



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

**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2020**

The figures have not been audited.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020**

	Quarter ended			Year-to-date ended		
	30.6.2020 RM'000	30.6.2019 RM'000	Change	30.6.2020 RM'000	30.6.2019 RM'000	Change
Revenue	54,420	94,790	-43%	147,222	189,889	-22%
Other gains and losses	793	453	75%	911	1,077	-15%
Cost of sales and other operating expenses	(53,484)	(84,371)	-37%	(133,113)	(169,964)	-22%
Finance costs	(116)	(167)	-31%	(239)	(325)	-26%
Profit before tax	<u>1,613</u>	<u>10,705</u>	-85%	<u>14,781</u>	<u>20,677</u>	-29%
Tax expense	405	(2,849)	-114%	(3,978)	(5,104)	-22%
Profit for the period	<u><u>2,018</u></u>	<u><u>7,856</u></u>	-74%	<u><u>10,803</u></u>	<u><u>15,573</u></u>	-31%
Profit attributable to owners of the Company	<u><u>2,018</u></u>	<u><u>7,856</u></u>	-74%	<u><u>10,803</u></u>	<u><u>15,573</u></u>	-31%
Earnings per share						
(a) Basic (sen)	<u><u>0.96</u></u>	<u><u>3.74</u></u>	-74%	<u><u>5.15</u></u>	<u><u>7.42</u></u>	-31%
(b) Diluted (sen)	<u><u>0.94</u></u>	<u><u>3.74</u></u>	-75%	<u><u>5.04</u></u>	<u><u>7.42</u></u>	-32%

The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019 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 JUNE 2020**

	<u>Quarter ended</u>		<u>Year-to-date ended</u>	
	<u>30.6.2020</u>	<u>30.6.2019</u>	<u>30.6.2020</u>	<u>30.6.2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Profit for the period	2,018	7,856	10,803	15,573
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translating foreign entities	(14)	(12)	(108)	(46)
Total comprehensive income for the period attributable to owners of the Company	<u>2,004</u>	<u>7,844</u>	<u>10,695</u>	<u>15,527</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 2019 and the accompanying notes to the Interim Financial Report.



SPRITZER BHD
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	AS AT 30.6.2020 RM'000	AUDITED AS AT 31.12.2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	302,800	303,594
Investment properties	5,340	5,340
Goodwill on consolidation	40	40
Other intangible asset	75	83
Total non-current assets	<u>308,255</u>	<u>309,057</u>
Current assets		
Other investments	58,327	54,042
Inventories	44,498	42,546
Trade and other receivables	49,926	70,625
Current tax assets	1,036	466
Other assets	10,342	5,128
Fixed deposits, cash and bank balances	19,869	17,036
Total current assets	<u>183,998</u>	<u>189,843</u>
Total assets	<u>492,253</u>	<u>498,900</u>
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	216,571	216,571
Treasury shares	(14)	(14)
Equity-settled employee benefits reserve	3,706	2,158
Translation reserve	(112)	(4)
Retained earnings	207,372	196,569
Total equity	<u>427,523</u>	<u>415,280</u>
Non-current liabilities		
Borrowings	504	1,159
Deferred tax liabilities	22,668	22,232
Total non-current liabilities	<u>23,172</u>	<u>23,391</u>
Current liabilities		
Trade and other payables	21,247	32,451
Borrowings	5,142	5,014
Current tax liabilities	879	899
Other liabilities	14,290	21,865
Total current liabilities	<u>41,558</u>	<u>60,229</u>
Total liabilities	<u>64,730</u>	<u>83,620</u>
Total equity and liabilities	<u>492,253</u>	<u>498,900</u>
Net assets per share attributable to owners of the Company (RM)	<u>2.0361</u>	<u>1.9778</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019 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 JUNE 2020**

