

**SPRITZER BHD**

Reg. No.: 199301010611 (265348-V)

(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2023**

The figures have not been audited.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023**

	Quarter ended			Year-to-date ended		
	30.6.2023 RM'000	30.6.2022 RM'000	Change	30.6.2023 RM'000	30.6.2022 RM'000	Change
Revenue	123,687	106,195	16%	233,111	205,012	14%
Other gains and losses	1,527	647	136%	2,568	1,667	54%
Cost of sales and other operating expenses	(108,734)	(96,841)	12%	(209,428)	(187,237)	12%
Finance costs	(351)	(162)	117%	(581)	(280)	108%
Share of results of associated company	91	-	100%	91	-	100%
Profit before tax	<u>16,220</u>	<u>9,839</u>	65%	<u>25,761</u>	<u>19,162</u>	34%
Tax expense	(4,070)	(2,217)	84%	(6,453)	(4,891)	32%
Profit for the period	<u>12,150</u>	<u>7,622</u>	59%	<u>19,308</u>	<u>14,271</u>	35%
Profit attributable to owners of the Company	<u>12,150</u>	<u>7,622</u>	59%	<u>19,308</u>	<u>14,271</u>	35%
Earnings per share						
(a) Basic (sen)	<u>3.81</u>	<u>2.42</u>	57%	<u>6.06</u>	<u>4.53</u>	34%
(b) Diluted (sen)	<u>3.74</u>	<u>2.35</u>	59%	<u>5.95</u>	<u>4.40</u>	35%

The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2022 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 2023**

	<u>Quarter ended</u>		<u>Year-to-date ended</u>	
	<u>30.6.2023</u>	<u>30.6.2022</u>	<u>30.6.2023</u>	<u>30.6.2022</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Profit for the period	12,150	7,622	19,308	14,271
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Fair value (loss)/gain on investment in equity instrument designated as at fair value through other comprehensive income ("FVTOCI")	-	1,419	(644)	1,419
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translating foreign entities	15	23	(85)	(53)
Other comprehensive income for the period	<u>15</u>	<u>1,442</u>	<u>(729)</u>	<u>1,366</u>
Total comprehensive income for the period attributed to owners of the Company	<u>12,165</u>	<u>9,064</u>	<u>18,579</u>	<u>15,637</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 2022 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 2023

	AS AT 30.6.2023 RM'000	AUDITED AS AT 31.12.2022 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	412,964	411,936
Right-of-use assets	430	432
Investment properties	5,537	5,380
Investment in associated company	2,343	-
Other investments	2,577	3,221
Goodwill on consolidation	40	40
Other intangible asset	225	227
Deferred tax asset	120	-
Total non-current assets	424,236	421,236
Current assets		
Other investments	14,740	21,122
Inventories	40,177	44,097
Trade and other receivables	96,253	82,191
Current tax assets	4,823	5,543
Other assets	24,165	5,074
Fixed deposits, cash and bank balances	28,433	21,691
Total current assets	208,591	179,718
Total assets	632,827	600,954
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	223,239	216,571
Treasury shares	(15)	(2,248)
Other reserves	6,349	14,071
Retained earnings	270,912	265,086
Total equity	500,485	493,480
Non-current liabilities		
Lease liabilities	152	101
Borrowings	26,687	-
Deferred tax liabilities	24,724	22,510
Total non-current liabilities	51,563	22,611
Current liabilities		
Trade and other payables	38,739	36,750
Lease liabilities	148	231
Borrowings	12,380	16,095
Current tax liabilities	1,071	172
Other liabilities	28,441	31,615
Total current liabilities	80,779	84,863
Total liabilities	132,342	107,474
Total equity and liabilities	632,827	600,954
Net assets per share attributable to owners of the Company (RM)	1.5676	2.3626

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2022 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 2023

