



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

**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS  
 FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020**

The figures have not been audited.

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

	Quarter ended			Year-to-date ended		
	30.9.2020 RM'000	30.9.2019 RM'000	Change	30.9.2020 RM'000	30.9.2019 RM'000	Change
Revenue	88,600	97,467	-9%	235,822	287,356	-18%
Other gains and losses	(8)	668	-101%	903	1,745	-48%
Cost of sales and other operating expenses	(73,782)	(85,445)	-14%	(206,895)	(255,409)	-19%
Finance costs	(196)	(223)	-12%	(435)	(548)	-21%
Profit before tax	<u>14,614</u>	<u>12,467</u>	17%	<u>29,395</u>	<u>33,144</u>	-11%
Tax expense	(4,197)	(3,301)	27%	(8,175)	(8,405)	-3%
Profit for the period	<u>10,417</u>	<u>9,166</u>	14%	<u>21,220</u>	<u>24,739</u>	-14%
<b>Profit attributable to owners of the Company</b>	<u>10,417</u>	<u>9,166</u>	14%	<u>21,220</u>	<u>24,739</u>	-14%
<b>Earnings per share</b>						
(a) Basic (sen)	<u>4.96</u>	<u>4.37</u>	14%	<u>10.11</u>	<u>11.78</u>	-14%
(b) Diluted (sen)	<u>4.86</u>	<u>4.37</u>	11%	<u>9.89</u>	<u>11.78</u>	-16%

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 SEPTEMBER 2020**

	<u>Quarter ended</u>		<u>Year-to-date ended</u>	
	<u>30.9.2020</u>	<u>30.9.2019</u>	<u>30.9.2020</u>	<u>30.9.2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Profit for the period	10,417	9,166	21,220	24,739
<b>Other comprehensive income</b>				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translating foreign entities	(19)	63	(127)	17
<b>Total comprehensive income for the period attributable to owners of the Company</b>	<u>10,398</u>	<u>9,229</u>	<u>21,093</u>	<u>24,756</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 SEPTEMBER 2020**

	AS AT 30.9.2020 RM'000	AUDITED AS AT 31.12.2019 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	320,570	303,594
Investment properties	5,340	5,340
Goodwill on consolidation	40	40
Other intangible asset	70	83
<b>Total non-current assets</b>	<u>326,020</u>	<u>309,057</u>
<b>Current assets</b>		
Other investments	60,822	54,042
Inventories	35,471	42,546
Trade and other receivables	62,377	70,625
Current tax assets	1,366	466
Other assets	4,192	5,128
Fixed deposits, cash and bank balances	26,921	17,036
<b>Total current assets</b>	<u>191,149</u>	<u>189,843</u>
<b>Total assets</b>	<u>517,169</u>	<u>498,900</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital	216,571	216,571
Treasury shares	(14)	(14)
Equity-settled employee benefits reserve	4,324	2,158
Translation reserve	(131)	(4)
Retained earnings	208,340	196,569
<b>Total equity</b>	<u>429,090</u>	<u>415,280</u>
<b>Non-current liabilities</b>		
Borrowings	264	1,159
Deferred tax liabilities	25,552	22,232
<b>Total non-current liabilities</b>	<u>25,816</u>	<u>23,391</u>
<b>Current liabilities</b>		
Trade and other payables	30,789	32,451
Borrowings	4,768	5,014
Current tax liabilities	2,129	899
Other liabilities	24,577	21,865
<b>Total current liabilities</b>	<u>62,263</u>	<u>60,229</u>
<b>Total liabilities</b>	<u>88,079</u>	<u>83,620</u>
<b>Total equity and liabilities</b>	<u>517,169</u>	<u>498,900</u>
Net assets per share attributable to owners of the Company (RM)	<u>2.0436</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 SEPTEMBER 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	
<b>Balance as of 1 January 2020</b>	216,571	(14)	2,158	(4)	196,569	415,280
Profit for the period	-	-	-	-	21,220	21,220
Other comprehensive income for the period	-	-	-	(127)	-	(127)
Total comprehensive income for the period	-	-	-	(127)	21,220	21,093
Recognition of share-based payments	-	-	2,166	-	-	2,166
Payment of dividend	-	-	-	-	(9,449)	(9,449)
<b>Balance as of 30 September 2020</b>	<b>216,571</b>	<b>(14)</b>	<b>4,324</b>	<b>(131)</b>	<b>208,340</b>	<b>429,090</b>
<b>Balance as of 1 January 2019</b>	216,571	(14)	-	(22)	172,669	389,204
Profit for the period	-	-	-	-	24,739	24,739
Other comprehensive income for the period	-	-	-	17	-	17
Total comprehensive income for the period	-	-	-	17	24,739	24,756
Payment of dividend	-	-	-	-	(7,349)	(7,349)
<b>Balance as of 30 September 2019</b>	<b>216,571</b>	<b>(14)</b>	<b>-</b>	<b>(5)</b>	<b>190,059</b>	<b>406,611</b>

