



SPRITZER BHD
(Company No. 265348-V)
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
 FOR THE SECOND QUARTER ENDED 30 JUNE 2018**

The figures have not been audited.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
 FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

	Quarter ended			Year-to-date ended		
	30.6.2018 RM'000	30.6.2017 RM'000	Change	30.6.2018 RM'000	30.6.2017 RM'000	Change
Revenue	83,642	78,543	6%	166,189	151,167	10%
Other gains and losses	1,232	(75)	1743%	1,981	(281)	805%
Cost of sales and other operating expenses	(75,259)	(70,601)	7%	(148,861)	(135,664)	10%
Finance costs	(215)	(241)	-11%	(433)	(504)	-14%
Profit before tax	<u>9,400</u>	<u>7,626</u>	23%	<u>18,876</u>	<u>14,718</u>	28%
Tax expense	(2,721)	(2,497)	9%	(5,414)	(4,575)	18%
Profit for the period	<u><u>6,679</u></u>	<u><u>5,129</u></u>	30%	<u><u>13,462</u></u>	<u><u>10,143</u></u>	33%
Profit attributable to owners of the Company	<u><u>6,679</u></u>	<u><u>5,129</u></u>	30%	<u><u>13,462</u></u>	<u><u>10,143</u></u>	33%
Earnings per share						
Basic and diluted (sen)	<u><u>3.18</u></u>	<u><u>2.81</u></u>	13%	<u><u>6.41</u></u>	<u><u>5.57</u></u>	15%

The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and the accompanying notes to the Interim Financial Report.



SPRITZER BHD
(Company No. 265348-V)
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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

	Quarter ended		Year-to-date ended	
	30.6.2018	30.6.2017	30.6.2018	30.6.2017
	RM'000	RM'000	RM'000	RM'000
Profit for the period	6,679	5,129	13,462	10,143
Other comprehensive income/(loss)				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translating foreign entities	14	(23)	31	(54)
Total comprehensive income for the period attributable to owners of the Company	<u>6,693</u>	<u>5,106</u>	<u>13,493</u>	<u>10,089</u>

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and the accompanying notes to the Interim Financial Report.



SPRITZER BHD
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	AS AT 30.6.2018 RM'000	AUDITED AS AT 31.12.2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	220,074	222,418
Investment properties	5,170	5,170
Goodwill on consolidation	40	40
Other intangible asset	116	129
	<u>225,400</u>	<u>227,757</u>
Current assets		
Other investments	101,370	110,977
Inventories	29,259	32,117
Trade and other receivables	64,708	63,698
Current tax assets	1,948	1,198
Other assets	14,192	4,494
Fixed deposit, cash and bank balances	21,483	17,307
	<u>232,960</u>	<u>229,791</u>
TOTAL ASSETS	<u>458,360</u>	<u>457,548</u>
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	216,571	216,571
Treasury shares	(14)	(14)
Translation reserve	(47)	(78)
Retained earnings	161,906	159,992
TOTAL EQUITY	<u>378,416</u>	<u>376,471</u>
Non-current liabilities		
Borrowings	4,178	5,673
Deferred tax liabilities	19,123	18,600
	<u>23,301</u>	<u>24,273</u>
Current liabilities		
Trade and other payables	27,855	27,393
Borrowings	6,958	6,939
Current tax liabilities	2,394	2,764
Other liabilities	19,436	19,708
	<u>56,643</u>	<u>56,804</u>
TOTAL LIABILITIES	<u>79,944</u>	<u>81,077</u>
TOTAL EQUITY AND LIABILITIES	<u>458,360</u>	<u>457,548</u>
Net assets per share attributable to owners of the Company (RM)	<u>1.8022</u>	<u>1.7930</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and the accompanying notes to the Interim Financial Report.



