



SPRITZER BHD
Reg. No.: 199301010611 (265348-V)
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

The figures have not been audited.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	Quarter ended			Year-to-date ended		
	30.9.2019 RM'000	30.9.2018 RM'000	Change	30.9.2019 RM'000	30.9.2018 RM'000	Change
Revenue	97,467	95,997	2%	287,356	262,186	10%
Other gains and losses	668	588	14%	1,745	2,569	-32%
Cost of sales and other operating expenses	(85,445)	(85,574)	0%	(255,409)	(234,435)	9%
Finance costs	(223)	(259)	-14%	(548)	(692)	-21%
Profit before tax	<u>12,467</u>	<u>10,752</u>	16%	<u>33,144</u>	<u>29,628</u>	12%
Tax expense	(3,301)	(3,381)	-2%	(8,405)	(8,795)	-4%
Profit for the period	<u>9,166</u>	<u>7,371</u>	24%	<u>24,739</u>	<u>20,833</u>	19%
Profit attributable to owners of the Company	<u>9,166</u>	<u>7,371</u>	24%	<u>24,739</u>	<u>20,833</u>	19%
Earnings per share						
Basic and diluted (sen)	<u>4.37</u>	<u>3.51</u>	24%	<u>11.78</u>	<u>9.92</u>	19%

The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018 and the accompanying notes to the Interim Financial Report.



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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	<u>Quarter ended</u>		<u>Year-to-date ended</u>	
	<u>30.9.2019</u>	<u>30.9.2018</u>	<u>30.9.2019</u>	<u>30.9.2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Profit for the period	9,166	7,371	24,739	20,833
Other comprehensive (loss)/income				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translating foreign entities	63	24	17	55
Total comprehensive income for the period attributable to owners of the Company	<u>9,229</u>	<u>7,395</u>	<u>24,756</u>	<u>20,888</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 2018 and the accompanying notes to the Interim Financial Report.



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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

	AS AT 30.9.2019 RM'000	AUDITED AS AT 31.12.2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	289,724	244,223
Investment properties	5,170	5,170
Goodwill on consolidation	40	40
Other intangible asset	88	103
Total non-current assets	<u>295,022</u>	<u>249,536</u>
Current assets		
Other investments	50,534	92,815
Inventories	40,842	36,804
Trade and other receivables	76,894	62,780
Current tax assets	817	2,279
Other assets	8,070	13,804
Fixed deposits, cash and bank balances	26,203	18,343
Total current assets	<u>203,360</u>	<u>226,825</u>
Total assets	<u>498,382</u>	<u>476,361</u>
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	216,571	216,571
Treasury shares	(14)	(14)
Translation reserve	(5)	(22)
Retained earnings	190,059	172,669
Total equity	<u>406,611</u>	<u>389,204</u>
Non-current liabilities		
Borrowings	1,662	3,171
Deferred tax liabilities	22,058	20,537
Total non-current liabilities	<u>23,720</u>	<u>23,708</u>
Current liabilities		
Trade and other payables	35,555	37,126
Borrowings	5,016	5,683
Current tax liabilities	2,697	811
Other liabilities	24,783	19,829
Total current liabilities	<u>68,051</u>	<u>63,449</u>
Total liabilities	<u>91,771</u>	<u>87,157</u>
Total equity and liabilities	<u>498,382</u>	<u>476,361</u>
Net assets per share attributable to owners of the Company (RM)	<u>1.9365</u>	<u>1.8536</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018 and the accompanying notes to the Interim Financial Report.