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.



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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

	Year-to-date ended	
	30.9.2020	30.9.2019
	RM'000	RM'000
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>		
Profit for the period	21,220	24,739
Adjustments for:		
Depreciation of property, plant and equipment	13,466	11,788
Tax expense recognised in profit or loss	8,175	8,405
Finance costs	435	548
Interest income	(206)	(228)
Investment revenue	(1,053)	(1,842)
Other non-cash items	3,677	907
	<u>45,714</u>	<u>44,317</u>
<b>Movements in working capital</b>		
Decrease/(Increase) in current assets	17,620	(20,174)
(Decrease)/Increase in current liabilities	(6,638)	2,844
<b>Cash generated from operations</b>	<u>56,696</u>	<u>26,987</u>
Income tax refunded	-	1,781
Interest received	206	228
Income tax paid	(4,525)	(5,316)
<b>Net cash from operating activities</b>	<u>52,377</u>	<u>23,680</u>
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		
Proceeds from disposal of other investments	42,150	54,857
Proceeds from disposal of property, plant and equipment	261	351
Investment revenue received	73	72
Purchase of property, plant and equipment	(24,685)	(45,824)
Placement of other investments	(47,950)	(10,810)
Deposits paid for purchase of property, plant and equipment	(1,270)	(4,630)
Placement of fixed deposit	-	(1)
<b>Net cash used in investing activities</b>	<u>(31,421)</u>	<u>(5,985)</u>
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>		
Dividend paid	(9,449)	(7,349)
Repayment of borrowings	(1,509)	(2,177)
Finance cost paid	(435)	(548)
Proceeds from borrowings	368	-
<b>Net cash used in financing activities</b>	<u>(11,025)</u>	<u>(10,074)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	9,931	7,621
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	17,013	18,321
Effect on exchange rate changes on balance of cash held in foreign currencies	(46)	239
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>26,898</u>	<u>26,181</u>
Cash and cash equivalents at end of period comprise the following:		
Fixed deposits, cash and bank balances	26,921	26,203
Less : fixed deposit pledged	(23)	(22)
	<u>26,898</u>	<u>26,181</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 SEPTEMBER 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 September 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 September 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") to Eligible Employees of the Group. The number of SGP 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 SGP shares were vested during the current quarter and year-to-date ended 30 September 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 September 2020.

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

## 8. DIVIDEND PAID

On 18 August 2020, the Company paid a first and final dividend of 4.5 sen per share, under the single tier system, amounting to RM9,448,592 in respect of the previous financial year ended 31 December 2019.