	<i>Non-distributable Reserves</i>					<i>Distributable Reserve</i>	Total Equity RM'000
	Share Capital RM'000	Treasury Shares 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 2023	216,571	(2,248)	12,903	1,419	(251)	265,086	493,480
Profit for the period	-	-	-	-	-	19,308	19,308
Other comprehensive loss for the period	-	-	-	(644)	(85)	-	(729)
Total comprehensive income for the period	-	-	-	(644)	(85)	19,308	18,579
Recognition of share-based payments	-	-	1,729	-	-	-	1,729
Payment of dividend	-	-	-	-	-	(13,303)	(13,303)
Own shares acquired during the period	-	-	-	-	-	-	-
Employees share grant plan shares vested	6,668	2,233	(8,722)	-	-	(179)	-
Balance as of 30 June 2023	223,239	(15)	5,910	775	(336)	270,912	500,485
Balance as of 1 January 2022	216,571	(14)	9,018	-	(395)	237,570	462,750
Profit for the period	-	-	-	-	-	14,271	14,271
Other comprehensive loss for the period	-	-	-	1,419	(53)	-	1,366
Total comprehensive income for the period	-	-	-	1,419	(53)	14,271	15,637
Recognition of share-based payments	-	-	1,630	-	-	-	1,630
Payment of dividend	-	-	-	-	-	(9,449)	(9,449)
Own shares acquired during the period	-	(68)	-	-	-	-	(68)
Balance as of 30 June 2022	216,571	(82)	10,648	1,419	(448)	242,392	470,500

The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2022 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 JUNE 2023

	Year-to-date ended	
	30.6.2023	30.6.2022
	RM'000	RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit for the period	19,308	14,271
Adjustments for:		
Depreciation of property, plant and equipment	10,237	9,247
Tax expense recognised in profit or loss	6,453	4,891
Equity-settled share-based payments	1,729	1,630
Finance costs	581	280
Depreciation of right-of-use assets	125	130
Interest income	(195)	(178)
Investment revenue	(131)	(141)
Share of results in associated company	(91)	-
Other non-cash items	(113)	(374)
	<u>37,903</u>	<u>29,756</u>
Movements in working capital		
Increase in current assets	(10,628)	(18,366)
Decrease in current liabilities	(1,307)	(1,719)
Cash generated from operations	<u>25,968</u>	<u>9,671</u>
Interest received	195	178
Income tax refunded	86	-
Income tax paid	(2,826)	(2,108)
Net cash from operating activities	<u>23,423</u>	<u>7,741</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Proceeds from disposal of other investments	28,991	168,488
Proceeds from disposal of property, plant and equipment	106	278
Investment revenue received	50	50
Placement of other investments	(22,400)	(90,763)
Deposits paid for purchase of property, plant and equipment	(18,902)	(3,843)
Purchase of property, plant and equipment	(11,029)	(81,752)
Subscription of shares in associated company	(2,252)	-
Purchase of investment properties	(157)	-
Subscription of shares in unquoted investment	-	(802)
Withdrawal of fixed deposit	-	23
Net cash used in investing activities	<u>(25,593)</u>	<u>(8,321)</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Proceeds from borrowings - net	22,972	14,822
Dividend paid	(13,303)	(9,449)
Purchase of own shares	-	(68)
Finance cost paid	(581)	(280)
Repayment of lease liabilities	(155)	(191)
Net cash from financing activities	<u>8,933</u>	<u>4,834</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,763	4,254
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	21,691	21,729
Effect on exchange rate changes on balance of cash held in foreign currencies	(21)	50
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>28,433</u>	<u>26,033</u>
Cash and cash equivalents at end of period comprise the following:		
Fixed deposits, cash and bank balances	<u>28,433</u>	<u>26,033</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2022 and the accompanying notes to the Interim Financial Report.

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023**

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 ("Bursa Securities") and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2022.

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 2022 except for the adoption of new and amendments to MFRSs effective for annual periods beginning on or after 1 January 2023 and the following new accounting policy:

Investment in an Associated Company

An associated company is an entity over which the Group has significant influence and that is neither a subsidiary company nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associated company is incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with MFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investment in an associated company is carried in the consolidated statement of financial position at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the associated company, less any impairment in the value of individual investments. Losses of an associated company in excess of the Group's interests in that associated company (which includes any long-term interests that, in substance, form part of the Group's net investment in the associated company) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associated company.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associated company recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated statement of profit or loss.

When a group entity transacts with an associated company of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associated company.

Investment in an associated company is stated at cost less accumulated impairment losses, in the separate financial statements of a subsidiary.

