment of the transaction price is due immediately at the point the customer purchases the goods.

(b) Rendering of services

Revenue from services and management fees are recognised in the reporting period in which the services are rendered, which simultaneously received and consumes the benefits provided by the Group, and the Group has a present right to payment for the services.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Significant Accounting Policies (Cont'd)

(q) 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, until such time as the assets are substantially ready for their intended use or sale. 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.

(r) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax are 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 year, 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.

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, except for investment properties carried at fair value model. Where investment properties measured using fair value model, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying amounts at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. 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.

(s) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations,
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary company acquired exclusively with a view to resale. Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-represented as if the operation had been discontinued from the start of the comparative period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Significant Accounting Policies (Cont'd)

(t) 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.

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						
2019						
Cost						
At 1 January 2019	8,404,040	384,111	1,460,710	2,344,044	1,894,460	14,487,365
Effect of adoption of MFRS 16	(8,404,040)	-	-	-	-	(8,404,040)
At 1 January 2019, as restated	-	384,111	1,460,710	2,344,044	1,894,460	6,083,325
Additions	-	-	9,462	3,370	-	12,832
Disposals	-	-	-	-	(173,188)	(173,188)
Written off	-	-	(78,411)	-	-	(78,411)
At 31 December 2019	-	384,111	1,391,761	2,347,414	1,721,272	5,844,558
Accumulated depreciation						
At 1 January 2019	997,091	378,342	1,425,369	2,288,097	1,894,458	6,983,357
Effect of adoption of MFRS 16	(997,091)	-	-	-	-	(997,091)
At 1 January 2019, as restated	-	378,342	1,425,369	2,288,097	1,894,458	5,986,266
Charge for the financial year	-	4,476	15,303	17,034	-	36,813
Disposals	-	-	-	-	(173,188)	(173,188)
Written off	-	-	(77,616)	-	-	(77,616)
At 31 December 2019	-	382,818	1,363,056	2,305,131	1,721,270	5,772,275
Carrying amount						
At 31 December 2019	-	1,293	28,705	42,283	2	72,283

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. Property, Plant and Equipment (Cont'd)

	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						
2018						
Cost						
At 1 January 2018	8,404,040	384,111	1,654,999	2,366,074	2,304,752	15,113,976
Additions	-	-	7,554	31,810	-	39,364
Disposal	-	-	(5,500)	(11,600)	(410,292)	(427,392)
Written off	-	-	(196,343)	(42,240)	-	(238,583)
At 31 December 2018	8,404,040	384,111	1,460,710	2,344,044	1,894,460	14,487,365
Accumulated depreciation						
At 1 January 2018	858,763	371,362	1,599,539	2,308,939	2,250,697	7,389,300
Charge for the financial year	138,328	6,980	26,098	23,084	20,104	214,594
Disposal	-	-	(5,500)	(3,626)	(376,343)	(385,469)
Written off	-	-	(194,768)	(40,300)	-	(235,068)
At 31 December 2018	997,091	378,342	1,425,369	2,288,097	1,894,458	6,983,357
Carrying amount						
At 31 December 2018	7,406,949	5,769	35,341	55,947	2	7,504,008

As at 31 December 2018, the remaining period of leasehold lands and buildings are 70 years.

Following the adoption of MFRS 16 on 1 January 2019, the Group had reclassified the carrying amount of leasehold land to ROU assets as disclosed in Note 5.

5. Right-of-use Assets

	Leasehold land and Buildings RM	Office spaces RM	Motor vehicle RM	Total RM
Group				
2019				
Cost				
At 1 January 2019	-	-	-	-
Effect of adoption of MFRS 16	8,404,040	790,220	-	9,194,260
At 1 January 2019, as restated	8,404,040	790,220	-	9,194,260
Additions	-	103,957	458,903	562,860
Transfer to investment properties	(6,900,000)	-	-	(6,900,000)
At 31 December 2019	1,504,040	894,177	458,903	2,857,120
Accumulated depreciation				
At 1 January 2019	-	-	-	-
Effect of adoption of MFRS 16	997,091	262,422	-	1,259,513
At 1 January 2019, as restated	997,091	262,422	-	1,259,513
Charge for the financial year	108,387	391,761	-	500,148
Transfer to investment properties	(882,835)	-	-	(882,835)
At 31 December 2019	222,643	654,183	-	876,826
Carrying amount				
At 31 December 2019	1,281,397	239,994	458,903	1,980,294

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. Right-of-use Assets (Cont'd)

	Office spaces RM
Company	
2019	
Cost	
At 1 January 2019	-
Effect of adoption of MFRS 16	561,474
At 1 January 2019, as restated/At 31 December 2019	561,474
Accumulated depreciation	
At 1 January 2019	-
Effect of adoption of MFRS 16	210,553
At 1 January 2019, as restated	210,553
Charge for the financial year	280,737
At 31 December 2019	491,290
Carrying amount	
At 31 December 2019	70,184

Included in the above, motor vehicle with a carrying amount of RM458,903 of the Group are pledged as securities for the related lease liabilities.

The remaining period of the lease term of leasehold land and buildings is 69 years.

(a) Purchase of right-of-use assets

The aggregate costs for right-of-use assets of the Group during the financial year under lease liabilities financing and cash payments are as follows:

	Group	
	2019 RM	**2018 RM**
Aggregate costs	562,860	-
Less: Lease liabilities financing	(506,957)	-
Cash payments	55,903	-

(b) Transfer to investment properties

During the financial year, a leasehold land and building was transfer to investment properties as the leasehold land and building is held to earn lease rentals and for capital appreciation.

6. Investment Properties

	Leasehold land RM	Buildings RM	Total RM
Group			
At fair value			
2019			
At 1 January 2019	32,547,000	1,753,000	34,300,000
Transfer from right-of-use assets	4,840,807	1,176,358	6,017,165
Change in fair value recognised in profit or loss	5,222,193	15,642	5,237,835
At 31 December 2019	42,610,000	2,945,000	45,555,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. Investment Properties (Cont'd)

	Leasehold land RM	Buildings RM	Total RM
Group (Cont'd)			
At fair value (Cont'd)			
2018			
At the beginning/At the end of the financial year	32,547,000	1,753,000	34,300,000

(a) The rental income earned by the Group from its investment properties amounted to RM1,065,500 (2018: RM624,000). Direct operating expenses arising from investment properties that generated rental income during the financial year amounted to RM89,315 (2018: RM86,502).