SPRITZER BHD
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

	-----Non-distributable Reserves-----				Distributable		Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Equity-settled Employee Benefits Reserve RM'000	Translation Reserve RM'000	Share Premium RM'000	Retained Earnings RM'000	
Balance as of 1 January 2018	216,571	(14)	-	(78)	-	159,992	376,471
Profit for the period	-	-	-	-	-	13,462	13,462
Other comprehensive income	-	-	-	31	-	-	31
Total comprehensive income for the period	-	-	-	31	-	13,462	13,493
Payment of dividend	-	-	-	-	-	(11,548)	(11,548)
Balance as of 30 June 2018	216,571	(14)	-	(47)	-	161,906	378,416
Balance as of 1 January 2017	89,787	(14)	1,345	(34)	56,423	140,748	288,255
Profit for the period	-	-	-	-	-	10,143	10,143
Other comprehensive loss	-	-	-	(54)	-	-	(54)
Total comprehensive (loss)/income for the period	-	-	-	(54)	-	10,143	10,089
Expenses relating to issuance of ESOS	-	-	-	-	(1)	-	(1)
Recognition of share-based payments	-	-	(156)	-	-	156	-
Exercise of ESOS	5,984	-	(1,189)	-	565	-	5,360
Payment of dividend	-	-	-	-	-	(6,390)	(6,390)
Transition in accordance with Companies Act 2016*	56,987	-	-	-	(56,987)	-	-
Balance as of 30 June 2017	152,758	(14)	-	(88)	-	144,657	297,313

* With the Companies Act 2016 ("New Act") which came into effect on 31 January 2017, the credit standing in the Company's share premium account of RM56,987,152 became part of the share capital of the Company. Pursuant to Section 618(3) of the New Act, the Company has 24 months from the commencement of the New Act to utilise this credit.

The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and the accompanying notes to the Interim Financial Report.



SPRITZER BHD
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	Year-to-date ended	
	30.6.2018	30.6.2017
	RM'000	RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit for the period	13,462	10,143
Adjustments for:		
Depreciation of property, plant and equipment	7,027	6,850
Adjustments for:		
Tax expense recognised in profit or loss	5,414	4,575
Finance costs	433	504
Interest income	(104)	(94)
Investment revenue	(1,662)	(491)
Other non-cash items	(59)	1,194
	<u>24,511</u>	<u>22,681</u>
Movements in working capital		
Decrease/(Increase) in current assets	1,472	(2,649)
(Decrease)/Increase in current liabilities	(1,016)	1,054
Cash generated from operations	<u>24,967</u>	<u>21,086</u>
Interest received	104	94
Income tax paid	(6,011)	(5,052)
Tax refunded	-	228
Net cash from operating activities	<u>19,060</u>	<u>16,356</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Investment revenue received	48	48
Proceeds from disposal of property, plant and equipment	95	125
Proceeds from disposal of other investments	33,227	8,900
Purchase of property, plant and equipment	(2,200)	(7,948)
Deposit paid for purchase of property, plant and equipment	(10,995)	-
Placement of other investments	(21,680)	(9,100)
Net cash used in investing activities	<u>(1,505)</u>	<u>(7,975)</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Finance cost paid	(433)	(504)
Dividend paid	(11,548)	(6,390)
Expenses relating to issuance of ESOS paid	-	(1)
Proceeds from issue of shares	-	5,360
Repayment of borrowings	(1,476)	(5,797)
Net cash from used in financing activities	<u>(13,457)</u>	<u>(7,332)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,098	1,049
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	17,286	18,559
Effect on exchange rate changes on balance of cash held in foreign currencies	77	(70)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>21,461</u>	<u>19,538</u>
Cash and cash equivalents at end of the period comprise the following:		
Fixed deposits, cash and bank balances	21,483	19,559
Less : fixed deposit pledged	(22)	(21)
	<u>21,461</u>	<u>19,538</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and the accompanying notes to the Interim Financial Report.



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NOTES TO THE INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 "Interim Financial Reporting", International Accounting Standard ("IAS") 34 "Interim Financial Reporting" and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim financial report are consistent with those applied in the Group's audited financial statements for the financial year ended 31 December 2017 except for the adoption of MFRSs and Amendments to MFRSs effective for annual periods beginning on or after 1 January 2018.

Adoption of MFRSs and Amendments to MFRSs

The Group has adopted the following MFRSs and Amendments to MFRSs, with a date of initial application of 1 January 2018:

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers (and related Clarifications)
Amendments to MFRSs	Annual Improvements to MFRSs 2014 - 2016 Cycle

The application of the above MFRSs and Amendments to MFRSs has no material impact on the amounts reported and disclosures made in the financial statements.