Standards in issue but not yet effective

The Group has not elected for early adoption of the following 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 10 and 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to MFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to MFRS 101	Non-current Liabilities with Covenants ¹

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

² 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 2022 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-to-date ended 30 June 2023.

6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in the estimates used in the current quarter and year-to-date ended 30 June 2023 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 2023.

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 current quarter ended 30 June 2023, none of the SGP shares were vested. During the year-to-date ended 30 June 2023, 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.

There were no new SGP shares granted and lapsed during the current quarter and year-to-date ended 30 June 2023. The SGP shares balance outstanding as at 30 June 2023 is 7,961,550.

There were no repayment of debt and share buy-backs during the current quarter and year-to-date ended 30 June 2023.

During the current quarter and year-to-date ended 30 June 2023, the Company issued a total of 106,438,018 bonus shares pursuant to the Bonus Issue of New Ordinary Shares in Spritzer on the basis of 1 bonus share for every 2 existing Spritzer shares held approved by the Shareholders in the Annual General Meeting on 30 May 2023.

As at 30 June 2023, the total shares held as treasury shares stands at 36,900 with the value of RM15,173 and the number of ordinary shares in issue after excluding the treasury shares is 319,277,245 and the corresponding paid up share capital is RM223,223,363.

8. DIVIDEND PAID

On 23 June 2023 the Company paid a first and final dividend of 6.25 sen per share, under the single-tier system, amounting to RM13,303,218 in respect of the previous financial year ended 31 December 2022.

9. SEGMENTAL REPORTING

The analysis of the Group's business segments for the current quarter and year-to-date ended 30 June 2023 are as follows:

Quarter ended 30 June 2023	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue					
External sales	117,550	5,871	266	-	123,687
Inter-segment sales	35,064	5	3,980	(39,049)	-
Total revenue	152,614	5,876	4,246	(39,049)	123,687
Results					
Segment results	16,687	(671)	4,752	(4,356)	16,412
Finance costs					(351)
Share of results of associated company					91
Investment revenue					68
Profit before tax					16,220
Tax expense					(4,070)
Profit for the period					12,150

Year-to-date ended 30 June 2023	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue					
External sales	222,081	10,524	506	-	233,111
Inter-segment sales	68,431	11	4,042	(72,484)	-
Total revenue	<u>290,512</u>	<u>10,535</u>	<u>4,548</u>	<u>(72,484)</u>	<u>233,111</u>
Results					
Segment results	<u>27,279</u>	<u>(1,503)</u>	<u>5,605</u>	<u>(5,261)</u>	<u>26,120</u>
Finance costs					(581)
Share of results of associated company					91
Investment revenue					<u>131</u>
Profit before tax					<u>25,761</u>
Tax expense					<u>(6,453)</u>
Profit for the year					<u><u>19,308</u></u>
As at 30 June 2023					
Assets					
Segment assets	677,668	6,871	282,310	(341,308)	625,541
Investment in associated company					2,343
Unallocated segment assets					<u>4,943</u>
Consolidated total assets					<u><u>632,827</u></u>
Liabilities					
Segment liabilities	294,186	12,317	559	(200,515)	106,547
Unallocated segment liabilities					<u>25,795</u>
Consolidated total liabilities					<u><u>132,342</u></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 30.6.2023 RM'000	Year-to-date ended 30.6.2023 RM'000
Total purchase of property, plant and equipment	<u>8,238</u>	<u>11,571</u>
Purchased by cash	<u>8,238</u>	<u>11,029</u>

11. MATERIAL SUBSEQUENT EVENTS

There were no material event subsequent to the end of the current quarter and year-to-date ended 30 June 2023 and up to the date of this report.

12. CHANGES IN THE COMPOSITION OF THE GROUP

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.

There were no other changes in the composition of the Group during the current quarter and year-to-date ended 30 June 2023.