(b) The remaining period of the lease term range from 35 to 69 years (2018: 36 to 70 years).

(c) The investment properties are valued annually at fair value based on market values determined by independent qualified valuers amounting to RM45,555,000 (2018: RM34,300,000). The independent professionally qualified valuers hold recognised relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued. The fair value measurements of the investment properties are based on the highest and best use, which does not differ from their actual use. The fair values are within level 2 of the fair value hierarchy. The fair values have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

There were no transfers between levels during current and previous financial year.

The increase in the fair values of RM5,237,835 (2018: RM Nil) has been recognised in the profit or loss during the financial year.

(d) Transfer from right-of-use assets

During the financial year, a leasehold land and building was transfer from right-of use assets to investment properties as the leasehold land and building is held to earn lease rentals and for capital appreciation.

7. Investment in Subsidiary Companies

	Company 2019 RM	2018 RM
In Malaysia		
Unquoted shares, at cost	32,980,682	32,980,682
Less: Accumulated impairment losses		
At the beginning of the financial year	(8,811,426)	(5,297,024)
Impairment losses recognised	(461,956)	(3,514,402)
At the end of the financial year	(9,273,382)	(8,811,426)
	23,707,300	24,169,256

The estimated recoverable amount of the Company's investment in SEMS Services Sdn. Bhd. and Mobile Technic Sdn. Bhd. was RM503,470 and RM3,920,170 respectively. An impairment loss amounting to RM461,956 (2018: RM 3,514,402) was recognised during the financial year.

The impairment loss was recognised in administration expenses in the statements of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. Investment in Subsidiary Companies (Cont'd)

Details of the subsidiary companies are as follows:

Name of company	Place of business/ Country of incorporation	Effective interests 2019 %	2018 %	Principal activities
Watta Battery Industries Sdn. Bhd.	Malaysia	100	100	Property investment
Syarikat Perniagaan Leko Sdn. Bhd.	Malaysia	100	100	Ceased operations
Watta Energy (M) Sdn. Bhd.	Malaysia	100	100	Marketing and distribution of telecommunication equipment and related products
Mobile Technic Sdn. Bhd.	Malaysia	100	100	Servicing and repair of mobile telecommunication equipment products and other electronic equipment
SEMS Services Sdn. Bhd.	Malaysia	100	100	Servicing and repair of mobile telecommunication equipment products and other electronic equipment
Indirect holding				
Held through Watta Battery Industries Sdn Bhd.				
Mega Meranti Sdn. Bhd.	Malaysia	100	100	Property investment

8. Goodwill on Consolidation

	Group 2019 RM	2018 RM
At cost	4,803,417	4,803,417
Less: Accumulated impairment losses		
At the beginning of the financial year	(4,803,417)	(2,401,708)
Impairment losses recognised	-	(2,401,709)
At the end of the financial year	(4,803,417)	(4,803,417
	-	-

Impairment testing for cash-generating units ("CGU") containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest CGU level within the Group at which the goodwill is monitored for internal management purpose.

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

In the previous financial year, as a result of ceased operation in Watta Battery Industries Sdn. Bhd. and Syarikat Perniagaan Leko Sdn. Bhd. in service segment, the Group carried out a review of the recoverable amount of the unit.

The recoverable amount of the services segment unit is determined based on a value in use by discounting future cash flows to be generated by the unit. The carrying amount of the unit amounting to RM2,401,709 was determined to be higher than its recoverable amount of RM Nil and an impairment loss of RM2,401,709 was recognised in previous financial year. The impairment losses is recorded within administrative expenses in the statements of profit or loss and other comprehensive income.

Value in use was determined by discounting the future cash flow 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 5% to 10% per annum.
(iii) Expenses were projected at annual increase of approximately 4% to 6% per annum.
(iv) A pre-tax discount rate of 4.6% 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. Goodwill on Consolidation (Cont'd)

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.

The management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying value to exceed the recoverable amount of the CGU.

9. Other Investment

	Group	
	2019	**2018**
	RM	**RM**
Non-current		
At fair value through profit or loss		
- Enhanced deposits fund	531,504	512,183

10. Inventories

	Group	
	2019	**2018**
	RM	**RM**
At net realisable value		
Handphone spare parts	698,491	716,539
Recognised in profit or loss:		
Recongnised as cost of sales	8,847,626	11,505,870
Inventories written down	35,200	-

11. Trade Receivables

	Group	
	2019	**2018**
	RM	**RM**
Trade receivables	727,231	865,705

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2018: 30 to 90 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The aged analysis of trade receivables as at the end of the reporting period:

	Group	
	2019	**2018**
	RM	**RM**
Neither past due nor impaired	606,161	785,219
Past due but not impaired:		
Less than 30 days	100,791	73,581
31 to 60 days	11,795	868
61 to 90 days	6,493	3,892
More than 90 days	1,991	2,145
	121,070	80,486
	727,231	865,705

11. Trade Receivables (Cont'd)

Trade receivables that are not past due are creditworthy receivables with good payment records and mostly are regular customers that have been transacting with the Group.

As at 31 December 2019, trade receivables of RM121,070 (2018: RM80,486) were past due. These relate to a number of independent customers from whom there is no recent history of default.

12. Other Receivables

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Other receivables	28,638	46,912	-	-
Deposits	350,791	220,892	54,000	8,500
Prepayments	54,851	57,892	-	-
	434,280	325,696	54,000	8,500

13. Amount Due From Subsidiary Companies

	Company	
	2019	2018
	RM	RM
Amount due from subsidiary companies	1,697,000	1,550,000
Less: Accumulated Impairment losses	(1,497,000)	(1,550,000)
	200,000	-

The amount due from subsidiary companies arose mainly from management fees receivable, advances and expenses paid on behalf, which are unsecured, interest free and repayable on demand.