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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	Share Capital RM'000	Treasury Shares RM'000	Non- distributable Translation Reserve RM'000	Distributable Reserve Retained Earnings RM'000	Total Equity RM'000
Balance as of 1 January 2019	216,571	(14)	(22)	172,669	389,204
Profit for the period	-	-	-	24,739	24,739
Other comprehensive loss for the period	-	-	17	-	17
Total comprehensive (loss)/income for the period	-	-	17	24,739	24,756
Payment of dividend	-	-	-	(7,349)	(7,349)
Balance as of 30 September 2019	216,571	(14)	(5)	190,059	406,611
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 for the period	-	-	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

The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018 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 2019

	Year-to-date ended	
	30.9.2019	30.9.2018
	RM'000	RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit for the period	24,739	20,833
Adjustments for:		
Depreciation of property, plant and equipment	11,788	10,475
Tax expense recognised in profit or loss	8,405	8,795
Finance costs	548	692
Interest income	(228)	(158)
Investment revenue	(1,842)	(2,642)
Other non-cash items	907	667
	<u>44,317</u>	<u>38,662</u>
Movements in working capital		
Increase in current assets	(20,174)	(9,457)
Increase in current liabilities	2,844	19,179
Cash generated from operations	<u>26,987</u>	<u>48,384</u>
Interest received	228	158
Income tax refunded	1,781	(10,250)
Income tax paid	(5,316)	-
Net cash from operating activities	<u>23,680</u>	<u>38,292</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Proceeds from disposal of other investments	54,857	42,247
Proceeds from disposal of property, plant and equipment	351	155
Investment revenue received	72	72
Purchase of property, plant and equipment	(45,824)	(3,501)
Placement of other investments	(10,810)	(28,160)
Deposit paid for purchase of property, plant and equipment	(4,630)	(28,746)
Placement of fixed deposit	(1)	-
Net cash used in investing activities	<u>(5,985)</u>	<u>(17,933)</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Dividend paid	(7,349)	(11,548)
Repayment of borrowings	(2,177)	(4,321)
Finance cost paid	(548)	(692)
Proceeds from borrowings	-	752
Net cash used in financing activities	<u>(10,074)</u>	<u>(15,809)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,621	4,550
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	18,321	17,286
Effect on exchange rate changes on balance of cash held in foreign currencies	239	15
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>26,181</u>	<u>21,851</u>
Cash and cash equivalents at end of period comprise the following:		
Fixed deposits, cash and bank balances	26,203	22,009
Bank overdraft	-	(137)
	<u>26,203</u>	<u>21,872</u>
Less : fixed deposit pledged	(22)	(21)
	<u>26,181</u>	<u>21,851</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018 and the accompanying notes to the Interim Financial Report.



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 2018.

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 2018 except for the adoption of MFRSs and Amendments to MFRS Standards effective for annual periods beginning on or after 1 January 2019.

Adoption of MFRSs and Amendments to MFRS Standards

The Group has adopted the following new and amendments to MFRS Standards and IC Interpretation, with a date of initial application of 1 January 2019:

MFRS 16	Leases
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
Annual Improvements to MFRS Standards 2015 - 2017 Cycle	Amendments to MFRS 3 Business Combinations, MFRS 11 Joint Arrangements, MFRS 112 Income Taxes and MFRS 123 Borrowing Costs
IC Interpretation 23	Uncertainty over Income Tax Treatments

The application of the above MFRSs and Amendments to MFRS Standards 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 following new and revised MFRSs and Amendments to MFRS Standards which have been issued but not yet effective at the date of authorisation for issue of the interim financial report:

MFRS 17	Insurance Contracts**
Amendments to MFRS 3	Definition of a Business*
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***
Amendments to MFRS 101 and MFRS 108	Definition of Material*

* Effective for annual periods beginning on or after 1 January 2020, which earlier application permitted.

** Effective for annual periods beginning on or after 1 January 2021, which earlier application permitted.

*** Effective for annual periods beginning on or after a date to be determined.

3. AUDITORS' REPORT ON PRECEDING YEAR FINANCIAL STATEMENTS

The auditors' report on the financial statements for the preceding financial year ended 31 December 2018 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 year-to-date ended 30 September 2019.

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 2019.

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 year-to-date ended 30 September 2019.

The total number of the Company's ordinary shares in issue, net of treasury shares as at 30 September 2019 is 209,968,727.

As at 30 September 2019, 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 year-to-date ended 30 September 2019.

