



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

**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022**

The figures have not been audited.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

	Quarter ended			Year ended		
	31.12.2022 RM'000	31.12.2021 RM'000	Change	31.12.2022 RM'000	31.12.2021 RM'000	Change
Revenue	108,700	100,613	8%	433,300	331,026	31%
Other gains and losses	2,380	(213)	1217%	5,032	1,973	155%
Cost of sales and other operating expenses	(97,288)	(89,509)	9%	(392,274)	(302,128)	30%
Finance costs	(269)	(129)	109%	(858)	(526)	63%
Profit before tax	<u>13,523</u>	<u>10,762</u>	26%	<u>45,200</u>	<u>30,345</u>	49%
Tax expense	(2,256)	(2,655)	-15%	(8,235)	(6,106)	35%
Profit for the period	<u>11,267</u>	<u>8,107</u>	39%	<u>36,965</u>	<u>24,239</u>	53%
Profit attributable to owners of the Company	<u>11,267</u>	<u>8,107</u>	39%	<u>36,965</u>	<u>24,239</u>	53%
Earnings per share						
(a) Basic (sen)	<u>5.38</u>	<u>3.86</u>	39%	<u>17.63</u>	<u>11.54</u>	52%
(b) Diluted (sen)	<u>5.19</u>	<u>3.75</u>	38%	<u>17.00</u>	<u>11.21</u>	52%

The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2021 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 YEAR ENDED 31 DECEMBER 2022**

	Quarter ended		Year ended	
	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
Profit for the period	11,267	8,107	36,965	24,239
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Fair value gain on investment in equity instrument designated as at fair value through other comprehensive income ("FVTOCI")	-	-	1,419	-
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translating foreign entities	144	(55)	144	(246)
Other comprehensive income for the period	144	(55)	1,563	(246)
Total comprehensive income for the period attributed to owners of the Company	<u>11,411</u>	<u>8,052</u>	<u>38,528</u>	<u>23,993</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 2021 and the accompanying notes to the Interim Financial Report.



SPRITZER BHD
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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

	AS AT 31.12.2022 RM'000	AUDITED AS AT 31.12.2021 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	411,936	315,723
Right-of-use assets	432	692
Investment properties	5,380	5,340
Other investments	3,221	1,000
Goodwill on consolidation	40	40
Other intangible asset	227	232
Total non-current assets	<u>421,236</u>	<u>323,027</u>
Current assets		
Other investments	21,122	85,808
Inventories	44,097	35,319
Trade and other receivables	82,191	71,748
Current tax assets	5,543	6,717
Other assets	5,074	13,576
Fixed deposits, cash and bank balances	21,691	21,752
Total current assets	<u>179,718</u>	<u>234,920</u>
Total assets	<u><u>600,954</u></u>	<u><u>557,947</u></u>
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	216,571	216,571
Treasury shares	(2,248)	(14)
Other reserves	14,071	8,623
Retained earnings	265,086	237,570
Total equity	<u>493,480</u>	<u>462,750</u>
Non-current liabilities		
Lease liabilities	101	300
Deferred tax liabilities	22,510	20,770
Total non-current liabilities	<u>22,611</u>	<u>21,070</u>
Current liabilities		
Trade and other payables	36,750	40,812
Lease liabilities	231	366
Borrowings	16,095	5,489
Current tax liabilities	172	165
Other liabilities	31,615	27,295
Total current liabilities	<u>84,863</u>	<u>74,127</u>
Total liabilities	<u>107,474</u>	<u>95,197</u>
Total equity and liabilities	<u><u>600,954</u></u>	<u><u>557,947</u></u>
Net assets per share attributable to owners of the Company (RM)	<u>2.3626</u>	<u>2.2039</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2021 and the accompanying notes to the Interim Financial Report.