Movements in the allowance for impairment losses of amount due from subsidiary companies are as follows:

	Company	
	2019	2018
	RM	RM
At 1 January	1,550,000	-
Impairment losses recognised	-	1,550,000
Impairment losses reversed	(53,000)	-
At 31 December	1,497,000	1,550,000

14. Fixed Deposits with Licensed Banks

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Deposits with licensed banks with maturity period less than 3 months	8,209,967	7,946,730	3,732,496	3,610,751
Deposits with licensed banks with maturity period more than 3 months	8,671,949	8,923,788	5,297,130	5,692,932
	16,881,916	16,870,518	9,029,626	9,303,683

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

14. Fixed Deposits with Licensed Banks (Cont'd)

Included in the deposits with licensed banks with maturity period more than 3 months of the Group is an amount of RM20,500 (2018: RM Nil) pledged to licensed banks as securities for banking facilities granted to certain subsidiary companies.

The effective interest rates of fixed deposits of the Group and of the Company as at the end of the reporting period range from 2.95% to 3.50% (2018: 2.95% to 3.85%) and 2.95% to 3.50% (2018: 2.95% to 3.85%) per annum and the maturities of fixed deposits are 30 to 365 days (2018: 30 to 365 days) and 30 to 180 days (2018: 30 to 180 days) respectively.

15. Share Capital

	Group/Company			
	Number of ordinary shares		Amount	
	2019	2018	2019	2018
	Units	Units	RM	RM
Issued and fully paid				
At 1 January/At 31 December	84,480,000	84,480,000	42,240,000	42,240,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All ordinary shares carry rank equally with regard to the Company's residual assets.

16. Lease Liabilities

	Group	Company
	2019	2019
	RM	RM
At 1 January	-	-
Effect of adoption of MFRS 16	527,350	354,154
At 1 January 2019, as restated	527,350	354,154
Additions	506,957	-
Accretion of interest (Note 21)	10,006	5,551
Payment of lease	(404,680)	(288,000)
At 31 December	639,633	71,705
Presented by:		
Non-current liabilities	380,674	-
Current liabilities	258,959	71,705
	639,633	71,705

The maturity analysis of lease liabilities of the Group and of the Company at the end of the reporting period:

	Group	Company
	2019	2018
	RM	RM
Within one year	279,056	72,000
Later than one year and not later than two years	141,656	-
Later than two years and not later than five years	268,621	-
	689,333	72,000
Less: Future finance charges	(49,700)	(295)
Present value of lease liabilities	639,633	71,705

16. Lease Liabilities (Cont'd)

The Group leases various motor vehicles, office and service center buildings. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The average effective interest rates per annum at the end of the reporting period for lease liabilities is 2.95% to 4.22%.

17. Deferred Taxation

	Group	
	2019	**2018**
	RM	**RM**
At 1 January	7,903,356	8,337,561
Recognised in profit or loss	1,297,246	(370,639)
Under/(Over) provision in prior years	88,402	(63,566)
At 31 December	9,289,004	7,903,356

The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follows:

	Group	
	2019	**2018**
	RM	**RM**
Deferred tax liabilities	9,672,344	7,903,356
Deferred tax assets	(383,340)	-
	9,289,004	7,903,356

The components and movements of deferred tax liabilities and assets are as follows:

	Accelerated capital allowances RM	**Revaluation of equipment properties, plant and equipment RM**	**Fair value of investment properties RM**	**Total RM**
Group				
Deferred tax liabilities				
At 1 January 2019	785,130	1,157,918	5,960,308	7,903,356
Recognised in profit or loss	55,634	(1,157,918)	2,402,352	1,300,068
Under provision in prior financial years	361,426	-	107,494	468,920
At 31 December 2019	1,202,190	-	8,470,154	9,672,344
At 1 January 2018	918,550	1,356,688	6,067,803	8,343,041
Recognised in profit or loss	(69,854)	(198,770)	(107,495)	(376,119)
Over provision in prior financial years	(63,566)	-	-	(63,566)
At 31 December 2018	785,130	1,157,918	5,960,308	7,903,356

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. Deferred Taxation (Cont'd)

The components and movements of deferred tax liabilities and assets are as follows: (Cont'd)

	Unused tax losess RM	Unutilised capital allowances RM	Total RM
Group			
Deferred tax assets			
At 1 January 2019	-	-	-
Reversal/(Recognised) in profit or loss	4,404	(7,226)	(2,822)
Under provision in prior years	(375,110)	(5,408)	(380,518)
At 31 December 2019	(370,706)	(12,634)	(383,340)
At 1 January 2018	-	(5,480)	(5,480)
Recognised in profit or loss	-	5,480	5,480
At 31 December 2018	-	-	-

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Unutilised capital allowances	114,519	115,691	1,850	1,850
Unused tax losses	12,137,998	11,666,662	222,501	175,969
	12,252,517	11,782,353	224,351	177,819

With effect from year of assessment 2019, unused tax losses are allowed to be carried forward up to maximum of seven consecutive years of assessment under the current year legislation. The other temporary differences do not expire under current tax legislation. 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.

18. Trade Payables

Credit terms of the trade payables of to the Group range from 30 to 90 days (2018: 30 to 90 days) depending on the terms of the contracts.

19. Other Payables

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Other payables	65,571	51,152	-	-
Accruals	1,125,862	1,038,362	161,067	242,531
Deposits	326,000	224,500	-	-
	1,517,433	1,314,014	161,067	242,531

Included in other payables is an amount of RM Nil (2018: RM25,999) due to a Director of a subsidiary company. The amount is unsecured, interest free and is repayable on demand.