Standards in issue but not yet effective

The Group has not elected for early adoption of the relevant new and revised MFRSs and Amendments to MFRSs which have been issued but not yet effective at the date of authorisation for issue of the interim financial report. The Group will be applying the following new accounting standards on their effective dates:

MFRS 16	Leases*
Amendments to MFRSs	Annual Improvements to MFRSs 2015 - 2017 Cycle*
IC Interpretation 23	Uncertainty over Income Tax Payments*

* Effective for annual periods beginning on or after 1 January 2019, which earlier application permitted.

The directors have assessed and determined that the application of MFRS 16 in the future will not have a material impact on the amounts reported and disclosures made in the Group's financial statements based on the analysis of lease commitments that the Group currently entered into.

3. AUDITORS' REPORT ON PRECEDING YEAR FINANCIAL STATEMENTS

The auditors' report on the financial statements for the preceding financial year ended 31 December 2017 was unmodified and did not contain material uncertainty related to going concern.

4. SEASONAL AND CYCLICAL FACTORS

The operations of the Group are generally not materially affected by any seasonal nor cyclical factors. However, festive periods and hot weather do affect positively the demand of bottled water products.

5. UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

There were no material items of an unusual nature and amount for the current quarter and financial year-to-date ended 30 June 2018.

6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in the estimates used in the current quarter compared to those used in the previous financial year which have a material effect in the current quarter and financial year-to-date ended 30 June 2018.

7. ISSUANCES, CANCELLATIONS, REPURCHASES, RESALE AND REPAYMENTS OF DEBT AND EQUITY SECURITIES

There were no issuance, no repayment of debt and equity securities and share buy-backs for the current quarter and financial year-to-date ended 30 June 2018.

The total number of the Company's ordinary shares in issue, net of treasury shares as at 30 June 2018 is 209,968,727.

As at 30 June 2018, the total shares held as treasury shares remained at 24,000 shares as none of the treasury shares were resold or cancelled during the current quarter and financial year-to-date.

8. DIVIDEND PAID

On 22 June 2018, the Company paid a first and final dividend of 5.5 sen per share, under the single tier system, amounting to RM11,548,280 in respect of the previous financial year ended 31 December 2017.

9. SEGMENTAL REPORTING

The analysis of the Group business segments for the current quarter and financial year-to-date ended 30 June 2018 are as follows:-

Quarter ended 30 June 2018	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue					
External revenue	79,058	4,485	99	-	83,642
Inter-segment revenue	20,178	4	34	(20,216)	-
Total revenue	99,236	4,489	133	(20,216)	83,642
Results					
Segment results	9,703	(907)	105	(304)	8,597
Finance costs					(215)
Investment revenue					1,018
Profit before tax					9,400
Income tax expense					(2,721)
Profit for the period					6,679
Year-to-date ended 30 June 2018					
Revenue					
External revenue	157,600	8,400	189	-	166,189
Inter-segment revenue	41,209	8	74	(41,291)	-
Total revenue	198,809	8,408	263	(41,291)	166,189
Results					
Segment results	19,691	(1,674)	246	(616)	17,647
Finance costs					(433)
Investment revenue					1,662
Profit before tax					18,876
Income tax expense					(5,414)
Profit for the period					13,462
As at 30 June 2018					
Assets					
Segment assets	365,541	6,546	249,343	(165,018)	456,412
Unallocated segment assets					1,948
Consolidated total assets					458,360
Liabilities					
Segment liabilities	102,878	6,498	948	(51,897)	58,427
Unallocated segment liabilities					21,517
Consolidated total liabilities					79,944

The Group's China operations is included in the trading business segment.

10. CARRYING AMOUNT AND ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation, amortisation and impairment losses.

Details of the Group's acquisition of property, plant and equipment are as follows:

	Quarter ended 30.6.2018 RM'000	Year-to- date ended 30.6.2018 RM'000
Total purchase of property, plant and equipment	1,202	4,850
Purchased by cash	1,126	2,200

11. MATERIAL SUBSEQUENT EVENTS

On 2 August 2018, a subsidiary, Chuan Sin Sdn Bhd signed an order placement document with Corpoplast Beverage Equipment (Suzhou) Co., Ltd for the purchase of a new water production line for a total consideration of CNY25,500,000.

