
SPRITZER®

# SPRITZER BHD
必 胜 有 限 公 司
(265348-V)

# ANNUAL REPORT 2018

Source: https://www.spritzer.com.my/water-a-key-element-for-our-body

## 300ml

During pregnancy and lactation, **fluid requirements** are increased and women are encouraged to **drink 300ml more to help prevent constipation**.

## 0 Calorie

Drinking water can **help to prevent diabetes** as water has zero calorie, zero sugar and zero additive.

## 9 days

Water is absolutely essential to the human body's survival. A person can live for about **45-65 days without food**, but only about **9-10 days without water**.

## Moisturises skin

Water **naturally moisturises skin** and ensure proper cellular formation underneath layers of skin to give it a healthy, glowing appearance.

## 0.3%

Of all the water on the Earth, **humans can use only about three tenths of a percent of this water**. Such usable water is found in groundwater aquifers, rivers and freshwater lakes.

# Water is a key element for our body

**70%**

On average **60-70%** of an adult's body weight is made up of water.

**3 litres**

A person must consume **2.5-3 litres of water per day** from all sources (drinking, eating) to maintain health.


SPRITZER®

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(265348-V)

ANNUAL REPORT

# 2018

# What's Inside

## 26th Annual General Meeting

Lot 898, Jalan Reservoir,
Off Jalan Air Kuning,
34000 Taiping,
Perak Darul Ridzuan.

Thursday, May 30, 2019

10.30 a.m.


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# Notice of 26th Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Twenty-Sixth (**26th**) Annual General Meeting ("**AGM**") of Spritzer Bhd ("**Spritzer**" or "**Company**") will be held at Lot 898, Jalan Reservoir, Off Jalan Air Kuning, 34000 Taiping, Perak Darul Ridzuan on Thursday, May 30, 2019 at 10.30 a.m. for the transaction of the following business:-

**ORDINARY BUSINESS**

1. To receive the Audited Financial Statements for the financial year ended December 31, 2018 and the Reports of the Directors and Auditors thereon.

   ***Please refer to Explanatory Note 1***

2. To declare a first and final dividend of 3.5 sen per share, under the single tier system, in respect of the financial year ended December 31, 2018. **Resolution 1**

3. To re-elect the following Directors who retire by rotation in accordance with Article 85 of the Company's Constitution and, being eligible, offer themselves for re-election:-

   (i) Dato' Ir. Nik Mohamad Pena bin Nik Mustapha **Resolution 2**
   (ii) Dato' Mohd Adhan bin Kechik **Resolution 3**
   (iii) Dato' Sri Kuan Khian Leng **Resolution 4**

4. To approve the payment of Directors' fees in respect of the financial year ended December 31, 2018. **Resolution 5**

5. To approve the payment of benefits up to RM720,000 to the Non-Executive Directors from May 31, 2019 until the next AGM of the Company. **Resolution 6**

6. To re-appoint Deloitte PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 7**

**SPECIAL BUSINESS**
To consider and if thought fit, to pass the following resolutions with or without modifications:-

**Ordinary Resolutions**

7. Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016

   "THAT pursuant to Sections 75 and 76 of the Companies Act 2016, the Constitution of the Company and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares of the Company, from time to time, upon such terms and conditions, for such purposes and to such persons whomsoever as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued does not exceed ten per cent (10%) of the total number of issued shares of the Company for the time being, and that such authority shall continue to be in force until the conclusion of the next AGM of the Company." **Resolution 8**

# Notice of 26th Annual General Meeting

8. Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions and Proposed New Shareholders' Mandate for Additional Recurrent Related Party Transactions of a Revenue or Trading Nature ("**Proposed Shareholders' Mandate**")

"THAT approval be and is hereby given to the Company and its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations as set out in Section 2.4 of Part A of the Circular/Statement to Shareholders dated April 30, 2019 subject to the followings:- **Resolution 9**

(i) the transactions are carried out in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and

(ii) disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the Proposed Shareholders' Mandate during the period with a breakdown of the aggregate value of the recurrent transactions based on the following information:-

(a) the type of the recurrent transactions made; and

(b) the names of the related parties involved in each type of the recurrent transactions and their relationship with the Company.

AND THAT such approval shall continue to be in force until:-

(i) the conclusion of the next AGM of the Company, at which time it will lapse, unless by a resolution passed by the shareholders of the Company in a general meeting, the authority is renewed; or

(ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(iii) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting,

whichever is the earliest.

AND THAT the Directors be and are hereby authorised to complete and do all such acts and things as they may deemed necessary or expedient to give full effect to the Proposed Shareholders' Mandate."

# Notice of 26th Annual General Meeting

9. Proposed Renewal of Authority to Purchase its Own Shares by Spritzer Bhd

**Resolution 10**

"THAT, subject always to the Companies Act 2016, the provisions of the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Listing Requirements**") and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised, to the extent permitted by law, to buy-back and/or hold such amount of shares as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad ("**Bursa Securities**") upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

(i) The aggregate number of shares bought-back and/or held does not exceed ten per cent (10%) of the total number of issued shares of the Company at any point of time;

(ii) The maximum amount to be allocated for the buy-back of the Company's own shares shall not exceed the retained profits of the Company; and

(iii) Upon completion of buy-back by the Company of its own shares, the Directors of the Company are authorised to deal with the shares so bought-back in any of the following manners:-

(a) cancel the shares so purchased; or

(b) retain the shares so purchased as treasury shares and held by the Company; or

(c) retain part of the shares so purchased as treasury shares and cancel the remainder, and the treasury shares may be distributed as dividends to the shareholders of the Company and/or resold on Bursa Securities and/or subsequently cancelled or any combination of the three.

AND THAT the authority conferred by this resolution shall commence upon the passing of this resolution until:-

(i) the conclusion of the next AGM of the Company following the AGM at which such resolution was passed at which time it will lapse unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next AGM after that date is required by law to be held; or

(iii) revoked or varied by an ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first.

# Notice of 26th Annual General Meeting

AND THAT authority be and is hereby unconditionally and generally given to the Directors of the Company to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act 1991, and the entering into of all other agreements, arrangements and guarantee with any party or parties) to implement, finalise and give full effect to the aforesaid buy-back with full power to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and with full power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the shares bought-back) in accordance with the Companies Act 2016, the provisions of the Constitution of the Company, the Listing Requirements and all other relevant governmental and/or regulatory authorities."

10. Retention of Independent Non-Executive Directors

    (i) "THAT subject to the passing of Resolution 2, authority be and is hereby given to Dato' Ir. Nik Mohamad Pena bin Nik Mustapha, who has served as the Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, be retained as an Independent Non-Executive Director of the Company." **Resolution 11**

    (ii) "THAT subject to the passing of Resolution 3, authority be and is hereby given to Dato' Mohd Adhan bin Kechik, who has served as the Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, be retained as an Independent Non-Executive Director of the Company." **Resolution 12**

    (iii) "THAT subject to the passing of Resolution 4, authority be and is hereby given to Dato' Sri Kuan Khian Leng, who has served as the Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, be retained as an Independent Non-Executive Director of the Company." **Resolution 13**

**Special Resolution**

11. Proposed Adoption of New Constitution of the Company ("**Proposed Adoption**")

    "THAT approval be and is hereby given to revoke the existing Memorandum and Articles of Association of the Company in its entirely and in place thereof, the proposed new Constitution of the Company, as set out in Part C of the Circular/Statement to Shareholders dated April 30, 2019 be and is hereby adopted as the Constitution of the Company with immediate effect; **Resolution 14**

    AND THAT the Directors of the Company be and are hereby authorised to do all acts and things in any manner as they may deem necessary and/or expedient to in order to give full effect to the Proposed Adoption with full powers to assent to any conditions, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities."

12. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Constitution.

# Notice of 26th Annual General Meeting

**NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT**

**NOTICE IS ALSO HEREBY GIVEN THAT** a first and final dividend of 3.5 sen per share, under the single tier system, in respect of the financial year ended December 31, 2018, subject to the approval of the shareholders at the 26th AGM will be paid on June 21, 2019 to Depositors whose names appear in the Record of Depositors at the close of business on June 7, 2019.

A Depositor shall qualify for entitlement to the dividends only in respect of:-

(a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on June 7, 2019 in respect of transfers; and

(b) Shares bought on Bursa Securities on a cum entitlement basis according to the Rules of Bursa Securities.

By Order of the Board

**SOW YENG CHONG (MIA 4122)**
**TAN BOON TING (MAICSA 7056136)**
Company Secretaries

Ipoh, Perak Darul Ridzuan
April 30, 2019

**Notes:-**

**1. Appointment of Proxy**

(i) A member of the Company entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend and vote on his behalf. A proxy may but need not be a member of the Company.
(ii) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under Seal or under the hand of an attorney.
(iii) Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholding to be represented by each proxy.
(iv) Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it hold.
(v) The instrument appointing a proxy must be deposited at the Registered Office of the Company at Lot 85, Jalan Portland, Tasek Industrial Estate, 31400 Ipoh, Perak Darul Ridzuan not less than twenty-four (24) hours before the time appointed for holding the meeting.
(vi) Only a depositor whose name appears on the Record of Depositors as at May 24, 2019 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his behalf.

# Notice of 26th Annual General Meeting

2. **Explanatory Notes on Ordinary Business**

**Note 1**
This agenda item is intended for discussion only as under Section 340(1)(a) of the Companies Act 2016, the Audited Financial Statements do not require formal approval of shareholders. As such, this agenda item will not be put forward for voting.

3. **Explanatory Notes on Special Business**

**Ordinary Resolutions**

**Resolution 8 – Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016**
The proposed Resolution 8, if passed, will give a renewed mandate to the Directors of the Company, from the date of the forthcoming AGM, the authority to allot and issue ordinary shares of the Company up to an amount not exceeding ten per cent (10%) of the Company's total number of issued shares for purpose of funding the working capital or strategic development of the Group. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM held on May 30, 2018 which will lapse at the conclusion of the forthcoming AGM.

**Resolution 9 – Proposed Shareholders' Mandate**
The proposed Resolution 9, if passed, will authorise the Company and its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature in the ordinary course of business.

**Resolution 10 – Proposed Renewal of Authority to Purchase its Own Shares**
The proposed Resolution 10, if passed, will empower the Company to purchase its own shares up to ten per cent (10%) of the total number of issued shares of the Company at any given point in time through Bursa Securities.

**Resolutions 11 to 13 – Retention of Independent Non-Executive Directors**
The Proposed Resolutions 11, 12 and 13 relate to the approval by shareholders for Dato' Ir. Nik Mohamad Pena bin Nik Mustapha, Dato' Mohd Adhan bin Kechik and Dato' Sri Kuan Khian Leng to continue in office as Independent Non-Executive Directors. The full details of the Board's justifications and recommendations for the retention of the three (3) Directors as Independent Non-Executive Directors are set out in the Corporate Governance Overview Statement in the Annual Report for the financial year ended December 31, 2018. The Board has recommended that the approval of the shareholders be sought via a two-tier voting process for the retention of Dato' Ir. Nik Mohamad Pena bin Nik Mustapha, Dato' Mohd Adhan bin Kechik and Dato' Sri Kuan Khian Leng as the Independent Non-Executive Directors of the Company.

# Notice of 26th Annual General Meeting

**Special Resolution**

**Resolution 14 – Proposed Adoption**
The proposed Resolution 14, if passed, will streamline the existing Memorandum and Articles of Association ("M&A") of the Company with the Companies Act 2016 which came into force on January 31, 2017 and to align the existing M&A with the Listing Requirements, to provide clarity to certain provisions thereof and to render consistency throughout in order to facilitate and further enhance administrative efficiency.

Please refer to the Circular/Statement to Shareholders dated April 30, 2019 for further information on Resolutions 9, 10 and 14.

4. **Poll Voting**

Pursuant to Paragraph 8.29A(1) of the Listing Requirements, all the Resolutions set out in this Notice will be put to vote by poll.

# Corporate Information

## BOARD OF DIRECTORS

Non-Independent Non-Executive Chairman
**DATO' LIM A HENG @ LIM KOK CHEONG, DPMP, JSM, JP**

Managing Director
**DATO' LIM KOK BOON, DPMP**

Executive Director and Group Chief Executive Officer
**LIM SENG LEE**

Executive Director
**LAM SANG**

Non-Independent Non-Executive Directors
**CHOK HOOA @ CHOK YIN FATT, PMP**
**TAN CHOW YIN**

Independent Non-Executive Directors
**DATO' IR. NIK MOHAMAD PENA BIN NIK MUSTAPHA, DIMP**
**DATO' MOHD ADHAN BIN KECHIK, DJMK, SMK**
**DATO' SRI KUAN KHIAN LENG, S.S.A.P.**

## AUDIT COMMITTEE

**Chairman**
Dato' Ir. Nik Mohamad Pena bin Nik Mustapha, DIMP

**Members**
Chok Hooa @ Chok Yin Fatt, PMP
Dato' Mohd Adhan bin Kechik, DJMK, SMK
Dato' Sri Kuan Khian Leng, S.S.A.P.

## NOMINATION COMMITTEE

**Chairman**
Dato' Ir. Nik Mohamad Pena bin Nik Mustapha, DIMP

**Members**
Dato' Mohd Adhan bin Kechik, DJMK, SMK
Dato' Sri Kuan Khian Leng, S.S.A.P.

## REMUNERATION COMMITTEE

**Chairman**
Dato' Mohd Adhan bin Kechik, DJMK, SMK

**Members**
Dato' Sri Kuan Khian Leng, S.S.A.P.
Tan Chow Yin

## COMPANY SECRETARIES

Sow Yeng Chong (MIA 4122)
Tan Boon Ting (MAICSA 7056136)

## STOCK EXCHANGE LISTING

Listed on Main Market of
Bursa Malaysia Securities Berhad
Stock Code : 7103
Stock Name : SPRITZER

## REGISTERED OFFICE

Lot 85, Jalan Portland,
Tasek Industrial Estate,
31400 Ipoh, Perak Darul Ridzuan.
Tel. No : 05-2911055
Fax No : 05-2919962
E-mail : info@spritzer.com.my
Website : www.spritzer.com.my

## SHARE REGISTRAR

**Tricor Investor & Issuing House Services Sdn Bhd (11324-H)**
Unit 32-01, Level 32,
Tower A, Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur.
Tel. No : 03-27839299
Fax No : 03-27839222

## AUDITORS

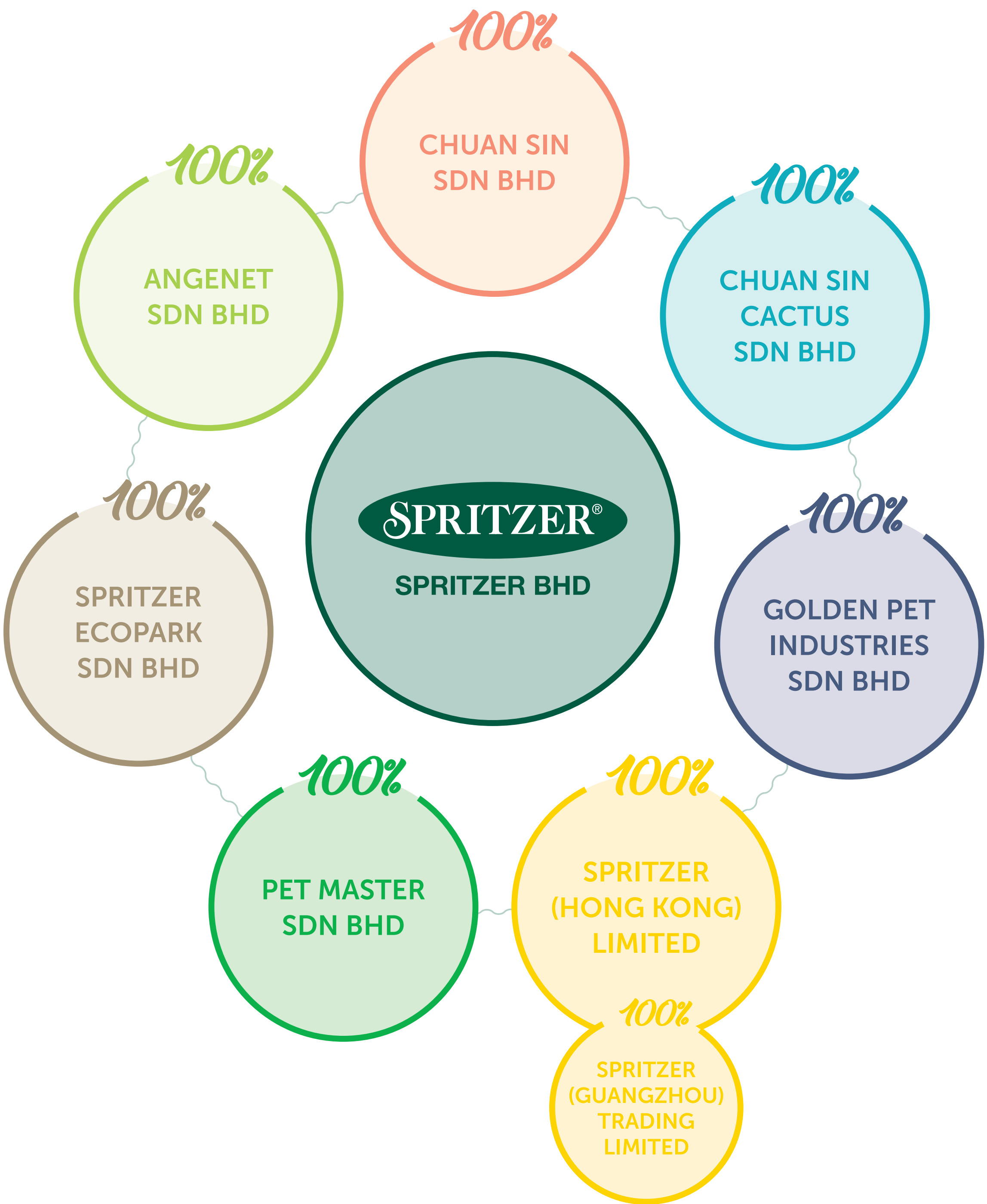
**Deloitte PLT (LLP0010145-LCA)**
**Chartered Accountants (AF 0080)**
Level 2, Weil Hotel,
292, Jalan Sultan Idris Shah,
30000 Ipoh, Perak Darul Ridzuan.
Tel. No : 05-2540288
Fax No : 05-2547288

## PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
RHB Bank Berhad
AmBank (M) Berhad
Hong Leong Bank Berhad

# Corporate Structure

At at December 31, 2018



# Financial Highlights

**REVENUE**

RM 347.7 million

**+11%** from RM 313.8 million

**TOTAL EQUITY**

RM 389.2 million

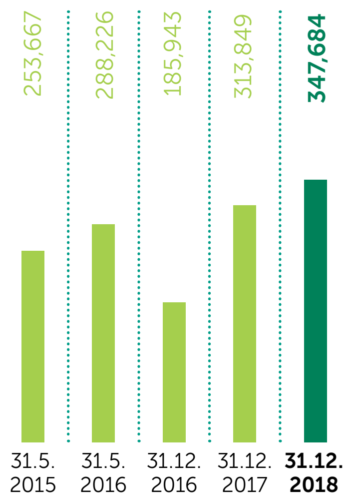
**+3%** from RM 376.5 million

| Financial year/period ended | 31.12.2018 (12 Months) | 31.12.2017 (12 Months) | 31.12.2016 (7 Months) | 31.5.2016 (12 Months) | 31.5.2015 (12 Months) |
|---|---|---|---|---|---|
| Revenue (RM'000) | **347,684** | 313,849 | 185,943 | 288,226 | 253,667 |
| Revenue growth (%) | **10.8** | (1.5)# | 10.6# | 13.6 | 6.3 |
| Profit before interest, tax, depreciation and amortisation (RM'000) | **48,525** | 49,964 | 26,890 | 51,529 | 46,515 |
| Profit before taxation (RM'000) | **33,856** | 35,272 | 18,270 | 37,078 | 31,963 |
| Profit attributable to owners of the Company (RM'000) | **24,225** | 25,478 | 12,507 | 28,457 | 22,807 |
| Basic earnings per share (sen) | **11.5** | 13.8 | 7.5 | 19.5 | 16.6 |
| Dividend per share (sen) | **3.5** | 5.5 | 3.5 | 5.5 | 5.0 |
| Dividend pay out ratio (%) | **30** | 45 | 51 | 34 | 32 |
| No. of shares in issue (less treasury shares) ('000) | **209,969** | 209,969 | 179,549 | 158,407 | 141,472 |
| Total equity (RM'000) | **389,204** | 376,471 | 288,255 | 258,820 | 215,546 |
| Net debt to equity ratio (*) (%) | **-** | - | 0.5 | 2.5 | 12.6 |
| Net assets per share (RM) | **1.85** | 1.79 | 1.61 | 1.63 | 1.52 |
| Share price at 31 December / 31 May (RM) | **2.10** | 2.35 | 2.44 | 2.57 | 1.93 |
| Market capitalisation (RM'000) | **440,934** | 493,427 | 438,100 | 407,106 | 273,041 |

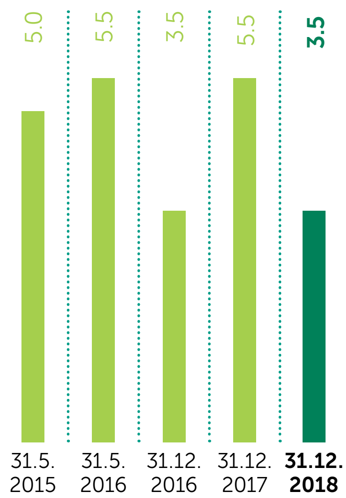
(#) Based on annualised revenue.
(*) Based on net debt (total borrowings less cash and cash equivalents) expressed as a percentage of total equity.

# Financial Highlights

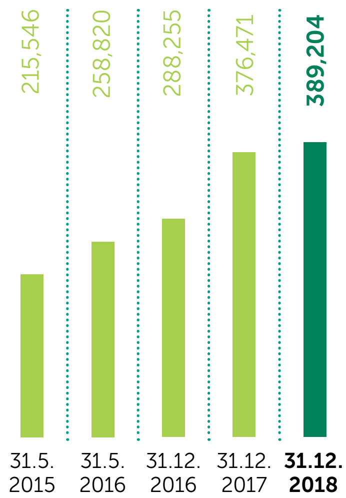
## REVENUE
(RM'000)



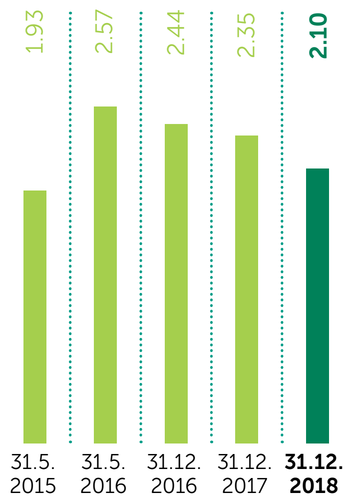

## DIVIDEND PER SHARE
(SEN)



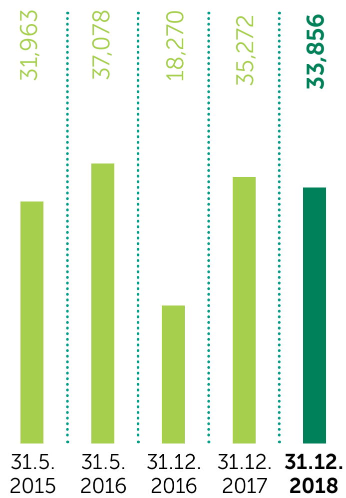

## TOTAL EQUITY
(RM'000)



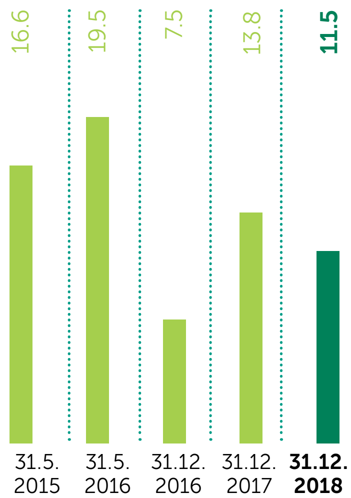

## SHARE PRICE
(RM)




## PROFIT BEFORE TAXATION
(RM'000)




## BASIC EARNINGS PER SHARE (SEN)



# Chairman's Statement

*On behalf of the Board of Directors of Spritzer Bhd, I am pleased to present to you the Annual Report and the Audited Financial Statements of the Group and the Company for the financial year ended December 31, 2018.*


The year 2018 turned out to an unusual and eventful year. We had a change of government for the first time since 1957. The new government had "zero-rated" the Goods and Services Tax effective June 1, 2018. Malaysian consumers enjoyed a tax holiday for three months thereafter. The new Sales and Services Tax ("SST") was introduced effective September 1, 2018. Upon the implementation of SST in September, our drinking water and still mineral water were not subject to sales tax. However, a sales tax rate of 5% was subsequently imposed on both drinking water and still mineral water effective January 1, 2019.

## FINANCIAL PERFORMANCE

The financial year 2018 was also a year of mixed outcomes for the Group. The Group recorded a strong revenue growth rate of 11% to RM347.7 million (2017: RM313.8 million). However, both the profit before tax and profit after tax were lower at RM33.9 million (2017: RM35.3 million) and RM24.2 million (2017: RM25.5 million) respectively. The higher sales revenue was unable to offset the greater increase of raw material and operating costs. With a larger capital base, the earnings per share in this financial year fell to 11.5 sen (2017: 13.8 sen).

## DIVIDEND

The Directors have proposed a first and final dividend of 3.5 sen (2017: 5.5 sen) per ordinary share in respect of the financial year ended December 31, 2018 which is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting. The dividend, if approved, will be paid to our shareholders on June 21, 2019. The current dividend pay-out ratio is lower at 30% (2017: 45%) as the Group has substantial capital expenditure in 2019 to support our business growth, capacity expansion, innovation and cost efficiencies. Whilst we do not have an official dividend policy, we have consistently paid out cash dividend in every financial period since it was listed on the Bursa Malaysia Securities Berhad in year 2000. We are committed to reward our shareholders with appropriate dividend payments which are in line with our earnings and cash flow requirements.

## PROSPECTS

The financial year 2019 is expected to remain challenging amidst global and domestic economic uncertainties. Consumer sentiment is expected to remain soft due to the higher cost-push inflation and the impact of the volatility of our commodity prices and the domestic currency. The Ringgit recovery could have a positive effect on consumer spending. The Group is also experiencing higher operating costs.


The Group recorded a strong revenue growth rate of 11% to

**RM347.7 million**

(2017: RM313.8 million)

We will put in greater marketing and sales efforts so as to improve our sales of bottled water products in Malaysia and in Guangzhou, China. However, our operations in China may still not be able to generate positive results in financial year 2019.

With our highly integrated and efficient manufacturing process, coupled with our strong brand equity and leading position in the Malaysian bottled water industry, the directors are cautiously optimistic that we will be able to generate satisfactory results in the financial year ending December 31, 2019.

## ACKNOWLEDGEMENT

On behalf of the Board of Directors, I thank our consumers, customers and shareholders for their continued support. I would also like to thank our business associates, bankers and financiers and the various government authorities for their continued support, assistance and guidance.

Our strong revenue growth and the decent performance in this eventful financial year were made possible by the dedication and commitment of our employees. I thank the management and staff of our Group for their great efforts, hard work and contribution towards the continued growth of the Group.

**DATO' LIM A HENG @ LIM KOK CHEONG, DPMP, JSM, JP**
Chairman

# Management Discussion and Analysis

For Financial Year Ended December 31, 2018

## ECONOMIC OVERVIEW

The Malaysian economy recorded a more moderate Gross Domestic Product growth rate of 4.7% in 2018 (5.9% in 2017). Domestic demand, private sector expenditure and consumption helped to sustain the economic growth in 2018. The year 2018 was also a volatile year where we witnessed the escalation of global trade conflicts, the unresolved Brexit, the volatility of global commodity prices, the historic change in the Malaysian government and thereafter, the review and reassessment of major and significant projects by the new Malaysian government. The regulatory change from Goods and Services Tax ("GST") to Sales and Services Tax ("SST") had significantly affected our supply chain management. Other than the three-month tax holiday from the transition of GST to SST, the consumers' sentiment and discretionary spending remained weak due to factors like higher cost of living, the volatility of the domestic currency and the weak rubber and palm oil prices.

## BUSINESS AND OPERATIONS OVERVIEW

We are a pioneer and the industry leader in the Malaysian bottled water industry. We started the production and sale of bottled water products in year 1989. Listed in the year 2000, Spritzer Bhd is the first and only bottled water company listed on Bursa Malaysia Securities Berhad. Our Group is principally involved in the manufacturing, marketing and selling of a comprehensive range of bottled water products. With annual turnover exceeding RM300 million, our Group is the largest and most integrated bottled water producer in Malaysia with an estimated market share of about 40%. Our core brands are *Spritzer, Spritzer Sparkling, Spritzer Tinge, Spritzer POP, Spritzer BonRica, Cactus, Cactus Sparkling, Desa* and *Summer* which are also the leading brands in their respective market segments in the Malaysian bottled water industry.

Our Group has three bottled water plants and one plastic packaging manufacturing plant in Malaysia. Our main mineral water plant is located on a 330-acre site in Taiping, Perak with the second mineral water plant in Yong Peng, Johor and the third drinking water plant in Shah Alam, Selangor.

Our plastic packaging manufacturing plant is located in Ipoh, Perak. The Group's current annual production capacity is about 700 million litres of bottled water.

Our operations are primarily in Malaysia and our export sales currently make up of less than 10% of our Group's revenue. We also have a wholly owned trading company in Guangzhou, China which has, in April 2016, started its operations of selling and wholesale distribution of bottled water products in Guangzhou and its surrounding areas. The Group started exporting its mineral water products under the brand name ACILIS by Spritzer to United Kingdom in January 2017.

The Group also owns and manages Spritzer EcoPark. This recreational park is situated within our 330-acre mineral water plant in Taiping, Perak. Spritzer EcoPark, which has been in operations since August 2015, has an 18-hole mini-golf course, the 214 million-year-old Cactus Rock, a cafeteria, a discovery tunnel and a kids' arts and craft centre.

## STRATEGIC DIRECTION

Being the largest and leading bottled water company in Malaysia, we are committed to delivering high quality bottled water products to all Malaysians with special focus on health benefits and at the same time, catering to the sophisticated taste preference of our consumers. Our strategy is to sustain and strengthen our top position in the Malaysian bottled water industry by constantly improving our processes across our value chain and improving our market coverage and sales volume. We will continue to strengthen our position in the markets where we are currently operating and exploring business opportunities in the regional markets.

# Management Discussion and Analysis


## FINANCIAL REVIEW

Financial Highlights

| Financial year ended | 31.12.2018 | 31.12.2017 | Change Amount | % |
|---|---|---|---|---|
| Revenue (RM'000) | **347,684** | 313,849 | 33,835 | 11 |
| Profit before taxation (RM'000) | **33,856** | 35,272 | (1,416) | (4) |
| Profit after taxation (RM'000) | **24,225** | 25,478 | (1,253) | (5) |
| Net margin (%) | **6.9** | 8.1 | (1.2) | |
| Basic earnings per share (sen) | **11.5** | 13.8 | (2.3) | (17) |
| Dividend per share (sen) | **3.5** | 5.5 | (2.0) | (36) |
| Dividend pay out ratio (%) | **30** | 45 | (15) | |
| Current ratio (time) | **3.6** | 4.0 | (0.4) | |
| Quick ratio (time) | **3.0** | 3.5 | (0.5) | |
| No. of shares in issue (less treasury shares) ('000) | **209,969** | 209,969 | - | |
| Total equity (RM'000) | **389,204** | 376,471 | 12,733 | 3 |
| Net debt to equity ratio (%) | **-** | - | - | |
| Total assets (RM'000) | **476,361** | 457,548 | 18,813 | 4 |
| Total liabilities (RM'000) | **87,157** | 81,077 | 6,080 | 7 |
| Net assets per share (RM) | **1.85** | 1.79 | 0.06 | 3 |
| Market capitalisation (RM'000) | **440,934** | 493,427 | (52,493) | (11) |

# Management Discussion and Analysis

## Revenue, Results and Dividend

During the financial year ended December 31, 2018, the Group's revenue improved significantly by 11% to RM347.7 million (2017: RM313.8 million). However, the higher revenue was not able to offset the much higher input and operating costs. Both the profit before tax and profit after tax of the Group for the year ended December 31, 2018 were lower at RM33.9 million (2017: RM35.3 million) and RM24.2 million (2017: RM25.5 million). With a higher share capital base in 2018, the Group's earnings per share for the year stood at 11.5 sen (2017: 13.8 sen).

The Group recorded higher than expected sales volumes of bottled water mainly due to the increased demand for bottled water as a result of hot weather and water rationing in Selangor in early 2018, coupled with the successful sales campaigns carried out and special trade discount offered to customers to drive sales volumes. However, profit margins were compressed mainly due to the significantly higher packaging costs. Other costs such as labour, energy and other overheads were also at higher levels in year 2018. The current year effective tax rate of 28% (2017: 28%) is higher than the statutory tax rate mainly due to certain expenses were not allowable for tax purposes and unutilised losses of certain subsidiary companies were not recognised as deferred tax asset.

The Directors have proposed a first and final dividend of 3.5 sen (2017: 5.5 sen) per share in respect of the financial year ended December 31, 2018. The current dividend pay-out ratio is lower at 30% (2017: 45%) as the Group has budgeted a significant amount of capital expenditure in year 2019. Whilst we do not have an official dividend policy, we have consistently paid out cash dividend in every financial period since it was listed on the Bursa Malaysia Securities Berhad in year 2000. We are committed to reward our shareholders with appropriate dividend payments which are in line with our earnings and cash flow requirements.


## Cash Flow

Despite recording a lower profit after tax, the Group's cash flow has remained healthy and continued to generate good cash flow from its business activities. In year 2018, the Group generated a net cash of RM34.4 million (2017: RM46.3 million) from its operating activities. The cash outflow for the purchase of plant, property and equipment in 2018 amounted to RM39.2 million (2017: RM16.5 million). During the year, the Group had added a new high capacity fully automated bottling line and other fixed assets and had also made progress payments for the construction of the automated storage and retrieval system ("ASRS"). The Company also paid the first and final dividend of 5.5 sen per share in respect of the financial year ended December 31, 2017, amounting to RM11.5 million to its shareholders on June 22, 2018. With the healthy cash flow, the Group was able to sustain its net cash position throughout 2018.

## Financial Position and Gearing

The financial position of the Group had been further strengthened with the net profit of RM24.2 million recorded during the year. Our total assets had increased by RM18.9 million or 4% from RM457.5 million as at December 31, 2017 to RM476.4 million as at December 31, 2018. Our total

# Management Discussion and Analysis

liabilities had increased by RM6.1 million or 7% from RM81.1 million as at December 31, 2017 to RM87.2 million as at December 31, 2018. The Group's ability to meet its short term financial and debt obligations had remained strong. As at December 31, 2018, the current ratio was high at 3.6 times (2017: 4.0 times) and similarly, the quick ratio was also high at 3.0 times (2017: 3.5 times). As at December 31, 2018, the Group was in a positive net cash position.

### Equity, Reserves and Market Capitalisation

In line with the net profit RM24.2 million generated during the year and after the payment of the final dividend of RM11.5 million in respect of the preceding financial year, our total equity had increased by RM12.7 million or 3% from RM376.5 million as at December 31, 2017 to RM389.2 million as at December 31, 2018. As at December 31, 2018, the net asset value per share stood at RM1.85 (2017: RM1.79). There was no new issue of ordinary shares during the financial year and the total number of ordinary shares (net of treasury shares) in issue and fully paid as at the end of financial year remained unchanged at 209,968,727. As at December 31, 2018, the Company's market capitalisation had decreased by 11% to RM440.9 million from RM493.4 million as at December 31, 2017 due to a lower market price per share of RM2.10 (2017: RM2.35).

## RISKS

The Group is sensitive to various risks such as reputation risk, business and operations risk and financial risk. The Group's risk management framework is designed to enable the material risks to be identified, analysed, assessed and managed in order to prevent or minimise possible losses.

### Reputation Risk

Being the leading bottled water company with dominant market share, our core brands have high brand equity. To sustain and to enhance the image and reputation of the Group and our branded products, we have strong commitment to quality and strong discipline to improve continuously. We cultivate ethical and responsible business behaviour with a strong culture to manage and to ensure compliance with the applicable standards, internal policies and external rules and regulations. We invest in and focus on effective communication, image and brand building.

### Business Operations Risk

Our significant business operations risks are adequacy and suitability of water supply, supply chain risk, business disruption risk, customer loyalty risk and competition risk. We have suitably qualified and experienced personnel to manage our business operations and we have established proper business processes to ensure the proper mitigation and management of our business operations risks. We continue to improve the efficiency of our entire value chain.

### Financial Risk

Our key financial risks are credit risk and liquidity and cash flow risk. We have established proper credit evaluation and control processes to manage the credit risk of our receivables. We practise prudent liquidity risk management to minimise the mismatch of our financial assets and financial liabilities and we have sufficient credit facilities and resources for contingency funding requirement. The Group has a healthy balance sheet and strong financial capability to manage its financial risk.

# Management Discussion and Analysis

## ACHIEVEMENTS, AWARDS AND RECOGNITIONS

We continue to receive recognitions from prestigious and reputable organizations for our core brands, products and world-class manufacturing facilities.

In April 2018, Spritzer was, for the fourth time in a row, honoured with The Asia Excellence Brand Award 2017 at an award ceremony held in Hong Kong. The award was organised by Yazhou Zhoukan, the premier Chinese language international affairs newsweekly. This achievement is a powerful endorsement of Spritzer's strong brand equity and our solid reputation in the market with its trusted and clinically proven health benefits natural mineral water.

In June 2018, Spritzer had been voted the highly coveted Crystal Taste Award 2018 by The International Taste and Quality Institute (iTQi), with the top honour of three golden stars, garnering exceptional status with 90% or more score. We are proud to note that Spritzer is the only Crystal Taste Award winner from Malaysia in 2018. The award is evaluated by chosen Michelin Star Chefs and Sommeliers from prestigious European culinary associations.

In July 2018, Spritzer brand had once again, emerged as the Platinum Winner of the Readers' Digest Trusted Brands Award 2018. This is the 17th consecutive year that Spritzer has won this award. Our Cactus brand has also for the fifth consecutive year, won the Gold award of the Readers' Digest Trusted Brand Award. These recognitions are fair reflection of our Spritzer and Cactus brands as the No. 1 and No. 2 mineral water brand respectively in Malaysia. Gold Trusted Brand Awards are given to brands that scored significantly higher than their rivals. Platinum Trusted Brand Awards are given to brands that performed exceptionally, winning their category with a score that vastly outpolled their nearest competitor. We have always valued highly the Readers' Digest Trusted Brand Award as the winning brands are voted by the consumers themselves and using a simple technique – asking consumers which brands they trust the most.

In October 2018, Spritzer had, once again, been awarded Gold in the Beverage – Non-alcoholic, at the Putra Brand Awards 2018. This is the fourth time that Spritzer has won the Putra award. Spritzer also became a big winner by winning the Putra Enterprising Brand of the Year. This achievement has propelled Spritzer to be in the same league as the other beverage leaders. The Putra Brand Awards, an initiative supported Branding Association of Malaysia, the Malaysian Advertisers Association and Media and supported by Malaysian External Trade Development Corporation (MATRADE), is a brand valuation award measured by consumer preferences. The winners were chosen via an online survey by over 7,000 respondents nationwide, making it the largest brand research sampling of its kind and the most prestigious consumer award in the country.

Also in October 2018, we had, once again received the World Branding Awards as Brand of the Year 2018 National Award in the water category. This recognition is truly a powerful endorsement of our efforts to become a world-class bottled water player. Winners of this premier awards programme of the World Branding Forum are judged through three streams – Brand Valuation. Consumer Market Research and Public Online Voting, and are assessed and voted by more than 120,000 consumers from around the world; the shortlisted topmost brands were then judged by World Branding Forum Advisory Council to be truly exceptional.

In November 2018, we had for the ninth consecutive year, been honoured with the 2018 Frost & Sullivan Asia Pacific Bottled Water Company of the Year. The Frost & Sullivan's Best Practices Awards recognise companies throughout a range of regional and global markets for superior leadership, technology innovation, customer service and strategic product development.

We are extremely proud and thankful for having received the above highly valuable and prestigious awards. Such recognitions will certainly motivate us to strive for greater excellence.

# Management Discussion and Analysis


## PROSPECTS

The operating environment in financial year 2019 is expected to remain challenging amidst the intensifying competition, unresolved global trade conflicts, delay in Brexit, potential slowdown in the Chinese economy, volatile commodity prices, downside risk of the Malaysian economic growth and the volatility of the domestic currency. The Ringgit recovery, if sustainable, could have a positive effect on consumer spending. Our Group is also experiencing higher operating costs.