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 30 June 2023 are as follows:

	RM'000
<i>Approved and contracted for</i>	
Land and buildings	18,277
Plant, machinery and equipment	29,056
Motor vehicles	251
	<u>47,584</u>
<i>Authorised but not contracted for</i>	
Land and buildings	4,529
Plant, machinery and equipment	9,922
Motor vehicles	382
	<u>14,833</u>
	<u><u>62,417</u></u>

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

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

	Quarter ended 30.6.2023 RM'000	Year-to-date ended 30.6.2023 RM'000
Interest income	103	195
Allowance for and write off of inventories	(220)	(136)
Investment revenue	68	131
Change in fair value of other investments	57	104
Gain on disposal of quoted/unquoted investments or properties	19	24
Gain on foreign exchange	458	462
Depreciation of property, plant and equipment and right-of-use assets	(5,226)	(10,362)
Equity-settled share-based payments	(707)	(1,729)
Interest expense	(314)	(512)
Property, plant and equipment written off	(131)	(206)
Allowance for impairment loss and credit losses on receivables	(110)	(124)
Gain on derivatives - foreign exchange forward contracts	8	-
Gain on disposal of property, plant and equipment	13	6
Amortisation of intangible asset	-	(2)
Receivables written off	-	-
	<u>-</u>	<u>-</u>

16. REVIEW OF PERFORMANCE

Revenue

The revenue of the Group consists of the following:

	Quarter ended			Year-to-date ended		
	30.6.2023 RM'000	30.6.2022 RM'000	Change	30.6.2023 RM'000	30.6.2022 RM'000	Change
Sale of bottled water and sundry goods	118,038	99,965	18%	221,035	191,823	15%
Sale of plastic packaging materials	5,383	5,962	-10%	11,570	12,717	-9%
Income from mini golf operation	266	268	-1%	506	472	7%
Total revenue	<u>123,687</u>	<u>106,195</u>	16%	<u>233,111</u>	<u>205,012</u>	14%

Analysis of revenue by segment is as follows:

	Quarter ended			Year-to-date ended		
	30.6.2023 RM'000	30.6.2022 RM'000	Change	30.6.2023 RM'000	30.6.2022 RM'000	Change
Manufacturing	117,550	99,810	18%	222,081	193,506	15%
Trading	5,871	6,117	-4%	10,524	11,034	-5%
Others	266	268	-1%	506	472	7%
Total revenue	<u>123,687</u>	<u>106,195</u>	16%	<u>233,111</u>	<u>205,012</u>	14%

The Group recorded a revenue of RM123.7 million during the current quarter ended 30 June 2023 representing a 16% increase from the RM106.2 million recorded in the same quarter in the previous year. The Group's current quarter revenue from manufacturing segment of RM117.6 million is an 18% increase from the RM99.8 million revenue derived in the same quarter in the previous year. Current quarter revenue from trading segment however, decreased 4% from RM6.1 million to RM5.9 million compared to the same quarter in the previous year.

The Group recorded a revenue of RM233.1 million in the year-to-date ended 30 June 2023, which is a 14% increase from the RM205.0 million recorded in the same period in the previous year. The Group's year-to-date revenue from manufacturing segment of RM222.1 million represents an increase of 15% from RM193.5 million in the same period in the previous year. Revenue from trading segment decreased 5% from RM11.0 million to RM10.5 million in the year-to-date ended 30 June 2023.

The increase in the Group's sales revenue in the current quarter and year-to-date ended 30 June 2023 is due increase in sales volume and average selling prices for bottled water from the manufacturing segment. Trading segment's revenue for the current quarter and year-to-date ended 30 June 2023 decreased mainly due to lower sales volume.

Other gains and losses

Included in other gains and losses are the following:

	Quarter ended			Year-to-date ended		
	30.6.2023 RM'000	30.6.2022 RM'000	Change	30.6.2023 RM'000	30.6.2022 RM'000	Change
Income from sale of fresh fruit bunches ("FFB")	305	-	100%	868	-	100%
Insurance proceeds from flood damage	717	-	100%	717	-	100%
Allowance for and write off of inventories	(220)	(97)	127%	(136)	(230)	-41%
Change in fair value of other investments	57	113	-50%	104	401	-74%
Gain on foreign exchange	458	39	1074%	462	152	204%
Property, plant and equipment written off	(131)	(43)	205%	(206)	(73)	182%

Income from sale of FFB for the current quarter and year-to-date ended 30 June 2023 consist of proceeds from sale of oil palm fresh fruit bunches net of direct estate operating cost from the 47 agriculture land lots known as Temerloh Estate located at Trong, Perak owned by the Group.

