



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

**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
 FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018**

The figures have not been audited.

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

	Quarter ended			Year-to-date ended		
	30.9.2018 RM'000	30.9.2017 RM'000	Change	30.9.2018 RM'000	30.9.2017 RM'000	Change
Revenue	95,997	83,237	15%	262,186	234,404	12%
Other gains and losses	588	(120)	590%	2,569	(401)	741%
Cost of sales and other operating expenses	(85,574)	(71,305)	20%	(234,435)	(206,969)	13%
Finance costs	(259)	(299)	-13%	(692)	(803)	-14%
Profit before tax	<u>10,752</u>	<u>11,513</u>	-7%	<u>29,628</u>	<u>26,231</u>	13%
Tax expense	(3,381)	(3,481)	-3%	(8,795)	(8,056)	9%
Profit for the period	<u><u>7,371</u></u>	<u><u>8,032</u></u>	-8%	<u><u>20,833</u></u>	<u><u>18,175</u></u>	15%
Profit attributable to owners of the Company	<u><u>7,371</u></u>	<u><u>8,032</u></u>	-8%	<u><u>20,833</u></u>	<u><u>18,175</u></u>	15%
Earnings per share						
Basic and diluted (sen)	<u><u>3.51</u></u>	<u><u>4.40</u></u>	-20%	<u><u>9.92</u></u>	<u><u>9.99</u></u>	-1%

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
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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

	Quarter ended		Year-to-date ended	
	30.9.2018	30.9.2017	30.9.2018	30.9.2017
	RM'000	RM'000	RM'000	RM'000
Profit for the period	7,371	8,032	20,833	18,175
Other comprehensive income/(loss)				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translating foreign entities	24	17	55	(37)
Total comprehensive income for the period attributable to owners of the Company	<u>7,395</u>	<u>8,049</u>	<u>20,888</u>	<u>18,138</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 SEPTEMBER 2018

	AS AT 30.9.2018 RM'000	AUDITED AS AT 31.12.2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	217,766	222,418
Investment properties	5,170	5,170
Goodwill on consolidation	40	40
Other intangible asset	110	129
	<u>223,086</u>	<u>227,757</u>
Current assets		
Other investments	99,700	110,977
Inventories	33,102	32,117
Trade and other receivables	69,017	63,698
Current tax assets	1,874	1,198
Other assets	34,457	4,494
Fixed deposit, cash and bank balances	22,009	17,307
	<u>260,159</u>	<u>229,791</u>
TOTAL ASSETS	<u>483,245</u>	<u>457,548</u>
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	216,571	216,571
Treasury shares	(14)	(14)
Translation reserve	(23)	(78)
Retained earnings	169,277	159,992
TOTAL EQUITY	<u>385,811</u>	<u>376,471</u>
Non-current liabilities		
Borrowings	3,675	5,673
Deferred tax liabilities	19,875	18,600
	<u>23,550</u>	<u>24,273</u>
Current liabilities		
Trade and other payables	44,359	27,393
Borrowings	5,505	6,939
Current tax liabilities	709	2,764
Other liabilities	23,311	19,708
	<u>73,884</u>	<u>56,804</u>
TOTAL LIABILITIES	<u>97,434</u>	<u>81,077</u>
TOTAL EQUITY AND LIABILITIES	<u>483,245</u>	<u>457,548</u>
Net assets per share attributable to owners of the Company (RM)	<u>1.8375</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 SEPTEMBER 2018**

	Share Capital RM'000	Treasury Shares RM'000	-----Non-distributable Reserves-----			Distributable Reserve	Total Equity 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	-	-	-	-	-	20,833	20,833
Other comprehensive income	-	-	-	55	-	-	55
Total comprehensive income for the period	-	-	-	55	-	20,833	20,888
Payment of dividend	-	-	-	-	-	(11,548)	(11,548)
Balance as of 30 September 2018	216,571	(14)	-	(23)	-	169,277	385,811
Balance as of 1 January 2017	89,787	(14)	1,345	(34)	56,423	140,748	288,255
Profit for the period	-	-	-	-	-	18,175	18,175
Other comprehensive loss	-	-	-	(37)	-	-	(37)
Total comprehensive (loss)/income for the period	-	-	-	(37)	-	18,175	18,138
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 September 2017	152,758	(14)	-	(71)	-	152,689	305,362