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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

	Share Capital RM'000	Treasury Shares RM'000	Non-distributable Reserves			Distributable Reserve	Total Equity RM'000
			Equity-settled Employee Benefits Reserve RM'000	Investment Revaluation Reserve RM'000	Translation Reserve RM'000	Retained Earnings RM'000	
Balance as of 1 January 2022	216,571	(14)	9,018	-	(395)	237,570	462,750
Profit for the year	-	-	-	-	-	36,965	36,965
Other comprehensive income for the year	-	-	-	1,419	144	-	1,563
Total comprehensive income for the year	-	-	-	1,419	144	36,965	38,528
Recognition of share-based payments	-	-	3,885	-	-	-	3,885
Payment of dividend	-	-	-	-	-	(9,449)	(9,449)
Own shares acquired during the year	-	(2,234)	-	-	-	-	(2,234)
Balance as of 31 December 2022	216,571	(2,248)	12,903	1,419	(251)	265,086	493,480
Balance as of 1 January 2021	216,571	(14)	4,815	-	(149)	222,780	444,003
Profit for the year	-	-	-	-	-	24,239	24,239
Other comprehensive loss for the year	-	-	-	-	(246)	-	(246)
Total comprehensive income for the year	-	-	-	-	(246)	24,239	23,993
Recognition of share-based payments	-	-	4,203	-	-	-	4,203
Payment of dividend	-	-	-	-	-	(9,449)	(9,449)
Balance as of 31 December 2021	216,571	(14)	9,018	-	(395)	237,570	462,750

The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2021 and the accompanying notes to the Interim Financial Report.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Year ended	
	31.12.2022	31.12.2021
	RM'000	RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit for the year	36,965	24,239
Adjustments for:		
Depreciation of property, plant and equipment	19,501	19,133
Tax expense recognised in profit or loss	8,235	6,106
Equity-settled share-based payments	3,885	4,203
Finance costs	858	526
Depreciation of right-of-use assets	260	242
Interest income	(355)	(229)
Investment revenue	(261)	(1,473)
Other non-cash items	192	1,141
	<u>69,280</u>	<u>53,888</u>
Movements in working capital		
Increase in current assets	(20,116)	(30,444)
(Decrease)/Increase in current liabilities	(3,464)	17,676
Cash generated from operations	<u>45,700</u>	<u>41,120</u>
Interest received	355	229
Income tax refunded	-	36
Income tax paid	(5,314)	(5,805)
Net cash from operating activities	<u>40,741</u>	<u>35,580</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Proceeds from disposal of other investments	174,489	25,650
Proceeds from disposal of property, plant and equipment	295	606
Investment revenue received	101	101
Placement of other investments	(109,064)	(28,150)
Purchase of property, plant and equipment	(102,775)	(15,067)
Deposits paid for purchase of property, plant and equipment	(1,072)	(9,685)
Subscription of shares in unquoted investment	(802)	(1,000)
Withdrawal of fixed deposit	23	-
Purchase of intangible asset	-	(234)
Net cash used in investing activities	<u>(38,805)</u>	<u>(27,779)</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Proceeds from borrowings	10,606	2,256
Repayment of borrowings	-	(1,159)
Dividend paid	(9,449)	(9,449)
Purchase of own shares	(2,234)	-
Repayment of lease liabilities	(334)	(260)
Finance cost paid	(858)	(526)
Net cash used in financing activities	<u>(2,269)</u>	<u>(9,138)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(333)	(1,337)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	21,729	23,192
Effect on exchange rate changes on balance of cash held in foreign currencies	295	(126)
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>21,691</u>	<u>21,729</u>
Cash and cash equivalents at end of year comprise the following:		
Fixed deposits, cash and bank balances	21,691	21,752
Less : fixed deposit pledged	-	(23)
	<u>21,691</u>	<u>21,729</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2021 and the accompanying notes to the Interim Financial Report.

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

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 2021.

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 2021 except for the adoption of amendments to Malaysian Financial Reporting Standards ("MFRSs") effective for annual periods beginning on or after 1 January 2022.

Adoption of MFRSs and Amendments to MFRS Standards

The Group adopted all the 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 2022. Their adoption has not had any material impact on the disclosure or on the amounts reported in the interim financial statements.