8. DIVIDEND PAID

On 21 June 2019, the Company paid a first and final dividend of 3.5 sen per share, under the single tier system, amounting to RM7,348,905 in respect of the previous financial year ended 31 December 2018.

9. SEGMENTAL REPORTING

The analysis of the Group business segments for the current quarter and year-to-date ended 30 September 2019 are as follows:

Quarter ended 30 September 2019	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue					
External revenue	92,413	4,909	145	-	97,467
Inter-segment revenue	23,551	6	46	(23,603)	-
Total revenue	115,964	4,915	191	(23,603)	97,467
Results					
Segment results	12,847	(506)	734	(819)	12,256
Finance costs					(223)
Investment revenue					434
Profit before tax					12,467
Income tax expense					(3,301)
Profit for the period					9,166
Year-to-date ended 30 September 2019					
Revenue					
External revenue	273,177	13,792	387	-	287,356
Inter-segment revenue	72,989	16	121	(73,126)	-
Total revenue	346,166	13,808	508	(73,126)	287,356
Results					
Segment results	34,141	(1,765)	1,528	(2,054)	31,850
Finance costs					(548)
Investment revenue					1,842
Profit before tax					33,144
Income tax expense					(8,405)
Profit for the period					24,739
As at 30 September 2019					
Assets					
Segment assets	457,448	7,367	259,656	(226,906)	497,565
Unallocated segment assets					817
Consolidated total assets					498,382
Liabilities					
Segment liabilities	161,634	7,353	1,136	(103,107)	67,016
Unallocated segment liabilities					24,755
Consolidated total liabilities					91,771

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 30.9.2019 RM'000	Year-to- date ended 30.9.2019 RM'000
Total purchase of property, plant and equipment	8,457	58,113
Purchased by cash	8,229	45,824

11. MATERIAL SUBSEQUENT EVENTS

On 20 November 2019, the Company awarded a total of 10,234,000 ordinary shares of the Company under the Employees' Share Grant Plan ("SGP") to Eligible Employees of the Group. The number of shares awarded to Eligible Directors of the Company under the SGP is 2,937,000. The SGP shares will be allotted and vested with the Eligible Employees on the third anniversary date from the end of the relevant financial year in which the earnings target has been achieved. Further details on the SGP is included in Note 21 to the interim financial report.

There were no other material events subsequent to the end of the current quarter and year-to-date ended 30 September 2019 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 year-to-date ended 30 September 2019.

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 2019 are as follows:

	<u>RM'000</u>
<i>Property, plant and equipment:</i>	
Authorised but not contracted for	3,391
Approved and contracted for	13,405
	<u>16,796</u>

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

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

	Quarter ended 30.9.2019 RM'000	Year-to- date ended 30.9.2019 RM'000
Interest income	94	228
Interest expense	(85)	(276)
Investment revenue	434	1,842
Depreciation of property, plant and equipment	(4,112)	(11,788)
Amortisation of intangible asset	(5)	(15)
Allowance for and write off of receivables	-	(58)
Allowance for and write off of inventories	(116)	(569)
Loss on disposal of quoted/unquoted investments or properties	-	(3)
Gain on disposal of property, plant and equipment	-	29
Property, plant and equipment written off	(66)	(500)
Impairment of assets	-	-
Gain on foreign exchange	137	154
Gain/(Loss) on derivatives	-	-
Fair value adjustments of unquoted investments	-	(1)

16. REVIEW OF PERFORMANCE

Revenue

The revenue of the Group consists of the following:

	Quarter ended			Year-to-date ended		
	30.9.2019	30.9.2018	Change	30.9.2019	30.9.2018	Change
	RM'000	RM'000		RM'000	RM'000	
Sale of bottled water and related products	92,587	87,093	6%	266,285	235,824	13%
Sale of plastic packaging materials	4,735	8,768	-46%	20,684	26,037	-21%
Income from mini golf operation	145	136	7%	387	325	19%
Total revenue	<u>97,467</u>	<u>95,997</u>	2%	<u>287,356</u>	<u>262,186</u>	10%

Analysis of revenue by segment is as follows:

	Quarter ended			Year-to-date ended		
	30.9.2019	30.9.2018	Change	30.9.2019	30.9.2018	Change
	RM'000	RM'000		RM'000	RM'000	
Manufacturing	92,413	90,928	2%	273,177	248,528	10%
Trading	4,909	4,933	0%	13,792	13,333	3%
Others	145	136	7%	387	325	19%
Total revenue	<u>97,467</u>	<u>95,997</u>	2%	<u>287,356</u>	<u>262,186</u>	10%

The Group recorded a revenue of RM97.5 million during the current quarter ended 30 September 2019, which is a 2% increase from the RM96.0 million recorded in the same quarter in previous year. The increase in revenue is mainly due to better average selling prices of bottled water.

During the current quarter ended 30 September 2019, the Group's revenue from manufacturing segment of RM92.4 million represents an increase of 2% from RM90.9 million in the same quarter in previous year. Revenue from trading segment remained constant at 4.9 million in the current quarter ended 30 September 2019. The increase in manufacturing revenue is attributable to the increase in sales volume and better average selling prices.

The Group recorded a revenue of RM287.4 million during the financial year-to-date ended 30 September 2019, which is a 10% increase from the RM262.2 million recorded in the same period in previous year. The increase in revenue is due to increase in sales volume and better average selling prices.

During the financial year-to-date ended 30 September 2019, the Group's revenue from manufacturing segment of RM273.2 million represents an increase of 10% from RM248.5 million in the same period in previous year. Revenue from trading segment increased 3% from RM13.3 million to RM13.8 million in the financial year-to-date ended 30 September 2019. Both the increase in manufacturing and trading revenue is mainly due to the increase in sales volume and better average selling prices.

Other gains and losses

Included in other gains and losses are the following:

	Quarter ended			Year-to-date ended		
	30.9.2019	30.9.2018	Change	30.9.2019	30.9.2018	Change
	RM'000	RM'000		RM'000	RM'000	
Investment revenue	434	980	-56%	1,842	2,642	-30%
Gain/(Loss) on foreign exchange	137	(84)	-263%	154	(324)	-148%
Allowance for and write off of inventories	(116)	(18)	100%	(569)	(51)	1016%
Property, plant and equipment written off	<u>(66)</u>	<u>(534)</u>	-88%	<u>(500)</u>	<u>(598)</u>	-16%

The investment revenue is derived from placement of excess funds as short term investment in money market funds. The reduction of investment revenue of 56% and 30% in the current quarter and in the financial year-to-date ended 30 September 2019, respectively is due to utilisation of excess funds to pay for acquisition of property, plant and equipment.

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.

The increase in allowance for and write off of inventories in the current quarter and financial year-to-date ended 30 September 2019 is in line with the sales and production increase.

The property, plant and equipment written off for the current quarter and the year-to-date ended 30 September 2019 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 on-going expansion plan which started in the previous financial year.

Cost of sales and other operating expenses

	Quarter ended			Year-to-date ended		
	30.9.2019	30.9.2018	Change	30.9.2019	30.9.2018	Change
	RM'000	RM'000		RM'000	RM'000	
Cost of sales	55,787	61,836	-10%	172,235	167,687	3%
Other operating expenses	29,658	23,738	25%	83,174	66,748	25%
	<u>85,445</u>	<u>85,574</u>	0%	<u>255,409</u>	<u>234,435</u>	9%

The decrease in cost of sales of 10% for the current quarter ended 30 September 2019 compared to the same quarter in previous year is mainly due to the decrease in raw material costs, in particular the reduction in PET resin cost and the exemption of sales tax on raw materials and consumables. Other operating expenses increased by 25% in the current quarter ended 30 September 2019 compared the same quarter in previous year mainly due to increase in selling and distribution expenses, which is in line with the increase in sales.