There were no other material events subsequent to the end of the current quarter ended 30 June 2018 up to the date of this report.

12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current quarter and financial year-to-date ended 30 June 2018.

13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no material contingent liabilities and assets as at the date of this report.

14. CAPITAL COMMITMENTS

Capital commitments that are not provided for in the interim financial statements as at 30 June 2018 are as follows:

	<u>RM'000</u>
<i>Property, plant and equipment:</i>	
Authorised but not contracted for	338
Approved and contracted for	25,699
	<u>26,037</u>

15. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Profit before tax is arrived at after crediting/(charging):

	Quarter ended 30.6.2018 RM'000	Year-to- date ended 30.6.2018 RM'000
Interest income	61	104
Interest expense	(146)	(283)
Investment revenue	1,018	1,662
Depreciation of property, plant and equipment	(3,398)	(7,027)
Amortisation of intangible asset	(7)	(13)
Allowance for and write off of receivables	-	(16)
Allowance for and write off of inventories	-	(33)
Gain on disposal of quoted/unquoted investments or properties	14	14
Loss on disposal of property, plant and equipment	(19)	(6)
Property, plant and equipment written off	(21)	(64)
Impairment of assets	-	-
Loss on foreign exchange	(14)	(240)
Gain/(Loss) on derivatives	-	-
Fair value adjustments of investment properties	-	-
Fair value adjustments of unquoted investments	(21)	(13)

16. REVIEW OF PERFORMANCE

Revenue

The revenue of the Group consists of the following:

	Quarter ended			Year-to-date ended		
	30.6.2018	30.6.2017	Change	30.6.2018	30.6.2017	Change
	RM'000	RM'000		RM'000	RM'000	
Sale of bottled water and related products	74,849	69,670	7%	148,731	134,126	11%
Sale of plastic packaging materials	8,694	8,724	0%	17,269	16,789	3%
Income from mini golf operation	99	149	-34%	189	252	-25%
Total revenue	83,642	78,543	6%	166,189	151,167	10%

Analysis of revenue by segment is as follows:

	Quarter ended			Year-to-date ended		
	30.6.2018	30.6.2017	Change	30.6.2018	30.6.2017	Change
	RM'000	RM'000		RM'000	RM'000	
Manufacturing	79,058	74,739	6%	157,600	143,216	10%
Trading	4,485	3,655	23%	8,400	7,699	9%
Others	99	149	-34%	189	252	-25%
Total revenue	83,642	78,543	6%	166,189	151,167	10%

The Group recorded a revenue of RM83.6 million during the current quarter ended 30 June 2018, which is a 6% increase from the RM78.5 million recorded in the same quarter in previous year. The increase in revenue is due to increase in sales volume. Sales volume increased partly as a result of various sales campaigns carried out and also due to customers taking advantage of the special discount offered by the Group on bottled water.

During the current quarter ended 30 June 2018, the Group's revenue from manufacturing segment of RM79.1 million represents an increase of 6% from RM74.7 million in the same quarter in previous year. Revenue from trading segment increased 23% from RM3.7 million to RM4.5 million in the current period ended 30 June 2018. The increase in manufacturing revenue is attributable to the increase in sales volume of bottled water. The increase in trading revenue is contributed by improved sales performance from the Group's China operations as well as increased volume of bottled water sold locally as a result of sales campaigns and special discounts offered on bottled water just before and after GST was zero-rated on 1 June 2018.

The Group recorded a revenue of RM166.2 million during the financial year-to-date ended 30 June 2018, which is a 10% increase from the RM151.2 million recorded in the same period in previous year. The increase in revenue is due to increase in sales volume. During the 6-month period ended 30 June 2018, sales volume increased due to strong demand for bottled water as a result of hot weather and water rationing in Selangor coupled with successful sales campaigns carried out and special discount offered.

