



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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Quarter ended			Year ended		
	31.12.2018 RM'000	31.12.2017 RM'000	Change	31.12.2018 RM'000	31.12.2017 RM'000	Change
Revenue	85,498	79,445	8%	347,684	313,849	11%
Other gains and losses	328	1,313	-75%	2,897	912	218%
Cost of sales and other operating expenses	(81,403)	(71,491)	14%	(315,838)	(278,460)	13%
Finance costs	(195)	(226)	-14%	(887)	(1,029)	-14%
Profit before tax	<u>4,228</u>	<u>9,041</u>	-53%	<u>33,856</u>	<u>35,272</u>	-4%
Tax expense	(836)	(1,738)	-52%	(9,631)	(9,794)	-2%
Profit for the period	<u><u>3,392</u></u>	<u><u>7,303</u></u>	-54%	<u><u>24,225</u></u>	<u><u>25,478</u></u>	-5%
Profit attributable to owners of the Company	<u><u>3,392</u></u>	<u><u>7,303</u></u>	-54%	<u><u>24,225</u></u>	<u><u>25,478</u></u>	-5%
Earnings per share						
Basic and diluted (sen)	<u><u>1.62</u></u>	<u><u>3.95</u></u>	-59%	<u><u>11.54</u></u>	<u><u>13.83</u></u>	-17%

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 YEAR ENDED 31 DECEMBER 2018**

	Quarter ended		Year ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Profit for the period	3,392	7,303	24,225	25,478
Other comprehensive income/(loss)				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translating foreign entities	1	(7)	56	(44)
Total comprehensive income for the period attributable to owners of the Company	<u>3,393</u>	<u>7,296</u>	<u>24,281</u>	<u>25,434</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 31 DECEMBER 2018

	AS AT 31.12.2018 RM'000	AUDITED AS AT 31.12.2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	244,223	222,418
Investment properties	5,170	5,170
Goodwill on consolidation	40	40
Other intangible asset	103	129
	<u>249,536</u>	<u>227,757</u>
Current assets		
Other investments	92,815	110,977
Inventories	36,804	32,117
Trade and other receivables	62,780	63,698
Current tax assets	2,279	1,198
Other assets	13,804	4,494
Fixed deposits, cash and bank balances	18,343	17,307
	<u>226,825</u>	<u>229,791</u>
TOTAL ASSETS	<u>476,361</u>	<u>457,548</u>
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	216,571	216,571
Treasury shares	(14)	(14)
Translation reserve	(22)	(78)
Retained earnings	172,669	159,992
TOTAL EQUITY	<u>389,204</u>	<u>376,471</u>
Non-current liabilities		
Borrowings	3,171	5,673
Deferred tax liabilities	20,537	18,600
	<u>23,708</u>	<u>24,273</u>
Current liabilities		
Trade and other payables	37,126	27,393
Borrowings	5,683	6,939
Current tax liabilities	811	2,764
Other liabilities	19,829	19,708
	<u>63,449</u>	<u>56,804</u>
TOTAL LIABILITIES	<u>87,157</u>	<u>81,077</u>
TOTAL EQUITY AND LIABILITIES	<u>476,361</u>	<u>457,548</u>
Net assets per share attributable to owners of the Company (RM)	<u>1.8536</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.



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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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 year	-	-	-	-	-	24,225	24,225
Other comprehensive income for the year	-	-	-	56	-	-	56
Total comprehensive income for the year	-	-	-	56	-	24,225	24,281
Payment of dividend	-	-	-	-	-	(11,548)	(11,548)
Balance as of 31 December 2018	216,571	(14)	-	(22)	-	172,669	389,204
Balance as of 1 January 2017	89,787	(14)	1,345	(34)	56,423	140,748	288,255
Profit for the year	-	-	-	-	-	25,478	25,478
Other comprehensive loss for the year	-	-	-	(44)	-	-	(44)
Total comprehensive (loss)/income for the year	-	-	-	(44)	-	25,478	25,434
Expenses relating to issuance of ESOS	-	-	-	-	(1)	-	(1)
Exercise of ESOS	5,984	-	(1,189)	-	565	-	5,360
Recognition of share-based payments	-	-	(156)	-	-	156	-
Issuance of shares on private placement	63,813	-	-	-	-	-	63,813
Payment of dividend	-	-	-	-	-	(6,390)	(6,390)
Transfer arising from "no par value" regime*	56,987	-	-	-	(56,987)	-	-
Balance as of 31 December 2017	216,571	(14)	-	(78)	-	159,992	376,471

* With the Companies Act 2016 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.