	Share Capital RM'000	Treasury Shares RM'000	Non-distributable Reserves		Distributable	Total Equity RM'000
			Equity-settled Employee Benefits Reserve RM'000	Translation Reserve RM'000	Reserve Retained Earnings RM'000	
Balance as of 1 January 2020	216,571	(14)	2,158	(4)	196,569	415,280
Profit for the period	-	-	-	-	10,803	10,803
Other comprehensive income for the period	-	-	-	(108)	-	(108)
Total comprehensive income for the period	-	-	-	(108)	10,803	10,695
Recognition of share-based payments	-	-	1,548	-	-	1,548
Balance as of 30 June 2020	216,571	(14)	3,706	(112)	207,372	427,523
Balance as of 1 January 2019	216,571	(14)	-	(22)	172,669	389,204
Profit for the period	-	-	-	-	15,573	15,573
Other comprehensive income for the period	-	-	-	(46)	-	(46)
Total comprehensive income for the period	-	-	-	(46)	15,573	15,527
Payment of dividend	-	-	-	-	(7,349)	(7,349)
Balance as of 30 June 2019	216,571	(14)	-	(68)	180,893	397,382

The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019 and the accompanying notes to the Interim Financial Report.



SPRITZER BHD
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

	Year-to-date ended	
	30.6.2020	30.6.2019
	RM'000	RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit for the period	10,803	15,573
Adjustments for:		
Depreciation of property, plant and equipment	8,072	7,676
Tax expense recognised in profit or loss	3,978	5,104
Finance costs	239	325
Interest income	(145)	(134)
Investment revenue	(734)	(1,408)
Other non-cash items	2,011	707
	<u>24,224</u>	<u>27,843</u>
Movements in working capital		
Decrease/(Increase) in current assets	17,760	(12,394)
Decrease in current liabilities	(19,512)	(5,059)
Cash generated from operations	<u>22,472</u>	<u>10,390</u>
Income tax refunded	-	134
Interest received	145	450
Income tax paid	(4,132)	(2,871)
Net cash from operating activities	<u>18,485</u>	<u>8,103</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Proceeds from disposal of other investments	20,600	49,478
Proceeds from disposal of property, plant and equipment	220	351
Investment revenue received	49	48
Purchase of property, plant and equipment	(5,670)	(37,595)
Placement of other investments	(24,200)	(6,960)
Deposits paid for purchase of property, plant and equipment	(5,843)	(3,867)
Net cash (used in)/from investing activities	<u>(14,844)</u>	<u>1,455</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Dividend paid	-	(7,349)
Repayment of borrowings	(1,007)	(1,625)
Finance cost paid	(239)	(325)
Proceeds from borrowings	480	-
Net cash used in financing activities	<u>(766)</u>	<u>(9,299)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,875	259
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	17,013	18,321
Effect on exchange rate changes on balance of cash held in foreign currencies	(42)	172
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>19,846</u>	<u>18,752</u>
Cash and cash equivalents at end of period comprise the following:		
Fixed deposits, cash and bank balances	19,869	18,774
Less : fixed deposit pledged	(23)	(22)
	<u>19,846</u>	<u>18,752</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019 and the accompanying notes to the Interim Financial Report.



NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

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 2019.

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 2019 except for the adoption of new and amendments to Malaysian Financial Reporting Standards ("MFRSs") effective for annual periods beginning on or after 1 January 2020.

Adoption of MFRSs and Amendments to MFRS Standards

The Group adopted the following new and amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2020:

MFRSs	Amendments to References to the Conceptual Framework in MFRS Standards
Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 101 and 108	Definition of Material
Amendments to MFRS 9, 139 and 7	Interest Rate Benchmark Reform

The application of the above new 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 following 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:

MFRS 17	Insurance Contracts*
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current**
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

* Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted. On 17 March 2020, the International Accounting Standards Board ("IASB") had deferred the effective date of IFRS 17 to annual reporting periods beginning on or after 1 January 2023. The IASB also decided to extend the exemption currently in place for some insurers regarding the application of IFRS 9 Financial Instruments to enable them to implement both IFRS 9 and IFRS 17 at the same time. The IASB issued the amendments to IFRS 17 in June, 2020.

** Effective for annual periods beginning on or after 1 January 2022, 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 2019 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 June 2020.