20. Revenue

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Continuing operations				
Revenue from contracts with customers				
- Services rendered	12,303,867	15,491,195	-	-
- Management fee from subsidiary companies	-	-	72,000	72,000
	12,303,867	15,491,195	72,000	72,000
Revenue from other sources				
- Rental income	1,065,500	-	-	-
	1,065,500	-	-	-
	13,369,367	15,491,195	72,000	72,000
Time of revenue recognition				
At a point in time	12,303,867	15,491,195	-	-
Over time	-	-	72,000	72,000
Total revenue from contracts with customers	12,303,867	15,491,195	72,000	72,000

Breakdown of the Group's revenue from contracts with customers:

	Services RM	Total RM
2019		
Major goods and services		
Services rendered	12,303,867	12,303,867
Total revenue from contracts with customers	12,303,867	12,303,867
Geographical market		
Malaysia	12,303,867	12,303,867
Total revenue from contracts with customers	12,303,867	12,303,867
2018		
Major goods and services		
Services rendered	15,491,195	15,491,195
Total revenue from contracts with customers	15,491,195	15,491,195
Geographical market		
Malaysia	15,491,195	15,491,195
Total revenue from contracts with customers	15,491,195	15,491,195

21. Finance Costs

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Continuing operations				
Interest expense on:				
- Lease liabilities	10,006	-	5,551	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. Finance Costs (Cont'd)

	Group	
	2019	2018
	RM	RM
Discontinued operations		
Interest expense on:		
- Bankers' acceptance	-	584
- Finance lease liabilities	-	534
	-	1,118

22. Profit/(Loss) before Tax

Profit/(Loss) before tax is derived after charging/(crediting) amongst other, the following items:

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Continuing operations				
Auditors' remuneration				
- Statutory audits	85,400	68,500	28,000	28,000
- Under provision in prior years	-	5,500	-	2,500
- Non-audit services	5,000	5,000	5,000	5,000
Depreciation of property, plant and equipment	36,813	69,884	-	-
Depreciation of right-of-use assets	500,148	-	280,737	-
Non-executive Directors' remuneration				
- Fees	90,000	90,000	90,000	90,000
- Allowances	24,000	16,500	24,000	16,500
Loss/(Gain) on foreign exchange				
- Realised	15,824	13,680	-	-
- Unrealised	(1,771)	2,932	-	-
Impairment losses on goodwill on consolidation	-	2,401,709	-	-
Impairment losses on investment in subsidiary companies	-	-	461,956	3,514,402
Impairment losses on goodwill amount due from subsidiary companies	-	-	-	1,550,000
Inventories written down	35,200	-	-	-
Reversal of impairment losses on amount due by subsidiary company subsidiary company	-	-	(53,000)	-
Rental of premises				
- A company in which a Director has financial interest	-	288,000	-	288,000
- Short-term leases	32,000	177,812	-	-
Gain on disposal of property, plant and equipment	(18,000)	-	-	-
Fair value gain on investment properties	(5,237,835)	-	-	-
Fair value gain on other investment	(19,321)	(12,183)	-	-
Property, plant and equipment written off	795	-	-	-
Interest income				
- Fixed deposits	(589,497)	(346,136)	(328,932)	(330,181)
- Unit trusts	(15,661)	-	-	-
Waiver of debts	(25,999)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

Profit/(Loss) before tax is derived after charging/(crediting) amongst other, the following items: (Cont'd)

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Discontinued operations				
Auditors' remuneration				
- Statutory audits	-	17,000	-	-
Bad debts recovered	-	(4,783)	-	-
Depreciation of property, plant and equipment	-	144,710	-	-
Gain on disposal of property, plant and equipment	-	(112,503)	-	-
Property, plant and equipment written off	-	3,515	-	-
Interest income				
- Fixed deposits	-	(191,798)	-	-
- Unit trusts	-	(18,511)	-	-
Rental income	-	(624,000)	-	-

23. Taxation

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Continuing operations				
Current income tax:				
Current year provision	221,000	-	-	-
Under/(Over) provision in prior years	(700)	29,159	-	-
	220,300	29,159	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences	1,297,246	(113,097)	-	-
Under provision in prior years	88,402	(3,279)	-	-
	1,385,648	(116,376)	-	-
Tax expense for the financial year	1,605,948	(87,217)	-	-
Discontinued operations				
Current income tax:				
Current year provision	-	700	-	-
Under provision in prior years	-	12,061	-	-
	-	12,761	-	-
Deferred tax:				
Discontinued operation				
Relating to origination and reversal of temporary differences	-	(257,542)	-	-
Over provision in prior years	-	(60,287)	-	-
	-	(317,829)	-	-
Tax expense for the financial year	-	(305,068)	-	-
Total tax expense for the financial year	1,605,948	(392,285)	-	-

Malaysia income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated assessable profits for the financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. Taxation (Cont'd)

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

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Profit/(Loss) before tax				
- continuing operations	3,534,584	(3,116,158)	(789,596)	(5,446,296)
- discontinued operations	-	(389,363)	-	-
	3,534,584	(3,505,521)	(789,596)	(5,446,296)
Taxation at statutory tax rate of 24% (2018: 24%)	848,300	(841,325)	(189,503)	(1,307,111)
Income not subject to tax	(6,520)	(66,519)	-	-
Expenses not deductible for tax purposes	563,627	646,470	178,335	1,246,247
Deferred tax assets not recognised	113,713	95,897	11,168	60,864
Utilisation of previously unabsorbed capital allowances	(874)	(96,967)	-	-
Deferred tax on fair value gain on investment properties	-	(107,495)	-	-
Under/(over) provision of current taxation in prior years	(700)	41,220	-	-
Over provsion of deferred taxation in prior years	88,402	(63,566)	-	-
Tax expense for the financial year	1,605,948	(392,285)	-	-

The Group and the Company have estimated unused tax losses and unutilised capital allowances available for offset against future taxable profits as follows:

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Unused tax losses	13,682,605	13,229,620	222,501	175,969
Unutilised capital allowances	167,164	138,223	1,850	1,850
	13,849,769	13,367,843	224,351	177,819

24. Net Loss 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. Net Loss from Discontinued Operations (Cont'd)

Statements of profit or loss and other comprehensive income disclosures

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 follows:

	Group	
	2019	2018
	RM	RM
Revenue	-	601,971
Cost of sales	-	(227,045)
Gross profit	-	374,926
Other income	-	1,926,141
Administration expenses	-	(2,689,312)
Finance costs	-	(1,118)
Loss before tax from discontinued operations	-	(389,363)
Taxation	-	305,068
Net loss from discontinued operations	-	(84,295)

Statements of cash flows

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

	Group	
	2019	2018
	RM	RM
Net cash used in operating activities	-	(888,505)
Net cash from investing activities	-	154,426
Net cash from financing activities	-	3,256,850
Effect on cash flows	-	2,522,771