Standards in issue but not yet effective

The Group has not elected for early adoption of the following new and amendments to MFRSs which have been issued but not yet effective at the date of authorisation for issue of the interim financial report:

Amendments to MFRS 4	Extension of the Temporary Exemption from Applying MFRS 9 ³
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to MFRS 16	Lease Liability in a Sale and Leaseback ²
MFRS 17	Insurance Contracts ¹
Amendments to MFRS 17	Insurance Contracts ¹
Amendments to MFRS 17	Initial Application of MFRS 17 and MFRS 9 - Comparative Information ¹
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current ¹
Amendments to MFRS 101	Disclosure of Accounting Policies ¹
Amendments to MFRS 101	Non-current Liabilities with Covenants ²
Amendments to MFRS 108	Definition of Accounting Estimates ¹
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2024, with earlier application permitted.

³ Effective date deferred to a date to be announced by MASB.

3. AUDITORS' REPORT ON PRECEDING YEAR FINANCIAL STATEMENTS

The auditors' report on the financial statements for the preceding financial year ended 31 December 2021 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 unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current quarter and year ended 31 December 2022.

6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in the estimates used in the current quarter and year ended 31 December 2022 compared to those used in the previous financial year which have a material effect in the current quarter and year ended 31 December 2022.

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.

During the year ended 31 December 2022, 52,000 units of the SGP shares lapsed and 50,000 new SGP shares are granted. The SGP shares balance outstanding as at 31 December 2022 is 9,290,000. None of the SGP shares were vested during the current quarter and year-to-date ended 31 December 2022.

The details of the Company's shares repurchased are as follows:

	Quarter ended 31.12.2022		Year ended 31.12.2022	
	No of shares	RM'000	No of shares	RM'000
Ordinary shares repurchased	452,900	943	1,099,500	2,234

As at 31 December 2022, the total shares held as treasury shares stands at 1,123,500 shares. None of the treasury shares were resold or cancelled during the current quarter and year ended 31 December 2022. The number of ordinary shares in issue after excluding the treasury shares is 208,869,227 as at 31 December 2022.

There were no issuance, no repayment of debt and equity securities during the current quarter and year ended 31 December 2022.

Subsequent to the financial year end, 3,982,300 units of the SGP shares are vested, and the Company issued 2,883,400 new ordinary shares and transferred 1,098,900 treasury shares to eligible employees and Executive Directors on 9 and 11 January 2023, respectively.

8. DIVIDEND PAID

On 23 June 2022, 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 2021.

9. SEGMENTAL REPORTING

The analysis of the Group's business segments for the current quarter and year ended 31 December 2022 are as follows:

Quarter ended 31 December 2022	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue					
External revenue	103,219	5,116	365	-	108,700
Inter-segment revenue	35,714	4	60	(35,778)	-
Total revenue	138,933	5,120	425	(35,778)	108,700
Results					
Segment results	15,066	(966)	1,051	(1,435)	13,716
Finance costs					(269)
Investment revenue					76
Profit before tax					13,523
Tax expense					(2,256)
Profit for the period					11,267
Year ended 31 December 2022					
Revenue					
External revenue	409,429	22,776	1,095	-	433,300
Inter-segment revenue	137,055	20	7,660	(144,735)	-
Total revenue	546,484	22,796	8,755	(144,735)	433,300
Results					
Segment results	48,315	(2,311)	10,806	(11,013)	45,797
Finance costs					(858)
Investment revenue					261
Profit before tax					45,200
Tax expense					(8,235)
Profit for the year					36,965
As at 31 December 2022					
Assets					
Segment assets	589,070	7,927	290,722	(292,308)	595,411
Unallocated segment assets					5,543
Consolidated total assets					600,954
Liabilities					
Segment liabilities	216,633	11,221	1,147	(144,209)	84,792
Unallocated segment liabilities					22,682
Consolidated total liabilities					107,474

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

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

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

	Quarter ended 31.12.2022 RM'000	Year ended 31.12.2022 RM'000
Total purchase of property, plant and equipment	14,323	116,316
Purchased by cash	11,536	102,775

Included in total purchase of property, plant and equipment for year ended 31 December 2022 is RM86,624,231 paid for acquisition of freehold and long term leasehold agricultural land.