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 year-to-date ended 30 June 2020.

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

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") which was implemented on 30 September 2019, 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. None of the share grants were vested during the current quarter and year-to-date ended 30 June 2020.

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 June 2020.

As at 30 June 2020, 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 June 2020. The number of ordinary shares in issue after excluding the treasury shares is 209,968,727.

8. DIVIDEND PAID

No dividend was paid during the current quarter and year-to-date ended 30 June 2020.

9. SEGMENTAL REPORTING

The analysis of the Group's business segments for the current quarter and year-to-date ended 30 June 2020 are as follows:

Quarter ended 30 June 2020	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<u>Revenue</u>					
External revenue	51,388	3,005	27	-	54,420
Inter-segment revenue	11,970	6	42	(12,018)	-
Total revenue	63,358	3,011	69	(12,018)	54,420
<u>Results</u>					
Segment results	2,092	(566)	647	(804)	1,369
Finance costs					(116)
Investment revenue					360
Profit before tax					1,613
Income tax expense					405
Profit for the period					2,018
Year-to-date ended 30 June 2020	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<u>Revenue</u>					
External revenue	139,815	7,280	127	-	147,222
Inter-segment revenue	36,162	11	84	(36,257)	-
Total revenue	175,977	7,291	211	(36,257)	147,222
<u>Results</u>					
Segment results	15,736	(1,178)	1,448	(1,720)	14,286
Finance costs					(239)
Investment revenue					734
Profit before tax					14,781
Income tax expense					(3,978)
Profit for the period					10,803

As at 30 June 2020	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Assets					
Segment assets	434,242	7,357	273,126	(223,508)	491,217
Unallocated segment assets					1,036
Consolidated total assets					<u>492,253</u>
Liabilities					
Segment liabilities	124,713	7,423	1,285	(92,238)	41,183
Unallocated segment liabilities					23,547
Consolidated total liabilities					<u>64,730</u>

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

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

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

	Quarter ended 30.6.2020 RM'000	Year-to- date ended 30.6.2020 RM'000
Total purchase of property, plant and equipment	<u>2,376</u>	<u>7,499</u>
Purchased by cash	<u>2,135</u>	<u>5,670</u>

11. SIGNIFICANT EVENT

The Movement Control Order ("MCO") introduced by the Malaysian Government to contain the spread of COVID-19 took effect on 18 March 2020 and has continued into the current quarter until the implementation of the Conditional Movement Control Order ("CMCO") with effect from 4 May 2020. Economic and business activities have been severely affected by the MCO and Spritzer's business is no exception where demand for bottled water had seen a significant decline. The Group continued to operate all plants during the MCO and CMCO period, with smaller workforce and in compliance with the Standard Operating Procedures ("SOP") prescribed by the Government. The Group's eco-park and mini golf course in Taiping remained closed throughout the CMCO period but its retail water shop remains open. The CMCO had ended on 9 June 2020.

On 7 June 2020, the Prime Minister announced the Recovery Movement Control Order ("RMCO") which takes effect from 10 June 2020 to 31 August 2020. Malaysia is now in recovery stage of the pandemic and most of the businesses are allowed to resume full operations with the condition that they comply with the SOPs mandated by the Government.

The impact of the pandemic and movement restrictions imposed by the Government on the Group's financial performance during the current quarter and year-to-date ended 30 June 2020 is elaborated in Note 17 of the interim financial report. The Group's financial position as at 30 June 2020 and cash flows for the year-to-date ended 30 June 2020 were not significantly impacted due to the Group's historically strong financial position and non-reliance on external financing. The Group has seen steady improvement since the commencement of RMCO on 10 June 2020.

12. MATERIAL SUBSEQUENT EVENTS

There were no material events subsequent to the end of the current quarter and year-to-date ended 30 June 2020 up to the date of this report.

13. 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 June 2020.