During the financial year-to-date ended 30 June 2018, the Group's revenue from manufacturing segment of RM157.6 million represents an increase of 10% from RM143.2 million in the same period in previous year. Revenue from trading segment increased 9% from RM7.7 million to RM8.4 million in the financial year-to-date ended 30 June 2018. Both the increase in manufacturing and trading revenue is mainly due to the increase in sales volume.

Other gains and losses

Included in other gains and losses are the following:

	Quarter ended			Year-to-date ended		
	30.6.2018	30.6.2017	Change	30.6.2018	30.6.2017	Change
	RM'000	RM'000		RM'000	RM'000	
Investment revenue	1,018	252	304%	1,662	491	238%
Allowance for and write off of inventories	-	(384)	-100%	(33)	(1,188)	-97%
Loss on foreign exchange	(14)	(171)	-92%	(240)	(94)	155%

The increase in investment revenue for the current quarter and the financial year-to-date ended 30 June 2018 of 304% and 238%, respectively is due to placement of unutilised proceeds received from the issuance of shares on Private Placement which was completed in November 2017 in short term money market funds.

The decrease in allowance for and write off of inventories in the current quarter and financial year-to-date ended 30 June 2018 of 100% and 97%, respectively is mainly because there were slow moving inventories returned by customers in China written off in the same periods in 2017.

Loss on foreign exchange comprises realised and unrealised foreign currencies exchange differences arising from trade transactions. The major foreign currencies used by the Group in trade transactions are United States Dollar, Chinese Renminbi and Singapore Dollar.

Cost of sales and other operating expenses

	Quarter ended			Year-to-date ended		
	30.6.2018	30.6.2017	Change	30.6.2018	30.6.2017	Change
	RM'000	RM'000		RM'000	RM'000	
Cost of sales	53,600	47,178	14%	105,851	92,218	15%
Other operating expenses	21,659	23,423	-8%	43,010	43,446	-1%
	<u>75,259</u>	<u>70,601</u>	7%	<u>148,861</u>	<u>135,664</u>	10%

The increase in cost of sales of 14% for the current quarter ended 30 June 2018 compared to the same quarter in previous year is in line with the increase in sales volume and also due to increase in raw material cost, in particular PET resin cost. Other operating expenses decreased by 8% in the current quarter ended 30 June 2018 compared the same quarter in previous year due to better overall cost control and lower advertising and promotion cost incurred in China. During the current quarter, Spritzer contributed RM500,000 to Tabung Harapan in support of the Government's efforts to pare down the national debt, the amount has been included in other operating expenses.

The increase in cost of sales of 15% for the financial year-to-date ended 30 June 2018 compared to the same period in previous year is in line with the increase in sales volume and also due to increase in manufacturing input costs especially raw materials and staff costs. Other operating expenses remain rather consistent with the same period last year despite 10% increase in sales revenue and RM500,000 donation to Tabung Harapan due to better overall cost control and lower advertising and promotion cost incurred in China.

Profit before tax and segment results

Analysis of results by segment is as follows:

	Quarter ended			Year-to-date ended		
	30.6.2018	30.6.2017	Change	30.6.2018	30.6.2017	Change
	RM'000	RM'000		RM'000	RM'000	
Manufacturing	9,703	10,183	-5%	19,691	20,402	-3%
Trading	(907)	(2,400)	-62%	(1,674)	(5,226)	-68%
Others	105	321	-67%	246	555	-56%
Eliminations	(304)	(489)	-38%	(616)	(1,000)	-38%
Segment results	<u>8,597</u>	<u>7,615</u>	13%	<u>17,647</u>	<u>14,731</u>	20%
Profit before tax	<u>9,400</u>	<u>7,626</u>	23%	<u>18,876</u>	<u>14,718</u>	28%

The Group's manufacturing segment results of RM9.7 million during the current quarter ended 30 June 2018 representing a 5% decrease from the RM10.2 million recorded in the same quarter in previous year, despite increase in sales revenue and reduction in other operating costs. This is due to significant increase in raw material PET resin cost which the Group has to absorb resulting in lower gross profit margin on its products. Similarly, for the financial year-to-date ended 30 June 2018, the manufacturing segment results decreased 3% from RM20.4 million achieved in the same period in previous year to RM19.7 million due to the same reason.