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 YEAR ENDED 31 DECEMBER 2018

	Year ended	
	31.12.2018	31.12.2017
	RM'000	RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit for the year	24,225	25,478
Adjustments for:		
Depreciation of property, plant and equipment	14,116	14,047
Tax expense recognised in profit or loss	9,631	9,794
Finance costs	887	1,029
Interest income	(221)	(276)
Investment revenue	(3,583)	(1,584)
Other non-cash items	1,369	1,291
	<u>46,424</u>	<u>49,779</u>
Movements in working capital		
Increase in current assets	(4,341)	(2,176)
Increase in current liabilities	2,774	8,919
Cash generated from operations	<u>44,857</u>	<u>56,522</u>
Interest received	221	276
Income tax refunded	7	362
Income tax paid	(10,735)	(10,823)
Net cash from operating activities	<u>34,350</u>	<u>46,337</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Proceeds from disposal of other investments	67,012	12,600
Proceeds from disposal of property, plant and equipment	176	266
Investment revenue received	96	96
Purchase of property, plant and equipment	(27,469)	(14,165)
Placement of other investments	(45,276)	(98,200)
Deposit paid for purchase of property, plant and equipment	(11,773)	(2,338)
Placement of fixed deposit	(1)	-
Purchase of intangible asset	-	(133)
Net cash used in investing activities	<u>(17,235)</u>	<u>(101,874)</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Proceeds from issue of shares	-	69,173
Dividend paid	(11,548)	(6,390)
Repayment of borrowings	(4,722)	(7,442)
Finance cost paid	(887)	(1,029)
Proceeds from borrowings	964	-
Expenses relating to issuance of ESOS paid	-	(1)
Net cash (used in)/from financing activities	<u>(16,193)</u>	<u>54,311</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	922	(1,226)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	17,286	18,559
Effect on exchange rate changes on balance of cash held in foreign currencies	113	(47)
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>18,321</u>	<u>17,286</u>
Cash and cash equivalents at end of year comprise the following:		
Fixed deposits, cash and bank balances	18,343	17,307
Less : fixed deposit pledged	(22)	(21)
	<u>18,321</u>	<u>17,286</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 ended 31 December 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 ended 31 December 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 during the current quarter and financial year ended 31 December 2018.

The total number of the Company's ordinary shares in issue, net of treasury shares as at 31 December 2018 is 209,968,727.

As at 31 December 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 ended 31 December 2018.

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 ended 31 December 2018 are as follows:

Quarter ended	Manufacturing	Trading	Others	Eliminations	Consolidated
31 December 2018	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External revenue	82,080	3,243	175	-	85,498
Inter-segment revenue	19,323	300	7,958	(27,581)	-
Total revenue	101,403	3,543	8,133	(27,581)	85,498
Results					
Segment results	5,017	(1,301)	8,021	(8,255)	3,482
Finance costs					(195)
Investment revenue					941
Profit before tax					4,228
Income tax expense					(836)
Profit for the period					3,392
Year ended					
31 December 2018	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External revenue	330,608	16,576	500	-	347,684
Inter-segment revenue	85,711	312	8,067	(94,090)	-
Total revenue	416,319	16,888	8,567	(94,090)	347,684
Results					
Segment results	35,588	(3,656)	8,380	(9,152)	31,160
Finance costs					(887)
Investment revenue					3,583
Profit before tax					33,856
Income tax expense					(9,631)
Profit for the period					24,225
As at					
31 December 2018	RM'000	RM'000	RM'000	RM'000	RM'000
Assets					
Segment assets	390,470	5,653	260,845	(182,886)	474,082
Unallocated segment assets					2,279
Consolidated total assets					476,361
Liabilities					
Segment liabilities	122,799	6,809	1,251	(65,050)	65,809
Unallocated segment liabilities					21,348
Consolidated total liabilities					87,157

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 31.12.2018 RM'000	Year ended 31.12.2018 RM'000
Total purchase of property, plant and equipment	30,166	36,757
Purchased by cash	23,968	27,469

11. MATERIAL SUBSEQUENT EVENTS

There were no material events subsequent to the end of the current year ended 31 December 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 ended 31 December 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 31 December 2018 are as follows:

	RM'000
<i>Property, plant and equipment:</i>	
Approved and contracted for	47,294

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

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

	Quarter ended 31.12.2018 RM'000	Year ended 31.12.2018 RM'000
Interest income	63	221
Interest expense	(121)	(527)
Investment revenue	941	3,583
Investment written off	-	(58)
Depreciation of property, plant and equipment	(3,641)	(14,116)
Amortisation of intangible asset	(7)	(26)
Allowance for and write off of receivables	(105)	(121)
Allowance for and write off of inventories	(261)	(312)
Gain on disposal of quoted/unquoted investments or properties	13	30
Gain on disposal of property, plant and equipment	-	10
Property, plant and equipment written off	(68)	(666)
Impairment of assets	-	-
Loss on foreign exchange	(231)	(555)
Gain/(Loss) on derivatives	-	-
Fair value adjustments of unquoted investments	(167)	(210)

16. REVIEW OF PERFORMANCE

Revenue

The revenue of the Group consists of the following:

	Quarter ended			Year ended		
	31.12.2018	31.12.2017	Change	31.12.2018	31.12.2017	Change
	RM'000	RM'000		RM'000	RM'000	
Sale of bottled water and related products	76,461	70,100	9%	312,285	278,710	12%
Sale of plastic packaging materials	8,862	9,193	-4%	34,899	34,646	1%
Income from mini golf operation	175	152	15%	500	493	1%
Total revenue	85,498	79,445	8%	347,684	313,849	11%

Analysis of revenue by segment is as follows:

	Quarter ended			Year ended		
	31.12.2018	31.12.2017	Change	31.12.2018	31.12.2017	Change
	RM'000	RM'000		RM'000	RM'000	
Manufacturing	82,080	75,529	9%	330,608	298,189	11%
Trading	3,243	3,764	-14%	16,576	15,167	9%
Others	175	152	15%	500	493	1%
Total revenue	85,498	79,445	8%	347,684	313,849	11%

The Group recorded a revenue of RM85.5 million during the current quarter ended 31 December 2018, which is an 8% increase from the RM79.4 million recorded in the same quarter in previous year. The increase in revenue is mainly due to increase in average selling prices.

During the current quarter ended 31 December 2018, the Group's revenue from manufacturing segment of RM82.1 million represents an increase of 9% from RM75.5 million in the same quarter in previous year. Revenue from trading segment decreased 14% from RM3.8 million to RM3.2 million in the current quarter ended 31 December 2018. The increase in manufacturing revenue is attributable to the increase in average selling prices. The decrease in trading revenue is mainly due to lower sales volume.

The Group recorded a revenue of RM347.7 million during the year ended 31 December 2018, which is an 11% increase from the RM313.8 million recorded in previous year. The increase in revenue is due to increase in sales volume. During the year ended 31 December 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 to drive sales volume upwards.

During the year ended 31 December 2018, the Group's revenue from manufacturing segment of RM330.6 million represents an increase of 11% from RM298.2 million in the previous year. Revenue from trading segment increased 9% from RM15.2 million to RM16.6 million in the year ended 31 December 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 ended		
	31.12.2018	31.12.2017	Change	31.12.2018	31.12.2017	Change
	RM'000	RM'000		RM'000	RM'000	
Investment revenue	941	863	9%	3,583	1,584	126%
Allowance for and write off of inventories	(261)	(176)	48%	(312)	(2,101)	-85%
Loss on foreign exchange	(231)	(531)	-56%	(555)	(489)	13%
Property, plant and equipment written off	(68)	(10)	580%	(666)	(155)	330%
Fair value adjustment of investment properties	-	816	-100%	-	816	-100%

The increase in investment revenue for the current quarter ended 31 December 2018 of 9% is due to higher investment placed in money market funds while the 126% increase in financial year ended 31 December 2018 is mainly 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 increase of 48% in allowance for and write off of inventories in the current quarter ended 31 December 2018 is in line with the sales and production increase for the year ended 31 December 2018. The decrease of 85% in allowance for and write off of inventories in the year ended 31 December 2018 is mainly because there were significant slow moving inventories returned by customers in China written off in the prior year.

The increase in property, plant and equipment written off for the current quarter and the financial year ended 31 December 2018 of 580% and 320%, is due to writing off of obsolete plant and equipment which have been replaced with new ones to increase productivity and to reduce production and operations costs, which is in line with the Group's expansion plan.