14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

15. CAPITAL COMMITMENTS

Capital commitments that are not provided for in the interim financial statements as at 30 June 2020 are as follows:

	RM'000
<i>Property, plant and equipment:</i>	
Approved and contracted for	<u>18,630</u>

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

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

	Quarter ended 30.6.2020 RM'000	Year-to- date ended 30.6.2020 RM'000
Interest income	77	145
Interest expense	(66)	(136)
Investment revenue	360	734
Depreciation of property, plant and equipment	(3,831)	(8,072)
Equity-settled share-based payments	(305)	(1,548)
Amortisation of intangible asset	(4)	(8)
Reversal/(Allowance for and write off) of receivables	135	(354)
Allowance for and write off of inventories	(42)	(175)
Gain/(Loss) on disposal of quoted/unquoted investments or properties	-	-
(Loss)/Gain on disposal of property, plant and equipment	(1)	16
Property, plant and equipment written off	(18)	(20)
Impairment of assets	-	-
Gain on foreign exchange	69	160
Loss on derivatives	-	-
Fair value adjustments of unquoted investments	-	-

17. REVIEW OF PERFORMANCE

Revenue

The revenue of the Group consists of the following:

	Quarter ended			Year-to-date ended		
	30.6.2020 RM'000	30.6.2019 RM'000	Change	30.6.2020 RM'000	30.6.2019 RM'000	Change
Sale of bottled water and related products	50,128	87,246	-43%	138,040	173,698	-21%
Sale of plastic packaging materials	4,265	7,430	-43%	9,055	15,949	-43%
Income from mini golf operation	27	114	-76%	127	242	-48%
Total revenue	<u>54,420</u>	<u>94,790</u>	-43%	<u>147,222</u>	<u>189,889</u>	-22%

Analysis of revenue by segment is as follows:

	Quarter ended			Year-to-date ended		
	30.6.2020 RM'000	30.6.2019 RM'000	Change	30.6.2020 RM'000	30.6.2019 RM'000	Change
Manufacturing	51,388	90,313	-43%	139,815	180,764	-23%
Trading	3,005	4,363	-31%	7,280	8,883	-18%
Others	27	114	-76%	127	242	-48%
Total revenue	<u>54,420</u>	<u>94,790</u>	-43%	<u>147,222</u>	<u>189,889</u>	-22%

The Group recorded a revenue of RM54.4 million during the current quarter ended 30 June 2020, which is a 43% decrease from the RM94.8 million recorded in the preceding year corresponding quarter. The Group's current quarter revenue from manufacturing segment of RM51.4 million is a 43% reduction from the RM90.3 million revenue in the preceding year corresponding quarter. Similarly, revenue from trading segment has decreased 31% from RM4.4 million to RM3.0 million in the current quarter ended 30 June 2020.

The Group recorded a revenue of RM147.2 million in the year-to-date ended 30 June 2020, which is a 22% decrease from the RM189.9 million recorded in the same period of the preceding year. The Group's year-to-date revenue from manufacturing segment of RM139.8 million represents a decrease of 23% from RM180.8 million in the same period of the preceding year. Revenue from trading segment decreased 18% from RM8.9 million to RM7.3 million in the year-to-date ended 30 June 2020.

The reduction in the Group's sales revenue in the current quarter and year-to-date ended 30 June 2020 is due to significant decrease in sales volume during the MCO and CMCO period.

The Group derives more than 90% of its revenue from sale of bottled water which is a consumer product where demand had dropped significantly during the MCO and CMCO period. During most part of the current quarter ended 30 June 2020, most of the hotel, restaurants and cafes ("HORECA") were either completely closed for business or opened for takeaway only, many petrol kiosks were temporarily closed as interstate travelling were prohibited except under strict conditions. Schools and other forms of learning institutions were closed, while social activities and events, conferences, religious gatherings and sporting activities, typically where bottled water are consumed were prohibited. In addition, people were confined in their homes to observe the strict movement restrictions during the MCO and CMCO period, consumed significantly less bottled water. Even though the Group's sales via neighbourhood supermarkets managed to sustain and there is increase in online sales for the Group, the drop in sales from other sales channel such as HORECA, convenient stores and hypermarkets had been severely impacted as consumers stayed home. With the gradual easing of the movement restrictions later in the current quarter, the Group's sales have been steadily picking up as the country moves from CMCO to RMCO in June 2020.