25. Earnings/(Loss) Per Share

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

	Group	
	2019	2018
	RM	RM
Net profit/(loss) for the financial year attributable to the owners of the parent		
- from continuing operations	1,928,636	(3,028,941)
- from discontinued operations	-	(84,295)
Net profit/(loss) for the financial year attributable to the owners of the parent	1,928,636	(3,113,236)
Weighted average number of ordinary shares in issue	84,480,000	84,480,000
Basic earnings/(loss) per share (in sen)		
- from continuing operations	2.28	(3.59)
- from discontinued operations	-	(0.10)

The Group has no dilution in its earnings/(loss) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. Staff Costs

Included in staff costs is aggregate amount of remuneration received and receivable by the Executive Directors of the Company and of the subsidiary companies during the financial year as below:

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Continuing operations				
Salaries, wages and other emoluments	3,708,024	2,721,175	-	-
Fee	216,000	72,000	72,000	72,000
Defined contribution plans	425,589	356,166	-	-
Social security contributions	45,360	44,560	-	-
Other benefits	162,800	172,171	-	-
Benefits-in-kind	45,964	-	-	-
	4,603,737	3,366,072	72,000	72,000
Discontinued operations				
Salaries, wages and other emoluments	-	1,424,147	-	-
Fee	-	144,000	-	-
Defined contribution plans	-	143,021	-	-
Social security contributions	-	7,893	-	-
Other benefits	-	21,158	-	-
Benefits-in-kind	-	46,725	-	-
	-	1,786,944	-	-
	4,603,737	5,153,016	72,000	72,000
Executive Directors of the Company				
Continuing operations				
Salaries, wages and other emoluments	943,800	-	-	-
Fee	168,000	72,000	72,000	72,000
Defined contribution plan	95,184	-	-	-
Social security contributions	2,770	-	-	-
Benefits-in-kind	45,964	-	-	-
	1,255,718	72,000	72,000	72,000
Discontinued operations				
Salaries, wages and other emoluments	-	966,800	-	-
Fee	-	96,000	-	-
Defined contribution plan	-	102,480	-	-
Social security contributions	-	2,486	-	-
Benefits-in-kind	-	46,725	-	-
	-	1,214,491	-	-
	1,255,718	1,286,491	72,000	72,000
Executive Directors of the subsidiary companies				
Continuing operations				
Salaries, wages and other emoluments	364,800	364,800	-	-
Fees	48,000	-	-	-
Defined contribution plan	41,348	43,776	-	-
Social security contributions	1,792	1,240	-	-
	455,940	409,816	-	-
Discontinued operations				
Fees	-	48,000	-	-
	455,940	457,816	-	-

27. Reconciliation of Liabilities Arising From Financing Activities

The table below show the details changes in the liabilities of the Group and of the Company arising from financing activities including both cash and non-cash changes:

				Non-cash		
	At 1.1.2019 RM	Effect of adopting MFRS 16 RM	Financing cash flows (i) RM	Reversal of impairment losses RM	New lease (Note 16) RM	At 31.12.2019 RM
2019						
Group						
Lease liabilities	-	527,350	(394,674)	-	506,957	639,633
Company						
Lease liabilities	-	354,154	(282,449)	-	-	71,705
Amount due from subsidiary companies	-	-	(147,000)	(53,000)	-	(200,000)
	-	354,154	(429,449)	(53,000)	-	(128,295)

27. Reconciliation of Liabilities Arising From Financing Activities

The table below show the details changes in the liabilities of the Group and of the Company arising from financing activities including both cash and non-cash changes: (Cont'd)

	At 1.1.2018 RM	Financing cash flows (i) RM	Non-cash changes Impairment losses RM	At 31.12.2018 RM
2018				
Group				
Bank borrowings	138,000	(138,000)	138,000	-
Finance lease payables	40,886	(40,886)	40,886	-
Company				
Amount due from subsidiary companies	(1,766,812)	216,812	1,550,000	-

(i) The cash flows from lease liabilities, bank borrowings and amount due from subsidiary companies make up the net amount of proceeds from and repayments of lease liabilities, bank borrowings and amount due from subsidiary companies in the statements of cash flows.

28. Related Party Disclosures

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or joint 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.

(b) Significant related party transaction

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed elsewhere in the financial statements, the significant related party transactions of the Group and of the Company are as follows:

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
(i) **Transaction with subsidiary companies**				
- Management fee	-	-	72,000	72,000
(ii) **A company in which a Director has financial interest**				
- Office maintenance fees	135,383	135,383	135,383	135,383
- Lease payment	288,000	-	288,000	-
- Rental expenses	-	288,000	-	288,000
	423,383	423,383	423,383	423,383

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. Related Party Disclosures

(c) Compensation of key management personnel

Remuneration of Directors and other members of key management personnel are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Salaries and other emoluments	1,284,600	1,300,100	-	-
Fees	306,000	306,000	72,000	72,000
Defined contribution plans	136,532	146,256	-	-
Social security contributions	4,562	3,726	-	-
Benefits-in-kind	45,964	46,725	-	-
	1,777,658	1,802,807	72,000	72,000

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 year.

	Services	**Investment holdings and others**	**Eliminations**	**Total**
	RM	**RM**	**RM**	**RM**
2019				
Revenue				
Total external revenue	12,303,867	1,065,500	-	13,369,367
Inter-segment revenue	2,718	72,000	(74,718)	-
Total segment revenue	12,306,585	1,137,500	(74,718)	13,369,367
Results				
Operating result	(326,523)	(1,411,015)	(53,000)	(1,790,538)
Interest income	6,363	598,795	-	605,158
Finance costs	(4,455)	(5,551)	-	(10,006)
Depreciation	(163,878)	(373,083)	-	(536,961)
Other non-cash items	11,891	4,853,084	401,956	5,266,931
Segment result	(476,602)	3,662,230	348,956	3,534,584
Taxation	1,218	(1,607,166)	-	(1,605,948)
Profit/(Loss) for the financial year	(475,384)	2,055,064	348,956	1,928,636

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. Segmental Information (Cont'd)