We will continue with our marketing and sales efforts to improve our sales of bottled water products in Malaysia and Guangzhou, China. More promotional efforts will be directed to sales and trade activities. Trade promotions and incentives will be used to expand market coverage. However, we are still not expecting our operations in China to generate positive results in financial year 2019.

The new ASRS in our Taiping plant is expected to be completed by end of 2019 or early 2020 to accommodate the higher production and sales volumes. The commissioning of the ASRS will certainly improve our supply chain management and efficiency.

We are also constantly upgrading and further automate our production processes to enhance our production capability and capacity. We will continue to expand our range of bottled water products to meet the needs of our consumers. We will be focusing on sustaining our sales growth and work on garnering a bigger market share for our bottled water products.

With our highly integrated and efficient manufacturing process, coupled with our strong brand equity and leading position in the Malaysian bottled water industry, we are cautiously optimistic that we will be able to generate satisfactory results in the financial year ending December 31, 2019.

## APPRECIATION

We thank our employees for their continued hard work and dedication during the financial year under review.

We also thank our consumers, partners, distributors and customers for their trust and support to our Group and our brands.

# Sustainability Statement

# Sustainability Statement


*In 2018, Spritzer Bhd ("Spritzer" or the "Group") adopted a structured approach to establish and formalise a sustainability framework as part of our ongoing effort to enhance our sustainability practices, and meet the Main Market Listing Requirements on Sustainability Reporting ("Listing Requirements") as published by Bursa Malaysia Securities Berhad ("Bursa Malaysia").*

This Sustainability Statement (the "Statement") represents our journey towards value-creation, demonstrating Spritzer's contribution to the local economy, relentless effort to improve the wellbeing of society, minimising negative environmental impacts arising from our operations, and ultimately placing purpose ahead of short-term profits.

| | |
|---|---|
| **Reporting Period** | January 1, 2018 – December 31, 2018 |
| **Reporting Framework & Guidelines** | • Bursa Malaysia Sustainability Reporting Guide and Toolkits<br>• Global Reporting Initiative ("GRI") Standards<br>• United Nations ("UN") Sustainable Development Goals ("SDGs")<br>  - *SDG Industry Matrix – Food Beverage & Consumer Goods by the UN Global Compact*<br>• Eleventh Malaysia Plan ("11MP") |

A key vision in Spritzer's aspiration is the achievement of positive long-term value creation for our stakeholders through the integration of Economic, Environmental and Social ("EES") aspects. These aspects are applied in formulating business strategies, maintaining an effective governance operating model and fostering a high performance culture. This Statement provides insight into our sustainability initiatives, followed by measures to monitor and manage our progress and performance in achieving targets set in relation to our sustainability matters.

# Sustainability Statement

The scope of entities covered in this Statement, as listed below, are subsidiaries of Spritzer involved in the Group's primary business activities:

| Business Segment | Business Activity | Entities |
|---|---|---|
| Manufacturing | Natural mineral water, carbonated & non-carbonated flavoured water, distilled & drinking water, polyethylene terephthalate ("PET") preforms & bottles, caps & toothbrushes | • Chuan Sin Sdn Bhd ("CS")<br>• PET Master Sdn Bhd ("PM")<br>• Angenet Sdn Bhd ("Angenet")<br>• Golden PET Industries Sdn Bhd ("GPI")<br>• Chuan Sin Cactus Sdn Bhd ("Cactus")<br>• Spritzer EcoPark Sdn Bhd ("Spritzer EcoPark") |
| Trading | Bottled water & other consumer products | |
| Others | Recreational park, investment & properties holding | |

In 2015, world leaders collectively embarked on a global path towards sustainable development through the adoption of United Nation's Sustainable Development Goals. At the heart of this global agenda is a universal set of 17 Sustainable Development Goals which set out measurable indicators and targets across EES dimensions of sustainable development. The goals provide a framework for shared action for people, planet and prosperity, to be implemented by all countries and all stakeholders acting in collaborative partnership. In a local context, the Eleventh Malaysia Plan mirrors the multidimensional nature of SDGs. It promotes inclusiveness, accelerates human capital development and green growth towards realising the goal of Vision 2020.

We have taken initial steps in aligning our initiatives and contributions towards the UN SDGs and 11MP alongside our stakeholders' expectations. We define stakeholders as persons or organisations with a vested interest in the Group, with respect to economic, environmental or social impacts. Moving forward, we intend to expand our scope of sustainability reporting, and use the measures, actions and performance results as reported in this Statement as a baseline to strengthen our sustainability practice and framework.

## IDENTIFYING SUSTAINABLE PATHWAYS FOR THE FUTURE OF THE BOTTLED-WATER MANUFACTURING INDUSTRY

In addition to complying with the National Water Quality Standards of Malaysia, Spritzer is also a proud member of the Asia Middle East Bottled Water Association ("ABWA") and an International Affiliate Member of the American Beverage Association[1]. These memberships ensure our quality standards are rigorously assessed to meet regulatory requirements, and allow us to form strategic partnerships and collaborations in innovating manufacturing processes and generating ideas on the best sustainable practices. It is currently our sixth year being listed in the Malaysia Book of Records as the largest bottled water producer, and our ninth year for being awarded *Company of the Year* by Frost & Sullivan.

Water scarcity affects 1.2 billion people worldwide[2]. We believe Spritzer shares a responsibility to continually revolutionise manufacturing and transportation methods to diminish this by reducing waste and improving distribution. In recent years, consumers of bottled water have seen an increase in purchasing power and the emerging market has been increasingly health-conscious[3]. Customers demand products adhering to set standards, from regional suppliers with the support of local communities. Spritzer has responded to this emerging consensus and changing consumer mind-set with a sustainable distribution plan. Transporting our products in-land instead of importing allows us to bypass inefficient and heavily regulated shipping routes. This has improved logistical productivity by organising in-land transportation between manufacturing facilities, warehouses and the consumer. This drive to 'stay local' has helped us create valuable relationships with local communities and better understand the impact that our business has on the environment.

1. Awards and Recognitions, Spritzer, https://www.spritzer.com.my/about-us/awards
2. United Nations Development Report, UNDV, 2006
3. Asia Food and Drink Report Q2 2018, BMI Research, 2018
4. Malaysia to ban single-use plastic,  https://www.eco-business.com/news/malaysia-to-ban-single-use-plastic/

# Sustainability Statement

The Malaysian government has charted a zero-waste plan that aims to abolish single-use plastic by 2030. Malaysia is the first country in Southeast Asia to take bold action to tackle plastic pollution[4]. Innovations in packaging technology, such as the development of lightweight, 100% recycled PET plastic bottles enable us to both reduce negative environmental externalities and transport a greater quantity of products at a faster pace. Continued investment into research and development programmes such as the PET project secures Spritzer's ability to keep up with the constantly changing market, and reduce negative ecological impacts and expenditure. It is a key objective of the Group to advance operational efficiency and cut down costs for sustainable, long-term value creation.

We are privileged to improve the overall wellbeing of society through our products and services. For example, our natural mineral water is enriched with silicon, enabling us to flush aluminium toxins from the body.

**Silicon-Rich Mineral Water**

Aluminium can be found in a wide range of sources we come across in our daily lives. According to analytical research labs, 80% of people tested had excessively high aluminium levels which is a disturbing statistic, given that metal toxicities are associated with a wide range of chronic diseases. The omnipresent aluminium metal has been linked to Alzheimer's disease ("AD"), and the overwhelming evidence suggests serious threats to our health.

Spritzer was found to be naturally rich in silicon. Clinical trials done in the United Kingdom ("UK") has shown that silicon is a powerful antagonist to aluminium. When a person drinks silicon rich natural mineral water, the water soluble form of silicon, removes aluminium toxins from the body through urine. Research has shown silicon is able to stimulate an enzyme that synthesises collagen naturally in the body. This is beneficial for collagenous or connective tissues such as bone, skin, hair & blood vessels.

Our desire to improve the health & wellbeing of our consumers has motivated Spritzer to invest in 330 acres of vast landbank surrounded by a natural tropical rainforest away from all pollution, ensuring the safest, purest, highest quality natural mineral water for their daily hydration needs.

## OUR SUSTAINABILITY COMMITMENT

In 2018, Spritzer established its first Sustainability Committee ("SC" or "committee"). As endorsed by the Board, this committee is responsible for overseeing sustainability management to ensure the Group's sustainability objectives are realised.

| | | |
|---|---|---|
| Ensuring compliance with existing legislation, regulation and industry codes of practice | New policy recommendation | Ensuring the commitment of management in realising sustainability objectives |
| Identification & categorisation of sustainability matters | Facilitating Stakeholder Engagement | Review of Performance Indicators |
| Promoting the integration of sustainability measures into strategies, policies & procedures | | Existing Policy Reviews / Amendments |

*Figure 1 – Key Roles & Responsibilities of the Sustainability Committee*

**Board of Directors ("BOD" or the "Board")**

The Board retains the overriding authority as the ultimate decision making body with respect to policy amendment / creation and in regards to the Group's strategic direction. They endorse & monitor the activities of the SC for the Group & for stakeholders' value creation

**Group Chief Executive Officer ("GCEO")**

The GCEO acts as an instrument of the Board, charged with initiating, facilitating & realising the intentions & sustainability objectives approved by the Board. He also assumes the role of an advisor to the Board & Committee, ensuring communication between them is cohesive & productive

**Sustainability Committee**

Chaired by Research & Development ("R&D") Director, the Committee comprises of department heads from various business units. The committee is in charge of identifying, reviewing & implementing sustainability measures across the Group's policies & procedures

*Figure 2 – Sustainability Governance Structure*

## MANAGING VALUE

To prioritise key sustainability matters that align with our corporate vision and SDGs, a materiality assessment was carried out in 2018, guided by Bursa Malaysia's Sustainability Reporting Guide and Toolkits. The objective of this process is to evaluate the impact of identified sustainability matters on the Group, and its significance on the decisions and assessments of our stakeholders.

### 1. IDENTIFY RELEVANT MATTERS

**Review of External Sources**
- GRI Standards 2018
- UN SDGs
- 11MP
- Relevant industry specific publications

**Review of Internal Sources**
- Review of management data
- Feedback received from with stakeholders
- Approval by the Board and CEO

Identification of sustainability matters from internal & external sources including the categorisation of relevant topics

### 2. PRIORITISE MATERIAL MATTERS

**Stakeholder Prioritisation Exercise**
- Assess the level of influence & dependence of each group on Spritzer

**Stakeholder Engagement**
- Engage with internal & external stakeholders to produce & rank a list of 15 sustainability matters

Assessment of EES impacts on Spritzer & prioritise material interests & expectations of stakeholders

### 3. VALIDATE & COMMUNICATE

**Validation of Material Matters**
- Validate material matters against stakeholder expectations and SDG's to identify most material indicators

Examination of prioritisation results, validation of material matters with management & structuring of disclosure strategy

### 4. REVIEW

**Review of Material Matters**
- Review the impact of material matters, taking into account emerging trends, changing customer expectations & overall business performance

Update materiality matrix in light of changes to Spritzer's strategy

*Figure 3 – Materiality Assessment*

Based on the outcome of the Stakeholder Prioritisation Exercise, the Board of Directors, employees, customers, and government / regulatory authorities were found to have the highest influence and dependence on our business operations. In addition to the existing engagement approach, we conducted surveys to determine the level of importance of each identified sustainability matter to our key stakeholders. This was followed by a sustainability impact assessment to determine the impact of sustainability matters to the Group. Members of the SC and representatives from various functions within the Group participated in this assessment. We have considered our existing risk evaluation criteria to rate the likelihood and impact of occurrence of events associated with the identified sustainability matters.

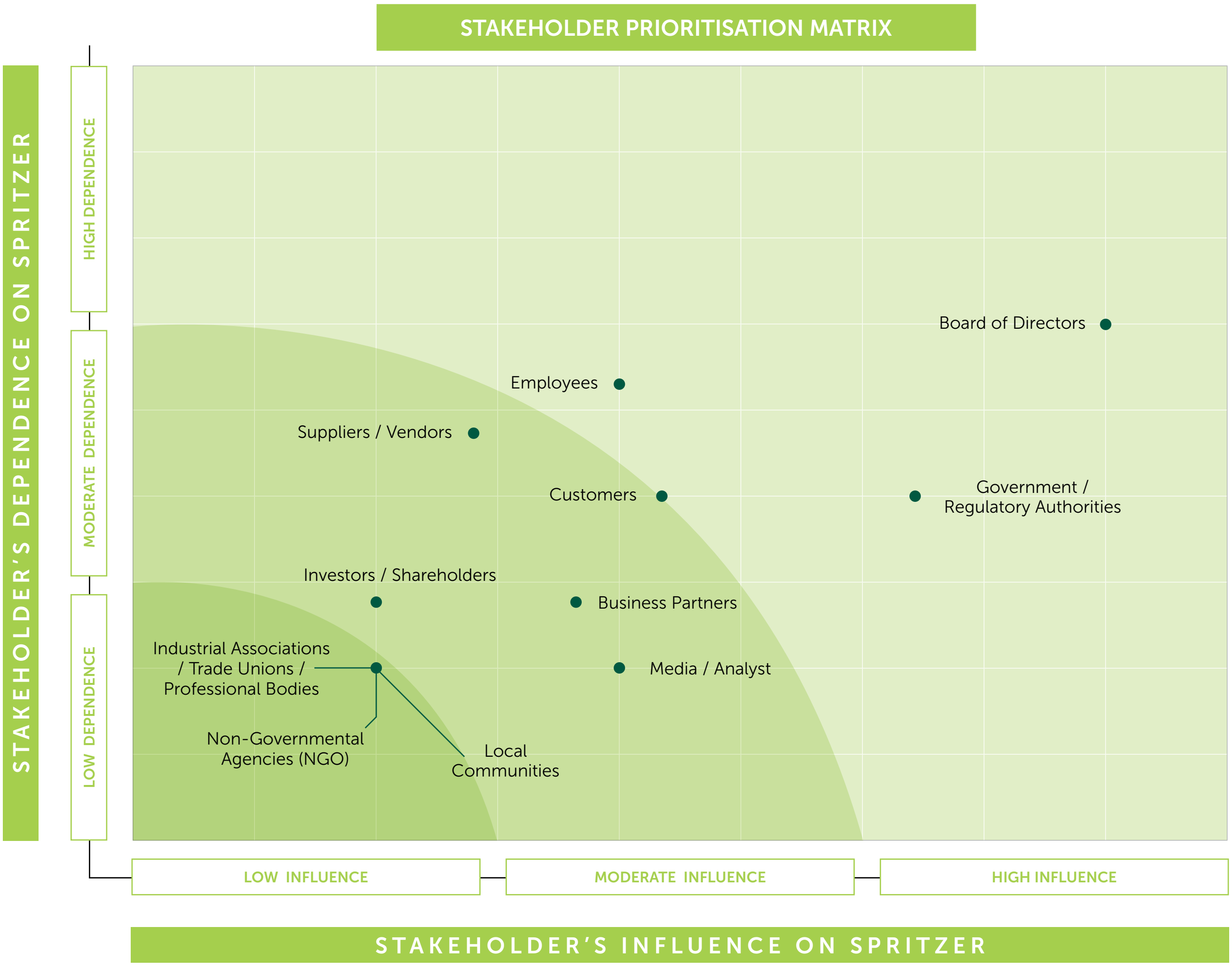



*Figure 4 – Stakeholder Prioritisation Matrix*

Overall, the materiality of each sustainability matter is derived by combining the importance of 15 identified matters for our stakeholders and its significance in terms of EES impacts on our business. The outcome of the materiality assessment was presented to and approved by the Board of Directors. An annual materiality assessment process will be undertaken by the SC.

## STAKEHOLDER ENGAGEMENT

Continuous engagement with our stakeholders, allows us to address important matters related to our business operations. Ongoing communication with our stakeholders allow the Management to understand emerging trends, differing perspectives and strengthen our relationships to make informed business decisions and deliver on our commitments. A cohesive, open channel of engagement is imperative to ascertain productive communication. The mechanisms of such are highlighted below:

*Table 1 - Stakeholder Engagement Details*

| Stakeholder Groups | Engagement Channels | Focus Areas | Our Response |
|---|---|---|---|
| **Board of Directors ("BOD" or "the Board")** | • Board meetings<br>• Annual General Meeting ("AGM")<br>• Corporate / Group events<br>• Email correspondences<br>• Conference calls<br>• Stakeholder Engagement Survey | • Financial performance<br>• Environmental practices<br>• Human capital management<br>• Corporate governance<br>• Corporate strategy<br>• Quality of products & services<br>• Business development / Partnerships<br>• Societal contributions | **Theme 1: Our Sustainable Value** (refer to pages 32-39)<br><br>**Theme 2: Our Planet** (refer to pages 40-42)<br><br>**Theme 3: Our People & Community** (refer to pages 43-51) |
| **Government / Regulatory Authorities (e.g. Ministry of Health ("MOH"), Ministry of Energy, Science, Technology, Environment & Climate Change ("KeTTHA"))** | • Site visits<br>• Inspections<br>• Conferences<br>• Ad-hoc invitations<br>• Programmes organised by the authorities | • Corporate governance<br>• Compliance to applicable laws / regulatory requirements<br>• Information security | **Theme 1: Our Sustainable Value** (refer to pages 32-39)<br><br>**Theme 2: Our Planet** (refer to pages 40-42)<br><br>**Theme 3: Our People & Community** (refer to pages 43-51) |
| **Customers** | • Official website<br>• Social media platforms<br>• Conventional telecommunication<br>• Customer Satisfaction Surveys<br>• Conferences / Roadshows / Exhibitions | • Quality of products & services<br>• Environmental practices | **Theme 1: Our Sustainable Value** (refer to pages 32-39)<br><br>**Theme 2: Our Planet** (refer to pages 40-42) |
| **Employees (e.g. Management, Executives, Non-Executives)** | • Group memos<br>• Email correspondences<br>• Recreational events<br>• Meetings / Briefings<br>• Social media platforms<br>• Training programmes<br>• Stakeholder Engagement Surveys<br>• Annual employee performance discussions | • Occupational safety & health<br>• Fair remuneration<br>• Fair employment practice<br>• Training & development<br>• Diversity & inclusion<br>• Information security<br>• Career development<br>• Societal contributions<br>• Environmental practices<br>• Financial performance | **Theme 1: Our Sustainable Value** (refer to pages 32-39)<br><br>**Theme 2: Our Planet** (refer to pages 40-42)<br><br>**Theme 3: Our People & Community** (refer to pages 43-51) |

# Sustainability Statement

| Stakeholder Groups | Engagement Channels | Focus Areas | Our Response |
|---|---|---|---|
| **Suppliers / Vendors** | • One-to-one meetings<br>• Periodic performance evaluation<br>• Conferences | • Agreeable contracts<br>• Terms of payments<br>• Business development / partnerships<br>• Corporate governance | **Theme 1: Our Sustainable Value** (refer to pages 32-39) |
| **Media / Analysts** | • Meetings / Briefings<br>• Press releases / Conferences<br>• Media releases / Interviews | • Open & transparent communication<br>• Environmental practices<br>• Corporate strategy<br>• Human rights<br>• Future business aspirations | **Theme 1: Our Sustainable Value** (refer to pages 32-39)<br><br>**Theme 2: Our Planet** (refer to pages 40-42)<br><br>**Theme 3: Our People & Community** (refer to pages 43-51) |
| **Business Partners (i.e. Major Distributors)** | • Ongoing meetings<br>• Conference calls<br>• Site visits | • Quality of products & services<br>• Production capacity<br>• Open & transparent communication<br>• Business development / partnerships<br>• Collaboration & market synergy | **Theme 1: Our Sustainable Value** (refer to pages 32-39) |
| **Investors / Shareholders** | • AGM<br>• Official website<br>• Media releases<br>• Investor relations<br>• Public announcements<br>• Ad-hoc discussion sessions<br>• Annual reports | • Financial performance<br>• Human rights<br>• Corporate governance<br>• Quality of products & services<br>• Societal contributions<br>• Open & transparent communication | **Theme 1: Our Sustainable Value** (refer to pages 32-39)<br><br>**Theme 2: Our Planet** (refer to pages 40-42)<br><br>**Theme 3: Our People & Community** (refer to pages 43-51) |
| **Industry Associations / Trade Unions / Professional Bodies** | • Official website<br>• Group discussions<br>• Conferences / Roadshows / Exhibitions<br>• Public announcements | • Quality of products & services<br>• Business development / partnerships<br>• Collaboration & market synergy | **Theme 1: Our Sustainable Value** (refer to pages 32-39)<br><br>**Theme 2: Our Planet** (refer to pages 40-42)<br><br>**Theme 3: Our People & Community** (refer to pages 43-51) |
| **Local Communities** | • Community development programmes<br>• Conferences / Roadshows / Exhibitions | • Societal contributions<br>• Environmental practices | **Theme 2: Our Planet** (refer to pages 40-42)<br><br>**Theme 3: Our People & Community** (refer to pages 43-51) |
| **Non-Governmental Organisations ("NGO")** | • Meetings / Discussions<br>• Site visits<br>• Conferences / Roadshows / Exhibitions | • Societal contributions<br>• Environmental practices | **Theme 2: Our Planet** (refer to pages 40-42)<br><br>**Theme 3: Our People & Community** (refer to pages 43-51) |

## CREATING VALUE

At Spritzer, we believe sustainability considerations should be integrated in every decision we make, across our Group operations. Our sustainability matters, as identified during the materiality assessment process, are categorised into three themes; Sustainable Value, Our Planet and Our People & Community. These themes comprise of 15 sustainability matters, relevant to our business and stakeholders.

| Theme 1: Our Sustainable Value | Theme 2: Our Planet | Theme 3: Our People & Community |
|---|---|---|
| Spritzer aims to share sustainable value with our stakeholders by operating in an efficient and responsible manner | Spritzer positively contributes to the environment by ensuring sustainable consumption and production across our value chain | Spritzer seeks to improve the wellbeing of our employees and local communities through empowerment and engagement |
| **1 Customer Satisfaction** | **8 Biodiversity** | **12 Occupational Health & Safety** |
| **2 Product Quality & Stewardship** | **9 Packaging & Waste Management** | **13 Fair Employment Practices** |
| **3 Sustainable Supply Chain Management** | **10 Energy & Greenhouse Gas Emissions Management** | **14 Human Capital Development** |
| **4 Business Expansion & Strategic Partnership** | **11 Water Stewardship** | **15 Community Development** |
| **5 Data Privacy & Security** | | |
| **6 Ethical & Responsible Business** | | |
| **7 Responsible Labelling & Marketing** | | |

*Figure 5 – Our Sustainability Matters*

In addition to the material matters pertinent to our Group's vision, we also take inspiration from the UN SDGs, a set of 17 targeted areas identified by the UN, as a universal call for action upon global sustainability issues such as social justice, environmental stewardship and economic growth. Within the national framework, we strive to take part in the 11MP; a Malaysian-specific programme in alignment with the SDGs, built upon a series of strategic thrusts.

As a preliminary step to fulfil these agendas and Spritzer's commitment to sustainable growth, we have mapped the relevance of each initiative against the specific SDGs and strategic thrusts appropriate to our business activities. This ensures that each of our sustainability matters are intrinsically linked, driven and aligned with these targets.

# *Sustainability Statement*

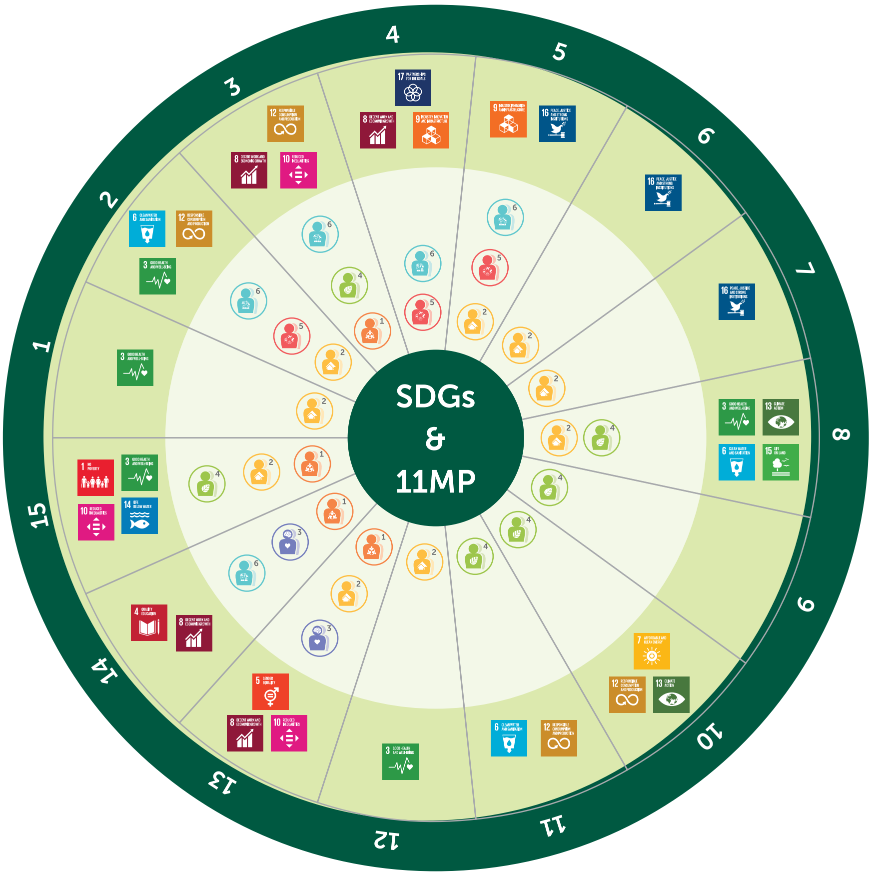



*Figure 6 – Sustainability Matters Mapped Against the SDGs & 11MP*

| Legend – Sustainability Matters | |
|---|---|
| 1 | Customer Satisfaction |
| 2 | Product Quality & Stewardship |
| 3 | Sustainable Supply Chain Management |
| 4 | Business Expansion & Strategic Partnership |
| 5 | Data Privacy & Security |
| 6 | Ethical & Responsible Business |
| 7 | Responsible Labelling & Marketing |
| 8 | Biodiversity |
| 9 | Packaging & Waste Management |
| 10 | Energy & Greenhouse Gas Emissions Management |
| 11 | Water Stewardship |
| 12 | Occupational Health & Safety |
| 13 | Fair Employment Practices |
| 14 | Human Capital Development |
| 15 | Community Development |

| Eleventh Malaysia Plan (11MP) Description | |
|---|---|
| ST #1 | Enhancing inclusiveness towards an equitable society |
| ST #2 | Improving wellbeing for all |
| ST #3 | Accelerating human capital development for an advanced nation |
| ST #4 | Pursuing green growth for sustainability and resilience |
| ST #5 | Strengthening infrastructure to support economic expansion |
| ST #6 | Re-engineering economic growth for greater prosperity |

| Sustainable Development Goals (SDGs) Description | |
|---|---|
| SDG #1 | End poverty in all its forms everywhere |
| SDG #3 | Ensure healthy lives & promote wellbeing for all at all ages |
| SDG #4 | Ensure inclusive & equitable quality education & promote lifelong learning opportunities for all |
| SDG #5 | Achieve gender equality & empower all women & girls |
| SDG #6 | Ensure availability & sustainable management of water & sanitation for all |
| SDG #7 | Ensure access to affordable, reliable, sustainable & modern energy for all |
| SDG #8 | Promote sustained, inclusive & sustainable economic growth, full & productive employment & decent work for all |
| SDG #9 | Build resilient infrastructure, promote inclusive & sustainable industrialisation & foster innovation |
| SDG #10 | Reduce inequality within & among countries |
| SDG #11 | Make cities & human settlements inclusive, safe, resilient & sustainable |
| SDG #12 | Ensure sustainable consumption & production patterns |
| SDG #13 | Take urgent action to combat climate change and its impacts |
| SDG #14 | Conserve & sustainably use the oceans, seas & marine resources for sustainable development |
| SDG #15 | Protect, restore & promote sustainable use of terrestrial ecosystems, sustainability manage forests, combat desertification & halt biodiversity loss |
| SDG #16 | Promote peaceful & inclusive societies for sustainable development, provide access to justice for all & build effective, accountable & inclusive institutions at all levels |
| SDG #17 | Strengthen the means of implementation & revitalise the Global Partnership for Sustainable Development |

# Sustainability Statement

Recognising the implications of emerging trends and changes in risks have an effect on our ability to create long-term value, Spritzer intends to take a strategic and holistic approach towards building our momentum and delivering quality products as we navigate through the industry's competitive landscape. As illustrated below, our approach to achieving sustainable business is through diligent management of our various resources or inputs to transform our operations into outputs that bring value to both our business and various stakeholder groups.

## OUR BUSINESS INPUTS

### FINANCIAL RESOURCES

Economic resources, generated through our investments & operations, enable us to maintain product quality & produce sustainable products

### CUSTOMER INSIGHTS & PRODUCT EXPANSION

Basis for nurturing customer relationships & building trust over many years by offering quality products & services

### TECHNOLOGY & INNOVATION

Research & development to enhance manufacturing processes & meet customer expectations which improves productivity, efficiency of operations & resource management

### TALENT & SKILLS

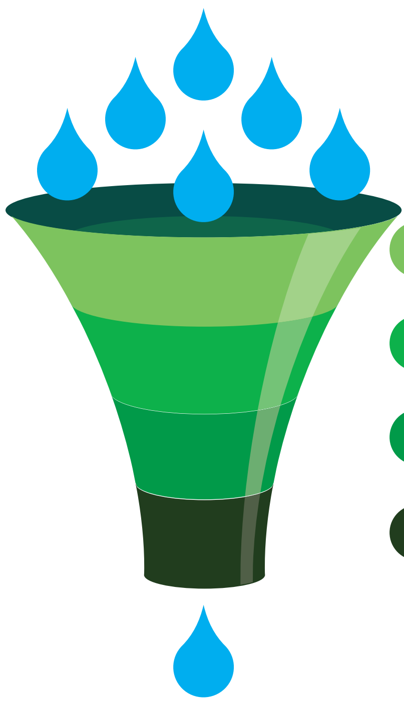
Qualified professional employees, equipped with the knowledge & expertise in automated & advanced bottling technology, are key assets for sparking innovation & driving the Group's growth

### NATURAL CAPITAL

Our water is extracted from permeable rock through a natural filtration system for the freshest mineral water that is kept away from all pollutants

## VALUE CREATION

| Our Sustainable Value | Our Planet | Our People & Community |
|---|---|---|
| We aim to share sustainable value with our stakeholders by operating in an efficient & responsible manner | We positively contribute to the environment by ensuring sustainable consumption & production across our value chain | We seek to improve the wellbeing of our employees & local communities through empowerment & engagement |



1. Practicing Sustainability Governance
2. Managing Sustainability Risks & Opportunities
3. Measuring & Monitoring Sustainability Performance
4. Implementing Sustainability Initiatives

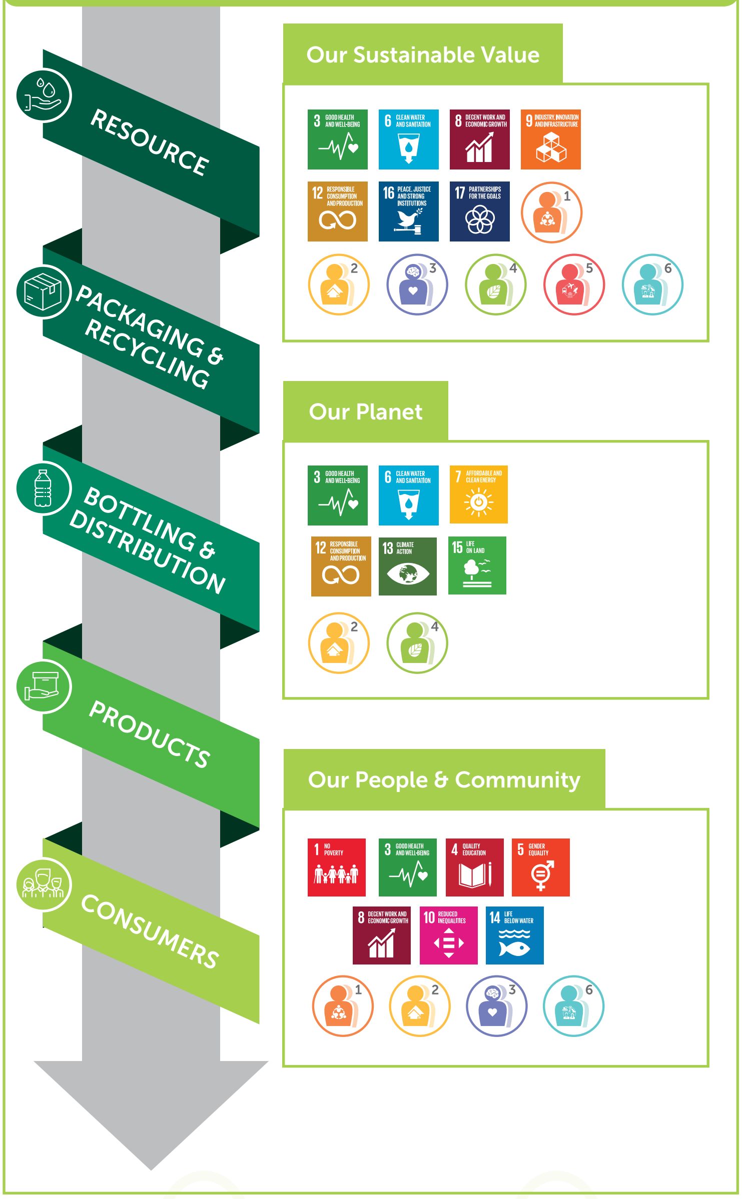
**Nation's Leading Sustainable Bottled Water Producer**

| **15 Sustainability Matters** | Customer Satisfaction | Product Quality & Stewardship | Sustainable Supply Chain Management | Business Expansion & Strategic Partnership | Data Privacy & Security | Ethical & Responsible Business | Responsible Labelling & Marketing |
|---|---|---|---|---|---|---|---|

*Figure 7 – How we craete value*

# Sustainability Statement

## SUSTAINING VALUE




## VALUE OUTPUT

- Opportunity for shared value
- Built trust, increased rapport & positive relationships with stakeholders
- Improved distributional efficiency
- Secured personal information & intellectual property
- Efficient running of business operations
- Enhanced sustainability, quality & brand image
- Ethical & responsible business
- Raised awareness of sustainability matters & efforts
- Continuous effort in optimising bottle design & promote recycling for stakeholders
- Management of energy utilisation
- High quality of products maintained
- Safe & conducive working environment
- Health & safety management
- Continuous corporate & personal growth
- Contribution to an inclusive & sustainable society

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Biodiversity | Packaging & Waste Management | Energy & Greenhouse Gas Emissions Management | Water Stewardship | Occupational Health & Safety | Fair Employment Practices | Human Capital Development | Community Development |

# Sustainability Statement

## THEME 1: OUR SUSTAINABLE VALUE

As Malaysia's largest manufacturer of bottled water, we have always felt responsible for recognising, engaging with and incorporating sustainability measures in our Group's vision. We aim to foster a culture of sustainable business at Spritzer, as a way of achieving long-term sustainable value.

| Sustainability Matters | Sustainability Initiatives | Outcomes | Value Created for Our Business & Stakeholders |
|---|---|---|---|
| **Customer Satisfaction** | • Policies & procedures for customer satisfaction evaluation & handling of feedback | • Customer Satisfaction Level maintained at satisfactory level<br>• Provide prompt responses in addressing issues raised by customers | • Opportunity for shared value<br>• Product credibility |
| **Product Quality & Stewardship** | • Policies & procedures to meet specifications & applicable regulatory requirements<br>• Application of technological solutions across the Group's manufacturing processes | • Met quality standards as prescribed in internal policies & applicable regulatory requirements<br>• Internationally recognised systems used in quality assurance & food safety<br>• Recognised accreditation by international awarding bodies for consistent performance in quality assurance and food safety<br>• Enhanced overall Group's operational efficiency<br>• Rejection rates were kept within the set target | • Encourage competitiveness<br>• Build trust with stakeholders<br>• Advancing operations<br>• Maximising process efficiency<br>• Increased health & wellbeing of the society |
| **Sustainable Supply Chain Management** | • Policies & procedures in relation to sustainable supply chain management<br>• Support local products & suppliers<br>• Compliance with supplier assessment criteria & continuous monitoring | • Optimum distribution / trading management<br>• Local suppliers hired was more than 90% | • Improve distributional efficiency<br>• Support the growth of small & medium enterprises ("SME")<br>• Ensures business operates on a sustainable value chain |
| **Business Expansion & Strategic Partnership** | • Member of the Asia Middle East Bottled Water Association ("ABWA"),an international affiliate member of the American Beverage Association ("ABA")<br>• Continuously exploring opportunities to reach out to new markets & form strategic partnerships | • Potential diversification & development of products<br>• Access to technical knowledge & better practices amongst other industry players | • Maintain positive existing relationships<br>• Provide new job opportunities for the local community<br>• Enhancement of local expertise<br>• Increase growth opportunities |

| Sustainability Matters | Sustainability Initiatives | Outcomes | Value Created for Our Business & Stakeholders |
|---|---|---|---|
| **Data Privacy & Security** | • Adherence to policies & procedures pertaining data privacy & security<br>• Carry out periodic IT audits & inspections<br>• Provide trainings & briefings on data privacy & security for all employees | • No data security breaches reported<br>• Maintenance & upgrading of IT systems | • Protection of stakeholders' personal information & intellectual property<br>• Supporting local & global policies in cybersecurity |
| **Ethical & Responsible Business** | • Communication of ethical & responsible business behaviour through relevant policies<br>• Proper channels / mechanisms provided to report on suspected offenses and/or ethical breaches | • Maintain compliance with relevant regulatory requirements | • Enhancing brand image by being an ethical & responsible business practitioner<br>• Build trust with stakeholders |
| **Responsible Labelling & Marketing** | • Policies & procedures in accordance to applicable regulatory requirements<br>• Marketing strategies & promotion programmes | • Ensure marketing campaigns are feasible & effective | • Build customer confidence & trust<br>• Appropriate product information presented to the public<br>• Meet quality standards which adhere to client expectations |

## CUSTOMER SATISFACTION

Customer loyalty is an essential factor for being an industry-leader in Malaysia. We aim to maintain this by satisfying and exceeding our customers' expectations through affordable, high-quality and standardised products. By offering our customers healthy beverage choices, we are able to aid their adoption of healthier lifestyles, and raise awareness on the importance of a nutritious diet.

To gauge the level of customer satisfaction and provide immediate response to matters raised by customers, we abide by the following policies and procedures. These serve as mechanisms of receiving, evaluating and responding to customers' concerns or complaints.

### Policies & Procedures in relation to Customer Satisfaction

| Operation Policies & Procedures | Customer Satisfaction Evaluation | Customer Complaint Handling Procedure |
|---|---|---|

Collaboration amongst departments is essential to ensure our customers' expectations are met.

**Departments involved in Managing, Monitoring & Maintaining Customer Satisfaction**

| Public Relations ("PR") Department | Sales Support & Export Department | Quality Assurance ("QA") Department |
|---|---|---|
| Ensure customers have access to various platforms to communicate their concerns or feedback<br>Review feedback from customers<br>Identify & validate all customer feedback for service, quality & product improvements<br>Resolve issues raised by customers | | |

We are constantly looking for ways to improve quality and provide products based on customer feedback. Our customer satisfaction performance is assessed based on the following criteria:

| |
|---|
| Quality |
| Delivery |
| Service |
| Technical Support |

We have met our overall targets and maintained our performance at a satisfactory level for the past two years.

## PRODUCT QUALITY & STEWARDSHIP

Given the change in pace of the economic environment, it is paramount to maintain and monitor product quality effectively as governed by our Quality Policy. We are committed to continuously driving product quality and innovation, be it by obtaining health and safety standard certifications, developing new sustainability practices, or enhancing production processes to address quality issues.