* 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 SEPTEMBER 2018

	Year-to-date ended	
	30.9.2018	30.9.2017
	RM'000	RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit for the period	20,833	18,175
Adjustments for:		
Depreciation of property, plant and equipment	10,475	10,409
Adjustments for:		
Tax expense recognised in profit or loss	8,795	8,056
Finance costs	692	803
Interest income	(158)	(171)
Investment revenue	(2,642)	(721)
Other non-cash items	667	1,930
	<u>38,662</u>	<u>38,481</u>
Movements in working capital		
(Increase)/Decrease in current assets	(9,457)	1,477
Increase/(Decrease) in current liabilities	19,179	(998)
Cash generated from operations	<u>48,384</u>	<u>38,960</u>
Interest received	158	171
Income tax paid	(10,250)	(7,938)
Tax refunded	-	362
Net cash from operating activities	<u>38,292</u>	<u>31,555</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Investment revenue received	72	72
Proceeds from disposal of property, plant and equipment	155	265
Proceeds from disposal of other investments	42,247	8,900
Purchase of property, plant and equipment	(3,501)	(13,074)
Deposit paid for purchase of property, plant and equipment	(28,746)	-
Placement of other investments	(28,160)	(17,100)
Net cash used in investing activities	<u>(17,933)</u>	<u>(20,937)</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Finance cost paid	(692)	(803)
Dividend paid	(11,548)	(6,390)
Expenses relating to issuance of ESOS paid	-	(1)
Proceeds from borrowings	752	-
Proceeds from issue of shares	-	5,360
Repayment of borrowings	(4,321)	(7,451)
Net cash used in financing activities	<u>(15,809)</u>	<u>(9,285)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,550	1,333
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	15	(31)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>21,851</u>	<u>19,861</u>
Cash and cash equivalents at end of the period comprise the following:		
Fixed deposits, cash and bank balances	22,009	20,111
Bank overdraft	(137)	(229)
	<u>21,872</u>	<u>19,882</u>
Less : fixed deposit pledged	(21)	(21)
	<u>21,851</u>	<u>19,861</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 September 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 September 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 September 2018.

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

As at 30 September 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 September 2018 are as follows:-

Quarter ended 30 September 2018	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue					
External revenue	90,928	4,933	136	-	95,997
Inter-segment revenue	25,179	4	35	(25,218)	-
Total revenue	116,107	4,937	171	(25,218)	95,997
Results					
Segment results	10,880	(681)	113	(281)	10,031
Finance costs					(259)
Investment revenue					980
Profit before tax					10,752
Income tax expense					(3,381)
Profit for the period					7,371
Year-to-date ended 30 September 2018					
Revenue					
External revenue	248,528	13,333	325	-	262,186
Inter-segment revenue	66,388	12	109	(66,509)	-
Total revenue	314,916	13,345	434	(66,509)	262,186
Results					
Segment results	30,571	(2,355)	359	(897)	27,678
Finance costs					(692)
Investment revenue					2,642
Profit before tax					29,628
Income tax expense					(8,795)
Profit for the period					20,833
As at 30 September 2018					
Assets					
Segment assets	394,326	6,578	251,887	(171,420)	481,371
Unallocated segment assets					1,874
Consolidated total assets					483,245
Liabilities					
Segment liabilities	126,829	5,849	959	(56,787)	76,850
Unallocated segment liabilities					20,584
Consolidated total liabilities					97,434

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 30.9.2018 RM'000	Year-to- date ended 30.9.2018 RM'000
Total purchase of property, plant and equipment	1,741	6,591
Purchased by cash	1,301	3,501

11. MATERIAL SUBSEQUENT EVENTS

There were no material events subsequent to the end of the current quarter ended 30 September 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 September 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 September 2018 are as follows:

	<u>RM'000</u>
<i>Property, plant and equipment:</i>	
Approved and contracted for	<u>61,527</u>

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

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

	Quarter ended 30.9.2018 RM'000	Year-to- date ended 30.9.2018 RM'000
Interest income	54	158
Interest expense	(123)	(406)
Investment revenue	980	2,642
Investment written off	(58)	(58)
Depreciation of property, plant and equipment	(3,448)	(10,475)
Amortisation of intangible asset	(6)	(19)
Allowance for and write off of receivables	-	(16)
Allowance for and write off of inventories	(18)	(51)
Gain on disposal of quoted/unquoted investments or properties	3	17
Gain on disposal of property, plant and equipment	16	10
Property, plant and equipment written off	(534)	(598)
Impairment of assets	-	-
Loss on foreign exchange	(84)	(324)
Gain/(Loss) on derivatives	-	-
Fair value adjustments of unquoted investments	(30)	(43)

16. REVIEW OF PERFORMANCE

Revenue

The revenue of the Group consists of the following:

	Quarter ended			Year-to-date ended		
	30.9.2018	30.9.2017	Change	30.9.2018	30.9.2017	Change
	RM'000	RM'000		RM'000	RM'000	
Sale of bottled water and related products	87,093	74,484	17%	235,824	208,610	13%
Sale of plastic packaging materials	8,768	8,664	1%	26,037	25,453	2%
Income from mini golf operation	136	89	53%	325	341	-5%
Total revenue	95,997	83,237	15%	262,186	234,404	12%

Analysis of revenue by segment is as follows:

	Quarter ended			Year-to-date ended		
	30.9.2018	30.9.2017	Change	30.9.2018	30.9.2017	Change
	RM'000	RM'000		RM'000	RM'000	
Manufacturing	90,928	79,444	14%	248,528	222,660	12%
Trading	4,933	3,704	33%	13,333	11,403	17%
Others	136	89	53%	325	341	-5%
Total revenue	95,997	83,237	15%	262,186	234,404	12%

The Group recorded a revenue of RM96.0 million during the current quarter ended 30 September 2018, which is a 15% increase from the RM83.2 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 and incentives plan carried out and also due to customers taking advantage of the special discount offered by the Group on bottled water. In addition, sales volume surged during the tax free period and the month following SST implementation on 1 September 2018 as customers increased stock holdings in anticipation of price adjustments.

During the current quarter ended 30 September 2018, the Group's revenue from manufacturing segment of RM90.9 million represents an increase of 14% from RM79.4 million in the same quarter in previous year. Revenue from trading segment increased 33% from RM3.7 million to RM4.9 million in the current period ended 30 September 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 due to customers increasing stock holdings of bottled water just before and after the SST implementation on 1 September 2018.

The Group recorded a revenue of RM262.2 million during the financial year-to-date ended 30 September 2018, which is a 12% increase from the RM234.4 million recorded in the same period in previous year. The increase in revenue is due to increase in sales volume. During the 9-month period ended 30 September 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 September 2018, the Group's revenue from manufacturing segment of RM248.7 million represents an increase of 12% from RM222.7 million in the same period in previous year. Revenue from trading segment increased 17% from RM11.4 million to RM13.3 million in the financial year-to-date ended 30 September 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		
	30.9.2018	30.9.2017	Change	30.9.2018	30.9.2017	Change
	RM'000	RM'000		RM'000	RM'000	
Investment revenue	980	230	326%	2,642	721	266%
Allowance for and write off of inventories	(18)	(737)	-98%	(51)	(1,925)	-97%
Property, plant and equipment written off	(534)	(110)	385%	(598)	(145)	312%
(Loss)/Gain on foreign exchange	(84)	162	-152%	(324)	42	-871%

The increase in investment revenue for the current quarter and the financial year-to-date ended 30 September 2018 of 326% and 266%, 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 September 2018 of 98% and 97%, respectively is mainly because there were slow moving inventories returned by customers in China written off in the same periods in 2017.

The increase in property, plant and equipment written off for the current quarter and the financial year-to-date ended 30 September 2018 of 385% and 312%, is due to writing off of obsolete equipment which have been replaced with new ones to increase productivity and to reduce production cost.

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		
	30.9.2018	30.9.2017	Change	30.9.2018	30.9.2017	Change
	RM'000	RM'000		RM'000	RM'000	
Cost of sales	61,836	50,168	23%	167,687	142,386	18%
Other operating expenses	23,738	21,137	12%	66,748	64,583	3%
	<u>85,574</u>	<u>71,305</u>	20%	<u>234,435</u>	<u>206,969</u>	13%

The increase in cost of sales of 23% for the current quarter ended 30 September 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 and 10% sales tax applicable to raw materials and consumables with effect from 1 September 2018. Other operating expenses increased by 12% in the current quarter ended 30 September 2018 compared the same quarter in previous year mainly due to increase in selling and distribution expenses that is in line with the increase in sales.

The increase in cost of sales of 18% for the financial year-to-date ended 30 September 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 increased 3% as compared with the same period last year mainly due to increase in selling and distribution expenses in line with the increase in sales.

Profit before tax and segment results

Analysis of results by segment is as follows:

	Quarter ended			Year-to-date ended		
	30.9.2018	30.9.2017	Change	30.9.2018	30.9.2017	Change
	RM'000	RM'000		RM'000	RM'000	
Manufacturing	10,880	13,517	-20%	30,571	33,919	-10%
Trading	(681)	(1,760)	-61%	(2,355)	(6,986)	-66%
Others	113	223	-49%	359	778	-54%
Eliminations	(281)	(398)	-29%	(897)	(1,398)	-36%
Segment results	<u>10,031</u>	<u>11,582</u>	-13%	<u>27,678</u>	<u>26,313</u>	5%
Profit before tax	<u>10,752</u>	<u>11,513</u>	-7%	<u>29,628</u>	<u>26,231</u>	13%

The Group's manufacturing segment results of RM10.9 million during the current quarter ended 30 September 2018 representing a 20% decrease from the RM13.5 million recorded in the same quarter in previous year, despite increase in sales revenue by 14%. 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 September 2018, the manufacturing segment results decreased 10% from RM33.9 million achieved in the same period in previous year to RM30.6 million due to the same reason.