11. MATERIAL SUBSEQUENT EVENTS

Material event subsequent to the end of the current quarter and year ended 31 December 2022 and up to the date of this report are as follows:

Investment in associated company

On 23 December 2022, a wholly owned subsidiary, Chuan Sin Sdn Bhd entered into a Subscription Agreement with The Tapping Tapir Sdn Bhd ("TTT"), a company incorporated in Malaysia to subscribe for 42,861 ordinary shares, representing 30% of the entire issued share capital of TTT for a total consideration of RM2,198,769. The transaction was completed on 3 January 2023 and TTT became an associated company of the Group. The principal activity of TTT is manufacturing, producing and distribution of beverages.

Vesting of SGP shares and increase in share capital of the Company

Subsequent to the financial year end, 3,982,300 units of the SGP shares are vested and the Company issued 2,883,400 new ordinary shares and transferred 1,098,900 treasury shares to eligible employees and Executive Directors on 9 and 11 January 2023, respectively. The issue price of the new ordinary shares and the transfer price of the treasury shares is RM2.235.

After the allotment of the new shares on 9 January 2023, the issued share capital of the Company is RM 223,015,054 with the number of ordinary shares in issue of 212,876,127. The number of treasury shares held as of 11 January 2023 after the aforesaid transfer of treasury shares is 24,600.

12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current quarter and year ended 31 December 2022.

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 in respect of property, plant and equipment that are not provided for in the interim financial statements as at 31 December 2022 are as follows:

	RM'000
<i>Approved and contracted for</i>	
Land and buildings	12,820
Plant, machinery and equipment	5,124
Motor vehicles	501
	18,445
<i>Authorised but not contracted for</i>	
Land and buildings	4,529
Plant, machinery and equipment	36,594
Motor vehicles	382
	41,505
	59,950

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

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

	Quarter ended 31.12.2022 RM'000	Year ended 31.12.2022 RM'000
Interest income	88	355
Gain on foreign exchange	(110)	111
Investment revenue	76	261
Change in fair value of other investments	47	491
Gain on disposal of property, plant and equipment	-	104
Gain on disposal of quoted/unquoted investments or properties	1	88
Depreciation of property, plant and equipment and right-of-use assets	(5,423)	(19,761)
Equity-settled share-based payments	(141)	(3,885)
Allowance for and write off of inventories	(234)	(603)
Interest expense	(208)	(566)
(Reversal of)/Allowance for impairment loss and credit losses on receivables	23	10
Receivables written off	-	(3)
Property, plant and equipment written off	(335)	(409)
Amortisation of intangible asset	(1)	(5)
Gain/(Loss) on derivatives	-	-

16. REVIEW OF PERFORMANCE

Revenue

The revenue of the Group consists of the following:

	Quarter ended			Year ended		
	31.12.2022	31.12.2021	Change	31.12.2022	31.12.2021	Change
	RM'000	RM'000		RM'000	RM'000	
Sale of bottled water and related products	102,750	95,639	7%	407,328	310,561	31%
Sale of plastic packaging materials	5,585	4,758	17%	24,877	20,114	24%
Income from mini golf operation	365	216	69%	1,095	351	212%
Total revenue	<u>108,700</u>	<u>100,613</u>	8%	<u>433,300</u>	<u>331,026</u>	31%

Analysis of revenue by segment is as follows:

	Quarter ended			Year ended		
	31.12.2022	31.12.2021	Change	31.12.2022	31.12.2021	Change
	RM'000	RM'000		RM'000	RM'000	
Manufacturing	103,219	94,777	9%	409,429	312,209	31%
Trading	5,116	5,620	-9%	22,776	18,466	23%
Others	365	216	69%	1,095	351	212%
Total revenue	<u>108,700</u>	<u>100,613</u>	8%	<u>433,300</u>	<u>331,026</u>	31%

The Group recorded a revenue of RM108.7 million during the current quarter ended 31 December 2022 representing an 8% increase from the RM100.6 million recorded in the same quarter in the previous year. The Group's current quarter revenue from manufacturing segment of RM103.2 million is a 9% increase from the RM94.8million revenue derived in the same quarter in the previous year. Current quarter revenue from trading segment however, decreased 9% from RM5.6 million to RM5.1 million compared to the same quarter in the previous year.