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

Fair value adjustment of investment properties reduced 100% in the current quarter and financial year ended 31 December 2018 because there is no fair value adjustment of investment properties as. The fair value of the Group's investment properties as at 31 December 2018 remained consistent with prior year.

The reversal of donation earmarked in the prior year recognised in the previous year was a one-off exceptional item which is not expected to recur.

Cost of sales and other operating expenses

	Quarter ended			Year ended		
	31.12.2018	31.12.2017	Change	31.12.2018	31.12.2017	Change
	RM'000	RM'000		RM'000	RM'000	
Cost of sales	57,689	50,797	14%	225,376	193,183	17%
Other operating expenses	23,714	20,694	15%	90,462	85,277	6%
	<u>81,403</u>	<u>71,491</u>	14%	<u>315,838</u>	<u>278,460</u>	13%

The increase in cost of sales of 14% for the current quarter ended 31 December 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 materials such as PET resin and packaging material costs. Other operating expenses increased by 15% in the current quarter ended 31 December 2018 compared the same quarter in previous year mainly due to increase in advertising and promotional spending.

The increase in cost of sales of 17% for the financial year ended 31 December 2018 compared to the previous year is in line with the increase in sales volume and also due to increase in manufacturing input costs especially raw materials such as PET resin and packaging material costs. Other operating expenses increased 6% as compared with the previous year mainly due to increase in selling and distribution expenses, which is in line with the increase in sales.

Profit before tax and segment results

Analysis of results by segment is as follows:

	Quarter ended			Year ended		
	31.12.2018	31.12.2017	Change	31.12.2018	31.12.2017	Change
	RM'000	RM'000		RM'000	RM'000	
Manufacturing	5,017	10,961	-54%	35,588	44,880	-21%
Trading	(1,301)	(2,660)	-51%	(3,656)	(9,646)	-62%
Others	8,021	5,605	43%	8,380	6,383	31%
Eliminations	(8,255)	(5,502)	50%	(9,152)	(6,900)	33%
Segment results	<u>3,482</u>	<u>8,404</u>	-59%	<u>31,160</u>	<u>34,717</u>	-10%
Profit before tax	<u>4,228</u>	<u>9,041</u>	-53%	<u>33,856</u>	<u>35,272</u>	-4%

The Group's manufacturing segment results of RM5.0 million during the current quarter ended 31 December 2018 representing a 54% decrease from the RM11.0 million recorded in the same quarter in previous year, despite increase in sales revenue by 9%. This is due to significant increase in raw materials and packaging materials which the Group has to absorb resulting in lower gross profit margin on its products. Similarly, for the financial year ended 31 December 2018, the manufacturing segment results decreased 21% from RM44.9 million achieved in the previous year to RM35.6 million in the current year due to the same reason.

The Group's trading segment results has improved 51% to RM1.3 million loss during the current quarter ended 31 December 2018 from the RM2.7 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 ended 31 December 2018, the trading segment results improved 62% to RM3.7 million loss from RM9.6 million loss recorded in the previous year due to improved sales performance, effective control on inventories return policies and reduction in overhead costs of China operations.

The Group recorded a profit before tax of RM4.2 million during the current quarter ended 31 December 2018, representing a 53% decrease from the RM9.0 million recorded in the same quarter last year mainly due to significant increase in raw materials and packaging material costs which resulted in lower gross profit margin.

Despite recording an 11% increase in revenue, the Group recorded a lower profit before tax of RM33.9 million during the financial year ended 31 December 2018, representing a decrease of 4% from the RM35.3 million recorded in the previous financial year, mainly due to significant increase in manufacturing input costs which resulted in a decrease in gross profit margin.

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

	Quarter ended		Change
	31.12.2018 RM'000	30.9.2018 RM'000	
Revenue	85,498	95,997	-11%
Profit before tax	4,228	10,752	-61%

The Group recorded a revenue of RM85.5 million during the current quarter ended 31 December 2018, which is an 11% decrease from the RM96.0 million recorded in the immediate preceding quarter ended 30 September 2018. The decrease in revenue is due to decrease 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 in the immediate preceding quarter ended 30 September 2018.

The Group recorded a profit before tax of RM4.2 million during the current quarter ended 31 December 2018, representing a 61% decrease from the RM10.8 million recorded in the immediate preceding quarter ended 30 September 2018 mainly due to the decrease in sales volume of bottled water as well as increase in raw materials and packaging material costs.