Our Group is committed to producing safe bottled water, meeting customer needs and adhering to applicable regulatory requirements. The departments listed in the following table are tasked with the responsibility of ensuring the Group meets these targets, and have taken many measures to do so:

*Table 2 – Roles & Responsibilities related to Maintaining & Assessing Product Quality & Food Safety*

| Departments | Roles & Responsibilities |
|---|---|
| QA | Ensures processes & products meet specifications and requirements set |
| Production | Ensures adherence to all hygienic practices, Quality Management System ("QMS") & Food Safety Management System ("FSMS") outlined in accordance with applicable standards to achieve business objectives |
| Supply Chain Management | • Receive orders, coordinate delivery of goods & attend to customers' feedback<br>• Monitor effectiveness of materials & products handling<br>• Manage storage procedures for continuous improvement |
| Engineering | Conduct routine machinery maintenance |
| Export | Handles export inquiries, orders, shipping arrangements, documentations, after-sales service & new market developments / expansions |
| PR | Manage customer enquiries, feedback & complaints |
| R&D | • Design & develop new products<br>• Enhance current products & innovate sustainable solutions |

# Sustainability Statement

## Food Safety Policy Statement

Our Management is committed to producing bottled water which is safe & suitable for consumption & consistently meets food safety requirements of customers & regulations. It is the responsibility of all to adhere to & continually improve the effectiveness of the FSMS implemented throughout the extraction, processing, bottling, packing, storage & delivery of bottled water.

The implementation of our Food Safety Management System ("FSMS") is in accordance with:

- Malaysian Standard, MS1480:2007
- Codex Alimentarius Guidelines according to Hazard Analysis & Critical Control Point ("HACCP") System

The implementation of Good Manufacturing Practices & Good Hygienic Practices ("GMP" & "GHP") are in compliance with:

- Recommended International Code of Practice – General Principles of Food Hygiene

Other measures include the renewed certification of our internationally recognised systems and awarded certifications for consistent performance in terms of quality assurance and food safety.

## Internationally Recognised Systems & Certifications

- MS1480:2007 Food Safety According to HACCP, system by SIRIM (2016-2019), SGS (2017-2019) & MOH Malaysia (2017-2020)
- GMP Certification by MOH Malaysia (2017-2020)
- ISO 9001: 2015 Certification by SIRIM (2018-2021)
- Certificate of Authentication Halal by Department of Islamic Development of Malaysia ("JAKIM") for all our products (2017-2019)
- ABWA Certificate of Accomplishment (2017-2019)
- ABWA Certificate of Excellence in Manufacturing (2017-2019)
- MeSTI Certificate Awarded by MOH Malaysia (2018-2020)
- Certificate of Authentication Healthier Choice Logo ("HCL") for our products by MOH Malaysia (2017-2019)

## Awards Received in Recognition of Spritzer's Efforts

- Reader's Digest Trusted Brand Award 2018 – Platinum Winner for Spritzer Brand
- Reader's Digest Trusted Brand Award 2018 – Gold Winner for Cactus Brand
- Putra Brand Award 2018 – Gold Award for Spritzer Beverage, Non-Alcoholic Category
- Putra Enterprising Brand of the Year 2018 – for Spritzer Brand
- World Branding Award – Brand of the Year 2017-2018 for Spritzer Brand
- Frost & Sullivan Asia Pacific – Bottled Water Company of the Year for Spritzer Brand
- The Malaysia Book of Records – Largest Bottled Water Producer for Spritzer Brand

Throughout our value chain, we place great emphasis on measures and efforts that are aimed towards the improvement and management of product quality and overall business operations. The application of innovative technological solutions in our manufacturing processes have enhanced the Group's overall operational efficiency.

*Table 3 – Examples of Products & Applications with Sustainable Features*

| Products & Applications | Description |
|---|---|
| ACILIS & Spritzer | Bottled water with high silica content |
| Light Weight Packaging & Design | Bisphenol A ("BPA")-free PET polyester plastic bottles are lightweight, reduces plastic consumption & enhances collapsibility to save recycling space |
| Digital Services (Enterprise Resource Planning ("ERP") & Integration of Systems) | Streamline production & business processes through innovative technological applications |
| Digital Testing Equipment for QA & Quality Control ("QC") | Application of technological innovation to shorten examination & testing durations with more accurate results |

# Sustainability Statement

Spritzer has initiatives in place to reduce rejection rates and ensure adherence to customer specifications, international standards and internal quality checks as seen below:

| | | | |
|---|---|---|---|
| Ensure QMS & FSMS are effectively implemented | Regular inspection of manufacturing equipment & facilities | Ensure adequate supervision is provided throughout the design & production process | Hiring experienced personnel & obtaining standardised technology |

During the reporting year, our product rejects were continuously and properly managed by our operations team while our rejection rates were within the target set. All our products were tested and met quality standards as prescribed in our internal policies and applicable requirements.

Spritzer is a consistent recipient of the highly coveted *Crystal Taste Award 2018*, conferred upon by the International Taste & Quality Institute ("iTQi"). Four of our products have been awarded. The award is adjudicated by selected multinational professional chefs and sommeliers, who are trained to evaluate the characteristics of food products in terms of sensory factors such as taste, smell, texture and consistency.

## SUSTAINABLE SUPPLY CHAIN MANAGEMENT

The Supply Chain Management function is responsible for ensuring adherence to internal and external policies in relation to sustainable supply chain management. This includes the administration of internal guidelines on sustainable procurement practices and compliance with relevant requirements. We aim to promote local sourcing and have in place initiatives focused on responsible consumption of resources and manufacturing practices as part of our Group's commitment. By hiring local suppliers and vendors, we support the growth of our local economy.

We maintain a strict set of requirements for contractors, including anti-corruption measures, legal compliance and ethical business to ensure the entire supply chain of Spritzer's operation conforms to our internal policies. This allows us to hold the contractors accountable for complying with our internal policies and regulatory obligations.

Proper assessments are conducted on prospective suppliers prior to being listed on our Approved External Provider List to ensure evaluated suppliers meet Spritzer's requirements.  Existing suppliers are subjected to Yearly Performance Evaluation by respective departments. We have undertaken several initiatives to optimise our trading management process. This includes proper route planning with manufacturing facilities and distribution centres at strategic locations to allow for closer access to customers.

# Sustainability Statement

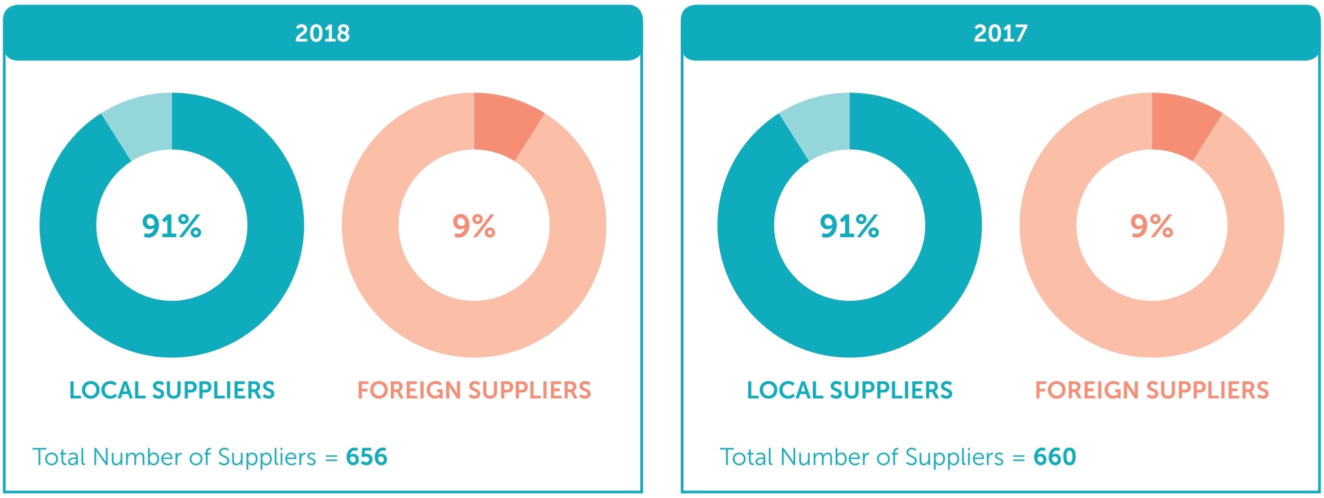



*Figure 8 – Supplier Statistics*

## BUSINESS EXPANSION & STRATEGIC PARTNERSHIP

Professional collaboration is an important aspect of Spritzer's business growth. It provides us with a comprehensive understanding of market trends and latest developments, and allows for the exchange of mutually beneficial technical knowledge and resources. Continued participation in domestic and international conventions, exhibitions and events provide networking opportunities that boosts engagement with key industry players and customers. Spritzer's Management Committee is responsible for maintaining positive relationships with our stakeholders as well as identifying and developing the business in new potential markets.

We consider EES impacts when making strategic business investments and establishing key partnerships. The acquisition of our bottling facilities represents our commitment towards sustainable expansion and we continuously explore opportunities to venture into new markets and investments through strategic alliances. Such growth opportunities not only increase our production capacity, but create new job opportunities for the local community, as well as link our logistical network of production facilities, warehouses and suppliers. We focus on the diversification and development of our products whilst leveraging on technological innovation to ensure cost optimisation and efficient production.

Spritzer has a responsibility to contribute to the development of the beverage industry at local, regional and international levels. We aim to be a leading player within the industry through continuous improvement and integration of numerous sustainability efforts. Collaboration is important to ensure industrial development and we actively engage with industry players via corporate events and multinational affiliations. Spritzer is a member of the Asia Middle East Bottled Water Association ("ABWA") and an international affiliate member of the American Beverages Association ("ABA"). Such memberships offer us the access to conventions and a collection of technical knowledge on sustainable development and best practices that can be incorporated into our processes.


Spritzer's Group Chief Executive Officer ("GCEO") was installed as the new President of the Asia Middle East Bottled Water Association ("ABWA"). We welcomed leaders from various industries to attend the prestigious event held at Spritzer EcoPark on October 9, 2018. Some examples of key topics covered during the ABWA Food & Beverage Innovation Seminar are as follows:

- Plastics and the Environment
- Updates on New Regulations & Food Safety for the Industry
- Sustainability Challenges with Plastics Packages & New Trends
- Trends in Plastic Beverage Packaging
- Smart Warehousing: The Journey into Industry 4.0

## DATA PRIVACY & SECURITY

At Spritzer, we place high priority on safeguarding intellectual property, preventing security breaches and investing in information protection. The SDGs highlight the need in today's world of protecting stakeholder information for continued industry growth and innovation. By conducting periodic maintenance of hardware infrastructure, systematic software audits and the implementation of antivirus software, we are able to protect personal information and intellectual property belonging to our stakeholders.

The objective of our internal policies and procedures is to define the guidelines on the use of information technology within the Group which includes controls over the use of sensitive data and information.

### Policies & Procedures in relation to Data Privacy & Security

| |
|---|
| Malaysian Personal Data Protection Act ("PDPA") 2010 |
| Software Policy |
| Information Technology Security & Backup Plan |

Software usage guidelines are overseen by the Information Technology ("IT") Department and applies to all employees. The IT Department is responsible for managing IT operations, ensuring data security, assigning appropriate IT resources to employees, and maintaining IT services to keep the business running.

We carry out periodic IT audits and inspections to make certain our technology is protected to a satisfactory degree and up-to-date with international standards of data safeguarding. Internal security procedures include employee trainings on the defence against cybersecurity threats, as well as protocols for identifying and processing security breaches. To further ensure the safety of our IT systems, we established an IT Security and Backup Plan. System complications are unavoidable, hence, we provide IT support services in an efficient manner to prevent any major disruptions to our business operations.

At Spritzer, we invest in IT systems to enhance and ensure smooth business operations, specifically in security solutions and schedules upgrades.

Spritzer provides trainings and briefings pertaining to data privacy and security for all employees to create awareness and maintain cybersecurity standards. In 2018, no incidents of data breaches were reported.

## ETHICAL & RESPONSIBLE BUSINESS

Cultivating ethical and responsible business behaviour is part of our corporate responsibility and a key objective in promoting sustainable value. As the leading bottled water manufacturing company in Malaysia, Spritzer has a strong commitment to quality and enhancing our brand's image and reputation. We actively pursue an ethical and responsible business culture to make certain of compliance with applicable standards, internal policies, and external rules and regulations. We focus on effective communication and compliance amongst all employees for the growth of our Group.

Our policies are in place to establish an acceptable conduct, maintain transparency, responsibility and compliance. These policies are embedded throughout the Group's operations and provide a mechanism for all employees and external stakeholders to report instances of non-compliance through appropriate channels. Spritzer's Employee Handbook is widely available over our internal communication platforms, and outlines our corporate philosophy, protocols and expectations in maintaining ethical integrity. We are also determined to hold our suppliers, vendors and outsourced companies, accountable to their business activities to maintain our seamless affiliation.

### Key Policies in ensuring Ethical & Responsible Business Practices

| | |
|---|---|
| Whistle-blower Policy | • Maintains good business practices & corporate governance at the workplace<br>• Uphold integrity in all our business dealings<br>• Encourages employees to report instances of wrongdoings in an appropriate & timely manner |
| Code of Ethics & Code of Conduct | |

## RESPONSIBLE LABELLING & MARKETING

Responsible labelling is key to ensuring customer wellbeing and assuring the quality and safety of our products. The way we market such products is integral to Spritzer's values and must be transparent, consistent and acceptable to applicable regulatory requirements. We adhere strictly to the requirements set by local regulatory bodies such as Ministry of Health Malaysia. This includes Guidelines on HCL Malaysia.

Our Marketing Department oversees the development of marketing strategies and devises promotion programmes to achieve our sales targets. This includes product and brand management, conducting regular market visits to maintain rapport with trade partners, and collate market intelligence that will retain Spritzer's competitive edge. The Management and external parties are actively involved in the preparation of promotions and relevant materials.

## LOOKING FORWARD

Spritzer strives to automate controls for processes and install systems for real-time observation. This innovative application of technology enhances productivity. We intend to provide training on procurement practices for relevant employees and explore opportunities to streamline and digitalise our procurement management processes. In anticipation of the Malaysian government's imposition of sugar tax, we are undertaking necessary efforts towards nurturing a healthy lifestyle for the society at large. We have also reduced our packaging material to minimise negative environmental impacts, and aspire to continue improving this initiative.

## THEME 2: OUR PLANET

Spritzer has always been mindful of the ecological consequences of our business activities. We recognise environmental sustainability as a core component of our corporate responsibility, and adhere to several key sustainability initiatives. Implementing sustainable principles reduces greenhouse gas emissions and addresses local challenges. The function of these measures is to drive efficient resource use and achieve our aspirations of being ecologically sustainable. As a bottled water supplier, we understand the scarcity of water as a commodity and have a professional duty to improve distributional efficiency as a way of addressing environmental issues.

| Sustainability Matters | Sustainability Initiatives | Outcomes | Value Created for Our Business & Stakeholders |
|---|---|---|---|
| **Biodiversity** | • Conservation of biodiversity through Spritzer EcoPark<br>• Tree planting programmes | • Minimise loss of biodiversity & land contamination | • Promoting education & the importance of maintaining biodiversity |
| **Packaging & Waste Management** | • Compliance with policies in relation to environmental management<br>• Promote the principles of reduce, reuse & recycle | • REDUCE & REDESIGN – PET resin usage avoided through bottle weight optimisation<br>• REUSE – More than 80% of in-house paper packaging was reused in 2018 | • Reduced environmental impact |
| **Energy & Greenhouse Gas ("GHG") Emissions Management** | • Process to monitor energy consumption & GHG emissions<br>• Energy audits conducted periodically<br>• Installation of new / upgrading of existing energy efficient equipment<br>• Manufacturing factory located North, Central & South of Peninsular Malaysia | • Decrease in GHG (scope 1) is due to total distance reduction from inland transportation travelled for finished goods<br>• Reduction in GHG emission (scope 2) is not significant | • Reduced environmental impact |
| **Water Stewardship** | • Policies & processes related to protection of water source & water management<br>• Monitoring of consumption<br>• Maintaining water quality in accordance with relevant standards & specifications | • Maintenance of water source | • Reduced environmental impact |

## BIODIVERSITY

As part of our commitment to sustainability, we recognise biodiversity as an important growth initiative. As we continue to expand our business domestically and internationally, it is important to recognise the impact we have on the environment as a result of our operations. We implemented internal controls and monitoring mechanisms to minimise the loss of biodiversity and land contamination. These policies and procedures are in line with the national agenda to preserve our country's biodiversity.

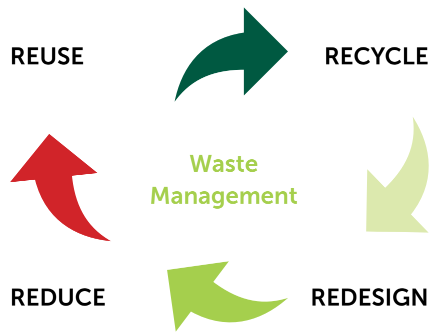
We continuously enhance our sustainability activities through initiatives such as tree planting programmes and other green projects. Our manufacturing facility in Taiping, Perak is located in a 330-acre tropical rainforest reserve, which is dedicated to capture elements of biodiversity that may be missing from harvested sites. Spritzer EcoPark contains various conservation components such as a 214 million year-old Cactus Rock. We have planted over 16,000 trees within the parameters, providing recreational facilities that allow the public to engage in outdoor activities such as mini golf and jogging. We also promote education on the importance of maintaining biodiversity and awareness on our products.

## PACKAGING & WASTE MANAGEMENT

Spritzer is responsible for the management of waste and by-products as a result of our production. Our main objective is to reduce waste, and find new, innovative ways to utilise it. During the reporting year, PET waste generated had decreased by 29% as compared to 2017. This was the result of a concentrated effort in reducing production rejects.

Through continuous efforts in optimising our bottle design, the Group managed to reduce preform weight, which was used in the production of all water bottles without compromising product strength. This is the main contributor to the increased avoidance of PET usage in the Group. We also managed to reuse more than 80% of paper packaging generated in-house due to good cooperation and coordination amongst our subsidiaries. Our only scheduled waste is hydraulic oil with figures too insignificant to report.

Spritzer actively promotes recycling amongst consumers through green campaigns organised throughout the country to raise public awareness. We also ensure each product label clearly presents information for customers on how to recycle bottles and packaging appropriately.




## ENERGY & GREENHOUSE GAS EMISSIONS MANAGEMENT

Over reliance of industries on non-renewable energy stresses the importance of appropriate energy management given the demands. We recognise the sustainable benefits of managing these risks and embrace the emergence of Industry 4.0. Automation of manufacturing processes, as well as logistical planning of transportation is key to realising our initiatives in the matter.

Our Production Engineer is responsible for energy performance reviews conducted during regular meetings. Energy audits are also conducted in one of our subsidiaries with grants awarded by Greentech. Before the purchasing and installation of new equipment, including the changing or upgrading of old equipment and machinery, we take into consideration the energy efficiency of the unit. Other initiatives include the replacement of existing lighting to energy-saving Light-Emitting Diodes ("LED").

Insignificant reduction in total indirect GHG emissions (scope 2) was due to the increase in production activities to meet market demand. Our factories are located in the North, Central and South of Peninsular Malaysia. This decreases the total distance in inland transportation travelled for finished goods, hence a reduction in the total GHG emission (scope 1). The Group intends to improve methods to reduce GHG emissions in the coming years through various initiatives.

# Sustainability Statement

## WATER STEWARDSHIP

As water scarcity becomes a prominent issue in global society, it is pertinent to have a robust governance system in place to manage the associated risk appropriately, and mitigate any negative externalities on the environment as a result of the Group's activities. We ensure our products are hygienically filtered and bottled in a systematic fashion from a reliable source. Our 330 acres of tropical rainforest reserve surrounding our factory allows us to ensure our water source is protected and product quality maintains safe and pure.

Our water management procedures include measures related to the protection of our source against contamination, controls over extraction rates in accordance with relevant requirements, and treatment for purification. Regular maintenance and sanitation of our water source is carried out according to schedule, and the quality of water is monitored through frequent sampling and testing.

## LOOKING FORWARD

We seek to reduce water wastage and resource consumption through the adoption of innovative management and application of technology. Aligned with University of Cambridge's Institute for Sustainability Leadership's vision for a zero plastic packaging waste future, we aspire to design initiatives aimed at reducing environmental impacts arising from our business operations. We also recognise the benefits associated with continued investments in technology, automation and big data, to retain competitiveness and increase operational productivity growth.

## THEME 3: OUR PEOPLE & COMMUNITY

Our employees are a major asset and crucial part of achieving our vision. We want our people to feel confident, safe and in support of each other's professional and individual growth. These factors contribute to the overall productivity of our workforce as a Group. The importance of a work-life balance is recognised and we strive to maintain this through several initiatives and programmes geared towards enhancing employee experience at Spritzer. Understanding the importance of recruiting, developing and retaining talent, we continue to invest in ensuring a healthy and safe working environment for our employees. The communities affected by our business activities also are a key aspect of our corporate responsibility and we will persist in our facilitation of outreach and development programmes.

| Sustainability Matters | Sustainability Initiatives | Outcomes | Value Created for Our Business & Stakeholders |
|---|---|---|---|
| **Occupational Health & Safety** | • Policies & procedures in accordance with applicable requirements<br>• Safety, Health & Environment Committee<br>• Conduct periodic health & safety training exercises<br>• Emergency Response Plan<br>• Monitoring of incident rates | • Incident rate decreased by 5.6%<br>• Severity accident rate decreased by 184.7%<br>• Zero fatalities | • Maintain a hazard free workplace through proper health & safety management<br>• Create a safe & conducive working environment |
| **Fair Employment Practices** | • Policies & procedures in accordance with applicable requirements<br>• Fair based recruitment & remuneration<br>• Employee welfare & benefits<br>• Various events & activities organised by Sports & Recreation Club | • Compliance with labour laws<br>• Promote a healthy working environment | • Sustain competitiveness as an employer of choice in the industry<br>• Continual growth through good corporate governance |
| **Human Capital Development** | • Internal & external training programmes<br>• Executive training programmes<br>• Succession Planning for high-performing employees<br>• Member of the Vistage Peer Advisory Group | • Continuous internal talent development & growth to fortify the development of the industry | • Sustain competitiveness as an employer of choice in the industry |
| **Community Development** | • Sponsorship programmes, philanthropic activities & donation campaigns | • Boost consumer confidence & public perception about our brand | • Continuous efforts to support the community in improving the quality & wellbeing of society |

## OCCUPATIONAL HEALTH & SAFETY

It is our responsibility as an employer to prioritise occupational health and safety, promote the importance of safe practices, prevent unsafe conditions in the workplace, and ensure best management practices. We adhere to our health and safety policy as it explains the business conduct in a manner that protects the safety of employees, visitors, contractors and customers. These policies entail our commitment in preventing all accidents, injuries and occupational illness through proper health and safety management.

### Policies & Procedures in relation to Maintaining Occupational Health & Safety

| |
|---|
| Safety & Health Policy |
| Occupational Safety & Health Act 1994 |
| Factories & Machinery Act 1967 |

Spritzer's health and safety initiatives are constantly updated through the progressive improvement of our training programmes and practices. Implementation of key measures to prevent injuries and illnesses create a conducive working environment which in turn generates indirect economic value, as well as the promotion of employee wellbeing. To continuously manage safety risks pertaining to Spritzer's business activities, facilities and practices are established to ensure the safeguard of our employees and facilities. All employees are responsible for safety performance and are required to comply with all applicable rules and regulations. Reviews and evaluations of our operations are undertaken to measure the progress and compliance with safety policies, as well to ensure effective systems are put in place to manage the Group's occupational health and safety.

The Safety & Health Committee has quarterly meetings to discuss, resolve and manage health and safety issues pertinent to the Group to ensure compliance with prescribed legal standards, with the aim of maintaining a hazard free workplace.

### Safety, Health & Environment Committee

| |
|---|
| Assist in the development of safety & health rules & safe systems of work |
| Review the effectiveness of safety & health programmes |
| Carry out studies on the trends of accidents, near-miss accidents, dangerous occurrences, occupational poisoning or occupational diseases which occurs at the workplace |
| Inspection of workplace |
| Investigation of complaints & accidents |
| Discussing safety, health & environment related matters |
| Review safety & health policy |

Our Safety Officer works closely with the Safety, Health & Environment ("SHE") Committee to ensure that proper safety measures are taken and maintained. Our SHE Committee provides progress updates to Management on a quarterly basis. We provide departments with dedicated and knowledgeable safety and health committee to manage health and safety in the workplace.

Risk assessments and hazard identifications are completed in each department by Head of Departments or authorised personnel. In 2018, our incident rate decreased by 5.6%. Overall, there was a reduction in major and minor incidents from all related departments. This was primarily due to the increased level of awareness on the importance of health and safety.

We hold periodic health and safety training exercises to raise employee awareness and take necessary precautions to minimise incidents in the workplace. All employees are required to attend our regular training sessions and adhere to the set standards for health and safety practices and accident prevention.

*Table 4 – SHE Training Programmes*

| Training Programme | Description | Attended By |
|---|---|---|
| Safety Briefings | Machinery safety, noise induced hearing loss, chemical safety & ergonomics | Employees exposed to machinery hazards, noise hazards, chemical & manual handling in confined spaces |
| Safety Induction | Safety rules & practices | New employees |
| Certified Green Card Programme for Safety Officers | Improvement & enhancement of safety & health officer knowledge | Certified Safety & Health Officers |
| Safety Culture Development | Raise safety awareness amongst employees & reduce workplace accidents | All employees |
| First Aid & CPR | Basic first aid skill & knowledge | Emergency Response Team |
| Emergency Response Training | Search, Rescue & Firefighting Skills | Emergency Response Team |
| Establishment of Safety Committee Training | Functions of safety committee & regulations | Safety & Health Committee Members |
| Basic Confined Space Training | Hazard & safety of working in confined spaces | Employees exposed to confined spaces – QA & Engineering |

Our Personal Protective Equipment Procedure ensures the provision of personal protective equipment ("PPE") such as respirators, ear plugs, face shields and safety helmets for employees to protect against health and safety risks. Onsite emergency response teams, in accordance with Emergency Response Plans, conduct annual fire drill exercises to evaluate the effectiveness of our evacuation plans.

Our Safety Day & Accident Exhibition promoted safety practices within the Group, and encouraged departments to target "zero accident" rates with the knowledge that they will receive incentives on a monthly basis. The Group provides Audiometric Tests, Noise Exposure Employee Monitoring and Chemical Health Risk Assessments as preventive occupational medical services.

Spritzer's severity accident rate decreased by 184.7%. We have successfully reduced the recordable incident rate by conducting hazard identification, risk assessments and risk controls ("HIRARC") for all departments. Unsafe conditions which contributed to the accidents have been identified and control measures have been put in place to reduce the occurrence of similar accidents. Through our efforts and initiatives, we have also successfully reduced accident cases. We have implemented suitable engineering, administrative and PPE in accordance to Hierarchy of Control derived from DOSH HIRARC Guidelines 2008.

## FAIR EMPLOYMENT PRACTICES

A safe and open working environment is integral to our day-to-day business activities. Every employee should have equal and consistent treatment, not just in terms of employment and promotion opportunities, but protection from inappropriate behaviour. We hold an open communication policy and a dedicated Group hotline is available for all employees to feel safe when discussing sensitive issues, and be treated with dignity, respect and integrity.

The Group acknowledges that to remain as an attractive employer, we have to conform to regulations and uphold our values. We must invest in maintaining equality in the workplace by actively promoting gender parity and embracing individual diversity. Hence, offering a clear career advancement framework and equal opportunity for all.

### Four Basic Principles of Employment

| | | | |
|---|---|---|---|
| Recruit & select employees on the basis of merit | Provide employees with equal opportunities | Comply with labour laws & abide by law & regulations | Treat employees with respect |

Our policy on equality highlights the need for promoting representation of women, and restricts discrimination of potential employees based on ethnicity, physical disability or religious beliefs among others. There is no discrimination of gender nor ethnicity when it concerns employment and promotion. This allows for our Human Resource ("HR") and Administration Department to assign of suitable candidates with the right capabilities to the appropriate post to maximise individual capability of individuals for the development of the organisation and personal growth.

We are committed to ensuring a high standard of ethical and environmental trade practices, including the provision of safe working conditions and the protection of our employees' rights across our business segments. In accordance with the Code of Ethics as stated in our Employee Handbook, we expect our employees to demonstrate a commitment to our ongoing effort in improving these practices. Employees are required to declare they have read and fully understand the Code of Ethics and will comply by the terms from the time it is enforced and as may be adopted from time-to-time. Any breach of the Code of Ethics may render an employee liable to disciplinary actions by the Group, including dismissal from service.

To sustain our competitiveness as an industry leader, we systematically update remuneration packages and other employment benefits in accordance with the constant shift in the job market to meet salary expectations and other work-related benefits. Spritzer awards outstanding employees to appreciate their dedication and contribution to the Group. Employees are rewarded based on their contribution and abilities without personal bias or prejudice. To ensure employee excellence, technical and non-technical trainings are provided which encourages self-improvement. Medical benefits are available as well as standard leave entitlements.

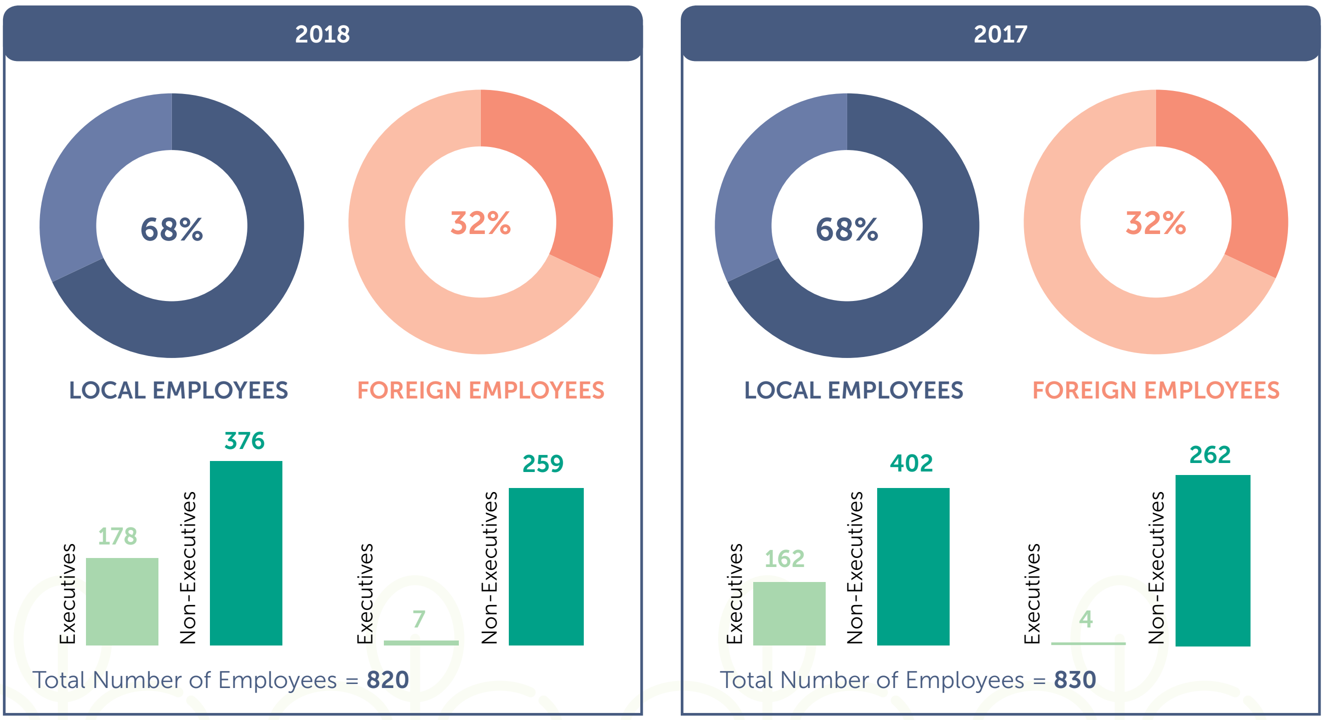



*Figure 9 – Local vs Foreign Employees across the Group*

# Sustainability Statement

Through authenticity and inclusiveness, our employees move our business forwards and their skills can be further uncovered through proper nurturing and adequate challenges. When people excel, their thoughts develop into passion for the work. The culture of inclusivity promotes curiosity and celebrates empowerment. This emphasised progress will encourage accountability and ownership driven by creativity and wise risk taking.

Various events are held annually to appreciate the effort employees put in for the success of the Group. This provides an opportunity for Management to obtain feedback from employees informally. To promote a healthy work-life balance, flexi-working hours are given as a choice to employees to allow better management of their time when balancing between family and work.

A healthy workplace environment is built in Spritzer through fitness events which are strongly encouraged. Our Sports & Recreation Club ("SRC") organises various events throughout the year, such as inter-department games. Weekly Zumba classes are held by trained professionals at Spritzer EcoPark. All employees and their families are welcome to join. These initiatives also act as team building exercises and networking opportunities.

## HUMAN CAPITAL DEVELOPMENT

At Spritzer, we take pride in our ability to provide reliable and consistent products to our customers. To maintain this expected level of quality, we must progressively enhance the personal effectiveness of our employees. Recruitment, promotion and retention of professionals allow us to foster potential talent and improve individual technical skills. Vocational training schemes are a part of the day-to-day technical and non-technical training of our employees.

The programmes organised by our HR and Administration Department are designed to provide skill-based education to advance our employees' knowledge and experience of Group practices and reinforce value creation. All employees are subjected to their relevant trainings annually. Training amateur employees who have strong growth potential by building upon their current knowledge, skills, and abilities, will ensure the continual expansion of Spritzer's skilled human resource base and improve our corporate professionalism.

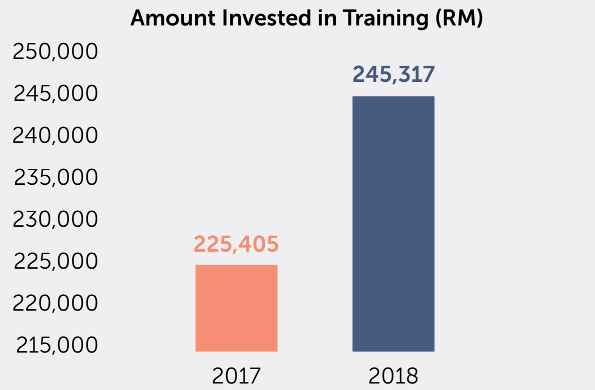
**Vistage**

Our initiatives include internal & external training seminars, and investment in a knowledge sharing membership, Vistage to promote information transfer & communication. As a member of the Vistage Peer Advisory Group, Spritzer has access to the most comprehensive suite of services, research & experts on issues faced by the industry. It is a community of result-driven leaders who are responsive & supportive, allowing us access to proprietary data & actionable insights. Such integration of knowledge & information contribute to the continual product innovation & development.

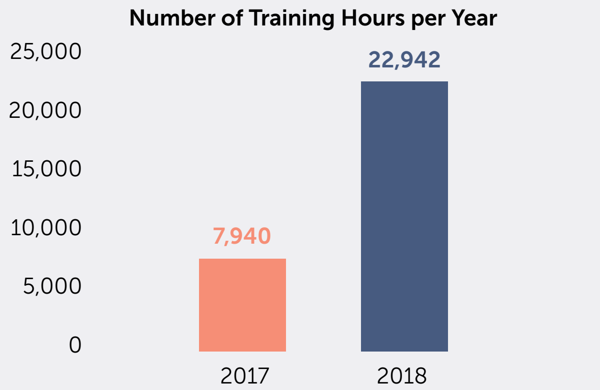
We have dedicated training courses for various focus groups to enhance technical, analytical and soft skills. All employees are required to fulfil an average number of training hours a year as per their position level. These trainings are conducted regularly and employees will attend when necessary.

*Table 5 – Examples of Spritzer's Training Courses*

| Training Courses | Description | Attended By |
|---|---|---|
| **Technical** | | |
| Maximum Equipment Efficiency through Proactive Maintenance | Enhance maintenance skills | Production & Engineering Department |
| Forklift Operators' & Safety Training | Improve forklift driving & safety awareness | Forklift Drivers |
| Technology & Machinery | Industry 4.0, proactive maintenance, Reliability Centered Maintenance ("RCM"), Programmable Logic Controller ("PLC") | Senior Management |
| Information Technology | Enhance IT skills | IT Personnel |
| **Non-Technical** | | |
| ISO9001:2015 Awareness & Interpretation | Gain ISO knowledge & understand latest updates | Executives & Officers |
| HACCP | Food Safety Awareness & How to Implement Effectively | HACCP Team |
| Quality Management Systems Certification | Transitioning seminar | QA Department |
| MFRS 15: Revenue from Contract with Customers | New revenue standard which replaces all existing revenue related standards | Directors & Group Accounting, Sales, SCM & Marketing Personnel |
| Effective Supply Chain Management | Enhance supply chain management knowledge | Operations Department |
| Sourcing Skills & Developing Saving Plan | Understand the sourcing skills, action plans to improve purchasing process cost saving | Purchasing Executive |
| F&B Innovation Seminar | Understand the food & bottled water industry, incentives & grants | Senior Management |
| Sustainability Reporting in Malaysia: Putting Public Listed Issuers In The Know | Gain knowledge to identify how the roles of senior management will evolve with the adoption of sustainability in businesses | Senior Management |




Total amount invested = 8.8% increase from 2017




Total Number of Training Hours = 188.9% increase from 2017
Average Training Hours/Employee/Year = 28 hours

*Figure 10 – Group Training Statistics*

We also run an executive training programmes and succession planning for high-performing employees. Potential candidates' performance is reviewed and those who are accepted and enrolled in the programme are given leadership and industry-specific training. Ultimately, the personal development of our workforce is important and we will continue to invest time and capital in its advancement whilst reinforcing Spritzer's core values.

## COMMUNITY DEVELOPMENT

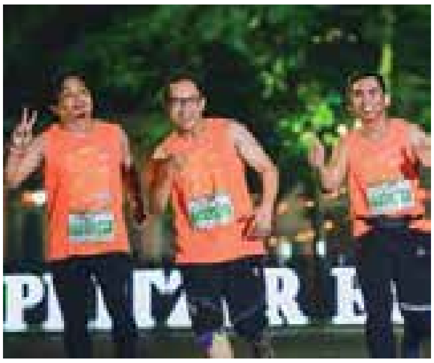
Part of being a good corporate citizen is engaging in social development to promote inclusiveness and social welfare. Our sponsorship and initiatives crystallise our commitment to support the community in improving quality and wellbeing of society. There is a need for inclusive, resilient and sustainable societies and we strive to contribute to this through initiatives such as sponsorship programmes, philanthropic activity and donation campaigns.

**Spritzer on Wheels**

To strengthen one of the important pillars of Spritzer's brand which is being environmentally caring, we campaigned 'Spritzer on Wheels' across the country in the last quarter of 2018. This allowed us to inform our customers about the benefits of consuming our variety of bottled-water products. The funds from recycled bottles were donated to the United Nations for funding their sustainable development initiatives.

We regularly encourage and host plant tours at our Taiping facility for the public. These visits are mutually beneficial, as this helps our visitors obtain information about the benefits of our different products, hence boosting consumer confidence and public perception about our brand. Through our PR Department, the public can hold corporate team building exercises at Spritzer EcoPark.





# Sustainability Statement



# Sustainability Statement

## Community Development Activities in 2018

| | | |
|---|---|---|
| **Le Tour de Langkawi 2018** | **Relay for Life Melaka & KL @ Dataran Pahlawan & PJ** | **Sekolah Semangat Maju Taiping Charity Food Fair & Hua Lian High School Charity Food Fair @ Taiping** |
| Multiple stage bicycle race | Sponsored products to support the fundraising event & collections from the sales were donated to National Cancer Society Malaysia | Sponsored products to support the fundraising event & collections from the sales were donated to the schools |
| **Ipoh Starwalk 2018 @ Perak Turf Club** | **Donation for Tabung Harapan** | **25th Spritzer Cup (15 & under) Youth Basketball Championship 2018** |
| Sporting activity aimed at creating a healthier community | Assisting the nation by showing initiatives to make a difference in nation-building | Annual sponsor for the tournament at Kota Kinabalu Community Hall targeted at secondary students to promote a healthier generation |
| **Feed the Poor Project @ FGA Taiping** | **Project Ocean Reborn @ Pulau Tioman** | **Spritzer Taiping Open Badminton Championship 2018 & St Louis Church** |
| Donated to 150 people in need to show compassion & love to the less fortunate | Activities included beach & underwater cleaning & coral planting | Annual sponsor for the tournament aimed at creating a healthier community |
| **Malaysia Mountain Trail Festival 2018 @ Spritzer EcoPark** | **Spritzer Sparkling Christmas Carnival Treasure Hunt @ Spritzer EcoPark** | **Donated bottled-water in the aftermath of the Kuantan Flood** |
| Race takes runners through various trails with elevation gains around Taiping | Children from Sekolah Semangat Maju Taiping, Taiping Children's Home & Vincent Home were invited to Spritzer Ecopark; 732 Santa & Santarina joined the treasure hunt breaking the Malaysia Book of Records | **Annual support for a Badminton Association @ PJ & the fund is used to train players & send them for local & overseas tournaments** |

## LOOKING FORWARD

There are plans to further standardise and strengthen safety and health systems within our factories. As we implement our first generation of robust reporting framework, we expect to encounter some challenges. Sustainability is a continuous process built upon systematic review, improvement and application of procedures. As we progress from the comparatively narrow narrative of the Corporate Social Responsibility statement to the broader framework of sustainability reporting, we will continue to monitor and progressively elevate our initiatives to highlight our commitment towards enhanced disclosures and embed SDG values across the Group.