## 9. SEGMENTAL REPORTING

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

<b>Quarter ended 30 September 2020</b>	<b>Manufacturing RM'000</b>	<b>Trading RM'000</b>	<b>Others RM'000</b>	<b>Eliminations RM'000</b>	<b>Consolidated RM'000</b>
<b>Revenue</b>					
External revenue	83,708	4,754	138	-	88,600
Inter-segment revenue	22,495	4	44	(22,543)	-
Total revenue	<u>106,203</u>	<u>4,758</u>	<u>182</u>	<u>(22,543)</u>	<u>88,600</u>
<b>Results</b>					
Segment results	<u>15,137</u>	<u>(403)</u>	<u>488</u>	<u>(731)</u>	14,491
Finance costs					(196)
Investment revenue					319
Profit before tax					<u>14,614</u>
Income tax expense					<u>(4,197)</u>
Profit for the period					<u>10,417</u>
<b>Year-to-date ended 30 September 2020</b>					
<b>Revenue</b>					
External revenue	223,523	12,034	265	-	235,822
Inter-segment revenue	58,657	15	128	(58,800)	-
Total revenue	<u>282,180</u>	<u>12,049</u>	<u>393</u>	<u>(58,800)</u>	<u>235,822</u>
<b>Results</b>					
Segment results	<u>30,873</u>	<u>(1,581)</u>	<u>1,936</u>	<u>(2,451)</u>	28,777
Finance costs					(435)
Investment revenue					1,053
Profit before tax					<u>29,395</u>
Income tax expense					<u>(8,175)</u>
Profit for the period					<u>21,220</u>

<b>As at 30 September 2020</b>	<b>Manufacturing RM'000</b>	<b>Trading RM'000</b>	<b>Others RM'000</b>	<b>Eliminations RM'000</b>	<b>Consolidated RM'000</b>
<b>Assets</b>					
Segment assets	467,189	8,426	264,670	(224,482)	515,803
Unallocated segment assets					1,366
Consolidated total assets					<u>517,169</u>
<b>Liabilities</b>					
Segment liabilities	142,836	8,913	1,084	(92,435)	60,398
Unallocated segment liabilities					27,681
Consolidated total liabilities					<u>88,079</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:

	<b>Quarter ended 30.9.2020 RM'000</b>	<b>Year-to- date ended 30.9.2020 RM'000</b>
Total purchase of property, plant and equipment	<u>23,385</u>	<u>30,884</u>
Purchased by cash	<u>19,015</u>	<u>24,685</u>

## 11. SIGNIFICANT EVENT

On March 11, 2020, the World Health Organization officially declared the outbreak of novel coronavirus ("COVID-19") a pandemic. On March 18, 2020, Malaysia has implemented the Movement Control Order ("MCO") to curb the spread of COVID-19. Economic activities have been severely affected by the pandemic. The Group produces essential goods, therefore all plants continue to operate during the MCO period, although with much smaller workforce and stringent safety measures in place to safeguard the wellbeing of the Group's employees.

The MCO was subsequently replaced by 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. The RMCO was later extended to 31 December 2020. During the current quarter ended 30 September 2020, Malaysia is in the recovery stage of the movement control 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 Group's financial position as at 30 September 2020 and cash flows for the year-to-date ended 30 September 2020 were not significantly impacted due to the Group's strong financial position and non-reliance on external financing. The Group's financial performance has recovered during the current quarter and the impact of the pandemic and movement restrictions imposed by the Government on the Group's financial performance during the year-to-date ended 30 September 2020 is elaborated in Note 17 of the interim financial report.

## 12. MATERIAL SUBSEQUENT EVENTS

Subsequent to the end of the current quarter ended 30 September 2020, Malaysia and other countries in the world are being hit by new wave of COVID-19 cases. To curb the spread of the disease, the Government has again imposed CMCO that restrict movement of people on all states in Malaysia except for Perlis, Kelantan, Pahang and Sarawak.

At the date of this report, the Board of Directors has performed assessment on the impact of the CMCO on the Group's financial and operating performance and is of the view that eventhough the last quarter of 2020 will be a challenging one with revenue expected to drop again, the Group will remain resilient and that its financial position and cash flows will remain healthy.