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 operating costs to remain high in 2019. However, there are signs that certain raw material and input costs may ease.

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 with the addition of high speed and fully automated production lines. With our strong branding and a comprehensive and increasing 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 further improve our business operations in China.

The consumption of bottled water may improve with the implementation of sugar tax in April 2019. While being mindful that the operating costs will remain high in 2019, the directors are cautiously optimistic that the Group will be able to generate a satisfactory performance in the financial year ending 31 December 2019.

19. VARIANCE BETWEEN FORECAST AND ACTUAL PROFIT

Not applicable.

20. TAX EXPENSE

	Quarter ended	Year ended
	31.12.2018 RM'000	31.12.2018 RM'000
Income tax		
- current period	174	7,543
- prior period	-	151
Deferred tax		
- current period	228	1,305
- prior year	434	632
	836	9,631

The effective tax rate for the current quarter ended 31 December 2018 is lower than the statutory income tax rate of 24% due to reinvestment allowances claim on property, plant and equipment acquired during the period. The effective tax rate for the year ended 31 December 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 31 December 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	for utilisation	RM'000	%
Construction of an automated warehouse ("ASRS project")	45,000	10,467	November 2020	-	0%
Working capital	18,613	15,828	November 2019	-	0%
Expenses in relation to the Private Placement	200	107	December 2017	93	47%
Total	<u>63,813</u>	<u>26,402</u>			

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

22. GROUP BORROWINGS

The Group's borrowings as at 31 December 2018 are as follows:

	RM'000
<i>Current portion (repayable in the next 12 months)</i>	
Unsecured	
- Term loans	2,413
Secured	
- Revolving credit	3,181
- Hire purchase	89
	5,683
<i>Non-current portion (repayment after next 12 months)</i>	
Unsecured	
- Term loans	3,171
	<u>8,854</u>

All outstanding borrowings are denominated in Ringgit Malaysia except for a revolving credit loan of RM3,181,354 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 year ended 31 December 2018 are as follows:

	%
Term loans	4.30 - 4.72
Banker's acceptances	3.50 - 4.25
Revolving credit	4.40 - 5.66
Overdraft	<u>7.15 - 8.24</u>

23. MATERIAL LITIGATION

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

24. DIVIDEND

The Directors have proposed a first and final dividend of 3.5 sen per ordinary share, under the single tier system, in respect of the current financial year ended 31 December 2018. This first and final dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements. The date of the Annual General Meeting and the date of book closure for the said dividend will be announced in due course.

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 31.12.2018	Year ended 31.12.2018
	RM'000	RM'000
Profit attributable to owners of the Company	3,392	24,225
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)	1.62	11.54

26. TRADE AND OTHER RECEIVABLES

	As at 31.12.2018 RM'000
Trade receivables	
- Non-related parties	17,481
- Related parties	44,552
	62,033
Allowance for doubtful debts	(16)
	62,017
Other receivables	763
	62,780

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 31 December 2018 is as follows:

	Non-related parties RM'000	Related parties RM'000
31 - 60 days	428	-
61 - 90 days	225	-
91 - 120 days	1,029	-
More than 120 days	134	4,213
	1,816	4,213

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 31.12.2018 RM'000	Year ended 31.12.2018 RM'000
<i>Spritzer Resources Sdn Bhd</i>		
Purchase of 3 units office suit	-	4,259
<i>*Yee Lee Corporation Bhd Group of Companies</i>		
Sales	34,631	159,204
Purchases	1,006	4,523
Others	14	48

	Quarter ended 31.12.2018 RM'000	Year ended 31.12.2018 RM'000
<i>YLTC Sdn Bhd</i>		
Sales	3,457	6,016
<i>Cactus Marketing Sdn Bhd</i>		
Sales	1,891	7,727
Rental of premise received	24	94
<i>Yee Lee Oils & Foodstuff (Singapore) Pte Ltd</i>		
Sales	1,149	4,254
<i>Unipon Enterprise Sdn Bhd</i>		
Sales	100	413
<i>Multibase Systems Sdn Bhd</i>		
Corporate secretarial fees paid	6	25
<i>Unikampar Credit And Leasing Sdn Bhd</i>		
Hire purchase interest paid	1	10
<i>Sabah Tea Garden Sdn Bhd</i>		
Sales	5	8
Purchases	99	139
Rental of premise received	20	29

**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 26 February 2019.