The insurance proceed received during the current quarter and year-to-date ended 30 June 2023 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 Shah Alam plant was affected by flooding resulted in damage to a new machine that was yet to be installed at the time. The insurance proceed was used to pay the repair costs to make good of the said machine.

Change in fair value other investments relate to the fluctuation of closing prices of money market funds investment during the current quarter and year-to-date ended 30 June 2023.

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 property, plant and equipment written off for the current quarter and the year-to-date ended 30 June 2023 is due to routine writing off of obsolete plant and equipment.

Cost of sales and other operating expenses

	Quarter ended			Year-to-date ended		
	30.6.2023 RM'000	30.6.2022 RM'000	Change	30.6.2023 RM'000	30.6.2022 RM'000	Change
Cost of sales	70,501	64,001	10%	136,490	123,406	11%
Other operating expenses	38,233	32,840	16%	72,938	63,831	14%
	108,734	96,841	12%	209,428	187,237	12%

The increase in cost of sales of 10% in the current quarter ended 30 June 2023 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 partly attributed to increased cost of electricity as a result of ICPT rate hike imposed by TNB. Other operating expenses increased 16% in the current quarter ended 30 June 2023 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 11% and the increase in other operating expenses of 14% in year-to-date ended 30 June 2023 compared to the same period in the previous year is due to the same reasons as explained in the preceding paragraph.

Profit before tax and segment results

Analysis of results by segment is as follows:

	Quarter ended		Change	Year-to-date ended		Change
	30.6.2023 RM'000	30.6.2022 RM'000		30.6.2023 RM'000	30.6.2022 RM'000	
Manufacturing	16,687	10,215	63%	27,279	19,764	38%
Trading	(671)	(262)	156%	(1,503)	(653)	130%
Others	4,752	732	549%	5,605	1,419	295%
Eliminations	(4,356)	(772)	464%	(5,261)	(1,229)	328%
Segment results	<u>16,412</u>	<u>9,913</u>	66%	<u>26,120</u>	<u>19,301</u>	35%
Profit before tax	<u>16,220</u>	<u>9,839</u>	65%	<u>25,761</u>	<u>19,162</u>	34%

The Group's manufacturing segment results of RM16.7 million in the current quarter ended 30 June 2023 represents an increase of 63% from the RM10.2 million achieved in the same quarter in the previous year due to increase in sales volume and average selling price as well as reduction in cost of raw materials. The Group's manufacturing segment results of RM27.3 million in the year-to-date ended 30 June 2023 represents an increase of 38% from the RM19.8 million achieved in the same period in the previous year is mainly due to increase in sales and reduction in cost of raw materials.

The Group's trading segment loss increased 156% to RM0.7 million loss during the current quarter ended 30 June 2023 from the RM0.3 million loss recorded in the same quarter in the previous year mainly due to lower sales and higher operating expenses. The Group's year-to-date trading segment loss increased 130% to RM1.5 million loss during the current period ended 30 June 2023 from the RM0.7 million loss recorded in the same period in the previous year. The decrease in trading segment loss is mainly due to decrease in sales revenue and increase in operating costs.

The Group recorded a profit before tax of RM16.2 million during the current quarter ended 30 June 2023, representing an 65% increase from the RM9.8 million recorded in the same quarter in the previous year mainly due to increase in sales revenue driven by increase in bottled water sales volume and average selling price as well as reduction in cost of raw materials. The Group's year-to-date profit before tax increased 34% from RM19.2 million to RM25.8 million during the year-to-date ended 30 June 2023, compared to the same period in the previous year mainly due to increase in sales revenue as a result of increase in bottled water sales revenue as well as reduction in the cost of raw materials.

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

	Quarter ended		Change
	30.6.2023 RM'000	31.3.2023 RM'000	
Revenue	123,687	109,424	13%
Profit before tax	<u>16,220</u>	<u>9,541</u>	70%

The Group recorded a revenue of RM123.7 million during the current quarter ended 30 June 2023, representing an increase of 13% from the RM109.4 million recorded in the immediate preceding quarter ended 31 March 2023 due to increase in bottled water sales volume and average selling price.

The Group's profit before tax has increased 70% in the current quarter ended 30 June 2023 to RM16.2 million from RM9.5 million in the immediate preceding quarter ended 31 March 2023 mainly due to the same reasons mentioned in the preceding paragraph.