The Group's trading segment results has improved 62% to RM0.9 million loss during the current quarter ended 30 June 2018 from the RM2.4 million loss recorded in the same quarter in previous year. The improvement is mainly due to better sales performance and reduction in overhead costs of the China operations. For the financial year-to-date ended 30 June 2018, the trading segment results improved 68% to RM 1.7 million loss from RM5.2 million loss recorded in the same period in previous year due to improved sales performance, effective control on inventories return policies and reduction in overhead costs of China operations.

Group eliminations are in respect of interest received and receivable by Spritzer Bhd from its subsidiaries on inter-company loans extended.

The Group recorded a profit before tax of RM9.4 million during the current quarter ended 30 June 2018, representing a 23% increase from the RM7.6 million recorded in the same quarter last year, despite the increase in raw material costs and hence lower gross profit margin. The increase in profit is mainly contributed by the stabilisation and control of the selling and distribution costs for market exploration, product advertising and promotion in China market coupled with the implementation of cost control measures to manage overhead costs in China operations and investment revenue received from short term money market funds with unutilised Private Placement proceeds.

The Group recorded a profit before tax of RM18.9 million during the financial year-to-date ended 30 June 2018, increased 28% from the RM14.7 million recorded in the same period last year, despite the increase in manufacturing costs which resulted in a decrease in gross profit margin. The increase in profit is mainly contributed by the stabilisation and control of the selling and distribution costs for market exploration, product advertising and promotion in China market coupled with the implementation of cost control measures to manage overhead costs in China operations and investment revenue received from short term money market funds.

17. MATERIAL CHANGES IN THE QUARTERLY RESULTS COMPARED TO THE RESULTS OF THE IMMEDIATE PRECEDING QUARTER

	Quarter ended		Change
	30.6.2018 RM'000	31.3.2018 RM'000	
Revenue	83,642	82,547	1%
Profit before tax	9,400	9,476	-1%

The are no material changes in the Group's current quarter ended 30 June 2018 revenue and profit before tax compared to the results achieved in the immediate preceding quarter ended 31 March 2018.

18. FUTURE PROSPECTS

The Group expects the market conditions to remain challenging with keen competition from the many bottled water brands in the market. The Group is expecting significantly higher input and operating costs in the second half of 2018.

We will continue with our marketing and sales efforts so as to improve our sales of bottled water in Guangzhou, China and in Malaysia. We will commence the construction of an automated warehouse in our Taiping mineral water plant in second half of 2018 to improve our operational efficiency. We also have plan to further improve our production efficiency and output by acquiring additional high speed and fully automated production lines. With our comprehensive range of quality bottled water products catering to the various market segments, we are hopeful that the sales of our bottled water products will be sustainable in the domestic market. We are also taking firm steps to improve our business operations in China.

The directors are concerned that the increase in raw material prices will persist and may potentially worsen, this will then impact our earnings for the remaining quarters of the current financial year ending 31 December 2018.

19. VARIANCE BETWEEN FORECAST AND ACTUAL PROFIT

Not applicable.

20. TAX EXPENSE

	Quarter ended	Year-to-date ended
	30.6.2018 RM'000	30.6.2018 RM'000
Income tax		
- current period	2,489	4,867
- prior period	24	24
Deferred tax		
- current period	208	325
- prior year	-	198
	<u>2,721</u>	<u>5,414</u>

The effective tax rate for the current quarter and financial year-to-date ended 30 June 2018 is higher than the statutory income tax rate of 24% mainly due to certain expenses are not allowable for tax purposes and unutilised tax losses of certain subsidiaries not recognised as deferred tax assets.

21. CORPORATE PROPOSAL AND STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

Private Placement of 27,387,225 new ordinary shares in Spritzer Bhd

As at 30 June 2018, the status of utilisation of proceeds raised from the Private Placement which was completed on 22 November 2017 is as follows:

Purpose	Proposed	Actual	Intended	Deviation	Deviation
	utilisation	utilisation	timeframe		
	RM'000	RM'000		RM'000	%
Construction of an automated warehouse ("ASRS project")	45,000	8,967	November 2020	-	0%
Working capital	18,613	8,660	November 2019	-	0%
Expenses in relation to the Private Placement	200	107	December 2017	93	47%
Total	63,813	17,734			

There were no other outstanding corporate proposals as at the date of this report.