The increase in cost of sales of 3% for the financial year-to-date ended 30 September 2019 compared to the same period in previous year is mainly due to the increase in sales volume. Other operating expenses increased 25% compared with the same period last year mainly due 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-to-date ended		
	30.9.2019	30.9.2018	Change	30.9.2019	30.9.2018	Change
	RM'000	RM'000		RM'000	RM'000	
Manufacturing	13,198	10,880	21%	34,141	30,571	12%
Trading	(506)	(681)	-26%	(1,765)	(2,355)	-25%
Others	383	113	239%	1,528	359	326%
Eliminations	(819)	(281)	191%	(2,054)	(897)	129%
Segment results	<u>12,256</u>	<u>10,031</u>	22%	<u>31,850</u>	<u>27,678</u>	15%
Profit before tax	<u>12,467</u>	<u>10,752</u>	16%	<u>33,144</u>	<u>29,628</u>	12%

The Group's manufacturing segment results increased 21% to RM13.2 million during the current quarter ended 30 September 2019 compared to the RM10.9 million recorded in the same quarter in previous year. The increase is mainly due to better average selling prices as well as lower manufacturing cost. Manufacturing segment results for the year-to-date ended 30 September 2019 has improved by 12% to RM34.1 million compared to the RM30.6 million achieved in the same period last year mainly due to increase in sales volume, better average selling prices as well as lower manufacturing cost, contributed mainly by reduction in PET resin and packaging material costs.

The Group's trading segment results has improved 26% to RM0.6 million loss during the current quarter ended 30 September 2019 from the RM0.7 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. Similarly, the 25% improvement from RM2.4 million loss to RM1.8 million loss in trading segment results in the year-to-date ended 30 June 2019 is due to improved sales performance and better costs management of the China operations.

The Group recorded a profit before tax of RM12.5 million during the current quarter ended 30 September 2019, representing a 16% increase from the RM10.8 million recorded in the same quarter last year mainly due to increase in sales revenue and lower manufacturing cost. The Group's profit before tax for the year-to-date ended 30 September 2019 increased 12% to RM33.1 million from RM29.6 million in the same period last year mainly due to increase in sales revenue and lower manufacturing cost, contributed mainly by reduction in PET resin cost.

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

	Quarter ended		Change
	30.9.2019	30.6.2019	
	RM'000	RM'000	
Revenue	97,467	94,790	3%
Profit before tax	<u>12,467</u>	<u>10,705</u>	16%

The Group recorded a revenue of RM97.5 million during the current quarter ended 30 September 2019, which is a 3% increased compared to the RM94.8 million recorded in the immediate preceding quarter ended 30 June 2019 contributed by the increase in sales volume.

The Group recorded a profit before tax of RM12.5 million during the current quarter ended 30 September 2019, representing a 16% increase from the RM10.7 million recorded in the immediate preceding quarter ended 30 June 2019 mainly due to increase in sales revenue and lower manufacturing cost.

18. FUTURE PROSPECTS

The Group expects the consumer sentiment to remain at the suboptimal level and the market conditions to be volatile with intense competition among the numerous bottled water brands in the market.

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 will continue to improve our internal efficiency and further strengthen our manufacturing capacity and capability with the enhancement of our processing facilities and the acquisition of high speed and fully automated production facility. As the leading bottled water producer with strong brand equity and having a comprehensive and increasing range of quality bottled water products catering to the various market segments, we are confident that the sales of our bottled water products will be sustainable in the domestic market. We are taking firm steps to further improve our business operations in China.

We are putting in additional efforts on exploring sustainable packaging alternatives for the medium to long term.

The Group is also implementing a Performance Share Grant Plan to incentivise and motivate our key employees to perform and hence creating growth and sustainable earnings for the Group.