Other gains and losses

Included in other gains and losses are the following:

	Quarter ended			Year-to-date ended		
	30.6.2020	30.6.2019	Change	30.6.2020	30.6.2019	Change
	RM'000	RM'000		RM'000	RM'000	
Investment revenue	360	625	-42%	734	1,408	-48%
Gain on foreign exchange	69	83	-17%	160	17	NM*
Reversal/(Allowance for and write off) of receivables	135	(54)	NM*	(354)	(58)	NM*

* Not Meaningful

The investment revenue is derived from placement of excess funds as short term investment in money market funds. The reduction of investment revenue of 42% and 48% in the current quarter and year-to-date ended 30 June 2020 respectively, is due to utilisation of excess funds to pay for acquisition of property, plant and equipment.

Gain/(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 significant increase in allowance for and write off of receivables in year-to-date ended 30 June 2020 is the estimated credit loss on trade receivables made in the previous quarter ended 31 March 2020 as a result of MCO & CMCO which have negatively impacted businesses financially. The current quarter reversal is in respect of reduction in estimated losses on the trade receivables as at 30 June 2020 as the movement restriction rules are relaxed by the Government towards the end of the current quarter.

Cost of sales and other operating expenses

	Quarter ended			Year-to-date ended		
	30.6.2020	30.6.2019	Change	30.6.2020	30.6.2019	Change
	RM'000	RM'000		RM'000	RM'000	
Cost of sales	35,155	56,930	-38%	85,241	116,449	-27%
Other operating expenses	18,329	27,441	-33%	47,872	53,515	-11%
	53,484	84,371	-37%	133,113	169,964	-22%

The decrease in cost of sales of 38% for the current quarter ended 30 June 2020 compared to the corresponding quarter in the previous year is in line with the reduction in sales which is significantly impacted by the COVID-19 pandemic and movement restrictions. Other operating expenses decreased by 19% in the current quarter compared to the preceding year corresponding quarter mainly due to decrease in selling and distribution expenses, in particular sales and marketing expenditure as certain branding and promotional activities were temporarily put on hold. The production and operations of the Group, however, was not significantly impacted by the MCO and CMCO as the Group manufactures essential goods and was allowed to operate throughout the period.

The decrease in cost of sales of 27% in year-to-date ended 30 June 2020 compared to the same period in previous year is mainly due to the significant reduction in sales in the current quarter. Other operating expenses reduced by 11% in the year-to-date period ended 30 June 2020 compared to the same period in previous year mainly due to decrease in selling and distribution expenses in line with the reduction in sales during the MCO & CMCO period.

Profit before tax and segment results

Analysis of results by segment is as follows:

	Quarter ended			Year-to-date ended		
	30.6.2020	30.6.2019	Change	30.6.2020	30.6.2019	Change
	RM'000	RM'000		RM'000	RM'000	
Manufacturing	2,092	11,297	-81%	15,736	21,294	-26%
Trading	(566)	(740)	-24%	(1,178)	(1,259)	-6%
Others	647	383	69%	1,448	794	82%
Eliminations	(804)	(693)	16%	(1,720)	(1,235)	39%
Segment results	<u>1,369</u>	<u>10,247</u>	-87%	<u>14,286</u>	<u>19,594</u>	-27%
Profit before tax	<u>1,613</u>	<u>10,705</u>	-85%	<u>14,781</u>	<u>20,677</u>	-29%

The Group's manufacturing segment results of RM2.1 million in the current quarter ended 30 June 2020 represents a drop of 81% from the RM11.3 million achieved in the preceding year corresponding quarter. In the year-to-date ended 30 June 2020, the manufacturing segment results of RM15.7 million represents a 26% drop compared to the same period in previous year.