The increase in the Group's sales revenue in the current quarter ended 31 December 2022 is due increase in average selling prices from the manufacturing segment. Trading segment current quarter revenue decreased mainly due to lower sales volume especially in China market when major cities are being locked down to curb the spread of COVID-19.

The Group recorded a revenue of RM433.3 million in the year ended 31 December 2022, which is a 31% increase from the RM331.0 million recorded in the preceding year. The Group's current year revenue from manufacturing segment of RM409.4 million represents an increase of 31% from RM312.2 million achieved in the preceding year. Revenue from trading segment increased 23% from RM22.8 million to RM18.5 million in the current year ended 31 December 2022.

The increase in the Group's sales revenue in the current year ended 31 December 2022 is due to increase in sales volume from increasing demand after Malaysia moved into Transition to Endemic Phase on 1 April 2022 as well as increase in average selling prices. In contrast, in the previous year, the country was slowly moving into recovery stage of the pandemic, there were still restrictions in place to control the spread of COVID-19, certain recreational, school and social activities were still prohibited, therefore demand for bottled water was lower.

Other gains and losses

Included in other gains and losses are the following:

	Quarter ended			Year ended		
	31.12.2022	31.12.2021	Change	31.12.2022	31.12.2021	Change
	RM'000	RM'000		RM'000	RM'000	
Insurance proceeds from flood damage	2,291	-	100%	2,291	-	100%
Investment revenue	76	371	-80%	261	1,473	-82%
Reversal of impairment loss on receivables and credit losses ("loss allowance") - net	23	-	100%	10	211	-95%
Change in fair value of other investments	47	-	100%	491	-	100%
Gain on disposal of other investments	1	-	100%	88	-	100%
Government grant received - wage subsidy	-	204	-100%	58	676	-91%
Property, plant and equipment written off	(335)	(241)	39%	(409)	(364)	12%
Allowance for and write off of inventories	(234)	(1,088)	-78%	(603)	(1,424)	-58%
Loss/(Gain) on foreign exchange	(110)	19	679%	111	(47)	336%

The insurance proceed is in relations to the flood loss which occurred on 18 and 19 December 2021, whereby a wholly-owned subsidiary, Chuan Sin Sdn Bhd's ("Chuan Sin") plant located in Shah Alam was affected by flooding resulted in loss to inventories and certain property, plant and equipment. The cost of damaged inventories amounting to RM1,013,176 has been written off in the previous year.

Fair value adjustments of short term other investments relate to the fluctuation of closing prices of new unit trust investments during year ended 31 December 2022.

(Loss)/Gain 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.

Investment revenue is derived from rental of investment properties and placement of excess funds as short term investment in fixed-income and money market funds. The decrease in investment revenue in the current quarter and year ended 31 December 2022 is due to the repurchase of funds for the payment of capital expenditure.

The allowance for and write off of inventories in the current quarter and year ended 31 December 2022 is mainly due to routine writing off of inventories that are slow moving and obsolete as and when the situation arises. The higher inventories written off in the previous year was due to flood damaged inventories written off as mentioned in the earlier paragraph.

There is was reversal of loss allowance in the year ended 31 December 2021 instead of a credit loss provision compared to current year same period because there is a decrease in expected credit loss as collection trend improves.