	Services RM	Investment holdings and others RM	Eliminations RM	Total RM
2019				
Other non-cash items				
Impairment losses on investment in subsidiary companies	-	(461,956)	461,956	-
Inventories written down	(35,200)	-	-	(35,200)
Fair value gain on other investment	19,321	-	-	19,321
Gain on disposal of property, plant and equipment	-	78,000	(60,000)	18,000
Fair value gain on investment properties	-	5,237,835	-	5,237,835
Property, plant and equipment written off	-	(795)	-	(795)
Unrealised gain on foreign exchange	1,771	-	-	1,771
Waiver of debts	25,999	-	-	25,999
	11,891	4,853,084	401,956	5,266,931
2019				
Segment assets	6,738,167	90,680,582	(27,289,834)	70,128,915
Included in the movement of segment assets are :				
Additions to property, plant and equipment	6,750	66,082	(60,000)	12,832
Additions to right-of-use assets	103,957	458,903	-	562,860
Segment liabilities	2,314,526	15,519,992	(5,557,080)	12,277,438

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

	Continuing operations						
	Trading RM	Services RM	Investment holding and others RM	Elimination RM	Total RM	Discontinued operations RM	Total operations RM
31.12.2018							
Revenue							
Total external revenue	-	15,491,195	-	-	15,491,195	601,971	16,093,166
Inter-segment revenue	-	-	72,000	(72,000)	-	-	-
Total segment revenue	-	15,491,195	72,000	(72,000)	15,491,195	601,971	16,093,166
Results							
Operating result	(38,990)	(234,211)	(726,751)	-	(999,952)	(567,615)	(1,567,567)
Interest income	6,473	9,482	330,181	-	346,136	210,309	556,445
Finance costs	-	-	-	-	-	(1,118)	(1,118)
Depreciation	-	(69,884)	-	-	(69,884)	(144,710)	(214,594)
Other non-cash items	(3,685)	12,936	(5,064,402)	2,662,693	(2,392,458)	113,771	(2,278,687)
Segment result	(36,202)	(281,677)	(5,460,972)	2,662,693	(3,116,158)	(389,363)	(3,505,521)
Taxation	-	(20,278)	107,495	-	87,217	305,068	392,285
Loss for the financial year	(36,202)	(301,955)	(5,353,477)	2,662,693	(3,028,941)	(84,295)	(3,113,236)
31.12.2018							
Other non-cash items							
Impairment losses on goodwill	-	-	-	(2,401,709)	(2,401,709)	-	(2,401,709)
Impairment losses on amount due from subsidiary companies	-	-	(1,550,000)	1,550,000	-	-	-
Impairment losses on investment in subsidiary company	-	-	(3,514,402)	3,514,402	-	-	-
Fair value gain on other investment	-	12,183	-	-	12,183	-	12,183
Gain on disposal of property, plant and equipment	-	-	-	-	-	112,503	112,503
Property, plant and equipment written off	-	-	-	-	-	(3,515)	(3,515)
Unrealised gain/(loss) on foreign exchange	(3,685)	753	-	-	(2,932)	-	(2,932)
	(3,685)	12,936	(5,064,402)	2,662,693	(2,392,458)	113,771	(2,278,687)
31.12.2018							
Segment assets	150,807	7,254,427	50,672,911	(25,257,172)	32,820,973	33,420,457	66,241,430
Included in the movement of segment assets are :							
Additions to property, plant and equipment	-	39,364	-	-	39,364	-	39,364
Segment liabilities	1,258,950	2,359,083	4,294,932	(2,625,003)	5,287,962	5,031,075	10,319,037

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. Segmental Information (Cont'd)

Geographical segments

No disclosure on geographical segments information as the Group operates predominantly in Malaysia.

Major customers

Revenue from 4 (2018: 5) major customers amount to RM581,575 (2018: RM749,963), arising from sales in the services segment.

30. Financial Guarantee

	Company 2019 RM	Company 2018 RM
Financial guarantees given to licensed banks for credit facilities granted to a subsidiary company - Limit of guarantees	-	700,000

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:

	At amortised cost RM	At FVTPL RM	Total RM
Group			
2019			
Financial Assets			
Other investment	-	531,504	531,504
Trade receivables	727,231	-	727,231
Other receivables	379,429	-	379,429
Fixed deposits with licensed banks	16,881,916	-	16,881,916
Cash and bank balances	2,950,398	-	2,950,398
	20,938,974	531,504	21,470,478
Financial Liabilities			
Lease liabilities	639,633	-	639,633
Trade payables	696,498	-	696,498
Other payables	1,517,433	-	1,517,433
	2,853,564	-	2,853,564
2018			
Financial Assets			
Other investment	-	512,183	512,183
Trade receivables	865,705	-	865,705
Other receivables	267,804	-	267,804
Fixed deposits with licensed banks	16,870,518	-	16,870,518
Cash and bank balances	4,404,640	-	4,404,640
	22,408,667	512,183	22,920,850
Financial Liabilities			
Trade payables	1,101,667	-	1,101,667
Other payables	1,314,014	-	1,314,014
	2,415,681	-	2,415,681

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31. Financial Instruments (Cont'd)

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

	At amortised cost RM
Company	
2019	
Financial assets	
Other receivables	54,000
Amount due from subsidiary companies	200,000
Fixed deposits with licensed banks	9,029,626
Cash and bank balances	261,899
	9,545,525
Financial liabilities	
Lease liabilities	71,705
Other payables	161,067
	232,772
2018	
Financial assets	
Other receivables	8,500
Fixed deposits with licensed banks	9,303,683
Cash and bank balances	557,176
	9,869,359
Financial liability	
Other payables	242,531

(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 the Company's exposure to the above-mentioned 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 receivables from customers and deposits with banks. The Company's exposure to credit risk arises principally from advances to subsidiary companies and financial guarantees given to banks for credit facilities granted to subsidiary companies. There are no significant changes as compared to previous financial years.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk dealing with creditworthy counterparties and deposits with banks 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 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.

At each reporting date, the Group and the Company assess whether any if the receivables are credit impaired.

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 gross carrying amounts of credit impaired trade receivables are written off (either partial or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represent the Group's and the Company'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 RM Nil (2018: RM700,000), representing the outstanding banking facilities to the subsidiary companies as at the end of the reporting period. There was no indication that any subsidiary companies would default on repayment as at the end of the reporting period.

There are no significant changes as compared to previous financial year.

As at the end of the financial year, the Group had 4 customers (2018: 5 customers) that owed the Group accounted for approximately RM581,575 (2018: RM749,963) of all the receivables outstanding.