22. GROUP BORROWINGS

The Group's borrowings as at 30 June 2018 are as follows:

	RM'000
<i>Current portion (repayable in the next 12 months)</i>	
Unsecured	
- Term loans	2,228
- Banker's acceptances	1,000
- Revolving credit	3,554
Secured	
- Hire purchase	176
	6,958
<i>Non-current portion (repayment after next 12 months)</i>	
Unsecured	
- Term loans	4,178
	<u>11,136</u>

All outstanding borrowings are denominated in Ringgit Malaysia except for a revolving credit loan of RM3,554,251 which is denominated in Chinese Renminbi.

Group borrowings are on fixed interest rates. The average effective interest rates per annum applicable on the borrowings during the current quarter and financial year-to-date ended 30 June 2018 are as follows:

	%
Term loans	4.33 - 5.02
Banker's acceptances	3.28 - 3.75
Revolving credit	<u>4.45 - 5.66</u>

23. MATERIAL LITIGATION

There were no material litigation involving the Group as at the date of this report.

24. DIVIDEND

The Directors do not recommend any interim dividend for the current quarter and financial year-to-date ended 30 June 2018.

25. EARNINGS PER SHARE ("EPS")

Basic and diluted earnings per ordinary share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of shares in issue during the period.

	Quarter ended 30.6.2018	Year-to- date ended 30.6.2018
	RM'000	RM'000
Profit attributable to owners of the Company	6,679	13,462
Basic and diluted earnings per share		
	'000	'000
Number of shares (excluding treasury shares) in issue at beginning of the period	209,969	209,969
Add: Weighted average number of shares issued during the period	-	-
Weighted average number of shares in issue during the period (basic)	209,969	209,969
Basic and diluted EPS (sen)	3.18	6.41

26. TRADE AND OTHER RECEIVABLES

	As at 30.6.2018 RM'000
Trade receivables	
- Non-related parties	16,698
- Related parties	47,807
	64,505
Allowance for doubtful debts	(32)
	64,473
Other receivables	235
	64,708

The credit terms of trade receivables granted to non-related parties and related parties are the same, with credit period ranging from 30 - 120 days.

Ageing of trade receivables which are past due but not impaired as at 30 June 2018 is as follows:

	Non-related parties RM'000	Related parties RM'000
31 - 60 days	736	-
61 - 90 days	269	-
91 - 120 days	499	-
More than 120 days	210	1,805
	1,714	1,805

27. RELATED PARTY DISCLOSURE

Related party transactions of the Group have been entered into in the normal course of business and are carried out on normal commercial terms.

Details of the significant related party transactions during the period are as follows:

	Quarter ended 30.6.2018 RM'000	Year-to- date ended 30.6.2018 RM'000
*Yee Lee Corporation Bhd Group of Companies		
Sales	40,687	80,836
Purchases	1,031	2,380
Others	1	16

	Quarter ended 30.6.2018 RM'000	Year-to- date ended 30.6.2018 RM'000
<i>Cactus Marketing Sdn Bhd</i>		
Sales	1,650	3,821
Rental of premise received	24	47
<i>Yee Lee Oils & Foodstuff (Singapore) Pte Ltd</i>		
Sales	1,057	1,983
<i>Unipon Enterprise Sdn Bhd</i>		
Purchases	133	203
<i>Multibase Systems Sdn Bhd</i>		
Corporate secretarial fees paid	6	12
<i>Unikampar Credit And Leasing Sdn Bhd</i>		
Hire purchase interest paid	2	6

**Yee Lee Corporation Bhd Group of Companies includes the following:*

- Yee Lee Edible Oils Sdn Bhd
- Yee Lee Trading Co Sdn Bhd
- South East Asia Paper Products Sdn Bhd
- Yee Lee Marketing Sdn Bhd

28. AUTHORISATION FOR ISSUE

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 August 2018.