The Group's trading segment results has improved 61% to RM0.7 million loss during the current quarter ended 30 September 2018 from the RM1.8 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 September 2018, the trading segment results improved 66% to RM 2.4 million loss from RM7.0 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.

The Group recorded a profit before tax of RM10.8 million during the current quarter ended 30 September 2018, representing a 7% decrease from the RM11.5 million recorded in the same quarter last year mainly due to the increase in raw material costs and hence lower gross profit margin.

The Group recorded a profit before tax of RM29.6 million during the financial year-to-date ended 30 September 2018, increased 13% from the RM26.2 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
	30.9.2018 RM'000	30.6.2018 RM'000	
Revenue	95,997	83,642	15%
Profit before tax	10,752	9,400	14%

The Group recorded a revenue of RM96.0 million during the current quarter ended 30 September 2018, which is a 15% increase from the RM83.6 million recorded in the immediate preceding quarter ended 30 June 2018. The increase in revenue is due to increase in sales volume of bottled water sold locally due to customers increasing stock holdings before the sales tax implementation, in anticipation of price increase after 1 September 2018.

The Group recorded a profit before tax of RM10.8 million during the current quarter ended 30 September 2018, representing a 14% increase from the RM9.4 million recorded in the immediate preceding quarter ended 30 June 2018 mainly due to the increase in sales volume of bottled water.

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 also expects the input and operating costs to remain high in the final quarter of 2018.

We will continue with our marketing and sales efforts so as to improve our sales of bottled water in Malaysia and in Guangzhou, China. We have commenced the construction of the automated warehouse in our Taiping mineral water plant in October 2018 to improve our operational efficiency. We will continue to improve our production efficiency and further strengthen our capacity and capability 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 final quarter 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
	30.9.2018 RM'000	30.9.2018 RM'000
Income tax		
- current period	2,502	7,369
- prior period	127	151
Deferred tax		
- current period	752	1,077
- prior year	-	198
	<u>3,381</u>	<u>8,795</u>

The effective tax rate for the current quarter and financial year-to-date ended 30 September 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 September 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	9,160	November 2019	-	0%
Expenses in relation to the Private Placement	200	107	December 2017	93	47%
Total	<u>63,813</u>	<u>18,234</u>			

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

22. GROUP BORROWINGS

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

	RM'000
<i>Current portion (repayable in the next 12 months)</i>	
Unsecured	
- Term loans	2,767
- Overdraft	137
Secured	
- Revolving credit	2,468
- Hire purchase	133
	<u>5,505</u>
<i>Non-current portion (repayment after next 12 months)</i>	
Unsecured	
- Term loans	3,675
	<u>9,180</u>

All outstanding borrowings are denominated in Ringgit Malaysia except for a revolving credit loan of RM2,468,470 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 September 2018 are as follows:

	%
Term loans	4.33 - 5.02
Banker's acceptances	3.28 - 3.75
Revolving credit	4.45 - 5.96
Overdraft	<u>7.15 - 8.10</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 September 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 30.9.2018	Year-to- date ended 30.9.2018
	RM'000	RM'000
Profit attributable to owners of the Company	7,371	20,833
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)	3.51	9.92

26. TRADE AND OTHER RECEIVABLES

	As at 30.9.2018 RM'000
Trade receivables	
- Non-related parties	22,102
- Related parties	46,190
	68,292
Allowance for doubtful debts	(32)
	68,260
Other receivables	757
	69,017

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 September 2018 is as follows:

	Non-related parties RM'000	Related parties RM'000
31 - 60 days	393	-
61 - 90 days	260	-
91 - 120 days	566	-
More than 120 days	197	1,494
	1,416	1,494

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 30.9.2018 RM'000	Year-to- date ended 30.9.2018 RM'000
<i>Spritzer Resources Sdn Bhd</i>		
Purchase of 3 units office suit	4,259	4,259
<i>*Yee Lee Corporation Bhd Group of Companies</i>		
Sales	43,737	124,573
Purchases	1,137	3,517
Others	18	34

	Quarter ended 30.9.2018 RM'000	Year-to- date ended 30.9.2018 RM'000
<i>YLTC Sdn Bhd</i>		
Sales	2,559	2,559
<i>Cactus Marketing Sdn Bhd</i>		
Sales	2,015	5,836
Rental of premise received	23	70
<i>Yee Lee Oils & Foodstuff (Singapore) Pte Ltd</i>		
Sales	1,122	3,105
<i>Unipon Enterprise Sdn Bhd</i>		
Purchases	110	313
<i>Multibase Systems Sdn Bhd</i>		
Corporate secretarial fees paid	7	19
<i>Unikampar Credit And Leasing Sdn Bhd</i>		
Hire purchase interest paid	3	9
<i>Sabah Tea Garden Sdn Bhd</i>		
Sales	31	40
Purchases	2	3
Rental of premise received	9	9

**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
- Desa Tea 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 21 November 2018.