With effective campaigns and promotions, we are hopeful that our sales volume will continue to grow. 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 30.9.2019 RM'000	Year-to- date ended 30.9.2019 RM'000
Income tax		
- current period	2,956	6,958
- prior period	(74)	(74)
Deferred tax		
- current period	419	1,507
- prior year	-	14
	<u>3,301</u>	<u>8,405</u>

The effective tax rate for the current quarter and financial year-to-date ended 30 September 2019 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 2019, the status of utilisation of proceeds raised from the Private Placement which was completed on 22 November 2017 is as follows:

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Intended timeframe for utilisation	Deviation RM'000	Deviation %
Construction of an automated warehouse ("ASRS project")	45,000	36,283	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>52,218</u>			

Establishment of an employees' share grant plan of up to 5% of the issued share capital of Spritzer Bhd

On 10 April 2019, Spritzer Bhd ("Spritzer") announced that it would undertake to establish and implement an employees' share grant plan ("SGP") of up to 5% of the issued share capital of the Company (excluding treasury shares, if any) at any point in time during the SGP Period for Eligible Employees. On 22 April 2019, Spritzer also announced that Bursa Malaysia Securities Berhad ("Bursa Securities") had, vide its letter dated 19 April 2019, resolved to approve the listing of and quotation for such number of new Spritzer Shares, representing up to 5% of the issued share capital of Spritzer (excluding treasury shares, if any) at any point in time during the SGP Period, to be issued under the Proposed SGP on the Main Market of Bursa Securities as set out in Section 7 of the Circular to Shareholders in relation to Proposed SGP dated 30 April 2019 ("Circular"). Subsequently, in the Extraordinary General Meeting held on 30 May 2019, the shareholders had approved the proposed establishment and implementation of the SGP as set out in the Circular. The effective date for the implementation of the SGP is on 30 September 2019.

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 2019 are as follows:

	<u>RM'000</u>
<i>Current portion (repayable in the next 12 months)</i>	
Unsecured	
- Term loans	2,013
Secured	
- Revolving credit	3,003
	5,016
<i>Non-current portion (repayment after next 12 months)</i>	
Unsecured	
- Term loans	1,662
	<u>6,678</u>

All outstanding borrowings are denominated in Ringgit Malaysia except for a revolving credit loan of RM3,002,949 which is denominated in Chinese Renminbi.

Group borrowings are on fixed interest rates. The average effective interest rates per annum applicable on the borrowings outstanding as at 30 September 2019 are as follows:

	%
Term loans	4.27 - 4.57
Revolving credit	<u>4.79 - 5.00</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 2019.

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.

	<u>Quarter ended</u>	<u>Year-to-date ended</u>
	<u>30.9.2019</u>	<u>30.9.2019</u>
	<u>RM'000</u>	<u>RM'000</u>
Profit attributable to owners of the Company	9,166	24,739

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)	4.37	11.78

26. TRADE AND OTHER RECEIVABLES

	As at 30.9.2019 RM'000
Trade receivables	
- Non-related parties	17,549
- Related parties	58,878
	76,427
Allowance for doubtful debts	(70)
	76,357
Other receivables	537
	76,894

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 2019 is as follows:

	Non-related parties RM'000	Related parties RM'000
31 - 60 days	616	-
61 - 90 days	312	-
91 - 120 days	537	-
More than 120 days	1,513	5,571
	2,978	5,571

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 30.9.2019 RM'000	Year-to- date ended 30.9.2019 RM'000
<i>*Yee Lee Corporation Bhd Group of Companies</i>		
Sales	42,646	125,297
Purchases	1,223	3,428
Others	2	40
<i>YLTC Sdn Bhd</i>		
Sales	5,489	16,552
<i>Cactus Marketing Sdn Bhd</i>		
Sales	2,088	6,851
Rental of premise received	27	81
<i>Yee Lee Oils & Foodstuff (Singapore) Pte Ltd</i>		
Sales	1,401	3,926
<i>Unipon Enterprise Sdn Bhd</i>		
Sales	64	201
<i>Multibase Systems Sdn Bhd</i>		
Corporate secretarial fees paid	7	19

	Quarter ended 30.9.2019 RM'000	Year-to- date ended 30.9.2019 RM'000
<i>Unikampar Credit And Leasing Sdn Bhd</i>		
Hire purchase interest paid	-	2
<i>Sabah Tea Garden Sdn Bhd</i>		
Sales	1	4
Purchases	28	74
Rental of premise received	10	34

**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 27 November 2019.