There were no other material events subsequent to the end of the current quarter and year-to-date ended 30 September 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 September 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 September 2020 are as follows:

	<b>RM'000</b>
<i>Property, plant and equipment:</i>	
Approved and contracted for	<u>5,634</u>

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

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

	<b>Quarter ended 30.9.2020 RM'000</b>	<b>Year-to-date ended 30.9.2020 RM'000</b>
Interest income	61	206
Interest expense	(58)	(194)
Investment revenue	319	1,053
Depreciation of property, plant and equipment	(5,394)	(13,466)
Equity-settled share-based payments	(618)	(2,166)
Amortisation of intangible asset	(4)	(12)
Allowance for and write off of receivables	(415)	(769)
Allowance for and write off of inventories	(430)	(605)
Gain/(Loss) on disposal of quoted/unquoted investments or properties	-	-
Gain on disposal of property, plant and equipment	8	24
Property, plant and equipment written off	(189)	(209)
Impairment of assets	-	-
(Loss)/Gain on foreign exchange	(88)	72
Loss on derivatives	-	-
Fair value adjustments of unquoted investments	-	-

#### 17. REVIEW OF PERFORMANCE

##### Revenue

The revenue of the Group consists of the following:

	<b>Quarter ended</b>			<b>Year-to-date ended</b>		
	<b>30.9.2020 RM'000</b>	<b>30.9.2019 RM'000</b>	<b>Change</b>	<b>30.9.2020 RM'000</b>	<b>30.9.2019 RM'000</b>	<b>Change</b>
Sale of bottled water and related products	84,022	92,587	-9%	222,062	266,285	-17%
Sale of plastic packaging materials	4,440	4,735	-6%	13,495	20,684	-35%
Income from mini golf operation	138	145	-5%	265	387	-32%
Total revenue	<u>88,600</u>	<u>97,467</u>	-9%	<u>235,822</u>	<u>287,356</u>	-18%

Analysis of revenue by segment is as follows:

	<b>Quarter ended</b>			<b>Year-to-date ended</b>		
	<b>30.9.2020 RM'000</b>	<b>30.9.2019 RM'000</b>	<b>Change</b>	<b>30.9.2020 RM'000</b>	<b>30.9.2019 RM'000</b>	<b>Change</b>
Manufacturing	83,708	92,413	-9%	223,523	273,177	-18%
Trading	4,754	4,909	-3%	12,034	13,792	-13%
Others	138	145	-5%	265	387	-32%
Total revenue	<u>88,600</u>	<u>97,467</u>	-9%	<u>235,822</u>	<u>287,356</u>	-18%

The Group recorded a revenue of RM88.6 million during the current quarter ended 30 September 2020, which is a 9% decrease from the RM97.5 million recorded in the preceding year corresponding quarter. The Group's current quarter revenue from manufacturing segment of RM83.7 million is a 9% reduction from the RM92.4 million revenue in the preceding year corresponding quarter. Similarly, revenue from trading segment has decreased 3% from RM4.9 million to RM4.8 million in the current quarter ended 30 September 2020.

The reduction in the Group's sales revenue in the current quarter ended 30 September 2020 is due to reduction in sales volume during the RMCO period where demand for the Group's products has yet to fully recover to the level of the preceding year same quarter as the negative impact from the pandemic lingers on.

The Group recorded a revenue of RM235.8 million in the year-to-date ended 30 September 2020, which is a 18% decrease from the RM287.4 million recorded in the same period of the preceding year. The Group's year-to-date revenue from manufacturing segment of RM223.5 million represents a decrease of 18% from RM273.2 million in the same period of the preceding year. Revenue from trading segment decreased 13% from RM13.8 million to RM12.0 million in the year-to-date ended 30 September 2020.

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

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 second 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 and 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 in the current quarter, the Group's sales have been steadily picking up as the country moves from CMCO to RMCO since 10 June 2020.

### Other gains and losses

Included in other gains and losses are the following:

	Quarter ended			Year-to-date ended		
	30.9.2020	30.9.2019	Change	30.9.2020	30.9.2019	Change
	RM'000	RM'000		RM'000	RM'000	
Investment revenue	319	434	-26%	1,053	1,842	-43%
(Loss)/Gain on foreign exchange	(88)	137	-164%	72	154	-53%
Allowance for and write off of receivables	(415)	-	100%	(769)	(58)	1226%
Allowance for and write off of inventories	(430)	(116)	271%	(605)	(569)	6%
Property, plant and equipment written off	(189)	(66)	186%	(209)	(500)	-58%

The investment revenue is derived from placement of excess funds as short term investment in money market funds. The reduction of investment revenue of 26% and 43% in the current quarter and year-to-date ended 30 September 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 the current quarter and year-to-date ended 30 September 2020 is the estimated credit loss on trade receivables made as a result of COVID-19 pandemic which have severely impacted the Group's customers' businesses, especially those in the tourism and airline industries.