Cost of sales and other operating expenses

	Quarter ended			Year ended		
	31.12.2022	31.12.2021	Change	31.12.2022	31.12.2021	Change
	RM'000	RM'000		RM'000	RM'000	
Cost of sales	66,448	59,202	12%	260,240	198,175	31%
Other operating expenses	30,840	30,307	2%	132,034	103,953	27%
	<u>97,288</u>	<u>89,509</u>	9%	<u>392,274</u>	<u>302,128</u>	30%

The increase in cost of sales of 12% in the current quarter ended 31 December 2022 compared to the same quarter in the previous year is in line with the increase in sales as well as due to increase in manufacturing cost mainly caused by the increase in price of raw materials and other packaging materials. Other operating expenses increased 2% in the current quarter ended 31 December 2022 compared to the same quarter in the previous year mainly due to increase in selling and distribution expenses in line with the increase in sales.

The increase in cost of sales of 31% and the increase in other operating expenses of 27% in the current year ended 31 December 2022 compared to the previous year is due to the same reasons as mentioned in the preceding paragraph.

Profit before tax and segment results

Analysis of results by segment is as follows:

	Quarter ended			Year ended		
	31.12.2022	31.12.2021	Change	31.12.2022	31.12.2021	Change
	RM'000	RM'000		RM'000	RM'000	
Manufacturing	15,066	10,914	38%	48,315	31,819	52%
Trading	(966)	(368)	163%	(2,311)	(1,982)	17%
Others	1,051	7,760	-86%	10,806	8,633	25%
Eliminations	(1,435)	(7,786)	-82%	(11,013)	(9,072)	21%
Segment results	<u>13,716</u>	<u>10,520</u>	30%	<u>45,797</u>	<u>29,398</u>	56%
Profit before tax	<u>13,523</u>	<u>10,762</u>	26%	<u>45,200</u>	<u>30,345</u>	49%

The Group's manufacturing segment results of RM15.1 million in the current quarter ended 31 December 2022 represents an increase of 38% from the RM10.9 million achieved in the same quarter in the previous year due to increase in sales volume and average selling price. The Group's manufacturing segment results of RM48.3 million in the current year ended 31 December 2022 represents an increase of 52% from the RM31.9 million achieved in the previous year due mainly to increase in sales volume and average selling price.

The Group's trading segment loss increased 163% to RM0.97 million loss during the current quarter 31 December 2022 from the RM0.37 million loss recorded in the same quarter in the previous year mainly due to lower sales and higher operating expenses. The Group's current year trading segment loss increased 17% to RM2.3 million loss during the current year ended 31 December 2022 from the RM2.0 million loss recorded in the previous year. The increase in trading segment loss is mainly due to increase in operating expense.

The Group recorded a profit before tax of RM13.5 million during the current quarter ended 31 December 2022, representing a 26% increase from the RM10.8 million recorded in the same quarter in the previous year mainly due to increase in sales revenue as a result of increase in average selling and the increase in other gains and losses. The Group's current year profit before tax increased 49% from RM30.3 million to RM45.2 million in the current year ended 31 December 2022, representing a 49% increase from the previous year mainly due to increase in sales revenue as a result of increase in bottled water sales volume and average selling price.

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

	Quarter ended		Change
	31.12.2022	30.9.2022	
	RM'000	RM'000	
Revenue	108,700	119,588	-9%
Profit before tax	13,523	12,515	8%

The Group recorded a revenue of RM108.7 million during the current quarter ended 31 December 2022, representing a 9% decrease from the RM119.6 million recorded in the immediate preceding quarter ended 30 September 2022. The decrease of revenue is mainly due to the decrease in sales volume and lower average selling price.

The Group's profit before tax has increased 8% in the current quarter ended 31 December 2022 to RM13.5 million from RM12.5 million in the immediate preceding quarter ended 30 September 2022 mainly due to reduction in raw material cost and the increase in other gains and losses from RM0.99 million in the preceding quarter to RM2.38 million in the current quarter ended 31 December 2022.