The Group's trading segment results has improved 24% to RM0.6 million loss during the current quarter ended 30 June 2020 from the RM0.7 million loss recorded in the preceding year corresponding quarter. In the year-to-date ended 30 June 2020, the trading segment results improved 6% to RM1.2 million loss from RM1.3 million loss incurred in the same period in previous year. The decrease in trading segment loss is mainly due to increase in sales and reduction of operating expenses of the China operations.

The Group recorded a profit before tax of RM1.6 million during the current quarter ended 30 June 2020, representing an 85% decrease from the RM10.7 million recorded in the preceding year corresponding quarter whereas the year-to-date profit before tax of RM14.8 million represents a 29% decrease from the same period in previous year.

The Group's overall drop in financial performance in the current quarter and year-to-date ended 30 June 2020 is due to significant decrease in consumer demand and therefore sales volume of bottled water during the MCO and CMCO period caused by the COVID-19 pandemic.

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

	Quarter ended		Change
	30.6.2020	31.3.2020	
	RM'000	RM'000	
Revenue	54,420	92,802	-41%
Profit before tax	<u>1,613</u>	<u>13,168</u>	-88%

The Group recorded a revenue of RM54.4 million during the current quarter ended 30 June 2020, which represents a 41% decrease compared to the RM92.8 million recorded in the immediate preceding quarter ended 31 March 2020 due to decreased sales volume during the MCO and CMCO period.

The Group recorded a profit before tax of RM1.6 million during the current quarter ended 30 June 2020, representing an 88% decrease from the RM13.2 million recorded in the immediate preceding quarter ended 31 March 2020 mainly due to significant decrease in sales revenue and whereas fixed overheads and payroll expenses remained rather constant. Despite the low business activities level during the current quarter, the Group continued to pay its employees payroll in full and as scheduled.

19. FUTURE PROSPECTS

The Malaysian GDP has declined sharply to -17.1%, year on year, in the second quarter of 2020. Bank Negara Malaysia has also revised its 2020 GDP forecast downward to between -5.5% and -3.5% from -2.0% and 0.5%, mainly to reflect the severity of the impact of COVID-19 pandemic.

With the commencement of the RMCO on 10 June 2020, the Group has seen a gradual improvement and normalisation of the business activity as almost all business sectors are allowed to resume operations. Though sales have picked up since June 2020, the Group expects the business environment to remain difficult in the short term amidst the great uncertainties in health and economic conditions and the competitive pressures with the presence of a large number of bottled water producers and the numerous bottled water brands in the market.

At this moment, the impact and the duration of COVID-19 pandemic have remained uncertain. The Group will continue to exercise caution in the conduct of its operating activities to ensure adherence to the requisite health and safety requirements issued by the Government. We will continue to focus on our core brands and further automate and enhance our production processes and capacity. We will also continue with our efforts on exploring and introducing sustainable packaging alternatives for our bottled water products.

In view of the challenging environment, the Group is taking prudent measures to review and reduce costs and actively taking steps to explore new online channel and as far as possible, to expand the overseas market. We are adapting to the challenges of a "new normal" and taking appropriate measures to cater to the needs of our customers and consumers. We will focus on sustaining our sales revenue and to further improve our market share in the bottled water industry.

20. VARIANCE BETWEEN FORECAST AND ACTUAL PROFIT

Not applicable.

21. TAX EXPENSE

	Quarter ended 30.6.2020 RM'000	Year-to- date ended 30.6.2020 RM'000
Income tax		
- current period	(166)	3,606
- prior year	-	(64)
Deferred tax		
- current period	(229)	295
- prior year	(10)	141
	<u>(405)</u>	<u>3,978</u>

The tax credit reported in the current quarter ended 30 June 2020 is mainly due to tax effect of the Special Reinvestment Allowance introduced in the Short-Term Economic Recovery Plan ("PENJANA") announced by the Government on 5 June 2020, claimable by certain subsidiaries.

The effective tax rate for the year-to-date ended 30 June 2020 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.