# Directors' Profile

## DATO' LIM A HENG @ LIM KOK CHEONG, DPMP, JSM, JP

**Non-Independent Non-Executive Chairman**

Age 74

Dato' Lim Kok Cheong, aged 74, male, a Malaysian and was appointed to the Board on June 22, 2000.

He has more than 50 years of experience in the trading and manufacturing of edible oils and consumer products industry.

He is the Life Honorary President of both the Associated Chinese Chambers of Commerce and Industry of Malaysia and the Perak Chinese Chamber of Commerce and Industry. He is the Chairman of Poi Lam High School (Suwa) and the Honorary President of Perak Hock Kean Association and the Federation of Hokkien Associations of Malaysia.

He is the Executive Chairman of Yee Lee Corporation Bhd and the Chairman of Yee Lee Organization Bhd.

He is a director and major shareholder of Yee Lee Corporation Bhd; and a director of Yee Lee Holdings Sdn Bhd; He is the spouse of Datin Chua Siok Hoon, all of whom are the major shareholders of the Company. Besides, he is a brother of Dato' Lim Kok Boon and the uncle of Mr. Lim Seng Lee and Mr. Lim Hock Lai.

## DATO' LIM KOK BOON, DPMP

**Managing Director**

Age 64

Dato' Lim Kok Boon, aged 64, male, a Malaysian and was appointed to the Board on June 22, 2000.

He is a Past President/Consultant of the Asia Middle East Bottled Water Association (ABWA). He is also the adviser to the Board of Governors of Hua Lian High School, Taiping.

He has been involved in the sales and distribution of biscuits, confectionery and bottled drinks since 1979. He was instrumental in the growth of Chuan Sin Sdn Bhd, a wholly-owned subsidiary of the Company, when it successfully switched to the production of bottled water in 1988. Since then, he has been overseeing the entire day-to-day operations of Spritzer Bhd Group.

He is a brother of Dato' Lim Kok Cheong and the brother-in-law of Datin Chua Siok Hoon, both are the major shareholders of the Company. He is the spouse of Datin Lai Yin Leng and the father of Mr. Lim Seng Lee, the Group Chief Executive Officer of the Company and Mr. Lim Hock Lai.

# *Directors' Profile*

## LIM SENG LEE

### Executive Director and Group Chief Executive Officer

Age **43**

Lim Seng Lee, aged 43, male, a Malaysian and was appointed to the Board on October 15, 2015. He graduated with a Bachelor of Science in International Business from San Francisco State University, United States.

He joined Spritzer Bhd as a Sales Executive in 2003. He was promoted to Marketing Manager in year 2007 and until to date, he has been involved in sales and marketing activities in the bottled water market.

In 2008, he took the position of Deputy General Manager and was responsible to assist the Managing Director and General Manager to plan and set up the company's policy and objectives. At the same time, he was involved in strategic planning and Corporate Social Responsibility of the Company. In 2011, he has been promoted to be the Group General Manager and responsible to oversee and ensures the overall operation activities of the Company are in accordance with the Company's policies and objectives. He was the Country Representative (Malaysia) of the Asia Middle East Bottled Water Association (ABWA) and was installed as the new President of ABWA for a 2-year term on 9th October 2018.

He is a son of Dato' Lim Kok Boon, the Managing Director of the Company and Datin Lai Yin Leng. He is also a nephew of Dato' Lim Kok Cheong, the Chairman of the Company and Datin Chua Siok Hoon, both of whom are the major shareholders of the Company. He is also the brother of Mr. Lim Hock Lai.

## LAM SANG

### Executive Director

Age **69**

Lam Sang, aged 69, male, a Malaysian and was appointed to the Board on December 28, 2001. He has more than 30 years of experience in the manufacturing and marketing of plastic products and toothbrush. He is the Deputy President of Perak Hock Kean Association and Vice Chairman of Poi Lam High School, Secondary School, and Primary School.

Prior to joining Golden PET Industries Sdn Bhd, a wholly-owned subsidiary of the Company, he was the Sales Manager of United Plastic Sdn Bhd, a plastic manufacturing company from 1973 to 1980.

# Directors' Profile

## CHOK HOOA @ CHOK YIN FATT, PMP

### Non-Independent Non-Executive Director

Age 72

Chok Yin Fatt, aged 72, male, a Malaysian and was appointed to the Board on December 28, 2001. He graduated with a Bachelor Degree in Business Studies from Curtin University of Technology, Australia and Master in Business Administration from University of Strathclyde, United Kingdom. He is a Chartered Accountant of the Malaysian Institute of Accountants, fellow members of CPA Australia and Malaysian Institute of Chartered Secretaries and Administrators and a member of the Malaysian Institute of Certified Public Accountants.

He has extensive experience in the field of financial management, accounting and corporate secretarial functions. He was attached to UAC Berhad from 1974 to 1982. In 1982, he joined Yee Lee Corporation Bhd as Chief Accountant and was promoted to the Board as an Executive Director in 1990.

He is a Director of OKA Corporation Bhd and Yee Lee Corporation Bhd, and other public companies which are not listed on the Bursa Malaysia Securities Berhad including Yee Lee Organization Bhd and MSHK Corporation Bhd. He is also a member of the Audit Committee of the Company.

## DATO' IR. NIK MOHAMAD PENA BIN NIK MUSTAPHA, DIMP

### Independent Non-Executive Director

Age 68

Dato' Ir. Nik Mohamad Pena bin Nik Mustapha, aged 68, male, a Malaysian and was appointed to the Board on July 14, 1997. He obtained a Degree of Bachelor of Science (Civil Engineering) from University of Glasgow, United Kingdom in 1975. He holds the memberships in the following professional bodies, namely the Board of Engineers Malaysia, Institution of Engineers Malaysia, Institution of Highways and Transportation United Kingdom and Association of Consulting Engineers Malaysia. He advises the Board members on all matters relating to civil and structural aspect of the Group's buildings.

He is a consultant engineer and the Managing Director of Nik Jai Associates Sdn Bhd, a company of civil and structural engineering consultants. He started his career as a civil engineer with Jabatan Kerja Raya (JKR) in 1975 and was promoted to the post of Senior Executive Engineer in 1980. He left JKR in 1983 and joined an engineering consulting firm. In 1985, he set up his own partnership firm, Nik Jai Associates. In 1990, he incorporated his company, Nik Jai Associates Sdn Bhd which specialises in multi-storey buildings, highways, bridges and water resources.

He is a Director of Yee Lee Corporation Bhd, the Chairman of the Audit Committee and Nomination Committee of the Company.

# Directors' Profile

## DATO' MOHD ADHAN BIN KECHIK, DJMK, SMK

### Independent Non-Executive Director

Age 63

Dato' Mohd Adhan bin Kechik, aged 63, male, a Malaysian and was appointed to the Board on May 16, 1994. He graduated with a Bachelor of Laws (Honours) Degree and Master of Laws Degree from University of Malaya. He is currently the Chairman of the National Kenaf and Tobacco Board (Lembaga Kenaf dan Tembakau Negara).

He is a lawyer by profession. Currently, he is practising as a partner at Messrs. Adhan & Yap. Prior to setting up his own private practice in Kota Bharu, Kelantan in 1984, he was attached to the Legal and Judicial Department for five years serving in the Magistrate Court, High Court, Public Trustee's office and Attorney General's office before being appointed the Legal Adviser to the Ministry of Transport in 1983. He also served the State Government of Kelantan for four years as Menteri Besar's political secretary from 1986 to 1990. He is an elected State Assemblyman of Kelantan for Kemahang from 1995 to 1999 and Bukit Bunga since 2004.

He is a Director of Yee Lee Corporation Bhd. He is also the Chairman of the Remuneration Committee, a member of the Audit Committee and Nomination Committee of the Company.

## DATO' SRI KUAN KHIAN LENG, S.S.A.P.

### Independent Non-Executive Director

Age 43

Dato' Kuan Khian Leng, aged 43, male, a Malaysian and was appointed to the Board on January 25, 2007. He graduated with a Bachelor in Civil Engineering (First Class Honours) and Master in Management Science & Operational Research from University of Warwick, United Kingdom.

He started his career as a Civil and Structural Engineer in Sepakat Setia Perunding Sdn Bhd in year 2000. In March 2002, he joined Citibank Berhad as Assistant Manager and subsequently held several managerial positions in the Marketing, Project Management and Risk Management departments. In July 2006, he held the position of Business Intelligence Head in Kuwait Finance House (Malaysia) Berhad.

He served as the Executive Director of Mexter Technology Berhad from June 2007 to December 2015, overseeing the operations, business development and marketing activities of the company. At present, he is the Group Executive Director of Fajarbaru Builder Sdn Bhd, which is involved in large scale construction and property development. He is also a Council Member of Master Builders Association Malaysia (MBAM).

Currently, he is a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

# Directors' Profile

## TAN CHOW YIN

### Non-Independent Non-Executive Director

Age
**46**

Tan Chow Yin, aged 46, a Malaysian, and was appointed to the Board on December 15, 2017 graduated with Master of Engineering with First Class Honours from Imperial College, London, United Kingdom in 1997 and Master of Science from Massachusettes Institute of Technology, United States of America in 1998. He has been a CFA (Chartered Financial Analyst) charterholder since year 2011.

He joined Dymon Asia Private Equity ("Dymon") in 2016 as a Partner and Investment Committee Member. He has investment experience across a wide spectrum of sectors including manufacturing, agro-food, consumer products and retail, education, F&B services, aged care, capital equipment and entertainment. Prior to Dymon, he spent 10 years with Navis Capital and left as a Senior Partner, where he focused on investments in Southeast Asia and China. He was also a management consultant with The Boston Consulting Group, where he last held the position of Principal.

Currently, he is a member of the Remuneration Committee of the Company.

*Note:-*
*Save as disclosed, none of the above Directors have:-*

1) *any family relationship with any Director and/or major shareholder of the Company;*
2) *any conviction for offences within the past five years other than traffic offences, if any;*
3) *any public sanction or penalty imposed by the relevant regulatory bodies during the financial year; and*
4) *any conflict of interest with the Company, other than the permitted recurrent related party transactions and share buy-back authority as disclosed in the Circular/Statement to Shareholders.*

# Key Senior Management's Profile

For Key Senior Management's Profiles of Dato' Lim Kok Boon, Mr Lim Seng Lee and Mr Lam Sang, kindly refer to the Directors' Profile in this Annual Report.

## DR CHUAH CHAW TEO
R&D Director

Chuah Chaw Teo, aged 67, male, a Malaysian and was appointed as R&D Director of Spritzer Group on December 15, 2017. He graduated with a Bachelor of Science (Honours) Degree in 1975 and Doctorate in Applied Organic Chemistry in 1979 from University of Otago, New Zealand.

He worked as a teaching assistant in Polymer Laboratory, State University of New York from 1980 to 1982 and as a Research Associate in University of Malaya in 1982. From 1983 to June 1997, he worked for Yee Lee Corporation Bhd in various capacities as Chief Chemist, Research and Development Manager and later as General Manager of Research and Development Department. He joined Chuan Sin Sdn Bhd as its General Manager in July 1997 and responsible for the product development, quality control and improvement of Chuan Sin Sdn Bhd's products.

He was a member of the Committee set up by the Standards and Industrial Research Institute of Malaysia (SIRIM) in 1991 to produce a draft on Malaysian Standards Specification on Natural Mineral Water. Presently, he is the Chairman of the Federation of Malaysian Manufacturers Bottled Water Group and also the Chairman of the Environmental and Technical Committee of the Asia Middle East Bottled Water Association (ABWA). He is a Fellow of the Institute of Kimia Malaysia (IKM) since September 2014. Besides, he is a member of the Industry Advisory Panel for Applied Chemistry Programme at the Universiti Teknologi Petronas (UTP).

## LIM HOCK LAI
Sales and Operations Director

Lim Hock Lai, aged 41, male, a Malaysian and joined Chuan Sin Sdn Bhd in September 2008 as the Business Manager. He was promoted to Head of Sales and Marketing in August 1, 2009 and responsible in Sales and Marketing activities in bottle water market of the Group. Currently, he is holding the position as a Sales and Operations Director since July 1, 2013 and is responsible for the sales and performance of Chuan Sin Sdn Bhd, Shah Alam branch and Angenet Sdn Bhd.

He graduated with a Bachelor of Information Systems from Swinburne University of Technology at Melbourne, Australia. He joined Nagase & Co., Ltd, a Japanese trading company as a Sales Executive and subsequently joined Clariant International Ltd, a Swiss chemical company as a Sales Manager prior to joining Chuan Sin Sdn Bhd in 2008.

He is a son of Dato' Lim Kok Boon, the Managing Director of the Company and Datin Lai Yin Leng. He is also a nephew of Dato' Lim Kok Cheong, the Chairman of the Company and Datin Chua Siok Hoon, both of whom are the major shareholders of the Company. He is also the brother of Mr Lim Seng Lee, the Group Chief Executive Officer of the Company.

## SOW YENG CHONG
Group Financial Controller

Sow Yeng Chong, aged 62, male, a Malaysian and joined Spritzer Bhd in October 2009 as the Group Financial Controller. He also serves as Joint Company Secretary of the Company since 2010.

He has wide working experience in the field of accounting and corporate finance.

He started his career in 1981 as an Audit Assistant with Payne Davis & Co. and subsequently worked as an Accountant of Far East Marble & Handicraft Sdn Bhd.

He was employed by Yee Lee Corporation Bhd from 1985 to 1997 in various capacities and his last position being the Group Financial Controller and Joint Company Secretary. He was a remisier with TA Securities Holdings Bhd from 1997 to 2009.

He is a Non-Independent Non-Executive director of Yee Lee Corporation Bhd, a company listed on the Main Market of Bursa Malaysia Securities Bhd. He is also a director of Kumpulan Belton Berhad, a non-listed public company. He is also a member of the Malaysian Institute of Accountants.

# Key Senior Management's Profile

**CHONG MEE YOONG**
Deputy General Manager

Chong Mee Yoong, aged 54, female, a Malaysian and joined Chuan Sin Sdn Bhd in 1991 as a Food Technologist and currently holding the position as the Deputy General Manager of Chuan Sin Sdn Bhd since July 2013. She oversees the plant operations and Quality Assurance Department of Chuan Sin Sdn Bhd.

She graduated with a Bachelor of Science (Hons) in Food Science and Nutrition from the National University of Malaysia. Prior to joining Chuan Sin Sdn Bhd, she worked as a Food Technologist with Yee Lee Corporation Bhd in 1990.

**HO YEE LING**
Group Marketing Manager

Ho Yee Ling, aged 38, female, a Malaysian and joined Chuan Sin Sdn Bhd on July 1, 2008. She is currently holding the position as the Group Marketing Manager of Chuan Sin Sdn Bhd. She is leading in formulation of marketing strategies, developing marketing plans and budgets, advertising and promotion programme to achieve business and brand objectives.

She graduated with a Bachelor of Science (Hons) in Business Administration major in advertising from Nottingham Trent University, United Kingdom. Prior to joining Chuan Sin Sdn Bhd, she worked as Advertising Account Executive and Advertising Account Manager which exposed herself in handling different portfolio of clients.

**TAN ENG BONG**
Group Production Manager

Tan Eng Bong, aged 54, male, a Malaysian and joined Chuan Sin Sdn Bhd in August 1997 as Engineer. He was promoted to Production and Maintenance Manager on March 1, 2004 and subsequently promoted to the current position on July 1, 2013.

He graduated in Electrical Technology from Feng Chia University at Taiwan.

**ADDITIONAL INFORMATION:-**

1. Save for Mr Sow Yeng Chong, none of the other Key Senior Management has any directorship in public companies and listed issuers.
2. Save for Dato' Lim Kok Boon, Mr Lim Seng Lee and Mr Lim Hock Lai, none of the other Key Senior Management has any family relationship with any Directors and/or major shareholders of the Company.
3. None of the Key Senior Management has:-
   (i) been convicted for offences within the past five years, other than traffic offences, if any;
   (ii) any public sanction or penalty imposed by the relevant regulatory bodies during the financial year; and
   (iii) any conflict of interest with the Company.

# Audit Committee Report

The Board of Directors of Spritzer is pleased to present the Audit Committee ("AC") Report for the financial year ended December 31, 2018.

The purpose, authority, composition, membership, meetings and responsibilities of the AC are set out in the AC Charter which can be viewed at the Company's website at http://www.spritzer.com.my.

## MEMBERS OF THE AUDIT COMMITTEE

The AC comprises the following four (4) non-executive Board members:-

**Chairman**
Dato' Ir. Nik Mohamad Pena bin Nik Mustapha
*Independent Non-Executive Director*

**Members**
Chok Hooa @ Chok Yin Fatt
*Non-Independent Non-Executive Director*

Dato' Mohd Adhan bin Kechik
Dato' Sri Kuan Khian Leng
*Independent Non-Executive Directors*

### Composition

The AC, appointed by the Board from amongst its members, presently comprises four (4) Non-Executive Directors, with a majority being independent directors. The Independent Directors satisfy the test of independence under Paragraph 1.01 of the Listing Requirements. The Chairman is elected from among the members and is an independent director pursuant to Paragraph 15.10 of the Listing Requirements.

Mr Chok Hooa @ Chok Yin Fatt is a member of the Malaysian Institute of Accountants. In this respect, the Company is in compliance with Paragraph 15.09(1)(c)(i) of the Listing Requirements.

### Meetings

During financial year ended December 31, 2018, four (4) meetings were held and the details of attendance of each AC members are as follows:-

| AC Members | Attendance |
|---|---|
| Dato' Ir. Nik Mohamad Pena bin Nik Mustapha | 4/4 |
| Chok Hooa @ Chok Yin Fatt | 4/4 |
| Dato' Mohd Adhan bin Kechik | 4/4 |
| Dato' Sri Kuan Khian Leng | 4/4 |

# Audit Committee Report

## SUMMARY OF WORKS OF THE AUDIT COMMITTEE

During financial year ended December 31, 2018, the AC had discharged its duties and responsibilities by carrying out the following works and activities:-

### Financial Reporting

1. Reviewed the quarterly financial results including the draft announcements pertaining thereto, and make recommendations to the Board for approval of the same as follows:-

| Date of meetings | Review of unaudited quarterly financial results and audited financial statements |
|---|---|
| February 26, 2018 | Fourth quarter unaudited financial results as well as the audited financial statements of the Group for the financial year ended December 31, 2017 |
| May 30, 2018 | First quarter unaudited financial results ended March 31, 2018 |
| August 27, 2018 | Second quarter unaudited financial results ended June 30, 2018 |
| November 21, 2018 | Third quarter unaudited financial results ended September 30, 2018 |
| February 26, 2019 | Fourth quarter unaudited financial results as well as the audited financial statements of the Group for the financial year ended December 31, 2018 |

   The above review is to ensure that the Company's quarterly financial reporting and disclosures present a true and fair view of the Group's financial position and performance and are in compliance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia;

2. Reviewed with the Management on any significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements and steps taken to address the matters.

### Risk Management and Internal Control

1. Deliberated and reviewed with the Spritzer Group Risk Management Advisory Committee on the Group's risk profile, the key risks identified and the risk management process to ensure that all high and critical risk areas are being addressed;

2. Reviewed with the Management and internal auditors on the adequacy and effectiveness of the internal control system to ensure compliance with the internal controls and procedures set up within the Group and adequate scope coverage over the activities of the Group;

3. Reviewed and deliberated internal audit reports and to monitor/follow-up on remedial action. The internal audit team had tested, assessed and obtained reasonable assurance that the internal controls within the financial and operational system had remain intact.

4. Reviewed the Statement on Risk Management and Internal Control and recommend to the Board for approval prior to the inclusion in the Company's Annual Report 2018.

# Audit Committee Report

**External Audit**

1. Reviewed with the External Auditors at the meeting held on November 21, 2018, their audit plan in respect of the financial year ended December 31, 2018, outlining the auditors' responsibilities, financial and business highlights, materiality level of the Group, significant risks and areas of audit focus, fraud responsibilities and representations, internal control plan, involvement of internal auditors, involvement of internal specialists, involvement of audit data analytics, involvement of component auditors, timing of audit, engagement quality control, independence policies and procedures and financial reporting and other technical updates;

2. Discussed and considered the significant accounting and auditing issues arising from the interim audit as well as the final audit with the External Auditors. The AC also had a private discussion with the External Auditors on February 26, 2019 without the presence of Management during the review of the Final Report to those changed with governance for the financial year ended December 31, 2018 to discuss any fraudulent case and/or problems/issues arising from the audit;

3. Reviewed and evaluated the performance, competency, professionalism and the confirmation of independence from the External Auditors. In respect of the financial year ended December 31, 2018, Deloitte PLT ("**Deloitte**") has confirmed their independence to act as the Company's External Auditors in accordance with the relevant professional and regulatory requirements.

   The AC, having been satisfied with the performance, independence and suitability of Deloitte, had recommended to the Board for approval of the re-appointment of Deloitte as the External Auditors for the financial year ending December 31, 2019 at its meeting held on February 26, 2019 at a fee to be determined later.

**Internal Audit**

1. Reviewed and approved the Internal Audit Plan for the financial year ended December 31, 2018 to ensure that the scope and coverage of the internal audit of the Group is adequate and comprehensive;

2. Reviewed the quarterly internal audit reports and considered the findings and recommendations made including the Management's responses and the corrective action, if necessary. The Internal Auditors monitored the implementation of Management's action plans on outstanding issues through follow up audits to ensure that all key risks and weaknesses were being properly addressed;

3. Reviewed the performance, effectiveness and independence of the internal audit functions. The AC, having satisfied that the Internal Audit Department has maintained a high degree of independence and professionalism in carrying out their duties as the internal auditors and agreed that the internal audit function is effective and able to provide value added services to the Group.

# Audit Committee Report

**Other activities**

1. Reviewed on a quarterly basis, the recurrent related party transactions entered into by the Group and the Company to ascertain that the transactions are conducted at arm's length and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders;

2. Reviewed and/or updated the Group's Code of Conduct, Corporate Disclosure Policy, Whistle Blowing Policy and AC Charter prior to recommendation to Board for approval;

3. Reviewed the AC Report and Corporate Governance Overview Statement for inclusion in the Annual Report 2018 before recommendation to the Board for approval.

The Group does not have an internal audit department of its own and had therefore engaged the services of a related party to carry out such tasks. Total costs incurred for the internal audit function of the Group for the financial year ended December 31, 2018 amounted to RM40,718.

**SUMMARY OF WORKS UNDERTAKEN BY A RELATED PARTY ENGAGED TO CARRY OUT INTERNAL AUDIT FUNCTION**

The Company has engaged a related party, Yee Lee Edible Oils Sdn Bhd, to perform internal audit function for the Group. The outsourced internal auditors assisted by our internal audit staff have perform routine audit on all operating units within the Group, with emphasis on principal risk areas. The planning and conduct of audits based on the risk profile of the business units of the Group is in line with the approach adopted in the Enterprise Risk Management of the Group. Their audit scopes include regular independent assessments and systematic review of the adequacy, efficiency and effectiveness of the Group's internal control system. The internal auditors also undertake to conduct special audits from time to time as requested by the senior management.

Audit assignments were performed during the year on subsidiary companies of the Group covering assets management, cash collections and credit control, inventory, purchasing and sales, operations and compliance to quality management system. Audit reports incorporating the findings and recommendations for corrective actions on the systems and control weaknesses are presented to the Management concerned and thereafter to the AC for appraisal and review. The Management will ensure all remedial actions have been taken to resolve the audit issues highlighted in the audit reports within a reasonable time frame. Significant issues will be highlighted by the AC to the Board on quarterly basis.

# Corporate Governance Overview Statement

Spritzer Bhd ("Spritzer" or "Company") adheres to high standards of corporate governance practices under the leadership of the Board of Directors ("**Board**"), as guided by the new Malaysian Code on Corporate Governance ("**MCCG**"). It is being applied as a fundamental part of discharging the directors' responsibilities to protect and enhance shareholders' value.

The Board of Directors of Spritzer presents this statement to provide shareholders and investors with an overview of the corporate governance ("**CG**") practices of the Company under the leadership of the Board during the financial year 2018. This statement takes guidance from the key CG principles as set out in the MCCG. The detailed application for each practice as set out in the MCCG is disclosed in the Corporate Governance Report 2018 ("**CG Report 2018**") which is available on the Company website at http://www.spritzer.com.my.

## PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

### Part I – Board Responsibilities

### 1. Board's Leadership on objectives and Goals

#### 1.1 Company's strategic aims, values and standards

The Board is always mindful of its responsibilities to the Company's shareholders and other stakeholders for creating and delivering sustainable value and long-term success through its leadership and management of the Company's businesses, in pursuing the commercial and regulatory objectives of the Company.

For the foregoing, the Board is responsible for formulating the strategic plans, and establishing visions and goals for delivery of such long-term value, and ensures effective leadership through oversight on management and continuously monitoring, overseeing and evaluating the Group's strategies, policies and performance so as to protect and enhance shareholders' and other stakeholders' value.

The Managing Director, Group Chief Executive Officer and Executive Director are primarily responsible for the implementation of the strategies set by the Board and manage the day-to-day operations and administrative functions. The Management supports the Executive Director in managing the financial and general operations of the Group.

The Independent Non-Executive Directors provide objective and independent judgement to the decision making of the Board which provides an effective check and balance to the Board's decision-making process.

The Board does not actively manage but rather oversees the management of the Group. To ensure the effective discharge of its functions and responsibilities, the Board delegates some of its authorities and discretion to the Managing Director, Group Chief Executive Director, Executive Director, representing the Management as well as the Board Committees, namely the Audit Committee, Nomination Committee, Remuneration Committee, Executive Committee, Spritzer Group Risk Management Advisory Committee and Sustainability Committee which are entrusted with specific responsibilities to oversee the Group's affairs, with authority to act on behalf of the Board in accordance with their respective Terms of Reference.

Executive Committee has been established during the year and is made up of 3 Board members and other senior management of the Group, that meets regularly to deliberate on key business decisions, assess ongoing business performance and make recommendations to the Board.

The ultimate responsibility for the final decision on all matters deliberated in these Committees, however, lies with the Board. Besides that, the Chairman of the relevant Board Committees also reports to the Board on key issues deliberated by the Board Committees at their respective meetings.

Further details on the Spritzer Group Risk Management Advisory Committee and Sustainability Committee are set out in the Statement on Risk Management and Internal Control and Sustainability Statement of this Annual Report.

### 1.2 The Chairman

The Chairman holds a Non-Executive position and is primarily responsible for matters pertaining to the Board and the overall conducts of the Group. The Chairman is committed to good corporate governance practices and has been leading the Board towards high performing culture.

### 1.3 Separation of positions of the Chairman and Group Chief Executive Officer

The roles and responsibilities of the Chairman and Group Chief Executive Officer are separated to ensure a balance of power and authority. The Chairman is responsible for ensuring Board effectiveness and conduct whilst the Group Chief Executive Officer has the overall responsibilities over organizational effectiveness and the implementation of Board's policies and decisions.

The separation of responsibilities between the Chairman and Group Chief Executive Officer are set out in the Board Charter which can be viewed at the Company's website at http://www.spritzer.com.my.

### 1.4 Qualified and Competent Company Secretaries

The Board is supported by two (2) professionally qualified Company Secretaries who individually has more than ten (10) years of corporate secretarial experience. Both Company Secretaries have the requisite credentials and are qualified to act as company secretary under Section 235(2) of the Companies Act 2016.

The Company Secretaries serve notice to the Directors and Principal Officers of the Company to notify them of the closed periods for trading in the Company's shares. The Company Secretaries attend and ensure that all Board meetings are properly convened and that accurate and proper records of the proceedings and resolutions passed are taken and maintained in the statutory register of the Company. The Company Secretaries work closely with the Management to ensure that there are timely and appropriate information flows within and to the Board and Board Committees.

The Board is of the view that the Company Secretaries are competent and have kept themselves abreast with the evolving regulatory changes and developments through continuous education programmes and attendance of relevant conferences, seminars and training programmes.

### 1.5 Meeting Materials

The Board is provided with an agenda, reports and other relevant information at least seven (7) days of the Board Meetings, covering various aspects of the Group's operations, so that they have a comprehensive understanding of the matters to be deliberated upon to enable them to arrive at an informed decision. All scheduled meetings held during the year were preceded with a formal agenda issued by the Company Secretaries. Senior management and advisers are invited to attend Board Meetings, where necessary, to provide additional information and insights on the relevant agenda items tabled at Board Meetings.

# Corporate Governance Overview Statement

The Company Secretaries attend and ensure that the deliberations and decisions at Board and Board Committee meetings are well documented in the minutes, including matters where Directors abstained from voting or deliberation.

## 2. Demarcation of Responsibilities

### 2.1 Board Charter

The Board is guided by the Board Charter which sets out the roles, functions, authority, responsibilities, membership, key matters reserved for the Board, relationships with management and other matters.

The Board will review the Board Charter periodically and updates it in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities to ensure its effectiveness. The Board Charter can be viewed at the Company's website at http://www.spritzer.com.my.

## 3. Good Business Conduct and Healthy Corporate Culture

### 3.1 Code of Conduct

The Board has formalised a Directors' Code of Ethics and Conduct that is incorporated in the Board Charter, which sets out the standard of conduct expected of Directors, with the aim to cultivate good ethical conduct that permeates throughout the Group through transparency, integrity and accountability.

Directors are required to disclose any conflict of interest situations or any material personal interest that they may have in the affairs of the Group as soon as they become aware of the interest and abstain themselves from any deliberations on the matter.

### 3.2 Whistleblower Policy

The Company's Whistleblower Policy provides a mechanism for its Board members, all levels of employees, contractors, suppliers, bankers, customers and business associates to report suspected or instances of wrongdoing in the conduct of its business, whether in matters of financial reporting or other malpractices, at the earliest opportunity and in an appropriate way.

The Whistleblower Policy is available on the Company's website at http://www.spritzer.com.my.

## Part II – Board Composition

## 4. Board's objectivity

### 4.1 Composition of the Board

The Board has nine (9) members, comprising three (3) Executive Directors and six (6) Non-Executive Directors for the financial year ended December 31, 2018. Out of the nine (9) Directors, three (3) are independent. The role of Chairman is held by a Non-Independent Non-Executive Director. This Board composition complies with the Listing Requirements to have at least one third of the Board consisting of Independent Directors.

The MCCG requires that at least half of the Board comprises independent directors. The Board will endeavor to have at least half the Board comprises independent directors.

**4.2 Tenure of Independent Directors**

The Nomination Committee and the Board have determined at the annual assessment carried out on Dato' Mohd Adhan bin Kechik, Dato' Ir. Nik Mohamad Pena bin Nik Mustapha and Dato' Sri Kuan Khian Leng, all of whom have served on the Board for a cumulative term of more than twelve (12) years, that they remain objective and independent in expressing their views and in participating in deliberations and decision making of the Board and Board Committees. The length of their services on the Board does not in any ways interfere with their exercise of independent judgement and ability to act in the best interest of the Company.

The Board is statisfied with the level of independence demonstrated by all the Independent Non-Executive Directors and their ability to act in the best interest of the Company.

In accordance with Practice 4.2 of the MCCG, resolutions under the special business to retain Dato' Mohd Adhan bin Kechik, Dato' Ir. Nik Mohamad Pena bin Nik Mustapha and Dato' Sri Kuan Khian Leng as Independent Directors will be tabled in the forthcoming 26th AGM through a two-tier voting process.

**4.3 Policy on Independent Director's Tenure**

The Company does not have a policy which limits the tenure of its independent directors to nine (9) years. The Board Charter has adopted Practice 4.2 of the MCCG to seek shareholders' approval in the event the Board desires to retain as an Independent Director, a person who has served in that capacity for more than nine (9) years. If the Board continues to retain the Independent Director after the twelfth (12th) year, the Board must seek shareholders' approval annually through a two-tier voting process.

**4.4 Diverse Board and Senior Management**

The Nomination Committee is responsible for reviewing and assessing the mix of skills, expertise, composition, size, experience and effectiveness of the Board, its Committees and Senior Management.

This process ensure that the Board membership accurately reflects the long-term strategic direction and needs of the Company while it determines the skills matrix needed to support the strategic direction and needs of the Company.

Appointment of Board and Senior Management are based on objective criteria, merit and besides gender diversity, due regard are placed for diversity in skills, experience, age and cultural background. Please refer to the Directors' Profile and Key Senior Management's Profile in this Annual Report for further information.

**4.5 Gender Diversity Policy**

The Board acknowledges the importance of boardroom diversity and the recommendation of the MCCG pertaining to the establishment of a gender diversity policy. Hence, the Board had always been in support of a policy of non-discrimination on the basis of race, religion and gender. The Board encourages a dynamic and diverse composition by nurturing suitable and potential candidates equipped with the competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company.

The Board through the Nomination Committee will consider the gender diversity as part of its future selection and will endeavour to appoint suitably qualified woman director.

### 4.6 New Candidates for Board Appointment

The Nomination Committee is responsible for identifying and recommending suitable candidates for Board membership and also for assessing the performance of the Directors on an ongoing basis.

The process for the appointment of a new director is summarised as follows:-

1. The candidate identified upon the recommendation by the existing Directors, senior management staff, shareholders and/or other consultants;
2. In evaluating the suitability of candidates to the Board, the Nomination Committee considers, inter-alia, the competency, experience, commitment, contribution and integrity of the candidates, and in the case of candidates proposed for appointment as Independent Non-Executive Directors, the candidate's independence;
3. Recommendation to be made by Nomination Committee to the Board if the proposed candidate is found to be suitable. This includes recommendation for appointment as a member of the various Board committees, where necessary; and
4. The final decision as to who shall be appointed as Director remains the responsibility of the full Board after considering the recommendation of the Nomination Committee.

### 4.7 Nomination Committee

The Nomination Committee has three (3) members comprising exclusively of Non-Executive Directors, all of whom are Independent Directors. The Nomination Committee meets at least once in a year with additional meetings to be convened, if necessary. During the financial year ended December 31, 2018, the Nomination Committee had met on February 26, 2018 and May 30, 2018, full attendance by the members was recorded:-

| | **Number of meeting attended** |
|---|---|
| **Chairman** | |
| Dato' Ir. Nik Mohamad Pena bin Nik Mustapha, DIMP<br>*Independent Non-Executive Director* | 2/2 |
| **Members** | |
| Dato' Mohd Adhan bin Kechik, DJMK, SMK<br>*Independent Non-Executive Director* | 2/2 |
| Dato' Sri Kuan Khian Leng, S.S.A.P.<br>*Independent Non-Executive Director* | 2/2 |

The Nomination Committee is responsible for assessing the performance of the existing Directors and identifying, nominating, recruiting, appointing and orientation of new Directors. It assists the Board in reviewing on an annual basis the overall composition, appropriate balance and size of Non-Executive participation and in establishing procedures and processes towards an annual assessment of the effectiveness of the Board as a whole and contribution of each individual Director and Board Committee members. All recommendations of the Nomination Committee are subject to the endorsement of the Board.

The Terms of Reference of the Nomination Committee is available on the Company's website at http://www.spritzer.com.my.

# Corporate Governance Overview Statement

## 5. Overall Board Effectiveness

### 5.1 Annual evaluation and directors training

The Nomination Committee conducted its formal annual evaluation and appraisal on the effectiveness of the Board, its Committees and the contribution of each director. The evaluation comprised assessment by individual directors and assessment of independence of independent directors. The assessment of individual director is based on specific criteria, covering areas such as Board composition and structure, principal responsibilities of the Board, the Board process, succession planning and Board governance.

There were no major concerns from the results of the annual assessment. The Nomination Committee, upon the review carried out, is satisfied that the size of the Board is optimum and that there is an appropriate mix of experience and expertise in the composition of the Board and its Committees.

Based on the annual board assessment and evaluation, the Nomination Committee has recommended the re-election of Dato' Mohd Adhan bin Kechik, Dato' Ir. Nik Mohamad Pena bin Nik Mustapha and Dato' Sri Kuan Khian Leng as directors at the forthcoming 26$^{th}$ AGM. The Board (saved for the interested directors) is satisfied that these three (3) directors have continued to contribute to the Board effectiveness and have discharged their responsibilities as directors.

An assessment and evaluation on the performance and effectiveness of the Audit Committee for the financial year ended December 31, 2018 was undertaken by the Nomination Committee on February 26, 2019. The Nomination Committee is satisfied that the Audit Committee and its members have discharged their functions, duties and responsibilities in accordance with the Audit Committee Charter.

The Directors are aware of the time commitment expected from each of them to attend to the matters of the Group generally, including attendance at Board, Board Committee and other types of meetings. None of our Directors are directors of more than five (5) public listed companies. The Board is satisfied that the present directorships in external organizations held by the Directors do not give rise to any conflict of interests nor impair their ability to discharge their responsibilities to the Group. The Directors would notify the Company prior to accepting any new directorship in a public listed company.

The Board has committed to meet at least four (4) times a year, usually before the announcement of quarterly results to Bursa Malaysia Securities Berhad ("**Bursa Securities**"), with additional meetings convened when necessary. In the intervals between Board meetings, for exceptional matters requiring urgent Board decisions, Board approvals are obtained via circular resolutions which are supported with information necessary for an informed decision. To facilitate Directors' planning and time management, an annual meeting calendar is prepared and given to Directors before the beginning of the new financial year.

# Corporate Governance Overview Statement

During the financial year ended December 31, 2018, four (4) Board meetings were held and the attendance is as follows:-

| Directors | Attendance |
|---|---|
| Dato' Lim A Heng @ Lim Kok Cheong | 4/4 |
| Dato' Lim Kok Boon | 4/4 |
| Lim Seng Lee | 4/4 |
| Lam Sang | 4/4 |
| Chok Hooa @ Chok Yin Fatt | 4/4 |
| Dato' Ir. Nik Mohamad Pena bin Nik Mustapha | 4/4 |
| Dato' Mohd Adhan bin Kechik | 4/4 |
| Dato' Sri Kuan Khian Leng | 4/4 |
| Tan Chow Yin | 4/4 |

The Board acknowledges that continuous education is vital in keeping them abreast with developments in the market place and with new statutory and regulatory requirements, besides enhancing professionalism and knowledge in enabling them to discharge their roles in an effective manner.

Relevant training programmes were arranged to facilitate knowledge building for Directors. The Directors may also attend additional training courses according to their individual needs, to equip themselves for the discharge of their responsibilities as directors of a public listed company and in the Board Committees on which they serve.

All the Directors have attended and completed the Mandatory Accreditation Programme ("MAP") as prescribed by the Bursa Securities.

All the Directors have attended development and training programmes during the financial year ended December 31, 2018. The conferences, seminars, workshops and training programmes attended by the Directors were as follows:-

| Name | Conferences, seminars, workshops and training programmes |
|---|---|
| Dato' Lim Kok Cheong | F & B Innovation Seminar |
| Dato' Lim Kok Boon | F & B Innovation Seminar |
| Lim Seng Lee | Multiple Intelligence & Dermatoglyphics |
| | Cryptocurrencies, ICO's and Blockchain Technology |
| | Can We Reverse Cancer? |
| | NLP and the Effect of the Unconscious in the Corporate World |
| | F & B Innovation Seminar |
| | The Myths and Truths of Cholesterol & Bloody Pressure |
| Lam Sang | F & B Innovation Seminar |
| Chok Yin Fatt | MFRS 15 - Revenue from Contracts with Customers |
| | FMM Perak Tea Talk on Company Insurance - Know Your Rights and It's Hazards |
| | F & B Innovation Seminar |
| | Malaysian Sustainable Palm Oil Supply Chain Certification Standard (MSPO SCCS) Training |

# Corporate Governance Overview Statement

| Name | Conferences, seminars, workshops and training programmes |
|---|---|
| Dato' Ir. Nik Mohamad Pena bin Nik Mustapha | F & B Innovation Seminar |
| Dato' Mohd Adhan bin Kechik | F & B Innovation Seminar |
| Dato' Sri Kuan Khian Leng | Talk on Managing Construction Projects |
| | Sustainability Reporting Workshop for Practitioners |
| | Blockchain and its Application to the Commercial World |
| | F & B Innovation Seminar |
| Tan Chow Yin | Bursa Securities Mandatory Accreditation Programmes for Directors |
| | The Leader's Voice – Motivating and Influencing Audience |
| | Economic Update – Global, Regional and Post - GE14 Malaysia Outlook |
| | EPF Global Private Equity Summit 2018 |

## Part III – Remuneration

### 6. Level and Composition of Remuneration

#### 6.1 Remuneration Policy

The Board has adopted its Remuneration Policy which sets out the remuneration package of Directors and Senior Management offered by the Group and the Company that in line with current market practices to attract, retain, motivate and reward suitably qualified candidates to occupy positions in the Board and Senior Management, thereby attaining the corporate objectives and sustainable growth and development of the Group and the Company. The Remuneration Policy is available on the Company's website at http://www.spritzer.com.my.