### Cost of sales and other operating expenses

	Quarter ended			Year-to-date ended		
	30.9.2020	30.9.2019	Change	30.9.2020	30.9.2019	Change
	RM'000	RM'000		RM'000	RM'000	
Cost of sales	47,904	55,787	-14%	133,145	172,235	-23%
Other operating expenses	25,878	29,658	-13%	73,750	83,174	-11%
	<u>73,782</u>	<u>85,445</u>	-14%	<u>206,895</u>	<u>255,409</u>	-19%

The decrease in cost of sales of 14% for the current quarter ended 30 September 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. Other operating expenses decreased by 13% 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.

The decrease in cost of sales of 23% in year-to-date ended 30 September 2020 compared to the same period in previous year is in line with the significant reduction in sales in the period. Other operating expenses reduced by 11% in the year-to-date period ended 30 September 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 since the beginning of MCO in March.

## Profit before tax and segment results

Analysis of results by segment is as follows:

	Quarter ended			Year-to-date ended		
	30.9.2020	30.9.2019	Change	30.9.2020	30.9.2019	Change
	RM'000	RM'000		RM'000	RM'000	
Manufacturing	15,137	13,198	15%	30,873	34,141	-10%
Trading	(403)	(506)	-20%	(1,581)	(1,765)	-10%
Others	488	383	27%	1,936	1,528	27%
Eliminations	(731)	(819)	-11%	(2,451)	(2,054)	19%
Segment results	<u>14,491</u>	<u>12,256</u>	18%	<u>28,777</u>	<u>31,850</u>	-10%
Profit before tax	<u>14,614</u>	<u>12,467</u>	17%	<u>29,395</u>	<u>33,144</u>	-11%

The Group's manufacturing segment results of RM15.1 million in the current quarter ended 30 September 2020 represents an increase of 15% from the RM13.2 million achieved in the preceding year corresponding quarter. The increase is mainly due to the reduction in manufacturing cost as a result of lower PET material cost. In the year-to-date ended 30 September 2020, the manufacturing segment results of RM30.9 million represents a 10% drop compared to RM34.1 million achieved the same period in previous year due to significant decrease in consumer demand and therefore sales volume of bottled water during the MCO and CMCO period.

The Group's trading segment results has improved 20% to RM0.4 million loss during the current quarter ended 30 September 2020 from the RM0.5 million loss recorded in the preceding year corresponding quarter. In the year-to-date ended 30 September 2020, the trading segment results improved 10% to RM1.6 million loss from RM1.8 million loss incurred in the same period in previous year. The decrease in trading segment loss is mainly due to reduction in operating costs.

The Group recorded a profit before tax of RM14.6 million during the current quarter ended 30 September 2020, representing a 17% increase from the RM12.5 million recorded in the preceding year corresponding quarter. The increase in profit before tax in the current quarter is mainly due to reduction in manufacturing cost. The Group's year-to-date profit before tax of RM29.4 million has decreased 11% from the RM 33.1 million achieved in the same period in previous year due to significant loss of sales during the second quarter of this year because of the COVID-19 pandemic.

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

	Quarter ended		Change
	30.9.2020	30.6.2020	
	RM'000	RM'000	
Revenue	88,600	54,420	63%
Profit before tax	<u>14,614</u>	<u>1,613</u>	NM*

\* Not Meaningful

The Group recorded a revenue of RM88.6 million during the current quarter ended 30 September 2020, which represents a 63% increase compared to the RM54.4 million recorded in the immediate preceding quarter ended 30 June 2020. During the current quarter ended 30 September 2020, revenue increased due to increased demand for bottled water as a result of the easing of the movement restrictions and the recovery of most economic, education and social activities under the RMCO coupled with the water contamination incident and supply disruption experienced in Selangor.