The Company has no significant concentration of credits risks except for loans and advance 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 or the Company will encounter difficulty in meeting its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company'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.

The following table analyses the remaining contractual maturity for 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 and the Company can be required to pay.

	On demand or within 1 year RM	**1 to 2 years RM**	**2 to 5 years RM**	**Total Contractual Cash Flows RM**	**Total Carrying amount RM**
Group					
2019					
Non-derivative financial liabilities					
Lease liabilites	279,056	141,656	268,621	689,333	639,633
Trade payables	696,498	-	-	696,498	696,498
Other payables	1,517,433	-	-	1,517,433	1,517,433
	2,492,987	141,656	268,621	2,903,264	2,853,564
Group					
2018					
Non-derivative financial liabilities					
Trade payables	1,101,667	-	-	1,101,667	1,101,667
Other payables	1,314,014	-	-	1,314,014	1,314,014
	2,415,681	-	-	2,415,681	2,415,681

31. Financial Instruments (Cont'd)

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

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for 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 and the Company can be required to pay. (Cont'd)

	On demand or within 1 year RM	Total Contractual Cash Flows RM	Total Carrying amount RM
Company			
2019			
Non-derivative financial liabilities			
Lease liabilities	72,000	72,000	71,705
Other payables	161,067	161,067	161,067
	233,067	233,067	232,772
2018			
Non-derivative financial liabilities			
Other payables	242,531	242,531	242,531
Financial guarantee *	700,000	700,000	-
	942,531	942,531	242,531

* *Based on the maximum amount that can be called for under the financial guarantee contract.*

The Company provides unsecured financial guarantee to banks in respect of credit facilities granted to certain subsidiary companies and monitors on an ongoing basis the performance of the subsidiary companies. At end of the financial year, there was no indication that the subsidiary companies would default on repayment.

Financial guarantee has not been recognised since the fair value on initial recognition was deemed not material and the probability of the subsidiary companies defaulting on their credit facilities is remote.

(iii) 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 at the end of the reporting period are as follows:

	Denominated in USD	
	2019 RM	2018 RM
Group		
Trade receivables	142,447	182,265
Cash and bank balances	-	2,584
Trade payables	(61,113)	(62,722)
	81,334	122,127

31. Financial Instruments (Cont'd)

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

(iii) Market risks (Cont'd)

(i) Foreign currency exchange risk (Cont'd)

Foreign currency sensitivity analysis

Foreign currency risk arises from Group entities which have a RM functional currency. 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's and the Company's fixed rate deposits placed with licensed banks and borrowings are exposed to a risk of change in their fair value due to changes in interest rates.

The Group manages the interest rate risk of its deposits with licensed banks by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long-term deposits.

The Group and the Company manage their interest rate risk exposure from interest bearing borrowings by obtaining 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 and the Company do not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

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

	2019 RM	2018 RM
Group		
Fixed rate instruments		
Financial assets	16,881,916	16,870,518
Financial liabilities	(639,633)	-
	16,242,283	16,870,518
Company		
Fixed rate instruments		
Financial assets	9,029,626	9,303,683
Financial liabilities	(71,705)	-
	8,957,921	9,303,683

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.

(c) Fair value of financial instruments

The carrying amounts of short-term receivables and payables, 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.

It was not practicable to estimate the fair value of investment in unquoted entity due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

The table below analyses financial instruments carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

31. Financial Instruments (Cont'd)

(c) Fair value of financial instruments (Cont'd)

	Fair value of financial instruments not carried at fair value				
	Level 1 RM	**Level 2 RM**	**Level 3 RM**	**Total RM**	**Carrying Amount RM**
2019					
Financial asset					
Other investment	-	531,504	-	531,504	531,504
2018					
Financial asset					
Other investment	-	512,183	-	512,183	512,183

(i) Policy on transfer between levels

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

There were no transfers 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 liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Non-derivative financial instruments

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

(iv) Level 3 fair value

Level 3 fair value 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.

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 year is as follows:

	2019 RM	**2018 RM**
Total lease liabilities	639,633	-
Less: Fixed deposits with licensed banks, cash and bank balances	19,832,314	21,275,158
Net cash	(19,192,681)	(21,275,158)
Total equity	57,851,477	55,922,393
Gearing ratio	N/A	N/A

N/A – Not applicable

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. Capital Management (Cont'd)

The gearing ratio is not applicable as the Group is in a net cash position.

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

33. Subsequent Event

Effect of outbreak of coronavirus pandemic

The Directors of the Company have closely monitored the development of the outbreak of coronavirus pandemic ("COVID-19") infection in Malaysia that may affect the business performance, financial performance and financial position of the Group and of the Company mainly due to travel and movement restriction and other precautionary measures imposed by relevant local authorities that affected the Group and the Company business operations. As at the date of this report, the financial impact of the COVID-19 outbreak to the Group and to the Company cannot be reasonably estimated due to the inherent unpredictable nature and rapid development relating to COVID-19, the extent of the impact depends on the on- going precautionary measures introduced by each country to address this pandemic and the durations of the pandemic. As such, the Directors of the Company will continue to closely monitor the situations and respond proactively to mitigate the impact on the Group's and the Company's financial performance and financial position.

34. Date of Authorisation for Issue

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 10 June 2020.

LIST OF PROPERTIES 31 DECEMBER 2019

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 1, Kaw. Per. Balakong, Cheras Jaya, 43200 Selangor D.E.	Corner detached factory with double storey office	99 years leasehold expiring on 14 May 2088 (30 years)	Rented	4,571 sq. metres	• 31/12/2019	9,240,000
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 (30 years)	Rented	2,019 sq. metres	• 31/12/2019	4,560,000
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 (30 years)	Rented	1,600 sq. metres	• 31/12/2019	3,600,000
P.T. No. 7626 Mukim of Cheras District of Ulu Langat No. 8 Jalan 1, Kaw. Per. Balakong, Cheras Jaya, 43200 Selangor D.E.	Corner detached factory with double storey office	99 years leasehold expiring on 14 May 2088 (30 years)	Rented	4,347 sq. metres	• 31/12/2019	9,250,000
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 (40 years)	Vacant	6,845 sq. metres	• 31/12/2019	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 (25 years)	Vacant	25,660 sq. metres	• 31/12/2019	17,955,000
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 (30 years)	Office and Store	372 sq. metres	• 5/12/2017	1,281,221