The Company endeavours to obtain up-to-date remuneration data and information on pay patterns and market practices. The remuneration packages of companies comparable to the Company will be used as benchmarks to ensure the remuneration packages of the Company offered to the Directors and Senior Management remain appropriate and competitive. For the Executive Director(s) and Senior Management, the components of the remuneration package are linked to corporate and individual performance; For the Non-Executive Directors, they receive a fixed Director's fee, meeting and travelling allowances for attending meetings of the Board and its Committees. Other allowance may also be paid for performance of specific job assignment.

### 6.2 Remuneration Committee

The Remuneration Committee has three (3) members comprising of the following members, a majority of whom are Independent Directors:-

| | Number of meeting attended |
|---|---|
| **Chairman** | |
| Dato' Mohd Adhan bin Kechik, DJMK, SMK<br>*Independent Non-Executive Director* | 2/2 |
| **Members** | |
| Dato' Sri Kuan Khian Leng<br>*Independent Non-Executive Director* | 2/2 |
| Tan Chow Yin<br>*Non-Independent Non-Executive Director* | 2/2 |

Meetings of the Remuneration Committee are held as and when necessary, and at least once a year. During the financial year ended December 31, 2018, the Remuneration Committee convened two (2) meetings on February 26, 2018 and May 30, 2018. Full attendances of the members were recorded at both meetings.

The Remuneration Committee is responsible for setting the policy framework and makes recommendation to the Board on all elements of remuneration and terms of employment of Executive Director(s) and Senior Management. Non-Executive Directors' remuneration will be a matter to be decided by the Board as a whole with the Director concerned abstaining from deliberations and voting decisions in respect of his individual remuneration.

The Remuneration Committee is entrusted to assist the Board, amongst others, to recommend to the Board the remuneration of Executive Director(s) and Senior Management by linking rewards to the corporate and individual performance. The Remuneration Committee shall ensure that the level of remuneration is sufficient to attract and retain Directors and Senior Managent of the quality required to manage the business of the Group.

The Terms of Reference of the Remuneration Committee is available on the Company's website at http://www.spritzer.com.my.

# Corporate Governance Overview Statement

## 7. Remuneration of Directors and Senior Management

### 7.1 Directors' Remuneration

The details of the remuneration of the Directors of the Company (comprising remuneration received and/or receivable from the Company and its subsidiaries) during the financial year ended December 31, 2018 are categorised as follows:-

**The Group**

| | Fee RM'000 | Meeting Allowance RM'000 | Salaries RM'000 | Bonus RM'000 | Benefits-in-kind RM'000 | Other Emoluments RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| Non-Executive Directors | | | | | | | |
| Dato' Lim Kok Cheong | 68.0 | 2.0 | - | - | 50.0 | 444.7 | 564.7 |
| Chok Yin Fatt | 28.0 | 6.1 | - | - | - | 54.6 | 88.7 |
| Dato' Ir. Nik Mohamad Pena bin Mustapha | 28.0 | 5.0 | - | - | - | 12.0 | 45.0 |
| Dato' Mohd Adhan bin Kechik | 28.0 | 6.0 | - | - | - | 39.1 | 73.1 |
| Dato' Sri Kuan Khian Leng | 28.0 | 6.0 | - | - | - | - | 34.0 |
| Tan Chow Yin | - | - | - | - | - | - | - |
| Executive Directors | | | | | | | |
| Dato' Lim Kok Boon | 56.5 | 2.0 | 1,037.2 | 976.6 | 86.0 | 257.5 | 2,415.8 |
| Lim Seng Lee | 28.0 | 4.1 | 870.6 | 498.0 | 34.5 | 174.6 | 1,609.8 |
| Lam Sang | 40.5 | 4.1 | 390.0 | 160.0 | 21.2 | 76.6 | 692.4 |
| **Total** | 305.0 | 35.3 | 2,297.8 | 1,634.6 | 191.7 | 1,059.1 | 5,523.5 |

**The Company**

| | Fee RM'000 | Meeting Allowance RM'000 | Salaries RM'000 | Bonus RM'000 | Benefits-in-kind RM'000 | Other Emoluments RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| Non-Executive Directors | | | | | | | |
| Dato' Lim Kok Cheong | 31.0 | 2.0 | - | - | - | - | 33.0 |
| Chok Yin Fatt | 28.0 | 6.1 | - | - | - | - | 34.1 |
| Dato' Ir. Nik Mohamad Pena bin Mustapha | 28.0 | 5.0 | - | - | - | 12.0 | 45.0 |
| Dato' Mohd Adhan bin Kechik | 28.0 | 6.0 | - | - | - | - | 34.0 |
| Dato' Sri Kuan Khian Leng | 28.0 | 6.0 | - | - | - | - | 34.0 |
| Tan Chow Yin | - | - | - | - | - | - | - |
| Executive Directors | | | | | | | |
| Dato' Lim Kok Boon | 28.0 | 2.0 | - | - | - | - | 30.0 |
| Lim Seng Lee | 28.0 | 4.1 | - | - | - | - | 32.1 |
| Lam Sang | 28.0 | 4.1 | - | - | - | - | 32.1 |
| **Total** | 227.0 | 35.3 | - | - | - | 12.0 | 274.3 |

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

### Part I – Audit Committee

### 8. Effective and Independent Audit Committee

The Audit Committee ("AC") of the Company presently comprises four (4) Non-Executive Directors, with a majority being independent directors. The AC is chaired by an Independent Director, namely Dato' Ir. Nik Mohamad Pena bin Nik Mustapha who is distinct from the Chairman of the Board.

The members of the AC have a mix of commercial, banking, financial skills and accounting experience. Arrangements will be made by the Company for the members of the Committee to attend trainings to continue to keep abreast of relevant developments in accounting and auditing standards, practices and rules.

The Board has established a formal and transparent arrangement with the external auditors of the Company through the AC. The AC communicated directly and independently with the external auditors and without the presence of the Executive Directors.

Further details please refer to the Audit Committee Report.

### Part II – Risk Management and Internal Control Framework

### 9. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

#### 9.1 Effective Risk Management and Internal Control Framework

The Board affirms its overall responsibilities for the Group's system of internal control which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and effectiveness. The internal control system has been applied to manage risks within cost levels appropriate to the significance of the risks. Accompanying these regular reviews and evaluations of internal control system is a continuous process for identifying, evaluating and managing significant risks which are faced by the Group.

The Group Risk Management Advisory Committee ("GRMAC") was dissolved and a new Committee under the chairmanship of the Group Chief Executive office called Spritzer Group Risk Management Advisory Committee ("SGRMAC") has been established and larger to take over the roles and responsibilities of GRMAC.

The establishment of SGRMAC is to support the Group in its management of risks that could affect the Group's ability to achieve its strategic objectives or compromise its mission and core values. The SGRMAC will provide direction and counsel to the risk management process as well as involves in the evaluation of the structure for the Group's risk management processes and support system. In addition, it will review and approve actions developed to mitigate key risks and advising the Board on risk related issues.

Companies within the Group has their own Risk Management Committee ("RMC") chaired by Managing Director or General Manager of the respective companies and the members (Risk Management Representatives) are departmental heads of various business units. Risks identified are raised for attention in the Risk Action Plan ("RAP"). The RAPs include an assessment of the degree of risk, and an evaluation of the effectiveness of the risk mitigating and treatment measures.

The risk management programme has served the Group with structured, consistent approaches and methodologies in responding to the uncertainties in its operating environment. This warrants the strategic and rapid response by the management to impede the impact on its key risks to achieve the Group's business objectives.

### 9.2 Features, Adequacy and Effectiveness of Risk Management and Internal Control Framework

The Board has adopted a systematic approach to oversee the actual performance and provides guidance to the Management on measures to improve the business performance and minimise risk impacts. The Group has an adequate and effective risk management framework, and a sound internal control system in place. The Audit Committee will review and monitor the adequacy and effectiveness of the Group's risk management system and system of internal control, and advises the Board accordingly.

The Board is committed towards improving the system of internal control and risk management process to meet its corporate objectives and to support all types of businesses and operations within the Group. The Board is of the opinion that the Group's present system of internal controls is sound and sufficient to safeguard the Group's interest and its business operations. It is also satisfied that the risks taken are at an acceptable level within the control of the business environment of the Group.

The features of risk management and internal control framework are adequately disclosed in the Statement on Risk Management and Internal Control of this Annual Report.

## 10. Effective Governance, Risk Management and Internal Control

On February 26, 2019, an annual assessment of the effectiveness and independence of the outsourced internal audit function has been conducted by the AC with the Head of the Internal Audit for the financial year ended December 31, 2018. The outsourced Internal Audit Team has carried out their duties objectively, impartially and independently in accordance with the International Professional Practice Framework for Internal Auditing and Code of Ethics for Internal Auditors.

They have adequate resources and competency to undertake all the internal audit activities for the Group and the fees are reasonable and compatible with the audit works done by the external audit firms. Moreover, the goals and objectives as per the Annual Audit Plan had been achieved.

The Audit Committee is satisfied with the outsourced internal audit team whereby they have maintained high degree of independence and professionalism in carrying out their duty as the internal auditors.

The Board is of the view that the system of risk management and internal control in place during 2018 is sound and sufficient to safeguard the Group's interest and its business operations.

# Corporate Governance Overview Statement

## PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### Part I – Communication with Stakeholders

### 11. Continuous Communication between Company and Stakeholders

The Board recognises the importance of communication with shareholders of the Company. Shareholders play an essential part in corporate governance and the Board ensures that shareholders are kept informed and notified of the Company's disclosures through timely releases to Bursa Securities. The Group Financial Controller and/or the Company Secretary oversee investor relations and where it deems it practicable to do so, will engage with institutional shareholders based on mutual understanding of objectives and entertains visits from such institutional shareholders or other fund managers representing shareholders/potential investors.

The Company's annual report is integrated with all the required information such as the audited financial statements, governance and sustainability statement. The Board will continue to assess and improve on the reporting and disclosure. The Company further ensures that shareholders are kept fully informed through information provided on the Company's website at http://www.spritzer.com.my.

### Part II – Conduct of General Meetings

### 12. Encourage Shareholder Participation at General Meetings

The Board regards the AGM and other general meetings as an opportunity to communicate directly with shareholders and encourages attendance and participation in dialogue. To ensure effective participation of and engagement with shareholders at the 25th AGM of the Company held on May 30, 2018, all members of the Board were present at the meeting to respond to the questions raised by the shareholders or proxies. The Chairman of the Board chaired the 25th AGM in an orderly manner and allowed the shareholders or proxies to speak at the meeting. The Management and external auditors were in attendance to respond to the shareholders' queries. Further, in line with good corporate governance practice, the notice of the 25th AGM was issued at least 28 days before the AGM date.

Pursuant to Paragraph 8.29A(1) of the Listing Requirements, the Company is required to ensure that any resolution set out in the notice of general meetings is voted by poll. Hence, all the resolutions set out in the notice of the Company's 25th AGM were voted by poll.

Due to the Company having a relatively small number of shareholders and that the Company's AGM are not held in remote areas, voting in absentia and remote shareholders' participation are not facilitated as advocated in MCCG's Practice 12.3.

This CG Overview Statement was approved by the Board on April 9, 2019.

# Corporate Governance Overview Statement

## OTHER INFORMATION

### 1. Utilisation of Proceeds raised from Corporate Proposals

The status of utilisation of proceeds raised from the Private Placement as of December 31, 2018 is as follows:

| | Purpose | Proposed utilisation RM'000 | Actual utilisation RM'000 | Intended timeframe for utilisation | Deviation RM'000 | Deviation % |
|---|---|---|---|---|---|---|
| (i) | Construction of an automated warehouse | 45,000 | 10,467 | November 2020 | - | - |
| (ii) | Working capital | 18,613 | 15,828 | November 2019 | - | - |
| (iii) | Expenses in relation to the Private Placement | 200 | 107 | December 2017 | 93 | 47 |
| | **Total** | 63,813 | 26,402 | | | |

### 2. Non-audit Fees

For the financial year ended December 31, 2018, the amount of audit and non-audit fees paid/payable to the Company's external auditors are as follows:-

| | The Group RM'000 | The Company RM'000 |
|---|---|---|
| Audit fee | 206 | 47 |
| Non-audit fee | - | - |
| **Total** | 206 | 47 |

### 3. Material Contracts

Save as disclosed below, there was no material contract which has been entered into by the Group, involving the Directors' and major shareholders' interests, since the end of the previous financial year and at the end of the financial year ended December 31, 2018:

A wholly-owned subsidiary of the Company, namely Chuan Sin Sdn Bhd had on August 9, 2018 entered into Sale and Purchase Agreements with Spritzer Resources Sdn Bhd ("Vendor" or "SRSB") for the purchase of three (3) units of parcels in the Vendor's office suites development known as "VIDA Bukit Ceylon" held under freehold Master Title Geran No.: 50066, Lot No. 1298, Seksyen 57, Bandar Kuala Lumpur, Daerah Kuala Lumpur, for a total cash consideration of RM4,259,000.

Dato' Lim A Heng @ Lim Kok Cheong ("LKC") and Datin Chua Shok Tim @ Chua Siok Hoon ("CSH") each holds 30% share in Red Eagle Resources Sdn Bhd ("RER"). RER in turn holds 90% share in Genlin Development Sdn Bhd ("Genlin") and Genlin holds 54.55% share in SRSB. Thus both LKC and CSH are deemed major shareholders with controlling interest in SRSB. LKC also directly has 20% share in Chuan Sin Resources Sdn. Bhd. ("CSRSB") which holds 7.58% share in SRSB.

Dato' Lim Kok Boon ("LKB") directly holds 1.52% share in SRSB. He also directly has 20% share in CSRSB which holds a direct 7.58% share in SRSB.

LKC and CSH are husband and wife. LKC and LKB are brothers.

# Statement on Risk Management and Internal Control

## INTRODUCTION

The Board of Directors of Spritzer Bhd ("**Board**") is pleased to provide the following Statement on Risk Management and Internal Control pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad ("**Listing Requirements**"). The Board is committed towards fulfilling its responsibility on the Group's compliance with the Principle and the related Practices in relation to risk management and internal control as stipulated in the Malaysian Code on Corporate Governance. The Statement outlines the key features of risk management and internal control system of the Group during the year under review.

## BOARD RESPONSIBILITIES

The Board acknowledges the importance in maintaining sound internal controls and effective risk management practices to mitigate and to manage potential adverse impact arising from unfavourable future events or condition, is good corporate governance in the pursuit of the Group's business objectives.

The Board affirms its overall responsibility for the Group's risk management and internal control system which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. The Board is taking appropriate initiatives to further strengthen the transparency, accountability and efficiency of the Group's operations.

The Board also recognises that a sound system of internal control can only provide reasonable, but not absolute assurance against material loss or failure. The internal control system is thus designed to minimise rather than to completely eliminate the risk of failure in achieving the Group's business objectives. This denotes that the internal control system has been applied to manage risks within cost levels appropriate to the significance of the risks.

## RISK MANAGEMENT FRAMEWORK

The Group recognises that effective Risk Management is an integral part of corporate governance and continuously strives for excellence to ensure effective and systematic protection of its personnel, assets and stakeholders. The effectiveness of the risk management is monitored and evaluated by all levels of management on an ongoing basis. The Group's Enterprise Risk Management ("**ERM**") Framework provides for regular review and reporting.

During the year, the Group Risk Management Advisory Committee ("**GRMAC**") was dissolved and a new and larger Committee under the chairmanship of the Group Chief Executive Officer called Spritzer Group Risk Management Advisory Committee ("**SGRMAC**") has been established to take over the roles and responsibilities of GRMAC.

Companies within the Group has their own Risk Management Committee ("**RMC**") chaired by Managing Director or General Manager of the respective companies and the members (Risk Management Representatives) are departmental heads of various business units. Risks identified are raised for attention in the Risk Action Plan ("**RAP**"). The RAPs include an assessment of the degree of risk, and an evaluation of the effectiveness of the risk mitigating and treatment measures. RAPs are compiled by the Risk Management Representative, reviewed by the Group Risk Officer and approved by the RMC Chairman. RAPs are discussed during RMC meetings that are held at least twice every year. All RAPs shall be reported to SGRMAC during its meetings.

The SGRMAC is headed by the Group Chief Executive Officer and include six other members from Senior Management, including the Group Financial Controller. The SGRMAC will provide direction and counsel to the risk management process as well as involves in the evaluation of the structure for the Group's risk management processes and support system. In addition, it will review and approve actions developed to mitigate key risks and advising the Board on risk related issues. The SGRMAC meetings are held at least once every year.

# Statement on Risk Management and Internal Control

A summary of significant risks is submitted to the Audit Committee for its attention. The Audit Committee will review and monitor the effectiveness of the Group's risk management system, and advises the Board accordingly.

The Group Financial Controller also serves as the Group's Risk Officer who is responsible for enabling the efficient and effective governance of significant risks, and related opportunities, to the Group.

The risk management programme has served the Group with structured, consistent approaches and methodologies in responding to the uncertainties in its operating environment. This warrants the strategic and rapid response by the management to impede the impact on its key risks to achieve the Group's business objectives.

## CONTROL ENVIRONMENT

- The Board Charter sets out the responsibilities and functions of the Board.
- Board committees such as the Audit Committee, the Remuneration Committee and the Executive Committee ("**EXCO**") are established by the Board and they are governed by clearly defined terms of reference and authority for areas within their scope.
- The Sustainability Committee, which is established during the year, is endorsed by the Board and is governed by clearly defined terms of reference.
- The Employee Handbook of Spritzer Bhd provides for the corporate philosophy, core values and milestones of the Group and at the same time sets out the ethical standards and expected code of conduct to achieve the Group's vision and support the business objectives, risk management and internal controls.
- The Group has also written Environment, Safety and Health and Information Technology policies and procedures which are also incorporated into the Employee Handbook.
- The Group has organisational structures which are aligned with its business and operational requirements setting out clearly defined levels of authority and responsibilities. Job description for all levels of employees are also clearly documented and updated on a timely basis.
- The Group complies with ISO 9001:2015 Quality Management System and has established Risk Matrix and Risk & Opportunity ("**R&O**") Register.

## INTERNAL AUDIT FUNCTION

The Group engages an independent Internal Audit Team to conduct scheduled internal audit visits to business units, and carries out its functions in monitoring the effective application of policies, procedures and activities related to internal controls, risk management and governance processes.

The Internal Audit Team conducts risk-based audit with focus on effective risk management practices. Its primary function is to provide objective and independent assurance of the Group's system of internal controls as well as reviewing the adequacy and effectiveness of risk management, governance and control processes that are in place. It also monitors compliance with applicable laws and regulation, policies, and guidelines to ensure these are adhered to by the Group. Internal control weaknesses, if any together with audit recommendation for improvement shall be reported to management for corrective and/or preventive actions. Significant audit findings and corrective measures are to be highlighted to the SGRMAC and the Audit Committee.

# Statement on Risk Management and Internal Control

## CONTROL ACTIVITIES

The control activities carried out by the Group include the following:

- The Group has in place policies and procedures in the form of Standard Operating Procedures – SOP and Operational Manuals in key business processes and support functions which include financial reporting, human capital, procurement, and information systems. Policies and procedures are also established relating to delegation of authority and segregation of duties.
- The ISO Risk Matrix, R&O and improvement plans are reviewed by respective Head of Departments during monthly meetings and updates are presented to and discussed in RMC meetings at least twice in a year.
- The Audit Committee reviews and approves the internal audit plan at the start of the year and reviews the internal audit reports and other internal control issues identified by the Internal Auditors.
- The EXCO, which consists of three Board members and other Senior Management of the Group, meets regularly to deliberate on key business decisions, assess ongoing business performance and make recommendations to the Board.
- The Sustainability Committee, which is led by R&D Director and include senior management of the Group hold meetings to discuss and manage sustainability matters and to ensure compliance with Bursa's requirement on sustainability reporting.
- Major capital expenditures and investments are reviewed and approved by the EXCO and the Board. All other purchases and payments are approved by reference to formalised limits of authority.
- The Group has in place insurance coverage where it is available on economically acceptable terms to minimise related financial impacts.
- The Group's business units set annual Key Performance Indices ("**KPI**") for improvement and performance evaluation purpose. KPIs are reviewed on a monthly basis at subsidiary levels in the monthly Performance Outstanding Steering Committee ("**POST**") meetings and Departmental Head KPI meetings.
- Internal audits are carried out to ensure compliance with KPIs, and audit findings are presented to the Senior Management for review. Corrective actions are carried out to ensure KPIs are achieved.
- Annual operating and financial budgets are prepared by the Group's business and operating units, and are approved by the Managing Directors and submitted to the Board. The review of budget against actual performance are performed on a quarterly basis and are presented to the Senior Management and certain directors. In the process, significant variances are investigated and necessary remedial actions taken to minimise variances in future.
- The Group's Safety and Health Committee holds regular meetings to discuss about related issues and to ensure that the Group's safety and health policies are carried out in compliance with the law and regulations to ensure employee and workplace safety.

## INFORMATION AND COMMUNICATIONS

- Monthly and quarterly management reports and other relevant financial information containing key financial results, ratio analysis and operational performance indicators are submitted to the Senior Management and the Board for review on a timely basis.
- Minutes of Monthly Operations and Demand Review meetings are circulated to the Senior Management for information. Operational issues of material in nature are presented to the Board.
- Minutes of monthly POST meetings are circulated to Senior Management for information on operational matters and challenges faced by various department. Results of the POST audits carried out are also communicated to Senior Management. This facilitates identification of risks on a timely basis.
- The Group has an Enterprise Resource Planning ("**ERP**") system that can capture, compile and analyse data to produce relevant reports for management decision making purposes.
- A Whistleblower policy is established to provide secured communication channel which facilitate whistleblowing in a transparent and confidential manner. The policy sets out mechanism in which genuine whistleblowers will be able to raise concerns about suspected or actual improprieties in matters of financial reporting, violation or non-compliance with the law and regulations and the Group's policy and ethical standards in carrying out its business.

# Statement on Risk Management and Internal Control

## MONITORING

Board meetings are held at least on a quarterly basis where the Board is kept up-to-date on significant changes in the business and the external environment in which the Group operates and to review the performance of the Group.

EXCO meetings are held at least nine times per annum, while Sustainability Committee meets a minimum of four times per annum to strategise and monitor on matters relating to the relevant areas under their scope.

The Group's management team comprising executive directors and departmental heads carries out periodic meetings with agendas on matters for discussion and communicates regularly to monitor operational and financial performance as well as to formulate action plans to address areas of concern.

The independent Internal Audit Team reports to the Audit Committee on the findings of the audit, including risk and control matters of significance that could adversely affect the Group's financial position or reputation. The internal audit function will provide the Board with an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system in anticipating potential risk exposures over key business processes and in controlling the proper conduct of business within the Group.

## REVIEW OF EFFECTIVENESS

The Board remains committed towards improving the system of internal control and risk management process to meet its corporate objectives and to support all types of businesses and operations within the Group. The Board is of the opinion that the Group's present system of internal controls is sound and sufficient to safeguard the Group's interest and its business operations. It is also satisfied that the risks taken are at an acceptable level within the control of the business environment of the Group.

## MAIN RISK AREAS

The main risk areas identified and managed by the Group on an on-going basis are as follows:

**(a) Business / Operations risks**

- The Group is constantly searching for new water sources as well as engaging with local water board in its efforts to ensure there is continuous flow of water supply to cater for demand and production needs.
- The Group has taken actions to identify and manage the threat and opportunities of the digital era and the Industry 4.0 revolution. Areas that are being explored include smart factory transformation, digitalisation of transactions, big data analysis and recruitment of new talent with specialised skills.
- It is the Group's policy to invest in modernisation and automation of production facilities and machinery to increase productivity, overcome labour shortages and keep operational costs at manageable levels.
- To manage risk of lack of talent, the Group has in place attractive remuneration packages and implemented HR policies which focus on attracting and retaining talents within the Group.
- Operations teams hold regular discussions and monthly meetings which include discussions on managing existing risks and identifying new risks affecting the business operations of the Group.
- New risks which are identified will be escalated to operations heads and general managers via electronic communications, minutes of meetings and written reports.
- RAP will be prepared on significant risks identified and the RAPs will be submitted to the Risk Management Representative for further action.

**(b) Financial risks**

The key financial risks facing the Group are credit risk and liquidity and cash flow risks.

*Credit risk*

- Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss which affects negatively the profitability and cash flows of the Group. The exposure of the Group to credit risk arises principally from its trade receivables.
- The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from customer defaults.
- The Group has in place an account opening verification and credit application process to ensure credit worthiness of potential new customers are properly evaluated before acceptance. Cash term or secured payment terms such as with financial guarantee and letter of credit will always be demanded for new customer accounts, with credit limit, where applicable.
- The Group has ageing reports for collection and monitoring purpose. Prompt action, which included orders and delivery suspension will be taken against long overdue accounts.
- The Group's other investments are in highly liquid, money market funds where the risk is limited because the counter parties are banks with high credit-ratings assigned by international credit-rating agencies.

*Liquidity and cash flow risks*

- The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and financial liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.
- The Group's principal source of liquidity has historically been cash flows from operations and funds obtained from long and short-term borrowings.
- The Group expects that the cash generated from its operations, its existing credit facilities and the trade terms provided by its suppliers will be sufficient to meet the Group's currently anticipated capital expenditure and working capital needs for at least the next 12 months.

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Listing Requirements, the External Auditors, Deloitte PLT, have reviewed this Statement, in accordance with the Audit and Assurance Practice Guide 3 issued by the Malaysian Institute of Accountants, for inclusion in the Annual Report for the financial year ended December 31, 2018. Deloitte PLT had reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material aspects, in accordance with the disclosures required by Paragraph 41 and 42 of the Guidelines, nor is it factually inaccurate.

## CONCLUSION

The Board has received assurance from the Group Chief Executive Officer and Group Financial Controller that the Group's risk management and internal control system have operated adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group. For the financial year under review, the Board is satisfied with the adequacy and effectiveness of the Group's risk management and internal control processes in safeguarding the shareholders' investment as well as other stakeholders' interests.

There were no material or significant losses incurred during the financial year as a result of deficiencies in internal control that would require separate disclosure in this Annual Report.

This Statement has been approved by the Board on April 9, 2019

# Director' Responsibility Statement

In Respect of the Audited Financial Statements for the Financial Year Ended December 31, 2018

The Directors are responsible for the preparation, integrity and fair representation of the financial statements of Spritzer Bhd Group. As required by the Companies Act 2016 ("Act") in Malaysia and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the financial statements for the financial year ended December 31, 2018 have been prepared in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Act in Malaysia.

In preparing the financial statements, the Directors have:-

- adopted appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- applied the going concern basis.

The Directors are satisfied that the information contained in the financial statements give a true and fair view of the financial position of the Group and of the Company at the end of the financial year and of the financial performance and the cash flows for the financial year then ended.

The Directors are responsible to ensure that the Group and the Company keep proper accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling the Directors to ensure that the financial statements are drawn up in accordance with the requirements of the Act.

The Directors are responsible for taking reasonably steps to safeguard the assets of the Group and of the Company to prevent and detect fraud and other irregularities.

# Report of the Directors and Financial Statements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# Directors' Report

The directors of **SPRITZER BHD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended December 31, 2018.

## PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding.

The subsidiaries are principally involved in the production of natural mineral water, carbonated flavoured water, distilled water, drinking water and non-carbonated flavoured water, manufacturing and selling of PET preforms, PET bottles, caps, toothbrushes and other plastic products, distribution of bottled water and other consumer products, operator of a mini golf course and recreational park and investment holding. The information on the name, place of incorporation, principal activities, and percentage of issued share capital held by the holding company in each subsidiary is as disclosed in Note 16 to the financial statements.

## RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

| | The Group RM'000 | The Company RM'000 |
|---|---|---|
| **Profit for the year attributable to owners of the Company** | 24,225 | 11,617 |

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

## DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid or proposed by the Company are in respect of the following:

A first and final dividend of 5.5 sen per share, under the single tier system, amounting to RM11,548,280, proposed in the previous financial year and dealt with in the previous directors' report was paid on June 22, 2018.

The directors have proposed a first and final dividend of 3.5 sen per share, under the single tier system, in respect of the current financial year. The proposed 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. Upon approval by the shareholders, the dividend will be accounted for in equity as an appropriation of retained earnings during the financial year ending December 31, 2019.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

## ISSUE OF SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

# Directors' Report

### Treasury Shares

There was no repurchase of its own shares from the open market by the Company during the financial year. As of December 31, 2018, the Company held a total of 24,000 shares as treasury shares at a carrying amount of RM13,832. Further relevant details are disclosed in Note 25(b) to the financial statements.

### Share Options

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

## OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

(a) which would render the amount written off as bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

# Directors' Report

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company in the financial year in which this report is made.

## DIRECTORS

The directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Y Bhg Dato' Lim A Heng @ Lim Kok Cheong, DPMP, JSM, JP
Y Bhg Dato' Lim Kok Boon, DPMP
Mr Lim Seng Lee
Mr Lam Sang
Mr Chok Hooa @ Chok Yin Fatt, PMP
Y Bhg Dato' Ir. Nik Mohamad Pena bin Nik Mustapha, DIMP
YB Dato' Mohd Adhan bin Kechik, DJMK, SMK
YH Dato' Sri Kuan Khian Leng, SSAP
Mr Tan Chow Yin

The directors who hold office in the subsidiaries of the Company during the financial year and up to the date of this report are:

| Name of Directors | Subsidiaries |
|---|---|
| Y Bhg Dato' Lim A Heng @ Lim Kok Cheong, DPMP, JSM, JP | AG, CS, CSC, GPI, PM, SEP |
| Y Bhg Dato' Lim Kok Boon, DPMP | AG, CS, CSC, PM, SEP, SPR HK, SPR GZ |
| Mr Lim Seng Lee | SEP, SPR HK, SPR GZ |
| Dr Chuah Chaw Teo | AG, CS, GPI, PM, SEP |
| Mr Lam Sang | GPI, PM |
| Y Bhg Datin Chua Shok Tim @ Chua Siok Hoon | CS, CSC |
| Mr Lim Ee Young | SPR GZ |
| Mr Tang Ha Huat | GPI |

**Denotes:**

| | |
|---|---|
| AG | Angenet Sdn Bhd |
| CS | Chuan Sin Sdn Bhd |
| CSC | Chuan Sin Cactus Sdn Bhd |
| GPI | Golden PET Industries Sdn Bhd |
| PM | PET Master Sdn Bhd |
| SEP | Spritzer EcoPark Sdn Bhd |
| SPR HK | Spritzer (Hong Kong) Limited |
| SPR GZ | Spritzer (Guangzhou) Trading Limited |

# Directors' Report

## DIRECTORS' INTERESTS

The interests in shares in the Company of those who were directors at the end of the financial year according to the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016, are as follows:

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | **Balance as of 1.1.2018** | **Bought** | **Sold** | **Balance as of 31.12.2018** |
| **Shares in the Company** | | | | |
| **Registered in the name of directors** | | | | |
| Y Bhg Dato' Lim A Heng @ Lim Kok Cheong, DPMP, JSM, JP | 9,147,207 | 367,600 | - | 9,514,807 |
| Y Bhg Dato' Lim Kok Boon, DPMP | 7,254,800 | 400,000 | (654,800) | 7,000,000 |
| Mr Lim Seng Lee | 1,375,566 | - | - | 1,375,566 |
| Mr Lam Sang | 1,108,082 | - | - | 1,108,082 |
| Mr Chok Hooa @ Chok Yin Fatt, PMP | 143,500 | - | - | 143,500 |
| Y Bhg Dato' Ir. Nik Mohamad Pena bin Nik Mustapha, DIMP | 1,870,000 | - | (35,000) | 1,835,000 |
| YB Dato' Mohd Adhan bin Kechik, DJMK, SMK | 3,423,965 | - | (1,300,000) | 2,123,965 |
| **Deemed interests by virtue of shares held by companies in which the directors have interests** | | | | |
| Y Bhg Dato' Lim A Heng @ Lim Kok Cheong, DPMP, JSM, JP | 85,157,094 | 3,588,900 | - | 88,745,994 |
| Y Bhg Dato' Lim Kok Boon, DPMP | 3,407,000 | - | - | 3,407,000 |
| Mr Lim Seng Lee | 3,407,000 | - | - | 3,407,000 |
| YH Dato' Sri Kuan Khian Leng, SSAP | 4,680,000 | - | - | 4,680,000 |
| **Deemed interests by virtue of shares held immediate family members of the directors** | | | | |
| Y Bhg Dato' Lim A Heng @ Lim Kok Cheong, DPMP, JSM, JP | 2,617,497 | 28,100 | - | 2,645,597 |
| Y Bhg Dato' Lim Kok Boon, DPMP | 1,608,899 | - | - | 1,608,899 |
| Mr Lim Seng Lee | 244,000 | - | - | 244,000 |

By virtue of Y Bhg Dato' Lim A Heng @ Lim Kok Cheong, DPMP, JSM, JP's interests in the shares of the Company, he is also deemed to have an interest in the shares of all the subsidiaries to the extent that the Company has interests.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors or the fixed salary of a full-time employee of the Company as disclosed in Note 10 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the transactions between the Company and certain companies in which certain directors of the Company are also directors and/or shareholders as disclosed in Note 22 to the financial statements.

# Directors' Report

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

The Company maintains directors' liability insurance for purpose of Section 289 of the Companies Act 2016 throughout the financial year, which provides appropriate insurance cover for the directors and/or officers of the Group and of the Company. The amount of insurance premium paid/payable during the financial year is as follows:

| | The Group RM'000 | The Company RM'000 |
|---|---|---|
| Insurance premium paid/payable | 5 | 2 |

There was no indemnity given to or insurance effected for auditors of the Company in accordance with Section 289 of the Companies Act 2016.

## AUDITORS' REMUNERATION

The amount paid/payable as remuneration of the auditors for the financial year ended December 31, 2018 is as disclosed in Note 7 to the financial statements.

## AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

Signed on behalf of the Board, as approved by the Board in accordance with a resolution of the Directors,

____________________________________

**Y BHG DATO' LIM KOK BOON, DPMP**
**Managing Director**

____________________________________

**MR LIM SENG LEE**
**Executive Director**

Ipoh,
April 9, 2019

# Independent Auditors' Report

To The Members Of Spritzer Bhd (Incorporated in Malaysia)

## Report on the Audit of the Financial Statements

*Opinion*

We have audited the financial statements of **SPRITZER BHD**, which comprise the statements of financial position of the Group and of the Company as of December 31, 2018, and the statements of profit or loss, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 93 to 174.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as of December 31, 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

*Basis for Opinion*

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence and Other Ethical Responsibilities*

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent Auditors' Report

To The Members Of Spritzer Bhd (Incorporated in Malaysia)

| ***Key audit matters*** | ***Our audit performed and responses thereon*** |
|---|---|
| Trade receivables represent 8% of the Group's current assets and the management exercises significant judgement regarding the collectability of aged or impaired receivables. Refer to Note 21 to the financial statements for further information on trade receivables.<br><br>The recognition and measurement of impairment of trade receivables, critical judgements involved and key sources of estimation uncertainty are disclosed in Notes 3 and 4 to the financial statements. | We have:<br>• assessed the adequacy of allowance for doubtful debts on long outstanding debtors and those who exceeded credit period or limit.<br>• evaluated management's assessment to support the collectability of receivables.<br>• assessed the specific analysis of individual customers with long overdue balances, including the profile, background and credibility of the customers.<br>• checked for post year end collections from customers.<br>• performed past bad debts trend analysis by comparing the allowance for doubtful debts to the actual bad debts written off.<br>• evaluated the reasonableness of the methods and assumptions management used to estimate the allowance and re-computed the estimate based on expected credit loss model. |

We have determined that there are no key audit matters to be communicated in our current year's report on the financial statements of the Company.

*Information Other than the Financial Statements and Auditors' Report Thereon*

The directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report and in the annual report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the Directors for the Financial Statements*

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

# Independent Auditors' Report

To The Members Of Spritzer Bhd (Incorporated in Malaysia)

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

*Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

# Independent Auditors' Report

To The Members Of Spritzer Bhd (Incorporated in Malaysia)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 16 to the financial statements.

**Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**DELOITTE PLT (LLP0010145-LCA)**
**Chartered Accountants (AF 0080)**

**LIM KENG PEO**
**Partner - 02939/01/2020 J**
**Chartered Accountant**

Ipoh,
April 9, 2019

# Statements of Profit or Loss

For The Year Ended December 31, 2018

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | | **2018** | **2017** | **2018** | **2017** |
| | **Note** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Revenue | 5 | 347,684 | 313,849 | 7,916 | 5,516 |
| Other gains and losses | 7 | 2,897 | 912 | 4,549 | 3,320 |
| Changes in inventories of finished goods, trading merchandise and work-in-progress | | (588) | (1,741) | - | - |
| Purchase of finished goods and trading merchandise | | (454) | (114) | - | - |
| Raw materials consumed | | (153,023) | (129,401) | - | - |
| Employee benefit expenses | 7 | (46,617) | (46,236) | (290) | (313) |
| Depreciation and amortisation | 8 | (14,142) | (14,043) | - | - |
| Finance costs | 11 | (887) | (1,029) | (73) | (78) |
| Other expenses | 7 | (101,014) | (86,925) | (226) | (503) |
| Profit before tax | | 33,856 | 35,272 | 11,876 | 7,942 |
| Tax expense | 12 | (9,631) | (9,794) | (259) | (387) |
| **Profit for the year attributable to owners of the Company** | | 24,225 | 25,478 | 11,617 | 7,555 |
| **Earnings per share** | | | | | |
| Basic and diluted (sen) | 13 | 11.54 | 13.83 | | |

The accompanying Notes form an integral part of the financial statements.

# Statements of Profit or Loss and Other Comprehensive Income

For The Year Ended December 31, 2018

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Profit for the year | 24,225 | 25,478 | 11,617 | 7,555 |
| **Other comprehensive income/(loss)** | | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | | |
| Exchange differences on translating foreign entities | 56 | (44) | - | - |
| **Total comprehensive income for the year attributable to owners of the Company** | 24,281 | 25,434 | 11,617 | 7,555 |

The accompanying Notes form an integral part of the financial statements.

# Statements of Financial Position

As Of December 31, 2018

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | | **2018** | **2017** | **2018** | **2017** |
| | **Note** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 14 | 244,223 | 222,418 | - | - |
| Investment properties | 15 | 5,170 | 5,170 | - | - |
| Investments in subsidiaries | 16 | - | - | 95,436 | 92,353 |
| Goodwill on consolidation | 17 | 40 | 40 | - | - |
| Other intangible asset | 18 | 103 | 129 | - | - |
| **Total non-current assets** | | 249,536 | 227,757 | 95,436 | 92,353 |
| **Current assets** | | | | | |
| Other investments | 19 | 92,815 | 110,977 | 92,815 | 110,919 |
| Inventories | 20 | 36,804 | 32,117 | - | - |
| Trade and other receivables | 21 | 62,780 | 63,698 | 44,807 | 27,992 |
| Current tax assets | 12 | 2,279 | 1,198 | 268 | 126 |
| Other assets | 23 | 13,804 | 4,494 | 1 | 1 |
| Fixed deposits, cash and bank balances | 24 | 18,343 | 17,307 | 23 | 1,973 |
| **Total current assets** | | 226,825 | 229,791 | 137,914 | 141,011 |
| **Total assets** | | 476,361 | 457,548 | 233,350 | 233,364 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves** | | | | | |
| Share capital | 25(a) | 216,571 | 216,571 | 216,571 | 216,571 |
| Treasury shares | 25(b) | (14) | (14) | (14) | (14) |
| Reserves | 26 | 172,647 | 159,914 | 16,491 | 16,422 |
| **Total equity** | | 389,204 | 376,471 | 233,048 | 232,979 |
| **Non-current liabilities** | | | | | |
| Hire-purchase payables | 27 | - | 89 | - | - |
| Borrowings | 28 | 3,171 | 5,584 | - | - |
| Deferred tax liabilities | 29 | 20,537 | 18,600 | - | - |
| **Total non-current liabilities** | | 23,708 | 24,273 | - | - |
| **Current liabilities** | | | | | |
| Trade and other payables | 30 | 37,126 | 27,393 | 35 | 16 |
| Hire-purchase payables | 27 | 89 | 171 | - | - |
| Borrowings | 28 | 5,594 | 6,768 | - | - |
| Current tax liabilities | 12 | 811 | 2,764 | - | - |
| Other liabilities | 31 | 19,829 | 19,708 | 267 | 369 |
| **Total current liabilities** | | 63,449 | 56,804 | 302 | 385 |
| **Total liabilities** | | 87,157 | 81,077 | 302 | 385 |
| **Total equity and liabilities** | | 476,361 | 457,548 | 233,350 | 233,364 |

The accompanying Notes form an integral part of the financial statements.