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

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

As at 30 June 2020, 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	44,433	November 2020	-	-
Working capital	18,613	15,828	November 2019	-	-
Expenses in relation to the Private Placement	200	107	December 2017	93	47%
Total	<u>63,813</u>	<u>60,368</u>			

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

23. GROUP BORROWINGS

The Group's borrowings as at 30 June 2020 are as follows:

	<u>RM'000</u>
<i>Current portion (repayable in the next 12 months)</i>	
Unsecured	
- Term loans	1,661
Secured	
- Revolving credit	3,481
	5,142
<i>Non-current portion (repayment after next 12 months)</i>	
Unsecured	
- Term loans	504
	<u>5,646</u>

All outstanding borrowings are denominated in Ringgit Malaysia except for a revolving credit loan of RM3,481,292 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 June 2020 are as follows:

	%
Term loans	3.34 - 3.96
Revolving credit	<u>4.50</u>

24. MATERIAL LITIGATION

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

25. DIVIDEND

On 26 February 2020, the Directors have proposed a first and final dividend of 4.5 sen per ordinary share, under the single tier system, in respect of the previous financial year ended 31 December 2019. This first and final dividend is subject to approval by the shareholders at the Annual General Meeting of the Company and has not been included as a liability in the financial statements as at 30 June 2020. The Directors do not recommend any interim dividend for the current quarter ended 30 June 2020.

Subsequently, at the Annual General Meeting held on 28 July 2020, the shareholders have approved the declaration of the first and final dividend of 4.5 sen per ordinary share, under the single tier system, in respect of the previous financial year ended 31 December 2019. The dividend amounting to RM9,448,592 was paid on 18 August 2020.

26. EARNINGS PER SHARE ("EPS")

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

	Quarter ended 30.6.2020 RM'000	Year-to- date ended 30.6.2020 RM'000
Profit attributable to owners of the Company	<u>2,018</u>	<u>10,803</u>
Basic and diluted earnings per share		
	<u>'000</u>	<u>'000</u>
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)	<u>209,969</u>	<u>209,969</u>
Basic EPS (sen)	<u>0.96</u>	<u>5.15</u>
Diluted earnings per share		
	<u>'000</u>	<u>'000</u>
Weighted average number of shares used in the calculation of basic EPS	209,969	209,969
Shares deemed to be issued for no consideration in respect of SGP	4,513	4,513
Weighted average number of shares in issue during the period (diluted)	<u>214,482</u>	<u>214,482</u>
Diluted EPS (sen)	<u>0.94</u>	<u>5.04</u>

27. TRADE AND OTHER RECEIVABLES

	As at 30.6.2020 RM'000
Trade receivables	
- Non-related parties	12,717
- Related parties	<u>37,232</u>
Loss allowance	49,949
	<u>(371)</u>
Other receivables	49,578
	348
	<u>49,926</u>

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

Ageing of trade receivables which are past due but not impaired as at 30 June 2020 is as follows:

	Non-related parties RM'000	Related parties RM'000
31 - 60 days	315	-
61 - 90 days	149	-
91 - 120 days	567	-
More than 120 days	700	6,270
	1,731	6,270

28. RELATED PARTY DISCLOSURE

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

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

	Quarter ended 30.6.2020 RM'000	Year-to- date ended 30.6.2020 RM'000
<i>*Yee Lee Corporation Bhd Group of Companies</i>		
Sales	22,183	64,266
Purchases	274	1,086
Others	23	27
<i>YLTC Sdn Bhd</i>		
Sales	1,635	7,547
<i>Cactus Marketing Sdn Bhd</i>		
Sales	609	1,431
Rental of premise received	27	54
<i>Yee Lee Oils & Foodstuff (Singapore) Pte Ltd</i>		
Sales	1,047	2,456
<i>Cranberry International Sdn Bhd</i>		
Rental of premise received	17	34
<i>ASAP International Sdn Bhd</i>		
Rental of premise received	12	23
<i>Multibase Systems Sdn Bhd</i>		
Corporate secretarial fees paid	6	12
<i>Sabah Tea Garden Sdn Bhd</i>		
Sales	-	2
Purchases	2	17
Rental of premise received	-	21

**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

29. 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 August 2020.