18. FUTURE PROSPECTS

The Malaysian GDP growth is likely to be slower in 2023 after a strong 8.7% growth recorded in year 2022. Rising cost of living, interest rate hikes and inflationary pressure will dampen domestic consumption. However, we are cautiously optimistic that the demand for our bottled water products will remain favourable in the near term given the more positive post-pandemic sentiments, recovery in tourism activities and improving consumer sentiments amid a favourable employment market and better income expectation.

We are actively managing our supply chain challenges, labour shortages and the higher electricity and operating costs. We will continue to focus on our core brands and further automate and enhance our production processes and capacities. We are also gradually introducing sustainable packaging alternatives for our bottled water products.

We will continue to promote our recently launched Spritzer "Icon" with its new bottle made with recycled plastic. We will also strengthen the differentiation of Spritzer products by highlighting the benefits of our silica rich mineral water and also the absence of microplastics in our Spritzer natural mineral water in laboratory tests conducted by SIRIM Berhad.

We expect a competitive business environment and our operating costs to remain high in year 2023. Nevertheless, the directors are optimistic that the Group will be able to capitalise on its market leadership position and generate a positive performance in the financial year ending 31 December 2023.

19. VARIANCE BETWEEN FORECAST AND ACTUAL PROFIT

Not applicable.

20. TAX EXPENSE

	Quarter	Year ended
	ended	31.12.2022
	31.12.2022	31.12.2022
	RM'000	RM'000
Income tax		
- current period	2,187	6,647
- prior year	(1)	(152)
Deferred tax		
- current period	82	1,925
- prior year	(12)	(185)
	<u>2,256</u>	<u>8,235</u>

The effective tax rate for the current quarter and year ended 31 December 2022 is lower than the statutory income tax rate of 24% mainly due to claiming of and utilisation of reinvestment allowances ("RA") and the recognition of deferred tax assets on unutilised RA on plant and machinery.

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

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

22. GROUP BORROWINGS

The Group's borrowings as at 31 December 2022 are as follows:

	<u>RM'000</u>
<i>Current portion (repayable in the next 12 months)</i>	
Unsecured	
- Revolving credits	8,000
- Banker's acceptances	3,036
- Multi currency trade loan	419
Secured	
- Revolving credit	4,640
	<u>16,095</u>

The Group has no long term borrowings as at 31 December 2022.

The revolving credit loan of RM4,640,120 is denominated in Chinese Renminbi.

The average effective interest rate per annum applicable on the outstanding borrowings as at 31 December 2022 is as follows:

Revolving credits	4.80 - 4.87%
Banker's acceptances	2.94 - 3.51%
Multi currency trade loan	<u>3.76%</u>

23. MATERIAL LITIGATION

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

24. DIVIDEND

On 2 Jun 2022, the Company announced the adoption a dividend policy in which it will target a dividend payout ratio of at least 35% of its audited consolidated profit after taxation attributable to shareholders for each financial year, after deducting non-operating income that is capital in nature. The dividend policy takes effect in the current financial year ended 31 December 2022.

The Directors have proposed a first and final dividend of 6.25 sen per ordinary share, which is a 39% increase from the 4.5 sen per ordinary share paid for the previous financial year ended 31 December 2021, under the single tier system, in respect of the current financial year ended 31 December 2022. This first and final dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements. The date of the Annual General Meeting and the date of book closure for the said dividend will be announced in due course.

25. EARNINGS PER SHARE ("EPS")

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

	<u>Quarter ended</u>	<u>Year ended</u>
	<u>31.12.2022</u>	<u>31.12.2022</u>
	<u>RM'000</u>	<u>RM'000</u>
Profit attributable to owners of the Company	11,267	36,965
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	209,322	209,969
Shares repurchased and held as treasury shares (weighted average)	(29)	(244)
Weighted average number of ordinary shares for the purposes of basic EPS	<u>209,293</u>	<u>209,725</u>
Basic EPS (sen)	<u>5.38</u>	<u>17.63</u>
	<u>'000</u>	<u>'000</u>
Weighted average number of ordinary shares used in the calculation of basic EPS	209,293	209,725
Shares deemed to be issued for no consideration in respect of SGP	7,713	7,713
Weighted average number of ordinary shares used in the calculation of diluted EPS	<u>217,006</u>	<u>217,438</u>
Diluted EPS (sen)	<u>5.19</u>	<u>17.00</u>