# Statements of Changes in Equity

For The Year Ended December 31, 2018

| The Group | Note | Share Capital RM'000 | Treasury Shares RM'000 | Share Premium RM'000 | Equity-Settled Employee Benefits Reserve RM'000 | Translation Reserve RM'000 | Distributable Reserve - Retained Earnings RM'000 | Total Equity RM'000 |
|---|---|---|---|---|---|---|---|---|
| | | | ← Non-distributable Reserves | | | → | | |
| **Balance as of January 1, 2017** | | 89,787 | (14) | 56,423 | 1,345 | (34) | 140,748 | 288,255 |
| Profit for the year | | - | - | - | - | - | 25,478 | 25,478 |
| Other comprehensive loss for the year | | - | - | - | - | (44) | - | (44) |
| Total comprehensive (loss)/income for the year | | - | - | - | - | (44) | 25,478 | 25,434 |
| Expenses relating to issuance of ESOS | | - | - | (1) | - | - | - | (1) |
| Exercise of ESOS | | 5,984 | - | 565 | (1,189) | - | - | 5,360 |
| Transfer upon expiry of ESOS | | - | - | - | (156) | - | 156 | - |
| Issuance of shares on private placement | 25(a) | 63,813 | - | - | - | - | - | 63,813 |
| Payment of dividend | 32 | - | - | - | - | - | (6,390) | (6,390) |
| Transfer arising from "no par value" regime | 25(a) | 56,987 | - | (56,987) | - | - | - | - |
| **Balance as of December 31, 2017** | | 216,571 | (14) | - | - | (78) | 159,992 | 376,471 |
| Profit for the year | | - | - | - | - | - | 24,225 | 24,225 |
| Other comprehensive income for the year | | - | - | - | - | 56 | - | 56 |
| Total comprehensive income for the year | | - | - | - | - | 56 | 24,225 | 24,281 |
| Payment of dividend | 32 | - | - | - | - | - | (11,548) | (11,548) |
| **Balance as of December 31, 2018** | | 216,571 | (14) | - | - | (22) | 172,669 | 389,204 |

The accompanying Notes form an integral part of the financial statements.

# Statements of Changes in Equity

For The Year Ended December 31, 2018

| The Company | Note | Share Capital RM'000 | Treasury Shares RM'000 | Non-distributable Reserves<br>Share Premium RM'000 | Non-distributable Reserves<br>Equity-Settled Employee Benefits Reserve RM'000 | Distributable Reserve - Retained Earnings RM'000 | Total Equity RM'000 |
|---|---|---|---|---|---|---|---|
| **Balance as of January 1, 2017** | | 89,787 | (14) | 56,423 | 1,345 | 15,250 | 162,791 |
| Profit and total comprehensive income for the year | | - | - | - | - | 7,555 | 7,555 |
| Expenses relating to issuance of ESOS | | - | - | (1) | - | - | (1) |
| Exercise of ESOS | | 5,984 | - | 565 | (1,189) | - | 5,360 |
| Transfer upon expiry of ESOS | | - | - | - | (156) | 7 | (149) |
| Issuance of shares on private placement | 25(a) | 63,813 | - | - | - | - | 63,813 |
| Payment of dividend | 32 | - | - | - | - | (6,390) | (6,390) |
| Transfer arising from "no par value" regime | 25(a) | 56,987 | - | (56,987) | - | - | - |
| **Balance as of December 31, 2017** | | 216,571 | (14) | - | - | 16,422 | 232,979 |
| Profit and total comprehensive income for the year | | - | - | - | - | 11,617 | 11,617 |
| Payment of dividend | 32 | - | - | - | - | (11,548) | (11,548) |
| **Balance as of December 31, 2018** | | 216,571 | (14) | - | - | 16,491 | 233,048 |

The accompanying Notes form an integral part of the financial statements.

# Statements of Cash Flows

For The Year Ended December 31, 2018

| | Note | The Group | |
|---|---|---|---|
| | | **2018** | **2017** |
| | | **RM'000** | **RM'000** |
| **CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES** | | | |
| Profit for the year | | 24,225 | 25,478 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | | 14,116 | 14,047 |
| Tax expense recognised in profit or loss | | 9,631 | 9,794 |
| Finance costs | | 887 | 1,029 |
| Property, plant and equipment written off | | 666 | 155 |
| Inventories written off | | 312 | 2,101 |
| Fair value adjustments of other investments | | 210 | 17 |
| Receivables written off | | 105 | - |
| Other investment written off | | 58 | - |
| Amortisation of intangible asset | | 26 | 4 |
| Unrealised loss on foreign exchange | | 24 | 1 |
| Impairment losses recognised on receivables | | 16 | 16 |
| Investment revenue | | (3,583) | (1,584) |
| Interest income | | (221) | (276) |
| Gain on disposal of other investments | | (30) | (19) |
| Gain on disposal of property, plant and equipment | | (10) | (88) |
| Allowance for slow moving and obsolete inventories no longer required | | (8) | (22) |
| Fair value adjustments of investment properties | | - | (816) |
| Reversal of impairment losses on receivables | | - | (58) |
| | | 46,424 | 49,779 |
| Movements in working capital: | | | |
| (Increase)/Decrease in: | | | |
| Inventories | | (4,991) | 2,366 |
| Trade and other receivables | | 516 | (4,540) |
| Other assets | | 134 | (2) |
| Increase in: | | | |
| Trade and other payables | | 2,653 | 2,154 |
| Other liabilities | | 121 | 6,765 |
| Cash Generated From Operations | | 44,857 | 56,522 |
| Income tax refunded | | 7 | 362 |
| Interest received | | 221 | 276 |
| Income tax paid | | (10,735) | (10,823) |
| Net Cash From Operating Activities | | 34,350 | 46,337 |

# Statements of Cash Flows

For The Year Ended December 31, 2018

| | Note | The Group 2018 RM'000 | The Group 2017 RM'000 |
|---|---|---|---|
| **CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES** | | | |
| Proceeds from disposal of other investments | | 67,012 | 12,600 |
| Proceeds from disposal of property, plant and equipment | | 176 | 266 |
| Investment revenue | | 96 | 96 |
| Placement of other investments | | (45,276) | (98,200) |
| Purchase of property, plant and equipment | 34(a) | (27,469) | (14,165) |
| Deposits paid for purchase of property, plant and equipment | | (11,773) | (2,338) |
| Placement of fixed deposit | | (1) | - |
| Purchase of intangible asset | | - | (133) |
| Net Cash Used In Investing Activities | | (17,235) | (101,874) |
| **CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES** | | | |
| Proceeds from revolving credits - net | 34(b) | 964 | 217 |
| Dividend paid | | (11,548) | (6,390) |
| Repayment of term loans | 34(b) | (3,751) | (3,835) |
| Finance costs paid | | (887) | (1,029) |
| Repayment of bankers' acceptances - net | 34(b) | (800) | (3,625) |
| Repayment of hire-purchase payables | 34(b) | (171) | (199) |
| Proceeds from issuance of shares on private placement | | - | 63,813 |
| Proceeds from issuance of shares arising from exercise of ESOS | | - | 5,360 |
| Expenses relating to issuance of ESOS | | - | (1) |
| Net Cash (Used In)/From Financing Activities | | (16,193) | 54,311 |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | 922 | (1,226) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | 17,286 | 18,559 |
| Effect of exchange rate changes on the balance of cash held in foreign currencies | | 113 | (47) |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 34(c) | 18,321 | 17,286 |

The accompanying Notes form an integral part of the financial statements.

# Statements of Cash Flows

For The Year Ended December 31, 2018

| | Note | The Company 2018 RM'000 | The Company 2017 RM'000 |
|---|---|---|---|
| **CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES** | | | |
| Profit for the year | | 11,617 | 7,555 |
| Adjustments for: | | | |
| Tax expense recognised in profit or loss | | 259 | 387 |
| Fair value adjustments of other investments | | 210 | 17 |
| Finance costs | | 73 | 78 |
| Dividend income | | (7,916) | (5,516) |
| Investment revenue | | (3,487) | (1,488) |
| Interest income | | (1,242) | (1,830) |
| Gain on disposal of other investments | | (30) | (19) |
| | | (516) | (816) |
| Movements in working capital: | | | |
| (Increase)/Decrease in: | | | |
| Trade and other receivables | | (17,140) | 23,671 |
| Increase(Decrease) in: | | | |
| Trade and other payables | | 19 | (1) |
| Other liabilities | | (102) | (169) |
| Cash (Used In)/Generated From Operations | | (17,739) | 22,685 |
| Dividend received from subsidiaries | | 7,916 | 5,516 |
| Interest received | | 1,242 | 1,830 |
| Income tax paid | | (401) | (703) |
| Net Cash (Used In)/From Operating Activities | | (8,982) | 29,328 |
| **CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES** | | | |
| Proceeds from disposal of other investments | | 67,012 | 12,600 |
| Placement of other investments | | (45,276) | (98,200) |
| Acquisition of shares in a subsidiary | | (3,083) | (4,802) |
| Net Cash From/(Used In) Investing Activities | | 18,653 | (90,402) |
| **CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES** | | | |
| Dividend paid | | (11,548) | (6,390) |
| Finance cost paid | | (73) | (78) |
| Proceeds from issuance of shares on private placement | | - | 63,813 |
| Proceeds from issuance of shares arising from exercise of ESOS | | - | 5,360 |
| Expenses relating to issuance of ESOS | | - | (1) |
| Net Cash (Used In)/From Financing Activities | | (11,621) | 62,704 |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | | (1,950) | 1,630 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | 1,973 | 343 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 34(c) | 23 | 1,973 |

The accompanying Notes form an integral part of the financial statements.

# Notes to the Financial Statements

## 1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad.

The Company is principally involved in investment holding.

The subsidiaries are principally involved in the production of natural mineral water, carbonated flavoured water, distilled water, drinking water and non-carbonated flavoured water, manufacturing and selling of PET preforms, PET bottles, caps, toothbrushes and other plastic products, distribution of bottled water and other consumer products, operator of a mini golf course and recreational park and investment holding. The information on the name, place of incorporation, principal activities, and percentage of issued share capital held by the holding company in each subsidiary is as disclosed in Note 16.

The registered office of the Company is located at Lot 85, Jalan Portland, Tasek Industrial Estate, 31400 Ipoh, Perak Darul Ridzuan.

The principal place of business of the Company is located at Lot 898, Jalan Reservoir, Off Jalan Air Kuning, 34000 Taiping, Perak Darul Ridzuan.

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Group's and the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

The financial statements of the Group and of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the directors on April 9, 2019.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act 2016 in Malaysia.

**Adoption of new and amendments to MFRS Standards and Interpretations**

In the current year, the Group and the Company have applied a number of new and amendments to MFRS Standards and Interpretations issued by the Malaysian Accounting Standards Board ("MASB") that are effective for an annual period that begins on or after January 1, 2018. Their adoption do not have any material impact on the disclosures or on the amounts reported in these financial statements except as discussed below:

**MFRS 9 *Financial Instruments***

MFRS 9 introduced new requirements for:

(1) The classification and measurement of financial assets and financial liabilities;
(2) Impairment of financial assets; and
(3) General hedge accounting.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

**Adoption of new and amendments to MFRS Standards and Interpretations (Cont'd)**

**MFRS 9 *Financial Instruments* (Cont'd)**

The Group and the Company have applied MFRS 9 in accordance with the transition provisions set out in MFRS 9, i.e. applied the classification and measurement requirements (including impairment under expected credit loss ("ECL") model) retrospectively to instruments that have not been derecognised as at January 1, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at January 1, 2018. The difference between carrying amounts as at December 31, 2017 and the carrying amounts as at January 1, 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under MFRS 139 *Financial Instruments: Recognition and Measurement*.

Details of these new requirements as well as their impact on the Group's and the Company's financial statements are described as follows:

*(a) Classification and measurement of financial assets*

All recognised financial assets that are within the scope of MFRS 9 are required to be measured subsequently at amortised cost or at fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:
- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income ("FVTOCI");
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss ("FVTPL").

Despite the aforegoing, the Group and the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group and the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Group and the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Group and the Company have not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

**Adoption of new and amendments to MFRS Standards and Interpretations (Cont'd)**

**MFRS 9 *Financial Instruments* (Cont'd)**

*(a) Classification and measurement of financial assets (Cont'd)*

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment.

The directors of the Group and the Company reviewed and assessed the Group's and the Company's existing financial assets as of January 1, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of MFRS 9 has had the following impact on the Group's and the Company's financial assets as regards their classification and measurement:

- financial assets classified as loans and receivables under MFRS 139 that were measured at amortised cost continue to be measured at amortised cost under MFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist SPPI on the principal amount outstanding.

- the Group's investments in equity instruments that were previously classified as available-for-sale financial assets and were measured at fair value at the end of each reporting period under MFRS 139 have been designated as at FVTOCI. The change in fair value on these equity instruments continues to be accumulated in the investment revaluation reserve.

*(b) Impairment of financial assets*

In relation to the impairment of financial assets, MFRS 9 requires an ECL model, as opposed to an incurred loss model under MFRS 139. The ECL model requires the Group and the Company to account for ECL and changes in those ECL at the end of each reporting period to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, MFRS 9 requires the Group and the Company to recognise a loss allowance for ECL on:
(1) Debt investments measured subsequently at amortised cost or at FVTOCI;
(2) Lease receivables;
(3) Trade receivables and contract assets; and
(4) Financial guarantee contracts to which the impairment requirements of MFRS 9 apply.

In particular, MFRS 9 requires the Group and the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group and the Company are required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. MFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables in certain circumstances.

For the purpose of assessing whether there has been a significant increase in credit risk since initial recognition of financial instruments that remain recognised on the date of initial application of MFRS 9 (i.e. January 1, 2018), the directors have compared the credit risk of the respective financial instruments on the date of their initial recognition to their credit risk as of January 1, 2018 and has concluded that there are no material impact to the financial statements.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

**Adoption of new and amendments to MFRS Standards and Interpretations (Cont'd)**

**MFRS 9 *Financial Instruments* (Cont'd)**

*(c) Classification and measurement of financial liabilities*

The application of MFRS 9 does not have any impact on the measurement of the Group's and of the Company's financial liabilities whereby the financial liabilities classified as other financial liabilities under MFRS 139 that were measured at amortised cost continue to be measured at amortised cost under MFRS 9.

*(d) Disclosures in relation to the initial application of MFRS 9*

There were no financial assets or financial liabilities which the Group and the Company previously designated as at FVTPL under MFRS 139 that were subject to reclassification or which the Group and the Company have elected to reclassify upon the application of MFRS 9. There were no financial assets or financial liabilities which the Group and the Company have elected to designate as at FVTPL at the date of initial application of MFRS 9.

**MFRS 15 *Revenue from Contracts with Customers***

In the current year, the Group and the Company have applied MFRS 15 *Revenue from Contracts with Customers* (as amended in April 2016) which is effective for an annual period that begins on or after January 1, 2018. MFRS 15 introduced a 5-step approach to revenue recognition.

The Group and the Company have applied MFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, January 1, 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in MFRS 15, the Group and the Company have elected to apply the Standard retrospectively only to contracts that are not completed at January 1, 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under MFRS 118 *Revenue* and the related interpretations.

The Group's and the Company's accounting policies for its revenue streams are disclosed in detail in Note 3 below. Apart from providing more extensive disclosures for the Group's and the Company's revenue transactions, the application of MFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group and of the Company.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

### Adoption of new and amendments to MFRS Standards and Interpretations (Cont'd)

### Standards and Interpretations in issue but not yet effective

At the date of authorisation of these financial statements, the Group and the Company have not applied the following new and amendments to MFRS Standards and IC Interpretations that have been issued but are not yet effective:

| | |
|---|---|
| MFRS 16 | Leases[1] |
| MFRS 17 | Insurance Contracts[3] |
| Amendments to MFRS 3 | Definition of a Business[2] |
| Amendments to MFRS 9 | Prepayment Features with Negative Compensation[1] |
| Amendments to MFRS 10 and MFRS 128 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4] |
| Amendments to MFRS 101 and MFRS 108 | Definition of Material[2] |
| Amendments to MFRS 119 | Plan Amendment, Curtailment or Settlement[1] |
| Amendments to MFRS 128 | Long-term Interests in Associates and Joint Ventures[1] |
| Annual Improvements to MFRS Standards 2015 - 2017 Cycle | Amendments to MFRS 3 Business Combinations, MFRS 11 Joint Arrangements, MFRS 112 Income Taxes and MFRS 123 Borrowing Costs[1] |
| IC Interpretation 23 | Uncertainty over Income Tax Treatments[1] |

[1] Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.
[2] Effective for annual periods beginning on or after January 1, 2020, with earlier application permitted.
[3] Effective for annual periods beginning on or after January 1, 2021, with earlier application permitted.
[4] Effective for annual periods beginning on or after a date to be determined.

The potential effects on the financial statements of the Group and of the Company on adoption of the Standards and Interpretations listed above in future periods are discussed below:

General impact of application of MFRS 16 *Leases*

MFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. MFRS 16 will supersede the current lease guidance including MFRS 117 *Leases* and the related Interpretations when it becomes effective for accounting periods beginning on or after January 1, 2019. The date of initial application of MFRS 16 for the Group and the Company will be January 1, 2019.

The Group and the Company have chosen to apply MFRS 16 in accordance with MFRS 16:C5(b). Consequently, the Group and the Company will recognise the cumulative effects of initially applying the Standard at the date of initial application, if the impact on application of the Standard is determined to be material.

In contrast to lessee accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117.

Impact of the new definition of a lease

The Group and the Company will make use of the practical expedient available on transition to MFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with MFRS 117 and IFRIC 4 will continue to apply to those leases entered or modified before January 1, 2019.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

**Adoption of new and amendments to MFRS Standards and Interpretations (Cont'd)**

**Standards and Interpretations in issue but not yet effective (Cont'd)**

Impact of the new definition of a lease (Cont'd)

The change in definition of a lease mainly relates to the concept of control. MFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group and the Company will apply the definition of a lease and related guidance set out in MFRS 16 to all lease contracts entered into or modified on or after January 1, 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of MFRS 16, the Group and the Company have carried out an implementation project. The project has shown that the new definition in MFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group and the Company.

Impact on Lessee Accounting

*Operating leases*

MFRS 16 will change how the Group and the Company account for leases previously classified as operating leases under MFRS 117.

On initial application of MFRS 16, for all leases, the Group and the Company will:

(a) Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
(b) Recognise depreciation of right-of-use assets and interest on lease liabilities in profit or loss; and
(c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under MFRS 117 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under MFRS 16, right-of-use assets will be tested for impairment in accordance with MFRS 136 *Impairment of Assets*. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group and the Company will opt to recognise a lease expense on a straight-line basis as permitted by MFRS 16.

The directors of the Group and of the Company have assessed that the application of MFRS 16, in the future will not have a material impact on the Group's and the Company's financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Basis of Accounting

The financial statements of the Group and of the Company have been prepared on the historical cost basis except for financial instruments that are measured at fair value at the end of each reporting period as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group and the Company take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial statements of the Group and of the Company is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2 *Share-based Payment*, leasing transactions that are within the scope of MFRS 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 *Inventories* or value in use in MFRS 136.

In addition, for financial reporting purposes, 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.

The principal accounting policies are set out below:

### Subsidiaries and Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and of the subsidiaries controlled by the Company. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassessed whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Subsidiaries and Basis of Consolidation (Cont'd)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Subsidiaries and Basis of Consolidation (Cont'd)

When the Group loses control of a subsidiary, a gain or a loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the relevant assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable MFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

### Business Combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair values, except that:

- deferred tax assets or deferred tax liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 respectively;
- liabilities or equity instruments related to the share-based payment arrangements of the acquire or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with MFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Business Combinations (Cont'd)**

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent liability is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interests in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interests were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

**Goodwill**

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**Revenue from contracts with customers on sale of goods (upon application of MFRS 15 in accordance with transitions in Note 2)**

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Revenue from contracts with customers on sale of goods (upon application of MFRS 15 in accordance with transitions in Note 2) (Cont'd)**

Revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customers' specific location. Following delivery, the customer has full ownership of the goods and bears the risks of loss and damage in relation to the goods. The Group recognises a receivable when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. Payment of the transaction price is due immediately for customers without credit terms granted.

Rebates and volume discounts are given to eligible customers, and are taken up as variable considerations in determining the transaction prices contracted.

**Revenue recognition under MFRS 118 on sale of goods**

Revenue is measured at the fair value of the consideration received or receivable, net of goods and services tax, trade discounts and customer returns.

Revenue from sale of goods is recognised when the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

***Dividend income***

Dividend income represents gross dividends from unquoted investments and is recognised when the shareholder's rights to receive payment is established.

***Income from mini golf operation***

Revenue from mini golf entrance is recognised when tickets are sold.

Revenue from package events service fees is recognised when services are rendered.

***Other income***

Rental income is recognised on a straight line basis over the term of the relevant agreements.

Interest revenue from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Employee Benefits

***Short-term employee benefits***

Wages, salaries, paid annual leave, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

***Defined contribution plans***

The Group makes statutory contributions to approved provident funds and the contributions are charged to profit or loss as incurred. The approved provident funds are defined contribution plans. Once the contributions have been paid, there are no further payment obligations.

***Share-based compensation benefits***

The Company operates an equity-settled, share-based compensation plan, where shares and/or options are issued by the Company to eligible directors and employees of the Group and of the Company. The fair value of the employee services received in exchange for the grant of the shares and/or options is recognised as an expense with a corresponding entry to reserve over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares and/or options granted at the grant date and the number of shares and/or options vested by vesting date, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in the estimates of the number of the options that are expected to become exercisable. The grant of options by the Company over its equity instruments to the directors and employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

### Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases, other than leasehold properties classified as investment property, are classified as operating leases. Property interest held under an operating lease to earn rentals or for capital appreciation or both is classified as investment property.

Assets held under finance leases, including hire-purchase arrangements, are initially recognised as assets of the Group at their fair values at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Leases (Cont'd)

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the year in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### Foreign Currencies

The individual financial statements of each entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Ringgit Malaysia, which is the functional currency of the Company, and also the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entity, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the year in which they arise except for exchange differences arising on the retranslation of non-monetary items carried at fair value in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, the exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the translation reserve of the Group. Such exchange differences are reclassified to profit or loss in the year in which the foreign incorporated subsidiaries are disposed of.

### Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which require a substantial period of time to get them ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the year in which they are incurred.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Taxation

Tax expense represents the sum of the tax currently payable and deferred tax.

***Current tax***

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the statements of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability of the Group and of the Company for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

***Deferred tax***

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses, unused tax credits and unutilised reinvestment allowances to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, unused tax losses, unused tax credits and unutilised reinvestment allowances can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or to settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors of the Group reviewed the Group's investment property portfolio and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the "sale" presumption set out in the amendments to MFRS 112 is not rebutted. As a result, the Group has recognised deferred taxes on changes in fair values of investment properties based on the expected tax rate that would apply on disposal of the investment properties.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Taxation (Cont'd)**

***Deferred tax (Cont'd)***

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

***Current and deferred tax for the year***

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. When the current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

**Earnings per Share**

Basic earnings per share ("EPS") is calculated by dividing the consolidated profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the consolidated profit or loss attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the period, adjusted for the effects of all dilutive potential ordinary shares.

**Property, Plant and Equipment**

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

Freehold land and capital work-in-progress are not depreciated.

Capital work-in-progress comprises factory building under construction and factory equipment under installation. Depreciation on assets under work-in-progress commences when the assets are ready for their intended use.

Leasehold land are amortised over the lease periods ranging from 77 to 82 years. Depreciation of other property, plant and equipment is computed on the reducing balance method to write off the cost of the various property, plant and equipment over their estimated useful lives at the following annual rates:

| | |
|---|---|
| Buildings and factory extension | 2% to 5% |
| Staff quarters | 2% to 10% |
| Plant and machinery | 5% to 10% |
| Motor vehicles | 20% |
| Furniture, fixtures and equipment | 5% to 20% |
| Electrical installation | 10% |
| Water dispensers | 10% |

The estimated useful lives, residual values and depreciation method of property, plant and equipment are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Property, Plant and Equipment (Cont'd)

Assets held under finance lease are depreciated over their expected useful lives on the same basis as owned assets. However, where there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

### Property, Plant and Equipment Under Hire-Purchase Arrangements

Assets acquired under hire-purchase arrangements which transfer substantially all of the risks and rewards incident to ownership of the assets are capitalised under property, plant and equipment. The assets and the corresponding hire-purchase obligations are recorded at their fair values or, if lower, at the present value of the minimum hire-purchase payments of the assets at the inception of the respective arrangements.

Finance costs, which represent the differences between the total hire-purchase commitments and the fair values of the assets acquired, are charged to profit or loss over the term of the relevant hire-purchase period so as to give a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

### Investment Properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

Investment properties are derecognised upon disposal or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

### Intangible Assets Acquired Separately

Intangible assets with finite useful life that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful life of the intangible assets. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets represents software development cost and is amortised over a period of 5 years.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Internally-generated Intangible Assets - Research and Development Expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

### Derecognition of Intangible Assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gain or loss arising from derecognition of an intangible asset, measured as the difference between the net proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

### Investments in Subsidiaries

Investments in subsidiaries are stated in the Company's financial statements at cost less accumulated impairment losses, if any.

### Impairment of Tangible and Intangible Assets excluding Goodwill

At the end of each reporting period, the Group and the Company review the carrying amounts of their assets (other than inventories, financial assets and investment properties which are dealt with in their respective policies) to determine whether there is any indication that those assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Impairment of Tangible and Intangible Assets excluding Goodwill (Cont'd)

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined principally on the "First-in, First-out" and "Weighted Average" methods. Cost of raw materials, trading merchandise, packing materials, spare parts and goods-in-transit comprise the original purchase price plus cost incurred in bringing the inventories to their existing location and condition. Cost of finished goods and work-in-progress comprise the cost of direct and packing materials, direct labour and a proportion of production overheads. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

### Financial Instruments

Financial assets and financial liabilities are recognised in the Group's and the Company's statements of financial position when the Group and the Company become a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initially recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Financial Instruments (Cont'd)**

***Effective Interest Method***

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

***Financial assets under MFRS 9 with effect from January 1, 2018***

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

*Classification of financial assets*

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

By default, all other financial assets are measured subsequently at FVTPL.

Despite the foregoing, the Group and the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group and the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group and the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Financial Instruments (Cont'd)**

***Financial assets under MFRS 9 with effect from January 1, 2018 (Cont'd)***

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised in profit or loss using the effective interest method for debt instruments measured subsequently at amortised cost or at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group and the Company recognise interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

On initial recognition, the Group and the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group and Company manage together and have evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Financial Instruments (Cont'd)**

***Financial assets under MFRS 9 with effect from January 1, 2018 (Cont'd)***

(ii) Equity instruments designated as at FVTOCI (Cont'd)

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss is not to be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or at FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group and the Company designate an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

*Foreign exchange gains and losses*

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss.

*Impairment of financial assets*

The Group and the Company recognise a loss allowance for ECL on investments in debt instruments that are measured at amortised cost or at FVTOCI, trade receivables, as well as on financial guarantee contracts. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group and the Company recognise lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's and the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period, including time value of money where appropriate.

For all other financial instruments, the Group and the Company recognise lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group and the Company measure the loss allowance for that financial instrument at an amount equal to 12-month ECL.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Financial Instruments (Cont'd)**

***Financial assets under MFRS 9 with effect from January 1, 2018 (Cont'd)***

*Impairment of financial assets (Cont'd)*

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the end of the reporting period.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group and the Company compare the risk of a default occurring on the financial instrument at the end of the reporting period with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group and the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's and the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's and the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group and the Company presume that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 120 days past due, unless the Group and Company have reasonable and supportable information that demonstrates otherwise.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Financial Instruments (Cont'd)**

***Financial assets under MFRS 9 with effect from January 1, 2018 (Cont'd)***

*Impairment of financial assets (Cont'd)*

(i) Significant increase in credit risk (Cont'd)

Despite the foregoing, the Group and the Company assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the end of the reporting period. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,
(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group and the Company consider a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group and the Company become a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group and the Company consider the changes in the risk that the specified debtor will default on the contract.

The Group and the Company regularly monitor the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group and the Company consider the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group and the Company, in full (without taking into account any collateral held by the Group and the Company).

Irrespective of the above analysis, the Group and the Company consider that default has occurred when a financial asset is more than 180 days past due unless the Group and the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Financial Instruments (Cont'd)**

***Financial assets under MFRS 9 with effect from January 1, 2018 (Cont'd)***

*Impairment of financial assets (Cont'd)*

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group and the Company write off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's and the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the end of the reporting period, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group and the Company in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the Group and the Company are required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group and the Company expect to receive from the holder, the debtor or any other party.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Financial Instruments (Cont'd)**

***Financial assets under MFRS 9 with effect from January 1, 2018 (Cont'd)***

*Impairment of financial assets (Cont'd)*

(v) Measurement and recognition of expected credit losses (Cont'd)

If the Group and the Company have measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the end of the current reporting period that the conditions for lifetime ECL are no longer met, the Group and the Company measure the loss allowance at an amount equal to 12-month ECL at the end of the current reporting period, except for assets for which simplified approach was used.

The Group and the Company recognise an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

*Derecognition of financial assets*

The Group and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group and the Company neither transfer nor retain substantially all the risks and rewards of ownership and continue to control the transferred asset, the Group and the Company recognise its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Company continue to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group and the Company have elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Financial Instruments (Cont'd)**

***Financial assets under MFRS 139***

Financial assets of the Group and of the Company are classified into FVTPL, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

*(i) Financial assets at FVTPL*

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group and the Company manage together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's and the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and MFRS 139 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

*(ii) AFS financial assets*

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL. All AFS financial assets are measured at fair value at the end of the reporting period. Gains and losses arising from changes in fair values are recognised in other comprehensive income and accumulated in the investment revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Financial Instruments (Cont'd)**

***Financial assets under MFRS 139 (Cont'd)***

*(ii) AFS financial assets (Cont'd)*

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of the reporting period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's and the Company's right to receive the dividends is established.

*(iii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

*(iv) Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

AFS investments are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the AFS investments, the estimated future cash flows of the investments have been affected. For unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the investments below their costs is considered to be objective evidence of impairment. When an AFS investment is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss even though the investment has not been derecognised. Impairment losses of AFS investments previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under investment revaluation reserve.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Financial Instruments (Cont'd)**

***Financial assets under MFRS 139 (Cont'd)***

*(iv) Impairment of financial assets (Cont'd)*

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are debited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

*(v) Derecognition of financial assets*

The Group and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group and the Company neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Company recognise their retained interests in the asset and an associated liability for amounts it may have to pay. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Company continue to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Financial Instruments (Cont'd)**

***Financial liabilities and equity under MFRS 9 with effect from January 1, 2018***

*Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

*Financial liabilities*

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL (the Group does not have any financial liabilities measured at FVTPL).

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group and by the Company, are measured in accordance with the specific accounting policies set out below.

*Financial liabilities measured subsequently at amortised cost*

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

*Financial guarantee contract liabilities*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with MFRS 9; and
- the amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Financial Instruments (Cont'd)**

***Financial liabilities and equity under MFRS 9 with effect from January 1, 2018 (Cont'd)***

*Foreign exchange gains and losses*

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

*Derecognition of financial liabilities*

The Group and the Company derecognise financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group and the Company exchange with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group and the Company account for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

***Financial liabilities and equity under MFRS 139***

*(i) Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definition of a financial liability and an equity instrument.

*(ii) Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and by the Company are recognised at the proceeds received, net of direct issue costs.

Shares repurchased by the Company are held as treasury shares, and are stated at the cost of repurchases, including directly attributable costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Financial Instruments (Cont'd)**

***Financial liabilities and equity under MFRS 139 (Cont'd)***

*(iii) Financial liabilities*

Financial liabilities of the Group and of the Company are classified into 'other financial liabilities' category.

*(iv) Other financial liabilities*

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

*(v) Derecognition of financial liabilities*

The Group and the Company derecognise financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

*(vi) Financial guarantee contracts*

The Group has issued corporate guarantee to banks for borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Group to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings. Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liabilities are initially recognised at their fair values plus transaction costs and subsequently at the higher of the amount determined in accordance with MFRS 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate, in the Group's statement of financial position.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Company for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Group will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the bank in the Group's statement of financial position.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that the Group and the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### Segment Reporting

For management purposes, the Group is organised into operating segments that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that related to transactions with any of the Group's other components. The Group's reporting segments were identified based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Group's reportable segments are strategic business operations that are managed separately based on the Group's management and internal reporting structure.

### Statements of Cash Flows

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

Cash and cash equivalents consist of cash and bank balances, deposits with licensed banks, bank overdrafts and highly liquid investments which are readily convertible to cash with insignificant risks of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the accounting policies of the Group and of the Company which are described in Note 3, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

***Critical judgement made in applying the Group's and the Company's accounting policies***

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying accounting policies of the Group and of the Company and that have the most significant effect on the amounts recognised in financial statements.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

***Critical judgement made in applying the Group's and the Company's accounting policies (Cont'd)***

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see financial assets section of Note 3). The Group and the Company determine the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group and the Company monitor financial assets measured at amortised cost or at fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's and of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

Significant increase in credit risk

As explained in Note 3, ECL are measured as an allowance equal to 12-month ECL or lifetime ECL. Lifetime ECL is used when its credit risk has increased significantly since initial recognition. MFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group and the Company take into account qualitative and quantitative reasonable and supportable forward looking information.

Deferred tax on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolio and concluded that the Group's investment properties are not being held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax on investment properties, the directors have determined that the presumption that the carrying amounts of the investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has recognised deferred tax liabilities on changes in fair values of investment properties based on the expected rate that would apply on disposal of the investment properties.

**Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Loss allowance

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

**Key sources of estimation uncertainty (Cont'd)**

(a) Loss allowance (Cont'd)

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancement.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

(b) Allowance for slow moving and obsolete inventories

The Group recognises allowance for slow moving and obsolete inventories based on an assessment of the recoverability of the inventories through sales or recycling for alternative uses. Allowance is applied to inventories where events or changes in circumstances indicate that the costs may not be recoverable.

The identification of slow moving and obsolete inventories requires use of judgment and estimates.

Where the expectation is different from the original estimate, such difference will impact the carrying values of the inventories and expenses on inventories written down in the period in which such estimate has been changed.

(c) Income taxes

The Group is subject to income taxes of numerous jurisdictions. Judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

## 5. REVENUE

The Group derives its revenue from contracts with customers from transfer of goods and services at a point in time, which represents a promise to transfer to the customer a series of distinct goods that are substantially the same and have the same pattern of transfer to the customer.

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Sale of goods | 347,184 | 313,356 | - | - |
| Income from mini golf operation | 500 | 493 | - | - |
| Dividend income from subsidiaries | - | - | 7,916 | 5,516 |
| | 347,684 | 313,849 | 7,916 | 5,516 |

## 6. SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The chief operating decision maker and senior management of the Group reviews the operating segment results regularly to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

The Group has three reportable segments, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately as they require different technology and marketing strategies. The chief operating decision maker and senior management review the management reports of each of the strategic units on a monthly basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Goodwill is allocated to reportable segment as described in Note 17. Unallocated items mainly comprise corporate assets and liabilities, such as tax assets/liabilities and deferred tax assets/liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

Segments comprise:

| **Segment** | **Products and services** |
|---|---|
| Manufacturing | Natural mineral water, carbonated flavoured water, distilled water, drinking water, non-carbonated flavoured water, PET preforms, PET bottles, caps, toothbrushes and other plastic products |
| Trading | Bottled water and other consumer products |
| Others | Mini golf course and recreational park, investment and properties holding |

For financial statements presentation purposes, these individual operating segments have been aggregated into a single operating segment considering the following factors:

- the production of merchandise of the products are similar; and
- the methods used to distribute the products to the customers are the same.

## 6. SEGMENT REPORTING (CONT'D)

| The Group 2018 | Manufacturing RM'000 | Trading RM'000 | Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| External sales | 330,608 | 16,576 | 500 | - | 347,684 |
| Inter-segment sales | 85,711 | 312 | 8,067 | (94,090) | - |
| Total revenue | 416,319 | 16,888 | 8,567 | (94,090) | 347,684 |
| **Results** | | | | | |
| Segment results | 35,588 | (3,656) | 8,380 | (9,152) | 31,160 |
| Finance costs | | | | | (887) |
| Investment revenue | | | | | 3,583 |
| Profit before tax | | | | | 33,856 |
| Tax expense | | | | | (9,631) |
| Profit for the year | | | | | 24,225 |
| **Other information** | | | | | |
| Capital additions | 36,576 | 160 | 21 | - | 36,757 |
| Gain on disposal of other investments | - | - | 30 | - | 30 |
| Gain/(Loss) on disposal of property, plant and equipment | 34 | (24) | - | - | 10 |
| Allowance for slow moving and obsolete inventories no longer required | 8 | - | - | - | 8 |
| Depreciation of property, plant and equipment | (13,919) | (143) | (54) | - | (14,116) |
| Property, plant and equipment written off | (648) | (17) | (1) | - | (666) |
| Inventories written (off)/back | (393) | 81 | - | - | (312) |
| Fair value adjustment of other investments | - | - | (210) | - | (210) |
| Receivables written off | (1) | (104) | - | - | (105) |
| Other investment written off | (58) | - | - | - | (58) |
| Impairment losses recognised on receivables | - | (16) | - | - | (16) |
| Amortisation of intangible asset | (26) | - | - | - | (26) |
| **Assets** | | | | | |
| Segment assets | 390,470 | 5,653 | 260,845 | (182,886) | 474,082 |
| Unallocated segment assets | | | | | 2,279 |
| **Consolidated Total Assets** | | | | | 476,361 |
| **Liabilities** | | | | | |
| Segment liabilities | 122,799 | 6,809 | 1,251 | (65,050) | 65,809 |
| Unallocated segment liabilities | | | | | 21,348 |
| **Consolidated Total Liabilities** | | | | | 87,157 |

## 6. SEGMENT REPORTING (CONT'D)

| **The Group 2017** | **Manufacturing RM'000** | **Trading RM'000** | **Others RM'000** | **Eliminations RM'000** | **Consolidated RM'000** |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| External sales | 298,189 | 15,167 | 493 | - | 313,849 |
| Inter-segment sales | 71,542 | 737 | 5,661 | (77,940) | - |
| Total revenue | 369,731 | 15,904 | 6,154 | (77,940) | 313,849 |
| **Results** | | | | | |
| Segment results | 44,880 | (9,646) | 6,383 | (6,900) | 34,717 |
| Finance costs | | | | | (1,029) |
| Investment revenue | | | | | 1,584 |
| Profit before tax | | | | | 35,272 |
| Tax expense | | | | | (9,794) |
| Profit for the year | | | | | 25,478 |
| **Other information** | | | | | |
| Capital additions | 15,371 | 202 | 2 | (33) | 15,542 |
| Fair value adjustments of: | | | | | |
| Investment properties | - | - | 816 | - | 816 |
| Other investments | - | - | (17) | - | (17) |
| Gain on disposal of property, plant and equipment | 88 | - | - | - | 88 |
| Reversal of impairment losses on receivables | 58 | - | - | - | 58 |
| Allowance for slow moving and obsolete inventories no longer required | 22 | - | - | - | 22 |
| Gain on disposal of other investments | - | - | 19 | - | 19 |
| Depreciation of property, plant and equipment | (13,861) | (126) | (60) | - | (14,047) |
| Inventories written off | (346) | (909) | - | (846) | (2,101) |
| Property, plant and equipment written off | (81) | (74) | - | - | (155) |
| Impairment losses recognised on receivables | - | (16) | - | - | (16) |
| Amortisation of intangible asset | (4) | - | - | - | (4) |
| **Assets** | | | | | |
| Segment assets | 351,552 | 3,771 | 257,981 | (156,954) | 456,350 |
| Unallocated segment assets | | | | | 1,198 |
| **Consolidated Total Assets** | | | | | 457,548 |
| **Liabilities** | | | | | |
| Segment liabilities | 99,621 | 4,070 | 1,289 | (45,267) | 59,713 |
| Unallocated segment liabilities | | | | | 21,364 |
| **Consolidated Total Liabilities** | | | | | 81,077 |

## 6. SEGMENT REPORTING (CONT'D)

### Geographical segments

Information on the Group's operations and analysis of the carrying amounts of segment assets and capital additions by geographical segment has not been provided as the segment assets and capital additions of the Group located outside Malaysia is less than 10% of its total segment assets and capital additions respectively.