• indicates date of last revaluation

ANALYSIS OF SHAREHOLDINGS AS AT 21 MAY 2020

SHARE CAPITAL

Total number of issued shares	:	84,480,000
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 21 MAY 2020
(as per the Record of Depositors)

Size of Shareholdings	Number of Shareholders	% of Shareholders	Number of Shares Held	% of Shares Held
Less than 100	130	15.10	2,969	0.00
100 - 1,000	154	17.89	39,727	0.05
1,001 - 10,000	406	47.15	1,949,516	2.31
10,001 - 100,000	126	14.63	4,045,452	4.79
100,001 to less than 5% of issued shares	42	4.88	28,129,716	33.30
5% and above of issued shares	3	0.35	50,312,620	59.55
Total	861	100.00	84,480,000	100.00

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS AT 21 MAY 2020
(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	-	-
Dato' Dr Ir Mohd Abdul Karim Bin Abdullah	5,126,600	6.07	-	-
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 21 MAY 2020
(as per the Register of Directors' Shareholdings)

	No. of ordinary shares			
Name	**Direct**	**%**	**Indirect**	**%**
Hj Ahmad Bin Darus	-	-	-	-
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 Khalid	-	-	3,468,800*	4.11
Lee Tak Wing	-	-	-	-
Loo Sooi Guan	1,025,800	1.21	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, which shall be treated as the interest of the Director 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 21 MAY 2020 (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.	Mohd Abdul Karim Bin Abdullah	5,126,600	6.07
4.	CGS-CIMB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for United Matrix Sdn Bhd (MM0649)	3,200,000	3.79
5.	AMSEC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tiow Liu Chung Yun	2,476,000	2.93
6.	RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Rosland Bin Othman	2,156,700	2.55
7.	Affin Hwang Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lim Sing (M01)	1,834,666	2.17
8.	Cheah Kuan Beng	1,807,900	2.14
9.	CITIGROUP NOMINEES (ASING) SDN BHD - CBHK PBGSG for Bharat Gurmukhdas Budhrani	1,605,400	1.90
10.	Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Rosli Bin Hamat	1,432,800	1.70
11.	Lim Wei Ling	1,073,158	1.27
12.	Loo Sooi Guan	1,025,800	1.21
13.	Dato' Lee Foo San	1,019,732	1.21
14.	CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB Bank for Mohd Abdul Karim Bin Abdullah (PBCL-0G0634)	1,000,000	1.18
15.	Surin Bay Resort Sdn Bhd	846,000	1.00
16.	Public Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Yeo Guik Hiang (JBU/UOB)	842,000	1.00
17.	Gan Leng Swee	764,058	0.90
18.	Alliance Group Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ker Min Choo (8109400)	681,500	0.81
19.	Lim Sing	621,334	0.74
20.	Roland Capital Partners Sdn Bhd	571,400	0.68
21.	Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Rosland Bin Othman	447,100	0.53
22.	Goh Ling Yau	423,000	0.50
23.	Celina Lee Ching Ling	387,400	0.46
24.	Chew Chee Seng	276,204	0.33
25.	RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Mustakim Bin Mat Nun	273,500	0.32
26.	United Matrix Sdn Bhd	268,800	0.32
27.	RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ker Yun	262,100	0.31
28.	Lim Cheng Mee @ Lim Cheng Kah	261,000	0.31
29.	Lim Wai Tat	240,800	0.29
30.	Lee Tiam Hock @ Lee Tiam Fook	200,000	0.24
	Total	76,310,972	90.35

APPENDIX I

Proposed amendments to the Company's Constitution

Clause	Existing Provisions	Proposed Amendments
58.	The Company may by special resolution passed at a general meeting, convert any paid up shares into stock and may with the like sanction reconvert any such stock into paid up shares of any number.	The Company may by ~~**special**~~ resolution passed at a general meeting, convert any paid up shares into stock and may with the like sanction reconvert any such stock into paid up shares of any number.
66.	The Company may from time to time alter its share capital by passing a special resolution to:- (a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; (b) subdivide its shares or any of the shares, whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; (c) convert all or any of its paid up shares into stock and may reconvert that stock into paid up shares; or (d) reduce its share capital in accordance with the Act.	The Company may from time to time alter its share capital by passing a ~~**special**~~ resolution to:- (a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; (b) subdivide its shares or any of the shares, whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; (c) convert all or any of its paid up shares into stock and may reconvert that stock into paid up shares; or (d) reduce its share capital in accordance with the Act.

*deletions as struck through

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WATTA HOLDING BERHAD
(Registration No. 199401038699 (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 Fifth Annual General Meeting of 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. or at any adjournment thereof.

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

No.	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 Khalid		
3.	To re-elect the Director, Loo Sooi Guan		
4.	To approve an additional Directors' fees and benefits in respect of the period from 1 January 2019 until the conclusion of this Twenty Fifth Annual General Meeting		
5.	To approve the payment of Directors' fees and benefits in respect of the period from 24 July 2020 until the conclusion of the next annual general meeting		
6.	To re-appoint Messrs UHY as the Company's Auditors		
Special Business			
7.	To approve the retention of Hj Ahmad Bin Darus as Independent Director		
8.	To approve the retention of Gan Leng Swee as Independent Director		
9.	To approve the retention of Lee Tak Wing as Independent Director		
10.	Authority for Directors to issue shares		
11.	Proposed Shareholders' Mandate		
12.	Proposed amendments to the Company's Constitution		

(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.)

** Delete if not applicable.*
 # Delete the words "Chairman of the meeting" if you wish to only appoint other person(s) to be your proxy(ies).

*The proportion of *my/our shareholdings to be represented by *my/our proxies are as follows (to be completed ONLY when two proxies are appointed):-*

Proxy 1	%	Proxy 2	%

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 16 July 2020 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

(Registration No. 199401038699 (324384-A))

Suite 11.1A, Level 11, Menara Weld

76 Jalan Raja Chulan

50200 Kuala Lumpur

WATTA

WATTA HOLDING BERHAD
(199401038699 (324384-A))

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