18. FUTURE PROSPECTS

The Malaysian economy expanded moderately by 2.9% in second quarter 2023 after a decent 5.6% growth recorded in the first quarter of the year. Business activities and private consumption were affected by the weaker external environment, elevated costs, higher interest rates, exchange rate weakness, inflationary pressure and uncertain economic prospect. However, the demand for our bottled water products has remained strong given the more positive domestic demand, recovery in tourism activities, the hot weather environment and our branding, marketing and promotional efforts.

We will exercise caution in the conduct of our business activities and remain focus on improving operational efficiency and excellence. We will continue to invest into our core brands and further automate and enhance our production processes and capacities. We will continue to introduce sustainable packaging alternatives for our bottled water products.

We will continue to promote our 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 challenging macro environment and our operating costs to remain elevated in the second half of 2023. Nevertheless, the directors are optimistic that the Group will be able to further strengthen its market leadership position in the bottled water industry and generate a favourable performance in the financial year ending 31 December 2023.

19. VARIANCE BETWEEN FORECAST AND ACTUAL PROFIT

Not applicable.

20. TAX EXPENSE

	Quarter ended 30.6.2023 RM'000	Year-to-date ended 30.6.2023 RM'000
Income tax		
- current period	3,425	4,359
Deferred tax		
- current period	645	2,087
- prior year	-	7
	<u>4,070</u>	<u>6,453</u>

The effective tax rate for the current quarter and year-to-date ended 30 June 2023 is higher than the statutory income tax rate of 24% mainly due to certain expenses are not allowable for tax purposes and unutilised tax losses of certain subsidiaries not recognised as deferred tax assets.

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

Proposed Bonus Issue

On 7 April 2023, UOB Kay Hian Securities (M) Sdn Bhd ("UOBKH") had, on behalf of the Board, announced that Spritzer proposed to undertake a bonus issue of up to 106,438,063 new ordinary shares in Spritzer ("Spritzer Shares") on the basis of 1 Bonus Share for every 2 existing Spritzer Shares held on an entitlement date to be determined later. The Bonus Shares would be issued as fully paid, at nil consideration and without capitalisation of the Company's reserves.

On 20 April 2023, UOBKH had, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 19 April 2023, resolved to approve the listing of and quotation for new Spritzer Shares to be issued pursuant to the Proposed Bonus Issue, subject to the conditions as set out in Section 6 of the Circular to Shareholders in relation to the Proposed Bonus Issue dated 28 April 2023.

The Proposed Bonus Issue had been approved by the shareholders in the 30th Annual General Meeting of the Company held on 30 May 2023 and a total of 106,438,018 bonus shares were issued on 21 June 2023, and thereafter were listed and quoted on Bursa Securities on 22 June 2023.

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

22. GROUP BORROWINGS

The Group's borrowings as at 30 June 2023 are as follows:

	RM'000
<i>Current portion (repayable in the next 12 months)</i>	
Unsecured	
- Revolving credits	7,000
- Banker's acceptances	210
Secured	
- Revolving credit	5,170
	<u>12,380</u>
<i>Non-current portion (repayment after next 12 months)</i>	
Unsecured	
- Revolving credits	26,687
	<u>39,067</u>

The secured revolving credit loan of RM5,170,055 is denominated in Chinese Renminbi.

The average effective interest rate per annum applicable on the outstanding borrowings as at 30 June 2023 is as follows:

Revolving credits	3.80 - 4.15%
Banker's acceptances	<u>3.51%</u>

23. MATERIAL LITIGATION

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

24. DIVIDEND

The Directors do not recommend any interim dividend for the current quarter and financial year-to-date ended 30 June 2023.

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.