The Group's profit before tax has improved significantly in the current quarter to RM14.6 million from RM1.6 million in the immediate preceding quarter because of the significant increase in sales volume as mentioned in the preceding paragraph and reduction in manufacturing cost as a result of lower PET material costs.

## 19. FUTURE PROSPECTS

Though sales have picked up in the third quarter 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.

The Board is taking a cautious view over the outlook for the last quarter of 2020 due the on-going COVID-19 pandemic. In the light of the recent re-introduction of CMCO, we anticipate consumer sentiment to remain depressed and consumption of bottled water to be affected.

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 30.9.2020 RM'000	Year-to- date ended 30.9.2020 RM'000
Income tax		
- current period	1,313	4,919
- prior year	-	(64)
Deferred tax		
- current period	2,884	3,179
- prior year	-	141
	<u>4,197</u>	<u>8,175</u>

The effective tax rate for the current quarter and year-to-date ended 30 September 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 September 2020, the Group has fully utilised the proceeds raised from the Private Placement which was completed on 22 November 2017. Details are as follows:

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Utilisation Timeframe	Deviation RM'000	Deviation %
Construction of an automated warehouse ("ASRS project")	45,000	47,878	September 2020	2,878	6%
Working capital	18,613	15,828	November 2019	(2,785)	-15%
Expenses in relation to the Private Placement	200	107	December 2017	(93)	-47%
Total	<u>63,813</u>	<u>63,813</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 September 2020 are as follows:

	<u>RM'000</u>
<i>Current portion (repayable in the next 12 months)</i>	
Unsecured	
- Term loans	1,398
Secured	
- Revolving credit	3,370
	4,768
<i>Non-current portion (repayment after next 12 months)</i>	
Unsecured	
- Term loans	264
	<u>5,032</u>

All outstanding borrowings are denominated in Ringgit Malaysia except for a revolving credit loan of RM3,369,884 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 2020 are as follows:

	%
Term loans	3.02 - 3.48
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

The Directors do not recommend any interim dividend for the current quarter and financial year-to-date ended 30 September 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 30.9.2020 RM'000	Year-to- date ended 30.9.2020 RM'000
Profit attributable to owners of the Company	10,417	21,220
<b>Basic and diluted earnings per share</b>		
	<b>'000</b>	<b>'000</b>
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 EPS (sen)	4.96	10.11
<b>Diluted earnings per share</b>		
	<b>'000</b>	<b>'000</b>
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)	214,482	214,482
Diluted EPS (sen)	4.86	9.89

## 27. TRADE AND OTHER RECEIVABLES

	As at 30.9.2020 RM'000
Trade receivables	
- Non-related parties	16,648
- Related parties	46,238
	62,886
Loss allowance	(783)
	62,103
Other receivables	274
	62,377

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 2020 is as follows:

	Non-related parties RM'000	Related parties RM'000
31 - 60 days	226	-
61 - 90 days	206	-
91 - 120 days	96	-
More than 120 days	116	3,205
	644	3,205

## 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 30.9.2020 RM'000	Year-to- date ended 30.9.2020 RM'000
<i>*Yee Lee Corporation Bhd Group of Companies</i>		
Sales	38,687	102,953
Purchases	417	1,503
Others	-	27
<i>YLTC Sdn Bhd</i>		
Sales	5,496	13,043
<i>Cactus Marketing Sdn Bhd</i>		
Sales	1,358	2,789
Rental of premise received	27	81
<i>Yee Lee Oils &amp; Foodstuff (Singapore) Pte Ltd</i>		
Sales	1,020	3,476
<i>Cranberry International Sdn Bhd</i>		
Rental of premise received	17	51
<i>ASAP International Sdn Bhd</i>		
Rental of premise received	11	34
<i>Multibase Systems Sdn Bhd</i>		
Corporate secretarial fees paid	7	19
<i>Sabah Tea Garden Sdn Bhd</i>		
Sales	2	4
Purchases	30	47
Rental of premise received	20	41

*\*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 25 November 2020.