The Group's analysis of the segment revenue from external customers by geographical area based on the geographical location of its customers has not been provided as the export sales of the Group is less than 10% of its total revenue.

## 7. OTHER GAINS AND LOSSES, OTHER EXPENSES AND EMPLOYEE BENEFIT EXPENSES

Included in other gains and losses and other expenses are the following:

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | Note | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Investment revenue | 9 | 3,583 | 1,584 | 3,487 | 1,488 |
| Rental income: | | | | | |
| - Premises | | 209 | 348 | - | - |
| - Motor vehicles | | 195 | 193 | - | - |
| - Water dispensers | | 1 | 1 | - | - |
| Interest income | | 221 | 276 | 1,242 | 1,830 |
| Gain on disposal of other investments | | 30 | 19 | 30 | 19 |
| Gain on disposal of property, plant and equipment | | 10 | 88 | - | - |
| Allowance for slow moving and obsolete inventories no longer required | 20 | 8 | 22 | - | - |
| Rental expense: | | | | | |
| - Plant and equipment | | (1,477) | (1,483) | - | - |
| - Premises | | (548) | (712) | - | - |
| Property, plant and equipment written off | | (666) | (155) | - | - |
| Loss on foreign exchange: | | | | | |
| - Realised | | (531) | (488) | - | - |
| - Unrealised | | (24) | (1) | - | - |
| Inventories written off | 20 | (312) | (2,101) | - | - |
| Fair value adjustments of: | | | | | |
| - Other investments | | (210) | (17) | (210) | (17) |
| - Investment properties | 15 | - | 816 | - | - |
| Auditors' remuneration: | | | | | |
| Statutory audit | | (201) | (182) | (47) | (41) |
| Others | | (5) | (6) | - | - |
| Receivables written off | | (105) | - | - | - |
| Other investment written off | | (58) | - | - | - |
| Impairment losses recognised on receivables | 21 | (16) | (16) | - | - |
| Research and development expenditure | | - | (153) | - | - |
| Reversal of impairment losses on receivables | 21 | - | 58 | - | - |

## 7. OTHER GAINS AND LOSSES, OTHER EXPENSES AND EMPLOYEE BENEFIT EXPENSES (CONT'D)

Included in employee benefit expenses are the following (Cont'd):

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | | **2018** | **2017** | **2018** | **2017** |
| | **Note** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Directors' remuneration | 10 | 5,917 | 5,391 | 290 | 313 |
| Contributions to Employees' Provident Fund | | 3,067 | 3,089 | - | - |
| Rental of hostels | | 56 | 74 | - | - |

**Compensation of key management personnel**

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company which includes Executive Directors of the Company and certain members of senior management of the Company.

The remuneration of directors are disclosed in Note 10. The remuneration of other members of key management personnel of the Group during the financial year are as follows:

| | The Group | |
|---|---|---|
| | **2018** | **2017** |
| | **RM'000** | **RM'000** |
| Short-term employee benefits | 3,779 | 3,884 |
| Post-employment benefits - Defined contribution plan | 444 | 449 |
| | 4,223 | 4,333 |

The estimated monetary value of benefits-in-kind received and receivable by other members of key management personnel otherwise than in cash from the Group amounted to RM133,410 (2017: RM142,360).

## 8. DEPRECIATION AND AMORTISATION

| | The Group | |
|---|---|---|
| | **2018** | **2017** |
| | **RM'000** | **RM'000** |
| Depreciation of property, plant and equipment (Note 14) | 14,116 | 14,039 |
| Amortisation of intangible asset (Note 18) | 26 | 4 |
| | 14,142 | 14,043 |

## 9. INVESTMENT REVENUE

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income from other investments | 3,487 | 1,488 | 3,487 | 1,488 |
| Rental income from investment properties | 96 | 96 | - | - |
| | 3,583 | 1,584 | 3,487 | 1,488 |

The following is an analysis of investment revenue earned by category of assets:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Investment income earned on: | | | | |
| Non-derivative financial assets carried at FVTPL | 3,487 | 1,488 | 3,487 | 1,488 |
| Non-financial assets | 96 | 96 | - | - |
| | 3,583 | 1,584 | 3,487 | 1,488 |

## 10. DIRECTORS' REMUNERATION

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Directors of the Company: | | | | |
| Fees | 323 | 350 | 243 | 255 |
| Other emoluments | 5,027 | 4,956 | 47 | 58 |
| | 5,350 | 5,306 | 290 | 313 |
| Directors of the subsidiaries: | | | | |
| Fees | 64 | 29 | - | - |
| Other emoluments | 503 | 56 | - | - |
| | 567 | 85 | - | - |
| | 5,917 | 5,391 | 290 | 313 |

Included in directors' other emoluments are contributions made by the Group to the Employees' Provident Fund of RM540,180 (2017: RM448,115).

The estimated monetary value of benefits-in-kind received and receivable by the directors otherwise than in cash from the Group amounted to RM239,312 (2017: RM244,908).

## 11. FINANCE COSTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Interest on: | | | | |
| Term loans | 343 | 498 | - | - |
| Revolving credits | 166 | 81 | - | - |
| Hire-purchase | 10 | 20 | - | - |
| Bankers' acceptances | 8 | 42 | - | - |
| Total interest expense for financial liabilities not classified as at FVTPL | 527 | 641 | - | - |
| Other finance costs | 360 | 388 | 73 | 78 |
| | 887 | 1,029 | 73 | 78 |

## 12. TAX EXPENSE

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Malaysian income tax: | | | | |
| Current year | 7,543 | 9,049 | 257 | 404 |
| Prior year | 151 | (15) | 2 | (17) |
| | 7,694 | 9,034 | 259 | 387 |
| Deferred tax (Note 29): | | | | |
| Relating to origination and reversal of temporary differences | 788 | 416 | - | - |
| Relating to crystallisation of deferred tax liability on revaluation surplus | 517 | (20) | - | - |
| Prior year | 632 | 364 | - | - |
| | 1,937 | 760 | - | - |
| | 9,631 | 9,794 | 259 | 387 |

The Group's and the Company's income tax rate remained at 24% (2017: 24%) except for its foreign subsidiaries whose income tax rates range from 16.5% to 25% (2017: 16.5% to 25%).

The Finance Act 2018 which was gazetted on December 27, 2018, revised the Real Property Gains Tax ("RPGT") from 5% to 10% from sixth year onwards, on gains from the disposal of real properties effective January 1, 2019. Following these, the applicable tax rate to be used for the measurement of any applicable deferred tax will be the abovementioned expected rate.

## 12. TAX EXPENSE (CONT'D)

The tax expense for the year can be reconciled to the accounting profit as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Profit before tax | 33,856 | 35,272 | 11,876 | 7,942 |
| Tax at the applicable statutory income tax rate of 24% (2017: 24%) | 8,125 | 8,465 | 2,850 | 1,906 |
| Tax effects of: | | | | |
| Expenses that are not deductible in determining taxable profit | 1,325 | 2,060 | 100 | 211 |
| Current year unutilised tax losses and unabsorbed capital allowances not recognised as deferred tax assets | 906 | 1,170 | - | - |
| Increase of deferred tax liability on revised tax rate | 538 | - | - | - |
| Income not taxable in determining taxable profit | (801) | (400) | (2,693) | (1,713) |
| Unutilised reinvestment allowances recognised as deferred tax assets | (742) | - | - | - |
| Utilisation of reinvestment allowances | (410) | (1,728) | - | - |
| Expenses allowed for double tax deductions | (138) | (144) | - | - |
| Others | 45 | 22 | - | - |
| Income tax - prior year | 151 | (15) | 2 | (17) |
| Deferred tax - prior year | 632 | 364 | - | - |
| Tax expense recognised in profit or loss | 9,631 | 9,794 | 259 | 387 |

## 12. TAX EXPENSE (CONT'D)

### Current tax assets and liabilities

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Current tax assets** | | | | |
| Tax refunds receivable | 2,279 | 1,198 | 268 | 126 |
| **Current tax liabilities** | | | | |
| Income tax payable | 811 | 2,764 | - | - |

## 13. EARNINGS PER SHARE

The basic and diluted earnings per ordinary share are calculated as follows:

| | The Group | |
|---|---|---|
| | 2018 | 2017 |
| Profit for the year attributable to owners of the Company (RM'000) | 24,225 | 25,478 |
| Number of ordinary shares in issue as of January 1 ('000) | 209,993 | 179,573 |
| Shares repurchased and held as treasury shares ('000) | (24) | (24) |
| | 209,969 | 179,549 |
| Weighted average number of ordinary shares issued during the year ('000) | - | 4,710 |
| Weighted average number of ordinary shares in issue ('000) | 209,969 | 184,259 |
| Basic and diluted earnings per ordinary share (sen) | 11.54 | 13.83 |

## 14. PROPERTY, PLANT AND EQUIPMENT

| The Group | Freehold land RM'000 | Long-term leasehold land RM'000 | Buildings RM'000 | Factory extension RM'000 | Staff quarters RM'000 | Plant and machinery RM'000 | Motor vehicles RM'000 | Motor vehicles under hire-purchase RM'000 | Furniture, fixtures and equipment RM'000 | Electrical installation RM'000 | Water dispensers RM'000 | Capital work-in-progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | | | | |
| As of January 1, 2017 | 54,240 | 4,809 | 52,867 | 3,703 | 1,954 | 178,605 | 17,675 | 1,090 | 18,039 | 2,991 | 291 | 2,118 | 338,382 |
| Additions | 720 | - | 767 | 300 | 338 | 7,474 | 1,308 | - | 1,545 | 333 | - | 2,757 | 15,542 |
| Disposals | - | - | - | - | - | (4) | (1,188) | - | (5) | - | - | - | (1,197) |
| Write offs | - | - | - | - | - | (35) | - | - | (349) | - | (238) | - | (622) |
| Reclassification | - | - | 1,430 | - | - | 1,139 | 352 | (352) | - | - | - | (2,569) | - |
| Translation difference | - | - | - | - | - | - | - | - | (7) | - | - | - | (7) |
| As of December 31, 2017 | 54,960 | 4,809 | 55,064 | 4,003 | 2,292 | 187,179 | 18,147 | 738 | 19,223 | 3,324 | 53 | 2,306 | 352,098 |
| Additions | 4 | - | 4,602 | 806 | 120 | 10,325 | 1,236 | - | 1,369 | 229 | - | 18,066 | 36,757 |
| Disposals | - | - | - | - | - | (189) | (524) | - | (6) | - | - | - | (719) |
| Write offs | - | - | - | - | - | (1,692) | (6) | - | (333) | (9) | (34) | - | (2,074) |
| Reclassification | - | - | - | 376 | - | 60 | - | - | - | (4) | 4 | (436) | - |
| Translation difference | - | - | - | - | - | - | - | - | (6) | - | - | - | (6) |
| As of December 31, 2018 | 54,964 | 4,809 | 59,666 | 5,185 | 2,412 | 195,683 | 18,853 | 738 | 20,247 | 3,540 | 23 | 19,936 | 386,056 |
| **Accumulated depreciation** | | | | | | | | | | | | | |
| As of January 1, 2017 | - | 659 | 7,625 | 793 | 236 | 87,411 | 9,864 | 250 | 8,846 | 1,249 | 187 | - | 117,120 |
| Charge for the year | - | 57 | 913 | 147 | 50 | 9,540 | 1,747 | 145 | 1,255 | 186 | 7 | - | 14,047 |
| Disposals | - | - | - | - | - | (2) | (1,013) | - | (4) | - | - | - | (1,019) |
| Write offs | - | - | - | - | - | (25) | - | - | (279) | - | (163) | - | (467) |
| Reclassification | - | - | - | - | - | - | 169 | (169) | - | - | - | - | - |
| Translation difference | - | - | - | - | - | - | - | - | (1) | - | - | - | (1) |
| As of December 31, 2017 | - | 716 | 8,538 | 940 | 286 | 96,924 | 10,767 | 226 | 9,817 | 1,435 | 31 | - | 129,680 |
| Charge for the year | - | 58 | 958 | 178 | 53 | 9,391 | 1,725 | 102 | 1,448 | 201 | 2 | - | 14,116 |
| Disposals | - | - | - | - | - | (169) | (382) | - | (2) | - | - | - | (553) |
| Write offs | - | - | - | - | - | (1,108) | (6) | - | (268) | (6) | (20) | - | (1,408) |
| Reclassification | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Translation difference | - | - | - | - | - | - | - | - | (2) | - | - | - | (2) |
| As of December 31, 2018 | - | 774 | 9,496 | 1,118 | 339 | 105,038 | 12,104 | 328 | 10,993 | 1,630 | 13 | - | 141,833 |
| **Carrying amounts** | | | | | | | | | | | | | |
| As of December 31, 2018 | 54,964 | 4,035 | 50,170 | 4,067 | 2,073 | 90,645 | 6,749 | 410 | 9,254 | 1,910 | 10 | 19,936 | 244,223 |
| As of December 31, 2017 | 54,960 | 4,093 | 46,526 | 3,063 | 2,006 | 90,255 | 7,380 | 512 | 9,406 | 1,889 | 22 | 2,306 | 222,418 |

## 14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

During the financial year, depreciation expenses are charged to the following items in the statement of profit or loss:

| | The Group | |
|---|---|---|
| | 2018 RM'000 | 2017 RM'000 |
| Depreciation and amortisation (Note 8) | 14,116 | 14,039 |
| Research and development expenditure included in other expenses | - | 8 |
| | 14,116 | 14,047 |

## 15. INVESTMENT PROPERTIES

| The Group | Freehold land and buildings RM'000 | Long-term leasehold land RM'000 | Short-term leasehold land RM'000 | Buildings RM'000 | Renovation RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **At fair value** | | | | | | |
| As of January 1, 2017 | 614 | 1,710 | 590 | 1,376 | 64 | 4,354 |
| Fair value adjustments | 276 | 400 | - | 140 | - | 816 |
| As of December 31, 2017 | 890 | 2,110 | 590 | 1,516 | 64 | 5,170 |
| Fair value adjustments | - | - | - | - | - | - |
| As of December 31, 2018 | 890 | 2,110 | 590 | 1,516 | 64 | 5,170 |

The fair values of the Group's investment properties as of December 31, 2018 had been arrived at on the basis of a valuation carried out by independent valuers on December 31, 2017 who have appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

The fair value of the investment properties were determined based on the market comparable approach that reflects recent transacted prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

As of December 31, 2018, there were no contractual obligations for future repairs and maintenance of the investment properties (2017: Nil).

## 15. INVESTMENT PROPERTIES (CONT'D)

Details of the Group's investment properties and information about the fair value hierarchy as of December 31, 2018 are as follows:

| **The Group** | Fair Value | | |
|---|---|---|---|
| **2018** | **Level 1** | **Level 2** | **Level 3** |
| | **RM'000** | **RM'000** | **RM'000** |
| Freehold land and buildings | - | 890 | - |
| Long-term leasehold land | - | 2,110 | - |
| Short-term leasehold land | - | 590 | - |
| Buildings | - | 1,516 | - |
| Renovation | - | 64 | - |
| **2017** | | | |
| Freehold land and buildings | - | 890 | - |
| Long-term leasehold land | - | 2,110 | - |
| Short-term leasehold land | - | 590 | - |
| Buildings | - | 1,516 | - |
| Renovation | - | 64 | - |

There were no transfers between Levels 1 and 2 during the financial year.

During the financial year, direct operating expenses incurred relating to the investment properties of the Group are as follows:

| **The Group** | **Generate rental income** | | **Do not generate rental income** | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Quit rent and assessments | 12 | 12 | 13 | 13 |
| Electricity and water charges | - | - | 6 | 7 |

## 16. INVESTMENTS IN SUBSIDIARIES

| | The Company 2018 RM'000 | 2017 RM'000 |
|---|---|---|
| Unquoted shares, at cost: | | |
| At beginning of year | 92,353 | 83,964 |
| Subscription of shares | 3,083 | 8,538 |
| Reversals | - | (149) |
| At end of year | 95,436 | 92,353 |

The details of the subsidiaries are as follows:

| Name of company | Place of incorporation | Proportion of ownership interest and voting power held by the Group 2018 % | 2017 % | Principal activities |
|---|---|---|---|---|
| **Direct subsidiaries** | | | | |
| Chuan Sin Sdn Bhd | Malaysia | 100 | 100 | Production of natural mineral water, carbonated flavoured water, distilled water, drinking water and non-carbonated flavoured water |
| Golden PET Industries Sdn Bhd* | Malaysia | 100 | 100 | Manufacturing and selling of PET preforms, PET bottles, caps, toothbrushes and other plastic products |
| Chuan Sin Cactus Sdn Bhd | Malaysia | 100 | 100 | Distribution of bottled water and other consumer products |
| PET Master Sdn Bhd | Malaysia | 100 | 100 | Manufacturing and selling of PET preforms |
| Angenet Sdn Bhd | Malaysia | 100 | 100 | Manufacturing and selling of bottled water |
| Spritzer EcoPark Sdn Bhd | Malaysia | 100 | 100 | Operator of a mini golf course and recreational park |
| Spritzer (Hong Kong) Limited*[1] | Hong Kong | 100 | 100 | Investment holding |
| **Indirect subsidiary held through Spritzer (Hong Kong) Limited** | | | | |
| Spritzer (Guangzhou) Trading Limited* | People's Republic of China | 100 | 100 | Distribution of bottled water and other consumer products |

[1] During the financial year, the Company subscribed for 6,067,358 new ordinary shares of HKD1 each, in the share capital of Spritzer (Hong Kong) Limited for a cash consideration of RM3,082,443. The effective equity interest of the Company in Spritzer (Hong Kong) Limited remained at 100%.

* The financial statements of this company are examined by auditors other than the auditors of the Company.

## 16. INVESTMENTS IN SUBSIDIARIES (CONT'D)

### Composition of the Group

Information about composition of the Group at the end of the reporting period is as follows:

| Principal activities | Place of incorporation and operation | Number of wholly-owned subsidiaries 2018 | 2017 |
|---|---|---|---|
| Production of natural mineral water, carbonated flavoured water, distilled water, drinking water and non-carbonated flavoured water | Malaysia | 2 | 2 |
| Manufacturing and selling of PET preforms, PET bottles, caps, toothbrushes and other plastic products | Malaysia | 2 | 2 |
| Distribution of bottled water and other consumer products | Malaysia | 1 | 1 |
| | People's Republic of China | 1 | 1 |
| Investment holding | Hong Kong | 1 | 1 |
| Operator of a mini golf course and recreational park | Malaysia | 1 | 1 |
| | | 8 | 8 |

## 17. GOODWILL ON CONSOLIDATION

| | The Group 2018 RM'000 | 2017 RM'000 |
|---|---|---|
| At beginning and end of year | 40 | 40 |

***Impairment tests for cash-generating units ("CGU") containing goodwill***

Carrying amount of goodwill is allocated to Chuan Sin Cactus Sdn Bhd's trading operations.

The directors did not test the above goodwill for impairment in the current financial year as the operations of Chuan Sin Cactus Sdn Bhd have not deviated materially from that achieved in the previous financial year and any write down in goodwill, if necessary, to its recoverable amount is unlikely to be material to the Group's financial statements.

## 18. OTHER INTANGIBLE ASSET

| | The Group | |
|---|---|---|
| **Software development cost** | **2018 RM'000** | **2017 RM'000** |
| **Cost** | | |
| At beginning of year | 133 | - |
| Additions | - | 133 |
| At end of year | 133 | 133 |
| **Accumulated amortisation** | | |
| At beginning of year | 4 | - |
| Amortisation during the year (Note 8) | 26 | 4 |
| At end of year | 30 | 4 |
| **Carrying amount** | 103 | 129 |

## 19. OTHER INVESTMENTS

| **2018** | **The Group RM'000** | **The Company RM'000** |
|---|---|---|
| **Financial assets measured:** | | |
| **At FVTOCI:** | | |
| Investment in unquoted shares: | | |
| At beginning of year | 58 | - |
| Written off during the year | (58) | - |
| At end of year | - | - |
| **At FVTPL:** | | |
| Investments in money market funds in Malaysia | 92,815 | 92,815 |
| | 92,815 | 92,815 |

| **2017** | **The Group RM'000** | **The Company RM'000** |
|---|---|---|
| **Available-for-sale investment carried at cost:** | | |
| Investment in unquoted shares | 58 | - |
| **Financial assets carried at FVTPL:** | | |
| Investments in money market funds in Malaysia | 110,919 | 110,919 |
| | 110,977 | 110,919 |

## 19. OTHER INVESTMENTS (CONT'D)

Details of the Group's and of the Company's other investments and information about the fair value hierarchy as of December 31, 2018 are as follows:

**The Group and The Company**

| | Fair Value | | |
|---|---|---|---|
| **2018** | **Level 1 RM'000** | **Level 2 RM'000** | **Level 3 RM'000** |
| Financial assets measured at FVTPL: | | | |
| Investments in money market funds in Malaysia | 92,815 | - | - |
| **2017** | | | |
| Financial assets measured at FVTPL: | | | |
| Investments in money market funds in Malaysia | 110,919 | - | - |

There were no transfers between Levels 1 and 2 during the financial year.

## 20. INVENTORIES

| | The Group | |
|---|---|---|
| | **2018 RM'000** | **2017 RM'000** |
| Raw materials | 11,012 | 7,626 |
| Finished goods and trading merchandise | 10,972 | 11,499 |
| Spare parts | 6,781 | 6,594 |
| Packing materials | 6,063 | 6,001 |
| Goods-in-transit | 2,113 | 481 |
| Work-in-progress | 349 | 410 |
| | 37,290 | 32,611 |
| Less: Allowance for slow moving and obsolete inventories | (486) | (494) |
| Net | 36,804 | 32,117 |

| | The Group | |
|---|---|---|
| | **2018 RM'000** | **2017 RM'000** |
| Recognised as an expense during the year: | | |
| Cost of inventories | 225,376 | 193,183 |
| Inventories written off (Note 7) | 312 | 2,101 |

## 20. INVENTORIES (CONT'D)

Movement in allowance for slow moving and obsolete inventories is as follows:

| | The Group | |
|---|---|---|
| | 2018 | 2017 |
| | RM'000 | RM'000 |
| At beginning of year | 494 | 553 |
| Allowance no longer required (Note 7) | (8) | (22) |
| Written off against cost | - | (37) |
| At end of year | 486 | 494 |

## 21. TRADE AND OTHER RECEIVABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Trade receivables | 17,481 | 18,357 | - | - |
| Less: Loss allowance | (16) | (16) | - | - |
| | 17,465 | 18,341 | - | - |
| Amount due from subsidiaries | | | | |
| - non-trade (Note 22) | - | - | 44,807 | 27,667 |
| Amount due from other related parties - trade | 44,552 | 44,282 | - | - |
| Other receivables | 763 | 1,075 | - | 325 |
| | 62,780 | 63,698 | 44,807 | 27,992 |

Analysis of currency profile of gross amount of trade and other receivables is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Ringgit Malaysia | 60,341 | 60,995 | 44,807 | 27,992 |
| Singapore Dollar | 1,765 | 1,544 | - | - |
| Chinese Renminbi | 518 | 489 | - | - |
| United States Dollar | 172 | 684 | - | - |
| Euro | - | 2 | - | - |
| | 62,796 | 63,714 | 44,807 | 27,992 |

# Notes to the Financial Statements

## 21. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade receivables and the trade portions of amount due from other related parties of the Group comprise amounts receivable for the sale of goods. The credit periods granted on sale of goods range from 7 to 120 days (2017: 7 to 120 days). No interest is charged on overdue outstanding trade balances.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. None of the trade receivables that have been written off is subject to enforcement activities.

The following table details the risk profile of trade receivables based on the Group provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

**The Group**

**2018**

| | Trade receivables - ageing of past due | | | | |
|---|---|---|---|---|---|
| | **31 - 60 RM'000** | **61 - 90 RM'000** | **91 - 120 RM'000** | **>120 RM'000** | **Total RM'000** |
| Estimated total gross carrying amount at default | 428 | 225 | 1,029 | 150 | 1,832 |
| Impairment losses | - | - | - | (16) | (16) |
| | | | | | 1,816 |

| | Amount due from other related parties - ageing of past due | | | | |
|---|---|---|---|---|---|
| | **31 - 60 RM'000** | **61 - 90 RM'000** | **91 - 120 RM'000** | **>120 RM'000** | **Total RM'000** |
| Estimated total gross carrying amount at default | - | - | - | 4,213 | 4,213 |

## 21. TRADE AND OTHER RECEIVABLES (CONT'D)

**The Group**

**2017**

| | Ageing of past due | | | | |
|---|---|---|---|---|---|
| | **31 - 60 RM'000** | **61 - 90 RM'000** | **91 - 120 RM'000** | **>120 RM'000** | **Total RM'000** |
| Trade receivables | 203 | 250 | 546 | 369 | 1,368 |
| Amount due from other related parties | - | - | - | 2,674 | 2,674 |
| Impairment losses | - | - | - | (16) | (16) |
| | | | | | 4,026 |

The following table shows the movement in loss allowance that has been recognised for trade receivables in accordance with the simplified approach set out in MFRS 9.

| | The Group | |
|---|---|---|
| | **2018 RM'000** | **2017 RM'000** |
| At beginning of year | 16 | 65 |
| Impairment losses (Note 7) | 16 | 16 |
| Impairment losses reversed (Note 7) | - | (58) |
| Amounts written off | (16) | (7) |
| At end of year | 16 | 16 |

There were no significant changes in loss allowance provided during the year. The composition of the receivables remained relatively consistent with no material change in credit periods and expected credit loss rates.

Included in other receivables of the Group is an amount of RM734,446 (2017: RM703,657) being Goods and Services Tax and Value Added Tax refundable.

Transactions with related parties are disclosed in Note 22.

## 22. RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or entities.

**Related party transactions**

Transactions with related parties are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2018 RM'000** | **2017 RM'000** | **2018 RM'000** | **2017 RM'000** |
| **Subsidiaries** | | | | |
| Dividends received | - | - | 7,916 | 5,516 |
| Loan interest received/receivable | - | - | 1,236 | 1,717 |
| **Transactions with other related parties being companies in which certain directors/ shareholders and/or persons connected with the directors/shareholders have substantial interests** | | | | |
| ASAP International Sdn Bhd | | | | |
| Rental of premise received | 46 | - | - | - |
| Cactus Marketing Sdn Bhd | | | | |
| Sale of goods | 7,727 | 8,068 | - | - |
| Rental of premise received | 94 | 94 | - | - |
| Transport charges paid | 7 | - | - | - |
| Cranberry (M) Sdn Bhd | | | | |
| Sale of goods | 8 | 11 | - | - |
| Rental of premise received | - | 23 | - | - |
| Cranberry International Sdn Bhd | | | | |
| Rental of premise received | 46 | - | - | - |
| Sale of goods | 1 | - | - | - |
| Multibase Systems Sdn Bhd | | | | |
| Secretarial fees paid/payable | 25 | 25 | 10 | 10 |

## 22. RELATED PARTY TRANSACTIONS (CONT'D)

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Transactions with other related parties being companies in which certain directors/ shareholders and/or persons connected with the directors/shareholders have substantial interests (Cont'd)** | | | | |
| Sabah Tea Garden Sdn Bhd | | | | |
| Purchase of goods and services | 139 | 82 | 2 | - |
| Rental of premise received | 29 | 51 | - | - |
| Sale of goods | 8 | 6 | - | - |
| Sementra Resort Sdn Bhd | | | | |
| Sale of property, plant and equipment | - | 60 | - | - |
| South East Asia Paper Products Sdn Bhd | | | | |
| Purchase of goods | 3,863 | 4,902 | - | - |
| Sale of goods | 1 | 1 | - | - |
| Spritzer Resources Sdn Bhd | | | | |
| Purchase of property, plant and equipment | 4,259 | - | - | - |
| Unikampar Credit And Leasing Sdn Bhd | | | | |
| Hire-purchase interest paid | 10 | 20 | - | - |
| Sale of goods | 2 | 2 | - | - |
| Unipon Enterprise Sdn Bhd | | | | |
| Sale of goods | 413 | 551 | - | - |
| Yee Lee Edible Oils Sdn Bhd | | | | |
| Sale of goods | 8,765 | 9,299 | - | - |
| Internal audit fee paid | 41 | 14 | - | - |
| Transport charges paid | 8 | 16 | - | - |
| Yee Lee Marketing Sdn Bhd | | | | |
| Sale of goods | 30,573 | 25,178 | - | - |
| Yee Lee Oils & Foodstuffs (Singapore) Pte Ltd | | | | |
| Sale of goods | 4,254 | 4,612 | - | - |
| Yee Lee Trading Co Sdn Bhd | | | | |
| Sale of goods | 119,866 | 116,311 | - | - |
| Purchase of goods | 660 | 359 | - | - |
| Yew Lee Chiong Tin Factory Sdn Bhd | | | | |
| Sale of goods | 6 | 6 | - | - |
| YLTC Sdn Bhd | | | | |
| Sale of goods | 6,016 | - | - | - |

## 22. RELATED PARTY TRANSACTIONS (CONT'D)

The non-trade amount due from subsidiaries is unsecured, bears interest at 4.00% (2017: 4.00%) per annum, repayable on demand and will be settled in cash.

The non-trade amounts owing to other related parties are unsecured, interest-free, repayable on demand and will be settled in cash.

The outstanding balances arising from related party transactions are disclosed in Notes 21, 27 and 30.

## 23. OTHER ASSETS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deposits | 13,098 | 3,218 | 1 | 1 |
| Prepaid expenses | 706 | 1,276 | - | - |
| | 13,804 | 4,494 | 1 | 1 |

Included in deposits and prepaid expenses of the Group are amounts totalling RM11,773,290 (2017: RM2,538,105) which represent deposits paid for purchase of property, plant and equipment.

## 24. FIXED DEPOSITS, CASH AND BANK BALANCES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Fixed deposits with licensed banks | 3,477 | 1,821 | - | 1,800 |
| Cash and bank balances | 14,866 | 15,486 | 23 | 173 |
| | 18,343 | 17,307 | 23 | 1,973 |

Fixed deposit of RM22,044 (2017: RM21,358) is pledged to a licensed bank as security for banking facilities granted to a subsidiary.

The effective interest rates for fixed deposits ranged from 2.60% to 3.20% (2017: 2.50% to 3.00%) per annum with maturity periods of 3 to 32 days (2017: 6 to 30 days).

## 24. FIXED DEPOSITS, CASH AND BANK BALANCES (CONT'D)

Analysis of currency profile of fixed deposits, cash and bank balances is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Ringgit Malaysia | 10,167 | 11,417 | 23 | 1,973 |
| United States Dollar | 5,482 | 2,847 | - | - |
| Australian Dollar | 1,716 | 1,840 | - | - |
| Chinese Renminbi | 958 | 1,187 | - | - |
| Hong Kong Dollar | 19 | 16 | - | - |
| Singapore Dollar | 1 | - | - | - |
| | 18,343 | 17,307 | 23 | 1,973 |

## 25. SHARE CAPITAL AND TREASURY SHARES

### *(a) Share capital*

**The Group and The Company**

| | **2018 Number of ordinary shares '000 units** | **2017 Number of ordinary shares '000 units** | **2018 RM'000** | **2017 RM'000** |
|---|---|---|---|---|
| **Issued and fully paid:** | | | | |
| Ordinary shares: | | | | |
| Balance at beginning of year | 209,993 | 179,573 | 216,571 | 89,787 |
| Private Placement | - | 27,387 | - | 63,813 |
| Exercise of ESOS | - | 3,033 | - | 5,984 |
| Transfer from share premium arising from "no par value" regime | - | - | - | 56,987 |
| Balance at end of year | 209,993 | 209,993 | 216,571 | 216,571 |

With the Companies Act 2016 ("the Act") which came into effect on January 31, 2017, the credit standing in the Company's share premium account of RM56,987,152 became part of the share capital of the Company. Pursuant to Section 618(3) of the Act, the Company has 24 months from the commencement of the Act to utilise this credit.

## 25. SHARE CAPITAL AND TREASURY SHARES (CONT'D)

### *(b) Treasury shares*

**The Group and The Company**

| | 2018 Number of ordinary shares '000 units | 2017 Number of ordinary shares '000 units | 2018 RM'000 | 2017 RM'000 |
|---|---|---|---|---|
| Balance at beginning and end of year | 24 | 24 | 14 | 14 |

As of December 31, 2018, there are 24,000 treasury shares held by the Company. The number of ordinary shares in issue after excluding the treasury shares is 209,968,727 (2017: 209,968,727).

The mandate given by the shareholders to purchase own shares will expire at the forthcoming Annual General Meeting ("AGM") and an ordinary resolution needs to be tabled at the AGM for shareholders to grant a fresh mandate for another year.

## 26. RESERVES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| **Non-distributable reserve:** | | | | |
| Translation reserve | (22) | (78) | - | - |
| **Distributable reserve:** | | | | |
| Retained earnings | 172,669 | 159,992 | 16,491 | 16,422 |
| | 172,647 | 159,914 | 16,491 | 16,422 |

### *(a) Translation reserve*

Exchange differences relating to the translation from the functional currency of foreign subsidiaries of the Group into Ringgit Malaysia are recognised directly in other comprehensive income and accumulated in the translation reserve.

### *(b) Retained earnings*

The entire retained earnings of the Company as of the end of the financial year is available for distribution as single tier dividends to the shareholders of the Company.

## 27. HIRE-PURCHASE PAYABLES

| The Group | Minimum hire-purchase payments | | Present value of minimum hire-purchase payments | |
|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Amounts payable under hire-purchase arrangements: | | | | |
| Within one year | 90 | 181 | 89 | 171 |
| In the second to fifth year inclusive | - | 91 | - | 89 |
| | 90 | 272 | 89 | 260 |
| Less: Future finance charges | (1) | (12) | - | - |
| Present value of hire-purchase payables | 89 | 260 | 89 | 260 |
| Less: Amount due within 12 months (shown under current liabilities) | | | (89) | (171) |
| Non-current portion | | | - | 89 |

The non-current portion is repayable as follows:

| | The Group | |
|---|---|---|
| | 2018 RM'000 | 2017 RM'000 |
| Financial year ending December 31, 2019 | - | 89 |

As of December 31, 2018, hire-purchase obligations of the Group payable to a related party amounted to RM89,344 (2017: RM260,619).

It is the Group's policy to acquire certain of its property, plant and equipment under hire-purchase arrangements. The terms for hire-purchase are 3 years (2017: 3 years). For the financial year ended December 31, 2018, the effective borrowing rate is at 5.68% (2017: 5.68% to 5.87%) per annum. Interest rates are fixed at the inception of the hire-purchase arrangements.

The Group's hire-purchase payables are secured by the assets under hire-purchase and are guaranteed by the Company.

# Notes to the Financial Statements

## 28. BORROWINGS

| | The Group | |
|---|---|---|
| | 2018 | 2017 |
| | RM'000 | RM'000 |
| **Unsecured** | | |
| Term loans | 5,584 | 9,335 |
| Revolving credits | - | 500 |
| Bankers' acceptances | - | 800 |
| | 5,584 | 10,635 |
| **Secured** | | |
| Revolving credits | 3,181 | 1,717 |
| | 8,765 | 12,352 |
| Less: Amount due within 12 months (shown under current liabilities) | (5,594) | (6,768) |
| Non-current portion | 3,171 | 5,584 |

The non-current portion of the term loans is repayable as follows:

| | The Group | |
|---|---|---|
| | 2018 | 2017 |
| | RM'000 | RM'000 |
| Financial years ending December 31: | | |
| 2019 | - | 2,413 |
| 2020 | 2,012 | 2,012 |
| 2021 | 1,135 | 1,135 |
| 2022 | 24 | 24 |
| | 3,171 | 5,584 |

Analysis of currency profile of borrowings is as follows:

| | The Group | |
|---|---|---|
| | 2018 | 2017 |
| | RM'000 | RM'000 |
| Ringgit Malaysia | 5,584 | 10,635 |
| Chinese Renminbi | 3,181 | 1,717 |
| | 8,765 | 12,352 |

## 28. BORROWINGS (CONT'D)

The Group has the following term loans:

(a) a five (5) year term loan of RM3,230,000 (2017: RM3,230,000) which is repayable by equal monthly instalments commencing November 1, 2013. The term loan was fully repaid during the year;

(b) a five (5) year term loan of RM6,000,000 (2017: RM6,000,000) which is repayable by equal monthly instalments commencing May 29, 2014;

(c) a five (5) year term loan of RM5,000,000 (2017: RM5,000,000) which is repayable by equal monthly instalments commencing June 1, 2016; and

(d) a five (5) year term loan of RM4,800,000 (2017: RM4,800,000) which is repayable by equal monthly instalments commencing January 16, 2017.

The average effective interest rates per annum are as follows:

| | The Group | |
|---|---|---|
| | **2018** | **2017** |
| | **%** | **%** |
| Term loans | 4.30 - 4.72 | 4.30 - 4.53 |
| Revolving credits | 4.40 - 5.66 | 4.45 - 5.60 |
| Bankers' acceptances | 3.50 - 4.25 | 3.28 - 4.09 |
| Bank overdrafts | 7.15 - 8.24 | 7.15 - 7.85 |

The Group obtained banking facilities including term loan facilities to the extent of RM107,056,000 (2017: RM142,820,000) from certain licensed banks, of which RM100,857,000 (2017: RM134,020,000) are guaranteed by the Company.

## 29. DEFERRED TAX LIABILITIES

| The Group | Property, plant and equipment RM'000 | Investment properties RM'000 | Revaluation reserve RM'000 | Unrealised loss on foreign exchange RM'000 | Unutilised reinvestment allowances RM'000 | Unutilised tax losses capital and unabsorbed allowances RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| As of January 1, 2017 | 17,009 | 50 | 1,586 | - | (750) | (55) | 17,840 |
| Recognised in profit or loss | 401 | 41 | (20) | 2 | 330 | 6 | 760 |
| As of December 31, 2017 | 17,410 | 91 | 1,566 | 2 | (420) | (49) | 18,600 |
| Recognised in profit or loss | 1,673 | 66 | 517 | 1 | (322) | 2 | 1,937 |
| As of December 31, 2018 | 19,083 | 157 | 2,083 | 3 | (742) | (47) | 20,537 |

As of December 31, 2018, the amounts of unutilised tax losses and unabsorbed capital allowances of the Group which are not recognised in the financial statements, are as follows:

| | The Group | |
|---|---|---|
| | 2018 RM'000 | 2017 RM'000 |
| Unutilised tax losses and unabsorbed capital allowances | 11,271 | 8,177 |

***Unrecognised deferred tax assets***

The following deferred tax assets at the applicable tax rate of 24% (2017: 24%) have not been recognised at the end of the reporting period:

| | The Group | |
|---|---|---|
| | 2018 RM'000 | 2017 RM'000 |
| Tax effects of unutilised tax losses and unabsorbed capital allowances | 2,705 | 1,962 |

## 30. TRADE AND OTHER PAYABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Trade payables | 17,796 | 16,486 | - | - |
| Amount due to other related parties (Note 22): | | | | |
| - trade | 935 | 1,327 | - | - |
| - non-trade | 33 | 20 | 3 | 3 |
| Other payables | 18,362 | 9,560 | 32 | 13 |
| | 37,126 | 27,393 | 35 | 16 |

Analysis of currency profile of trade and other payables is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Ringgit Malaysia | 28,364 | 26,084 | 35 | 16 |
| Chinese Renminbi | 6,459 | 94 | - | - |
| United States Dollar | 2,207 | 1,144 | - | - |
| Euro | 89 | 18 | - | - |
| British Pound | 7 | - | - | - |
| Singapore Dollar | - | 53 | - | - |
| | 37,126 | 27,393 | 35 | 16 |

Trade payables and the trade portions of amount due to other related parties comprise amounts outstanding for trade purchases. The credit periods granted to the Group for trade purchases ranged from 30 to 120 days (2017: 30 to 120 days). The amount owing to other payables comprise amounts outstanding for purchase of plant and machinery and ongoing costs. The amounts owing are unsecured, interest-free and are repayable upon demand.

Included in other payables of the Group are the following:

| | The Group | |
|---|---|---|
| | 2018 RM'000 | 2017 RM'000 |
| Sales Tax payable | 1,905 | - |
| Goods and Services Tax payable | - | 531 |

Transactions with related parties are disclosed in Note 22.