	Quarter ended 30.6.2023 RM'000	Year-to-date ended 30.6.2023 RM'000
Profit attributable to owners of the Company	<u>12,150</u>	<u>19,308</u>
Basic and diluted earnings per share	'000	'000
Number of shares (excluding treasury shares) in issue at beginning of the period	319,278	313,304
Weighted average number of shares issued during the period	-	5,475
Weighted average number of ordinary shares for the purposes of basic EPS	<u>319,278</u>	<u>318,779</u>
Basic EPS (sen)	<u>3.81</u>	<u>6.06</u>
	'000	'000
Weighted average number of ordinary shares used in the calculation of basic EPS	319,278	318,779
Shares deemed to be issued for no consideration in respect of SGP	5,597	5,597
Weighted average number of ordinary shares used in the calculation of diluted EPS	<u>324,875</u>	<u>324,375</u>
Diluted EPS (sen)	<u>3.74</u>	<u>5.95</u>

	Restated Quarter ended 30.6.2022 RM'000	Restated Year-to-date ended 30.6.2022 RM'000
Profit attributable to owners of the Company	7,622	14,271
Basic and diluted earnings per share	'000	'000
Weighted average number of ordinary shares for the purposes of basic EPS	314,927	314,927
Basic EPS (sen)	2.42	4.53
	'000	'000
Weighted average number of ordinary shares used in the calculation of basic EPS	314,927	314,927
Shares deemed to be issued for no consideration in respect of SGP	9,210	9,210
Weighted average number of ordinary shares used in the calculation of diluted EPS	324,137	324,137
Diluted EPS (sen)	2.35	4.40

The basic EPS and diluted EPS have been computed on the basis that the bonus issue as stated in Note 21 had occurred at the beginning of the earliest period presented.

26. TRADE AND OTHER RECEIVABLES

	As at 30.6.2023 RM'000
Trade receivables	
- Non-related parties	27,722
Loss allowance	(183)
	27,539
- Related parties (trade)	68,227
	95,766
Other receivables	487
	96,253

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 30 June 2023 is as follows:

No of days past due:	Non-related parties	Related parties
	RM'000	RM'000
Not past due	24,042	68,146
1 - 30 days	1,263	81
31 - 60 days	379	-
61 - 90 days	1,205	-
91 - 120 days	22	-
More than 120 days	628	-
	27,539	68,227

27. RELATED PARTY DISCLOSURE

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

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

	Quarter ended 30.6.2023 RM'000	Year-to-date ended 30.6.2023 RM'000
<i>*Yee Lee Corporation Bhd Group of Companies ("YLCB")</i>		
Sales	51,241	103,137
Purchases	299	475
Rental of premise and land received	15	36
Others	22	30
<i>YLTC Sdn Bhd</i>		
Sales	7,157	13,321
<i>Yee Lee Marketing Sdn Bhd</i>		
Sales	5,734	5,734
<i>Cactus Marketing Sdn Bhd</i>		
Sales	2,643	5,364
Rental of premise received	27	54
<i>Yee Lee Oils & Foodstuff (Singapore) Pte Ltd</i>		
Sales	1,351	2,475
<i>Cranberry International Sdn Bhd</i>		
Sales	-	8
Rental of premise received	17	34
<i>ASAP International Sdn Bhd</i>		
Rental of premise received	11	23
<i>Multibase Systems Sdn Bhd</i>		
Corporate secretarial fees paid	7	13
<i>Sabah Tea Garden Sdn Bhd</i>		
Sales	1	3
Purchases	9	44
Rental of premise received	10	33
<i>Yee Lee Organization Bhd</i>		
Rental of premise paid	15	30

**YLCB includes the following:*

- Yee Lee Edible Oils Sdn Bhd
- Yee Lee Trading Co Sdn Bhd
- Yee Lee Marketing Sdn Bhd (ceased to be a member of YLCB with effect from 27 March 2023)
- Desa Tea Sdn Bhd
- YL Brands Sdn Bhd

28. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 30.6.2023 RM'000
Financial assets	
At fair value through other comprehensive income ("FVTOCI"):	
Investment in unquoted shares	2,577
At fair value through profit or loss ("FVTPL"):	
Investment in fixed income and money market funds	14,740
At amortised cost:	
Trade and other receivables	96,253
Fixed deposits, cash and bank balances	28,433

Financial liabilities

At amortised cost:	
Trade and other payables	34,431
Lease liabilities	300
Borrowings	39,067
Accrued expenses	28,042
	28,042

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-to-date ended 30 June 2023.

29. NET ASSET PER SHARE

The net asset per share attributable to owners of the Company for the comparative figure as at 31 December 2022 ("NA") of RM2.3626 has not been restated to incorporate the effect of the bonus issue during the period. If the effect of bonus issue is taken into account, the restated NA would have been RM1,5751.

30. 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 29 August 2023.