26. TRADE AND OTHER RECEIVABLES

	As at 31.12.2022 RM'000
Trade receivables	
- Non-related parties	22,203
Loss allowance	(345)
	21,858
- Related parties (trade)	59,725
	81,583
Other receivables	608
	<u>82,191</u>

The credit terms of trade receivables granted to non-related parties and related parties are the same, with credit period ranging from 7 - 120 days.

Analysis of risk profile of trade receivables as at 31 December 2022 is as follows:

No of days past due:	Non-related parties RM'000	Related parties RM'000
Not past due	19,433	59,341
1 - 30 days	663	-
31 - 60 days	952	-
61 - 90 days	285	-
91 - 120 days	118	-
More than 120 days	407	384
	<u>21,858</u>	<u>59,725</u>

27. RELATED PARTY DISCLOSURE

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

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

	Quarter ended 31.12.2022 RM'000	Year ended 31.12.2022 RM'000
<i>*Yee Lee Corporation Bhd Group of Companies</i>		
Sales	48,371	195,970
Purchases	176	800
Rental of premise received	21	39
Others	29	60
<i>YLTC Sdn Bhd</i>		
Sales	5,793	24,424
<i>Cactus Marketing Sdn Bhd</i>		
Sales	2,519	8,487
Rental of premise received	27	108
<i>Yee Lee Oils & Foodstuff (Singapore) Pte Ltd</i>		
Sales	1,179	4,407
<i>Cranberry International Sdn Bhd</i>		
Sales	-	8
Rental of premise received	17	68
<i>ASAP International Sdn Bhd</i>		
Rental of premise received	12	46
<i>Multibase Systems Sdn Bhd</i>		
Corporate secretarial fees paid	7	26
<i>Sabah Tea Garden Sdn Bhd</i>		
Sales	2	7
Purchases	35	116
Rental of premise received	8	187
<i>Yee Lee Organization Bhd</i>		
Rental of premise paid	15	60

**Yee Lee Corporation Bhd Group of Companies includes the following:*

- Yee Lee Edible Oils Sdn Bhd
- Yee Lee Trading Co Sdn Bhd
- Yee Lee Marketing Sdn Bhd
- Desa Tea Sdn Bhd
- YL Brands Sdn Bhd

28. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31.12.2022 RM'000
Financial assets	
At fair value through other comprehensive income ("FVTOCI"):	
Investment in unquoted shares	3,221
At fair value through profit or loss ("FVTPL"):	
Investment in fixed income and money market funds	21,122
At amortised cost:	
Trade and other receivables	82,191
Fixed deposits, cash and bank balances	<u>21,691</u>
Financial liabilities	
At amortised cost:	
Trade and other payables	33,443
Lease liabilities	231
Borrowings	16,095
Accrued expenses	<u>30,922</u>

Fair values of financial instruments

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Fair values of financial assets and financial liabilities at amortised cost

The carrying amounts of short-term financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

Fair values of financial assets and financial liabilities at fair value on a recurring basis

Some of the Group financial assets are measured at fair value at the end of each reporting period. The following information is about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and input used).

(a) Investment in unquoted shares

The fair value of investment in unquoted shares in Malaysia is included in Level 2 category of the fair value hierarchy in accordance with MFRS 7 and has been determined by reference to the latest subscription price paid for the shares in the unquoted investee.

(b) Investment in money market and fixed income funds

The fair values of investments in fixed income and money market funds are included in Level 1 category of the fair value hierarchy in accordance with MFRS 7 and have been determined by reference to quoted closing prices in an active market at the close of the business at the end of the reporting period.

There were no transfers between Level 1 and 2 during the current quarter and year ended 31 December 2022.

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 27 February 2023.