# Notes to the Financial Statements

## 31. OTHER LIABILITIES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Accrued expenses | 19,413 | 19,433 | 267 | 369 |
| Deposits received | 416 | 275 | - | - |
| | 19,829 | 19,708 | 267 | 369 |

Included in accrued expenses of the Group is an amount of RM3,002,692 and RM119,308 (2017: RM3,529,690 and Nil), being refund liabilities arising from rebates and volume discounts, and right to return given to eligible customers respectively.

## 32. DIVIDEND

| | The Group and The Company | |
|---|---|---|
| | **2018** | **2017** |
| | **RM'000** | **RM'000** |
| First and final dividend paid: | | |
| 5.5 sen, single tier, for financial year ended December 31, 2017 (2017: 3.5 sen per share, single tier for financial period ended December 31, 2016) | 11,548 | 6,390 |

The directors proposed a first and final dividend of 3.5 sen per share, under the single tier system, in respect of the current financial year. This 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.

## 33. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

***Categories of financial instruments under MFRS 9***

| **2018** | **The Group RM'000** | **The Company RM'000** |
|---|---|---|
| ***Financial assets*** | | |
| FVTPL: | | |
| Investments in money market funds | 92,815 | 92,815 |
| Amortised cost: | | |
| Trade and other receivables | 62,045 | - |
| Amount due from subsidiaries | - | 44,807 |
| Refundable deposits | 608 | 1 |
| Fixed deposits, cash and bank balances | 18,343 | 23 |
| ***Financial liabilities*** | | |
| Amortised cost: | | |
| Trade and other payables | 35,221 | 35 |
| Borrowings | 8,765 | - |
| Hire-purchase payables | 89 | - |
| Accrued expenses | 19,413 | 267 |
| Refundable deposits received | 416 | - |

***Categories of financial instruments under MFRS 139***

| **2017** | **The Group RM'000** | **The Company RM'000** |
|---|---|---|
| ***Financial assets*** | | |
| Available-for-sale: | | |
| Investment in unquoted shares | 58 | - |
| FVTPL: | | |
| Investments in money market funds | 110,919 | 110,919 |
| Loans and receivables: | | |
| Trade and other receivables | 62,995 | 325 |
| Amount due from subsidiaries | - | 27,667 |
| Refundable deposits | 831 | 1 |
| Fixed deposits, cash and bank balances | 17,307 | 1,973 |
| ***Financial liabilities*** | | |
| Other financial liabilities: | | |
| Trade and other payables | 26,862 | 16 |
| Borrowings | 12,352 | - |
| Hire-purchase payables | 260 | - |
| Accrued expenses | 19,433 | 369 |
| Refundable deposits received | 274 | - |

## 33. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

**Financial Risk Management Objectives and Policies**

Risk management is integral to the whole business of the Group and of the Company. Management continually monitors the Group's and the Company's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the Group's and the Company's activities.

There have been no changes to the Group's and the Company's exposure to these financial risks or the manner in which they manage and measure the risks.

***(a) Market risk***

*(i) Foreign currency risk*

The Group's transactions in foreign currencies are in United States Dollar ("USD"), Australian Dollars ("AUD"), Euro ("EUR"), Singapore Dollar ("SGD"), Chinese Renminbi ("RMB"), British Pound ("GBP") and Hong Kong Dollar ("HKD") and therefore, are exposed to foreign exchange risk.

The carrying amounts of the foreign currency denominated monetary assets and liabilities of the Group at the end of the reporting period are disclosed in Notes 21, 24, 28 and 30.

*Sensitivity analysis for foreign currency risk*

The management does not consider the Group's exposure to foreign currency exchange risk significant as of December 31, 2018. Therefore, sensitivity analysis for foreign currency exchange risk is not disclosed.

*(ii) Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group finances its operations by a mixture of internal funds and bank and other borrowings. The Group regularly reviews the interest rate profile of borrowings against prevailing and anticipated market rates. The repayment and maturity profiles of borrowings are structured after taking into consideration of the cash inflows expected to be generated from the underlying assets or operations and the economic life of the assets or operations being financed.

The policy of the Group is to borrow both on the fixed and floating rate basis. The objective for the mix between fixed and floating rate borrowings is set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

The details of the Group's borrowings are as disclosed in Notes 27 and 28.

*Sensitivity analysis for interest rate risk*

The Group does not consider its exposure to interest rate risk from bank borrowings and interest-bearing assets significant as of December 31, 2018 due to insignificant fluctuations in the market interest rates. Therefore, interest rate sensitivity analysis is not disclosed.

## 33. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

### *(b) Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and to the Company. The Group and the Company have adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The exposure of the Group to credit risk arises principally from its receivables, amount due from other related parties and other financial assets. The credit risk exposure of the Company arises from amount due from subsidiaries and financial guarantees given to licensed banks and credit and leasing company for credit and hire-purchase facilities granted to subsidiaries and other financial assets.

*Receivables*

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. The Group established policies on credit control involves comprehensive credit evaluations, setting up appropriate credit limits, ensuring the sales are made to customers with good credit history and regular review of customers' outstanding balances and payment trends. The Group considers the risk of material loss in the event of non-performance by the customers to be unlikely.

At the end of the reporting period, the Group has significant concentration of credit risk as 49% (2017: 53%) of its receivable is with a related party.

The Group holds bank guarantees and a personal guarantee to the extent of RM1,062,425 (2017: RM908,790) and RM3,231,874 (2017: RM1,960,379) respectively that secures them against any outstanding charges or liabilities incurred by customers. Other than these, the Group does not hold any other collateral and the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statement of financial position, net of the amount of the bank guarantees and a personal guarantee mentioned above. The Group uses ageing analysis to monitor the credit quality of the trade receivables.

For other receivables, management does not consider its exposure to credit risk significant due to the insignificant carrying amount as of December 31, 2018. At the end of the reporting period, the maximum exposure to credit risk of the Group and of the Company arising from other receivables is represented by their carrying amounts in the statements of financial position.

The ageing of trade receivables and amount due from other related parties that are past due are disclosed in Note 21.

*Amount Due From Subsidiaries*

The credit risk on advances made to subsidiaries that are repayable on demand is managed on a Group basis by management of the Company to ensure that risk of losses incurred by the Company due to non-repayment by subsidiaries is minimal.

At the end of the reporting period, there was no indication that the balances due from subsidiaries are not recoverable.

At the end of the reporting period, the maximum exposure to credit risk of the Company arising from amount due from subsidiaries is represented by its carrying amounts in the statements of financial position.

## 33. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

### (b) *Credit risk (Cont'd)*

*Amount Due From Subsidiaries (cont'd)*

In order to minimise credit risk, the Group and the Company have developed and maintained credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the Group and the Company use other publicly available financial information and its own trading records to rate its major customers and other debtors. The Group's and the Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

*Financial Guarantee*

The Company provides unsecured financial guarantees to licensed banks and a credit and leasing company in respect of credit and hire-purchase facilities granted to subsidiaries. The Company monitors on an ongoing basis the trend of repayments made by the subsidiaries.

The maximum exposure to credit risk amounts to RM8,854,000 (2017: RM12,612,000) representing banking and hire-purchase facilities utilised as of the end of the reporting period.

At the end of the reporting period, there was no indication that the subsidiaries would default on repayment.

*Other Financial Assets*

The credit risk on liquid funds are limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

### (c) *Liquidity and cash flow risks*

The Group and the Company practise prudent liquidity risk management to minimise the mismatch of financial assets and financial liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

The Group's and the Company's principal source of liquidity has historically been cash flows from operations and funds obtained from long and short-term borrowings.

The Group and the Company expect that the cash generated from their operations, their existing credit facilities and the trade terms provided by its suppliers will be sufficient to meet the Group's and the Company's currently anticipated capital expenditure and working capital needs for at least the next 12 months.

## 33. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

### *(c) Liquidity and cash flow risks (Cont'd)*

The Group has credit facilities of approximately RM63,577,000 (2017: RM88,824,000) which are unused at the end of the reporting period. The Group expects to meet its financial obligations from its operating cash flows and proceeds from maturing financial assets.

The maturity profile of the Group's and of the Company's non-derivative financial assets and financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations are as follows:

| The Group<br>2018 | On demand or within one year<br>RM'000 | One year to five years<br>RM'000 | Over five years<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|
| Non-derivative financial assets: | | | | |
| Investments in money market funds | 92,815 | - | - | 92,815 |
| Trade and other receivables | 62,045 | - | - | 62,045 |
| Refundable deposits | 608 | - | - | 608 |
| Fixed deposits, cash and bank balances | 18,347 | - | - | 18,347 |
| Total undiscounted non-derivative financial assets | 173,815 | - | - | 173,815 |
| Non-derivative financial liabilities: | | | | |
| Trade and other payables | 35,221 | - | - | 35,221 |
| Refundable deposits received | 416 | - | - | 416 |
| Accrued expenses | 19,413 | - | - | 19,413 |
| Hire-purchase payables | 90 | - | - | 90 |
| Borrowings | 5,827 | 3,308 | - | 9,135 |
| Total undiscounted non-derivative financial liabilities | 60,967 | 3,308 | - | 64,275 |
| Net undiscounted non-derivative financial assets/(liabilities) | 112,848 | (3,308) | - | 109,540 |

## 33. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

### *(c) Liquidity and cash flow risks (Cont'd)*

| **The Group** **2017** | **On demand or within one year RM'000** | **One year to five years RM'000** | **Over five years RM'000** | **Total RM'000** |
|---|---|---|---|---|
| Non-derivative financial assets: | | | | |
| Investment in unquoted shares | 58 | - | - | 58 |
| Investments in money market funds | 110,919 | - | - | 110,919 |
| Trade and other receivables | 62,995 | - | - | 62,995 |
| Refundable deposits | 831 | - | - | 831 |
| Fixed deposits, cash and bank balances | 17,308 | - | - | 17,308 |
| Total undiscounted non-derivative financial assets | 192,111 | - | - | 192,111 |
| Non-derivative financial liabilities: | | | | |
| Trade and other payables | 26,862 | - | - | 26,862 |
| Refundable deposits received | 274 | - | - | 274 |
| Accrued expenses | 19,433 | - | - | 19,433 |
| Hire-purchase payables | 181 | 91 | - | 272 |
| Borrowings | 7,182 | 5,956 | - | 13,138 |
| Total undiscounted non-derivative financial liabilities | 53,932 | 6,047 | - | 59,979 |
| Net undiscounted non-derivative financial assets/(liabilities) | 138,179 | (6,047) | - | 132,132 |
| **The Company** | | | | |
| **2018** | | | | |
| Non-derivative financial assets: | | | | |
| Investments in money market funds | 92,815 | - | - | 92,815 |
| Amount due from subsidiaries | 44,807 | - | - | 44,807 |
| Refundable deposits | 1 | - | - | 1 |
| Fixed deposits, cash and bank balances | 23 | - | - | 23 |
| Total undiscounted non-derivative financial assets | 137,646 | - | - | 137,646 |
| Non-derivative financial liabilities: | | | | |
| Trade and other payables | 35 | - | - | 35 |
| Accrued expenses | 267 | - | - | 267 |
| Financial guarantee contracts | 8,854 | - | - | 8,854 |
| Total undiscounted non-derivative financial liabilities | 9,156 | - | - | 9,156 |
| Net undiscounted non-derivative financial assets | 128,490 | - | - | 128,490 |

## 33. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

### (c) *Liquidity and cash flow risks (Cont'd)*

| The Company 2017 | On demand or within one year RM'000 | One year to five years RM'000 | Over five years RM'000 | Total RM'000 |
|---|---|---|---|---|
| Non-derivative financial assets: | | | | |
| Investments in money market funds | 110,919 | - | - | 110,919 |
| Trade and other receivables | 325 | - | - | 325 |
| Amount due from subsidiaries | 27,667 | - | - | 27,667 |
| Refundable deposits | 1 | - | - | 1 |
| Fixed deposits, cash and bank balances | 1,973 | - | - | 1,973 |
| Total undiscounted non-derivative financial assets | 140,885 | - | - | 140,885 |
| Non-derivative financial liabilities: | | | | |
| Trade and other payables | 16 | - | - | 16 |
| Accrued expenses | 369 | - | - | 369 |
| Financial guarantee contracts | 12,612 | - | - | 12,612 |
| Total undiscounted non-derivative financial liabilities | 12,997 | - | - | 12,997 |
| Net undiscounted non-derivative financial assets | 127,888 | - | - | 127,888 |

The amounts included above for financial guarantee contracts are the maximum amounts of the Group and of the Company could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterpart to the guarantee. Based on expectations at the end of the reporting period, the Group and the Company consider that it is more likely than not that such an amount will not be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The Group and the Company have not committed to any derivative financial instruments during the financial year.

### (d) *Capital risk management*

The Group and the Company manage their capital to ensure the Group and the Company will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's and the Company's overall strategy remains unchanged from the previous financial year.

The capital structure of the Group and of the Company consist of net debt and equity of the Group and of the Company.

## 33. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

### *(d) Capital risk management*

**Fair Values of Financial Assets and Financial Liabilities**

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.

The fair values of long-term financial liabilities are included in Level 2 category of the fair value hierarchy in accordance with MFRS 7 *Financial Instruments: Disclosure* and have been determined by the present value of future cash flows estimated and discounted using the current interest rates for similar instruments at the end of the reporting period. There is no material difference between the carrying amounts and the estimated fair values of these financial liabilities as of the end of the reporting period.

The fair values of investment properties and other investments are disclosed in Notes 15 and 19 respectively.

## 34. STATEMENTS OF CASH FLOWS

(a) Purchase of property, plant and equipment

Property, plant and equipment were acquired by the following means:

| | The Group | |
|---|---|---|
| | **2018** | **2017** |
| | **RM'000** | **RM'000** |
| Cash purchase | 27,469 | 14,165 |
| Included in other payables | 6,959 | 1,326 |
| Advance payments made in prior year included in deposits | 2,329 | 51 |
| | 36,757 | 15,542 |

## 34. STATEMENTS OF CASH FLOWS (CONT'D)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's statements of cash flows as cash flows from financing activities.

| The Group | Note | As of 1.1.2018 RM'000 | Financing cash flows RM'000 | As of 31.12.2018 RM'000 |
|---|---|---|---|---|
| Hire-purchase payables | 27 | 260 | (171) | 89 |
| Revolving credits | 28 | 2,217 | 964 | 3,181 |
| Term loans | 28 | 9,335 | (3,751) | 5,584 |
| Bankers' acceptances | 28 | 800 | (800) | - |

| The Group | Note | As of 1.1.2017 RM'000 | Financing cash flows RM'000 | As of 31.12.2017 RM'000 |
|---|---|---|---|---|
| Hire-purchase payables | 27 | 459 | (199) | 260 |
| Term loans | 28 | 13,170 | (3,835) | 9,335 |
| Bankers' acceptances | 28 | 4,425 | (3,625) | 800 |
| Revolving credits | 28 | 2,000 | 217 | 2,217 |

(c) Cash and cash equivalents

Cash and cash equivalents comprise the following:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Fixed deposits with licensed banks | 3,477 | 1,821 | - | 1,800 |
| Cash and bank balances | 14,866 | 15,486 | 23 | 173 |
| | 18,343 | 17,307 | 23 | 1,973 |
| Less : Fixed deposit pledged to a licensed bank | (22) | (21) | - | - |
| | 18,321 | 17,286 | 23 | 1,973 |

## 35. CAPITAL COMMITMENTS

As of December 31, 2018, the Group has the following commitments in respect of property, plant and equipment:

| | The Group | |
|---|---|---|
| | **2018** | **2017** |
| | **RM'000** | **RM'000** |
| Approved and contracted for: | | |
| - land and buildings | 20,511 | 96 |
| - plant and equipment | 26,783 | 1,108 |
| | 47,294 | 1,204 |

## 36. SUBSEQUENT EVENT

On March 19, 2019, the directors of the Company approved the additional investment for new ordinary shares of Spritzer (Hong Kong) Limited ("SPR HK") for a cash consideration of RMB2,500,000 (equivalent to RM1,526,250). The allotment of shares has yet to be completed as of the date of this report and therefore, the amount remained as shares application monies in the financial statements of SPR HK. SPR HK remains a wholly-owned subsidiary of the Company.

# Statement by Directors

The directors of **SPRITZER BHD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of December 31, 2018 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with a resolution of the Directors,

______________________________________________
**Y BHG DATO' LIM KOK BOON, DPMP**
**Managing Director**

______________________________________________
**MR LIM SENG LEE**
**Executive Director**

Ipoh,
April 9, 2019

# Declaration by The Officer Primarily Responsible

For The Financial Management Of The Company

I, **MR SOW YENG CHONG (IC No. 570218-08-5997)**, the officer primarily responsible for the financial management of **SPRITZER BHD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

______________________________________________

**MR SOW YENG CHONG**
**MIA 4122**

Subscribed and solemnly declared by the
abovenamed **MR SOW YENG CHONG** at **IPOH**
this 9th day of April, 2019

Before me,

______________________________________________

**MR LAM YING WOH**
**NO.: A 209**
**COMMISSIONER FOR OATHS**

# Analysis of Shareholdings

As at April 2, 2019

## SHARE CAPITAL

| | | |
|---|---|---|
| Number of Issued Share | : | 209,968,727 ordinary shares (excluding 24,000 Treasury Shares) |
| Issued Share Capital | : | RM216,570,655 |
| Class of Shares | : | Ordinary shares |
| Voting Rights | : | One vote per ordinary share |

## DISTRIBUTION OF SHAREHOLDINGS

| Size of Shareholdings | Number of Shareholders | | Number of Issued Shares | |
|---|---|---|---|---|
| | Number | Percentage | Number | Percentage |
| Less than 100 shares | 117 | 6.63 | 4,679 | ** |
| 100 to 1,000 shares | 286 | 16.20 | 174,560 | 0.09 |
| 1,001 to 10,000 shares | 1,048 | 59.38 | 3,871,039 | 1.84 |
| 10,001 to 100,000 shares | 235 | 13.31 | 7,452,270 | 3.55 |
| 100,001 to less than 5% of issued shares | 76 | 4.31 | 83,772,210 | 39.90 |
| 5% and above of issued shares | 3 | 0.17 | 114,693,969 | 54.62 |
| **Total** | **1,765** | **100.00** | **209,968,727** | **100.00** |

** Negligible

## SUBSTANTIAL SHAREHOLDERS (as per the Company's Register of Substantial Shareholders)

| Substantial Shareholders | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| | Number of Shares | Percentage | Number of Shares | Percentage |
| 1. Yee Lee Corporation Bhd ("**YLC**") | 62,527,329 | 29.78 | - | - |
| 2. Tasik Puncak Holdings Ltd. ("**TPH**") (as general partner for Tasik Puncak Holdings, LP) | 27,387,225 | 13.04 | - | - |
| 3. Yee Lee Holdings Sdn Bhd ("**YLH**") | 22,811,665 | 10.86 | - | - |
| 4. Lim A Heng @ Lim Kok Cheong ("**LKC**") | 9,514,807 | 4.53 | 91,391,591[a] | 43.53 |
| 5. Lim Kok Boon ("**LKB**") | 7,000,000 | 3.33 | 5,015,899[b] | 2.39 |
| 6. Chua Shok Tim @ Chua Siok Hoon ("**CSH**") | 2,138,600 | 1.02 | 98,767,798[c] | 47.04 |
| 7. Lai Yin Leng ("**LYL**") | 233,333 | 0.11 | 11,782,566[d] | 5.61 |
| 8. Yee Lee Organization Bhd ("**YLO**") | - | - | 85,338,994[e] | 40.64 |
| 9. Unikampar Credit And Leasing Sdn Bhd ("**UCL**") | - | - | 85,338,994[f] | 40.64 |
| 10. Uniyelee Sdn Bhd ("**UYL**") | - | - | 85,338,994[f] | 40.64 |
| 11. Yeleta Holdings Sdn Bhd ("**YH**") | - | - | 85,338,994[g] | 40.64 |
| 12. Young Wei Holdings Sdn Bhd ("**YW**") | - | - | 85,338,994[h] | 40.64 |
| 13. Diamond GP Holdings Ltd ("**DGP**") | - | - | 27,387,225[i] | 13.04 |
| 14. Dymon Asia Private Equity (S.E. Asia) 2012 Ltd ("**DAPE**") | - | - | 27,387,225[j] | 13.04 |
| 15. Tan Keng Soon | - | - | 27,387,225[k] | 13.04 |
| 16. Dymon Asia Capital Ltd ("**DAC**") | - | - | 27,387,225[k] | 13.04 |
| 17. Yong Ming Chong | - | - | 27,387,225[l] | 13.04 |

# Analysis of Shareholdings

As at April 2, 2019

**Notes:-**

[a] Deemed interest by virtue of shareholdings in Chuan Sin Resources Sdn Bhd ("**CSR**") and YW pursuant to Section 8 of the Companies Act 2016 ("Act"); and the shares held by his spouse, CSH and children, Lim Ee Young and Lim Ee Wai in the Company pursuant to Section 59(11)(c) of the Act.

[b] Deemed interest by virtue of shareholding in CSR pursuant to Section 8 of the Act; and the shares held by his spouse, LYL and child, Lim Seng Lee in the Company pursuant to Section 59(11)(c) of the Act.

[c] Deemed interest by virtue of shareholding in YW and deemed shareholding in CSR pursuant to Section 8 of the Act; and the shares held by her spouse, LKC and children, Lim Ee Young and Lim Ee Wai in the Company pursuant to Section 59(11)(c) of the Act.

[d] Deemed interest by virtue of deemed shareholding in CSR pursuant to Section 8 of the Act; and the shares held by her spouse, LKB and child, Lim Seng Lee in the Company pursuant to Section 59(11)(c) of the Act.

[e] Deemed interest held through YLC and YLH pursuant to Section 8 of the Act.

[f] Deemed interest held through YLO pursuant to Section 8 of the Act.

[g] Deemed interest held through UCL and UYL pursuant to Section 8 of the Act.

[h] Deemed interest held through YH pursuant to Section 8 of the Act.

[i] Deemed interest held through TPH pursuant to Section 8(4)(c) of the Act.

[j] Deemed interest held through DGP pursuant to Section 8(4)(c) of the Act.

[k] Deemed interest held through DAPE pursuant to Section 8(4)(c) of the Act.

[l] Deemed interest held through DAC pursuant to Section 8(4)(c) of the Act.

**DIRECTORS' SHAREHOLDINGS (as per the Company's Register of Directors' Shareholdings)**

| | Directors | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|---|
| | | Number of Shares | Percentage | Number of Shares | Percentage |
| 1. | Lim A Heng @ Lim Kok Cheong | 9,514,807 | 4.53 | 91,391,591 [a] | 43.53 |
| 2. | Lim Kok Boon | 7,000,000 | 3.33 | 5,015,899 [b] | 2.39 |
| 3. | Lim Seng Lee | 1,375,566 | 0.66 | 3,651,000 [c] | 1.74 |
| 4. | Lam Sang | 1,108,082 | 0.53 | - | - |
| 5. | Chok Hooa @ Chok Yin Fatt | 143,500 | 0.07 | - | - |
| 6. | Nik Mohamad Pena bin Nik Mustapha | 1,835,000 | 0.87 | - | - |
| 7. | Mohd Adhan bin Kechik | 2,123,965 | 1.01 | - | - |
| 8. | Kuan Khian Leng | - | - | 4,680,000 [d] | 2.23 |
| 9. | Tan Chow Yin | - | - | - | - |

**Notes:-**

[a] Deemed interest by virtue of shareholdings in CSR and YW pursuant to Section 8 of the Act; and the shares held by his spouse, CSH and children, Lim Ee Young and Lim Ee Wai in the Company pursuant to Section 59(11)(c) of the Act.

[b] Deemed interest by virtue of shareholding in CSR pursuant to Section 8 of the Act; and the shares held by his spouse, LYL and child, Lim Seng Lee in the Company pursuant to Section 59(11)(c) of the Act.

[c] Deemed interest by virtue of shareholding in CSR pursuant to Section 8 of the Act; and the shares held by his spouse, Huang Yu Ying in the Company pursuant to Section 59(11)(c) of the Act.

[d] Deemed interest by virtue of shareholding in Unique Bay Sdn Bhd pursuant to Section 8 of the Act.

By virtue of Dato' Lim A Heng @ Lim Kok Cheong's interest in the shares of the Company, he is also deemed to have an interest in the shares of all the subsidiary companies to the extent that the Company has interest.

# Analysis of Shareholdings

As at April 2, 2019

## TOP THIRTY SECURITIES ACCOUNT HOLDERS

| | Shareholders | Number of Shares | Percentage |
|---|---|---|---|
| 1. | Yee Lee Corporation Bhd | 50,338,666 | 23.97 |
| 2. | CIMSEC Nominees (Asing) Sdn Bhd<br>Exempt An for CIMB Securities (Singapore) Pte Ltd (Retail Clients) | 29,354,975 | 13.98 |
| 3. | Yee Lee Holdings Sdn Bhd | 22,811,665 | 10.86 |
| 4. | Yee Lee Corporation Bhd | 12,188,663 | 5.80 |
| 5. | Lim A Heng @ Lim Kok Cheong | 9,514,807 | 4.53 |
| 6. | Lim Kok Boon | 7,000,000 | 3.33 |
| 7. | Cartaban Nominees (Asing) Sdn Bhd<br>BBH and Co Boston for Fidelity Low-Priced Stock Fund (PRIN ALLSEC SUB) | 5,120,400 | 2.44 |
| 8. | CIMSEC Nominees (Tempatan) Sdn Bhd<br>CIMB for Unique Bay Sdn Bhd (PB) | 4,680,000 | 2.23 |
| 9. | Citigroup Nominees (Tempatan) Sdn Bhd<br>Employees Provident Fund Board (ABERISLAMIC) | 4,512,000 | 2.15 |
| 10. | Cartaban Nominees (Asing) Sdn Bhd<br>SSBT Fund F9EX for Fidelity Northstar Fund | 3,600,000 | 1.71 |
| 11. | AmanahRaya Trustees Berhad<br>PB Smallcap Growth Fund | 3,478,900 | 1.66 |
| 12. | Chuan Sin Resources Sdn Bhd | 3,407,000 | 1.62 |
| 13. | AmanahRaya Trustees Berhad<br>Public Strategic Smallcap Fund | 3,288,000 | 1.57 |
| 14. | AmanahRaya Trustees Berhad<br>Public Islamic Treasures Growth Fund | 2,714,800 | 1.29 |
| 15. | Chua Shok Tim @ Chua Siok Hoon | 2,138,600 | 1.02 |
| 16. | Mohd Adhan Bin Kechik | 2,123,965 | 1.01 |
| 17. | Nik Mohamad Pena Bin Nik Mustapha | 1,835,000 | 0.87 |
| 18. | Maybank Nominees (Tempatan) Sdn Bhd<br>Maybank Trustees Berhad for Apex Dana Al-Sofi-I (ADAS-I) (410325) | 1,719,500 | 0.82 |
| 19. | AmanahRaya Trustees Berhad<br>Public Islamic Emerging Opportunities Fund | 1,717,300 | 0.82 |
| 20. | RHB Nominees (Tempatan) Sdn Bhd<br>OSK Technology Ventures Sdn Bhd | 1,513,800 | 0.72 |
| 21. | AmanahRaya Trustees Berhad<br>Public Select Treasures Equity Fund | 1,267,200 | 0.60 |
| 22. | Maybank Nominees (Tempatan) Sdn Bhd<br>Maybank Trustees Berhad for Apex Dana Al-Faiz-I (ADAF-I) (410324) | 1,262,700 | 0.60 |
| 23. | BT Capital Sdn Bhd | 1,175,700 | 0.56 |
| 24. | Lam Sang | 1,108,082 | 0.53 |
| 25. | Maybank Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Yoong Fui Kien | 1,020,000 | 0.50 |
| 26. | Lim Seng Lee | 1,000,566 | 0.48 |
| 27. | Cartaban Nominees (Asing) Sdn Bhd<br>BBH and Co Boston for Fidelity Puritan Trust:<br>Fidelity Series Intrinsic Opportunities Fund | 1,000,000 | 0.48 |
| 28. | Jailani Bin Abdullah | 997,375 | 0.48 |
| 29. | CIMSEC Nominees (Tempatan) Sdn Bhd<br>CIMB Bank for Zalaraz Sdn Bhd (MY3113) | 841,000 | 0.40 |
| 30. | Lee Chung Yau | 740,700 | 0.35 |
| | **Total** | **183,471,364** | **87.38** |

# List of Properties

As at December 31, 2018

| Location | Tenure | Current Use | Approximate Age of Building | Land/Gross Floor Area (sq. metres) | Carrying Amount RM'000 | Date of Acquisition*/ Valuation |
|---|---|---|---|---|---|---|
| Lot 144371 H.S. (D) 127812 (formerly Lot PT 121576), Mukim and District of Klang, Selangor Darul Ehsan. | Freehold | Industrial land / Factory / Office complex | Factory / Office 12 years | 31,386 / 13,380 | 31,537 | 11.09.2009 |
| PT 7579 Pajakan Negeri No. H.S. (D) 24492 (formerly Lot No. 643 Geran 35453), PT 7580 Pajakan Negeri No. H.S. (D) 24493 (formerly part of Lot No. 129 CT 12779), PT 7581 Pajakan Negeri No. H.S. (D) 24494 (formerly part of Lot No. 129 CT 12779), Lot No.135 Title No. Pajakan Negeri No. 2577, Lot No. 898 Title No. Geran Mukim 300, Lot No. PT 4911 Surat Hakmilik H.S. (D) LM 15332, Lot No. 814 Geran Mukim 313, Lot No. 388 EMR 753, Lot No. 1574 EMR 630, Mukim of Tupai, District of Larut & Matang, Perak Darul Ridzuan. | Lot 135 Leasehold expiring on 31.08.2890<br><br>PT 7579, 7580 & 7581 Leasehold expiring on 23.09.2890<br><br>Remaining Lots Freehold | Factory / Office / Staff quarters / Agricultural / Development land | Factory / Office 11 to 24 years<br><br>Warehouse 20 years<br><br>Staff quarters 12 to 14 years | 212,182 / 38,381 | 24,275 | 31.05.2010 |
| Lot No. 454 Pajakan Negeri No. 3176, Lot Nos.1595, 384, 386, 387, 10078, 10079, and (P.T.) 4912, Title Nos. Geran 31600 (formerly C.T. 7366), Geran Mukim 315, EMR 615, EMR 1374 and Surat Hakmilik H.S. (D) LM 15333 respectively, Mukim of Tupai, District of Larut & Matang, Perak Darul Ridzuan. | Lot 454 Leasehold expiring on 28.11.2894<br><br>Remaining Lots Freehold | Staff quarters / Minigolf course and building / Agricultural / Development land | Staff quarters 11 years<br><br>Building 3 years | 201,673 / 1,689 | 8,069 | 31.05.2010 |
| Lot No. 9535 Pajakan Negeri No. 114421, Lot No. 9538 Pajakan Negeri No. 114424, Lot No. 9539 Pajakan Negeri No. 114425, Lot No. 9540 Pajakan Negeri No. 114426, Lot No. 9545 Pajakan Negeri No. 114431, Lot No. 9546 Pajakan Negeri No. 114432, Lot No. 9547 Pajakan Negeri No. 114433, Lot No. 9548 Pajakan Negeri No. 114434, Title No. H.S. (D) L & M 2361, 2364, 2365, 2366, 2371, 2372, 2373 and 2374, respectively, Mukim of Tupai, District of Larut & Matang, Perak Darul Ridzuan. | Leasehold expiring on 13.11.2084 | 8 units single storey terrace house | 24 years | 1,537 / 669 | 506 | 31.05.2010 |

# List of Properties

As at December 31, 2018

| Location | Tenure | Current Use | Approximate Age of Building | Land/Gross Floor Area (sq. metres) | Carrying Amount RM'000 | Date of Acquisition*/ Valuation |
|---|---|---|---|---|---|---|
| Lot Nos. 181631, 181632, 181633 & 181642, Title Nos. Pajakan Negeri 89482, 89483, 89484 & 89493 respectively, Mukim of Hulu Kinta, District of Kinta, Perak Darul Ridzuan. | Leasehold expiring on 17.10.2089 | Factory / Office complex/ Vacant industrial land | Factory / Office 25 years<br><br>Warehouses 6 to 22 years | 33,969 / 15,517 | 12,113 | 31.05.2010 |
| H.S. (M) 4162 No. P.T.D. 6382, H.S. (M) 4163 No. P.T.D. 6383, H.S. (M) 4164 No. P.T.D. 6384, H.S. (M) 4189 No. P.T.D. 6385, H.S. (M) 4188 No. P.T.D. 6386, H.S. (M) 4202 No. P.T.D. 6405, H.S. (M) 4201 No. P.T.D. 6407, H.S. (M) 4160 No. P.T.D. 6409, H.S. (M) 4172 No. P.T.D. 6408, H.S. (M) 4194 No. P.T.D. 6442, Mukim Tanjong Sembrong, Bukit Jintan, Johor Darul Takzim. | Freehold | Factory / Office / Staff quarters / Agricultural land | 2 to 23 years | 85,720 / 7,859 | 9,065 | 31.05.2010, *17.12.2012, *02.06.2014 and *19.12.2017 |
| Lot No. 644 Geran 35454, Lot No. 130 CT 12780, Lot No. 131 CT 2974, Lot No. 902 EMR 663, Lot No. 903 EMR 664, Lot No. 904 EMR 665, Lot Nos. 125, 126, 10083, 10084 & 817, Lot No. 48 EMR 1000, Lot No. 827 EMR 539, Lot No. 1234 EMR 929, Lot No. 1235 EMR 928, Lot No. 1246 EMR 931, Lot No. 1466 EMR 1069, Lot No. 1043 CT 9668, Lot No. 455 Pajakan Negeri No. 2563, Mukim of Tupai, District of Larut & Matang, Perak Darul Ridzuan. | <u>Lot 125, 130 & 131</u> Leasehold expiring on 31.08.2890<br><br><u>Lot 126</u> Leasehold expiring on 23.09.2890<br><br><u>Lot 455</u> Leasehold expiring on 19.11.2893<br><br><u>Remaining Lots</u> Freehold | Agricultural / Development land | N/A | 764,890 | 10,673 | 31.05.2010 |
| Lot No. 57253, Mukim of Bandar Kepong, District of Gombak, Selangor Darul Ehsan. | Freehold | Vacant industrial land | N/A | 8,266 | 10,885 | 31.05.2010 |
| Lot 47439 PN 379994 (formerly Lot No. P.T. 77 Title No. H.S. (D) KA 6980/85), Mukim of Hulu Kinta, District of Kinta, Perak Darul Ridzuan. | Leasehold expiring on 05.04.2066 | Industrial / Factory complex | 35 to 52 years | 4,076 / 2,539 | 2,470 | 31.12.2017 |
| Lot No. 10647 Title No. Pajakan Negeri 78371, Mukim of Bidor, District of Batang Padang, Perak Darul Ridzuan. | Leasehold expiring on 06.03.2050 | Vacant industrial land | N/A | 16,190 | 870 | 31.12.2017 |

# List of Properties

As at December 31, 2018

| Location | Tenure | Current Use | Approximate Age of Building | Land/Gross Floor Area (sq. metres) | Carrying Amount RM'000 | Date of Acquisition*/ Valuation |
|---|---|---|---|---|---|---|
| Lot No. 3729<br>Title No. H.S. (D) L & M 124/75,<br>Mukim of Tupai,<br>District of Larut & Matang,<br>Perak Darul Ridzuan. | Leasehold expiring on 22.08.2035 | Factory / Office complex | 25 to 44 years | 1,028 / 782 | 940 | 31.12.2017 |
| Lot No. 11319 HSM 1854,<br>Lot No. 11320 HSM 1855,<br>Mukim of Tupai,<br>District of Larut & Matang,<br>Perak Darul Ridzuan. | Freehold | Commercial building | 10 years | 339 | 890 | 31.12.2017 |
| Lot No. 1044<br>Title No. Pajakan Negeri 2561<br>Mukim of Tupai,<br>District of Larut & Matang,<br>Perak Darul Ridzuan. | Leasehold expiring on 31.08.2891 | Agricultural land | N/A | 122,190 | 3,102 | *30.09.2013 |
| Lot No.10082<br>Mukim of Tupai,<br>District of Larut & Matang,<br>Perak Darul Ridzuan. | Freehold | Agricultural land | N/A | 11,710 | 519 | *31.08.2017 |
| Geran 44071/M3/8/356, No. Petak 356 &<br>Geran 44071/M4/8/492, No. Petak 492,<br>Lot 40356, Pekan Hicom, Daerah Petaling,<br>Selangor Darul Ehsan. | Strata title | Staff quarters | 21 years | 138 | 328 | *02.06.2017 |
| VIDA Bukit Ceylon<br>Unit D-08-01, B2-08-02 & C3-08-03<br>No. 1D, Jalan Ceylon,<br>50200 Kuala Lumpur. | Strata title | Vacant office suites | 2 years | 349 | 4,237 | *01.10.2018 |

SPRITZER®

# FORM OF PROXY

**SPRITZER BHD (265348-V)**
(Incorporated in Malaysia)

| | |
|---|---|
| **Number of shares held** | |
| **CDS Account Number** | |

I/We, ..........................................................................................................................................................
*(Full name, NRIC No. or Company No.)*

of ..........................................................................................................................................................
*(Address)*

being a member of **SPRITZER BHD**, hereby appoint ..........................................................................................
*(Full name, NRIC No. or Company No.)*

of ..........................................................................................................................................................
*(Address)*

*and/or failing him, ..........................................................................................................................................
*(delete as appropriate)* *(Full name, NRIC No. or Company No.)*

of ..........................................................................................................................................................
*(Address)*

as my/our proxy to vote for me/us and on my/our behalf at the Twenty-Sixth Annual General Meeting of the Company to be held on Thursday, May 30, 2019 at 10.30 a.m. at Lot 898, Jalan Reservoir, Off Jalan Air Kuning, 34000 Taiping, Perak Darul Ridzuan, and at any adjournment thereof for/against* the resolutions to be proposed thereat.

| RESOLUTION NO. | DESCRIPTIONS | FOR | AGAINST |
|---|---|---|---|
| **ORDINARY BUSINESS** | | | |
| 1. | To declare a first and final dividend | | |
| 2. | To re-elect Dato' Ir. Nik Mohamad Pena bin Nik Mustapha as Director | | |
| 3. | To re-elect Dato' Mohd Adhan Bin Kechik as Director | | |
| 4. | To re-elect Dato' Sri Kuan Khian Leng as Director | | |
| 5. | To approve the payment of Directors' fees | | |
| 6. | To approve the payment of benefits to Non-Executive Directors from May 31, 2019 until the next AGM of the Company. | | |
| 7. | To re-appoint Deloitte PLT as Auditors of the Company and to authorise the Directors to fix their remuneration | | |
| **SPECIAL BUSINESS** | | | |
| **Ordinary Resolution** | | | |
| 8. | To authorise the Directors to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016 | | |
| 9. | To approve the Proposed Shareholders' Mandate | | |
| 10. | To approve the Proposed Renewal of Authority to Purchase its Own Shares by Spritzer Bhd | | |
| 11. | Retention of Dato' Ir. Nik Mohamad Pena bin Nik Mustapha as an Independent Non-Executive Director | | |
| 12. | Retention of Dato' Mohd Adhan Bin Kechik as an Independent Non-Executive Director | | |
| 13. | Retention of Dato' Sri Kuan Khian Leng as an Independent Non-Executive Director | | |
| **Special Resolution** | | | |
| 14. | To approve the Proposed Adoption | | |

Dated this ______________day of __________________ 2019.

____________________________
Signature(s)/Common Seal of Member

* Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his discretion.

**Notes:-**

(i) A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at the meeting shall have the same rights as the member to speak at the meeting.

(ii) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under Seal or under the hand of an attorney.

(iii) A member may appoints not more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, such appointment shall be invalid unless he specifies the proportions of his shareholding to be represented by each proxy.

(iv) Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it hold.

(v) The instrument appointing a proxy must be deposited at the Registered Office of the Company at Lot 85, Jalan Portland, Tasek Industrial Estate, 31400 Ipoh, Perak Darul Ridzuan not less than twenty-four (24) hours before the time appointed for holding the meeting.

(vi) Only a depositor whose name appears on the Record of Depositors as at May 24, 2019 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his behalf.

(vii) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in the Notice will be put to vote by poll.

*Fold here to seal*

STAMP

**THE COMPANY SECRETARY**
**SPRITZER BHD (265348-V)**
Lot 85, Jalan Portland
Tasek Industrial Estate
31400 Ipoh
Perak Darul Ridzuan
Malaysia

*Fold here to seal*

www.spritzer.com.my

Lot 898, Jalan Reservoir, Off Jalan Air Kuning, 34000 Taiping, Perak Darul Ridzuan, Malaysia