



**SPRITZER BHD.**  
**(Company No. 265348-V)**  
**(Incorporated in Malaysia)**

**QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE FIRST QUARTER ENDED 31 AUGUST 2014**

The figures have not been audited.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2014**

	3 months ended		Year-to-date ended	
	31.8.2014 RM'000	31.8.2013 RM'000	31.8.2014 RM'000	31.8.2013 RM'000
Revenue	62,378	55,661	62,378	55,661
Other gains and losses	341	486	341	486
Cost of sales and other operating expenses	(53,177)	(48,688)	(53,180)	(48,688)
Finance costs	(785)	(904)	(782)	(904)
Profit before tax	<u>8,757</u>	<u>6,555</u>	<u>8,757</u>	<u>6,555</u>
Income tax expense	(2,090)	(1,326)	(2,090)	(1,326)
Profit for the period	<u><u>6,667</u></u>	<u><u>5,229</u></u>	<u><u>6,667</u></u>	<u><u>5,229</u></u>
Profit attributable to owners of the Company	<u><u>6,667</u></u>	<u><u>5,229</u></u>	<u><u>6,667</u></u>	<u><u>5,229</u></u>
Earnings per share:-				
(a) Basic (sen)	<u><u>4.91</u></u>	<u><u>3.69</u></u>	<u><u>4.91</u></u>	<u><u>3.69</u></u>
(b) Diluted (sen)	<u><u>4.28</u></u>	<u><u>3.66</u></u>	<u><u>4.28</u></u>	<u><u>3.66</u></u>

The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2014 and the accompanying notes to the Interim Financial Report.



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**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2014**

	3 months ended		Year-to-date ended	
	31.8.2014 RM'000	31.8.2013 RM'000	31.8.2014 RM'000	31.8.2013 RM'000
Profit for the period	6,667	5,229	6,667	5,229
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>6,667</u>	<u>5,229</u>	<u>6,667</u>	<u>5,229</u>
Total comprehensive income attributable to owners of the Company	<u>6,667</u>	<u>5,229</u>	<u>6,667</u>	<u>5,229</u>

The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2014 and the accompanying notes to the Interim Financial Report.



**SPRITZER BHD.**  
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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 AUGUST 2014**

	<b>AS AT</b> <b>31.8.2014</b> <b>RM'000</b>	<b>AUDITED</b> <b>AS AT</b> <b>31.5.2014</b> <b>RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	197,811	197,258
Investment properties	4,124	4,124
Other receivables	-	-
Goodwill on consolidation	40	40
	<u>201,975</u>	<u>201,422</u>
<b>Current assets</b>		
Investment in unquoted shares	68	68
Inventories	26,945	27,419
Trade and other receivables	61,846	66,033
Current tax assets	354	380
Other assets	4,918	3,316
Fixed deposit, cash and bank balances	12,408	8,984
	<u>106,539</u>	<u>106,200</u>
<b>TOTAL ASSETS</b>	<u><u>308,514</u></u>	<u><u>307,622</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital	67,949	67,427
Treasury shares	(14)	(14)
Share premium	19,813	18,904
Equity-settled employee benefits reserve	1,939	2,256
Retained earnings	105,918	99,219
<b>TOTAL EQUITY</b>	<u>195,605</u>	<u>187,792</u>
<b>Non-current liabilities</b>		
Other payable	1,174	1,174
Borrowings	13,815	16,466
Deferred taxation	16,190	16,273
	<u>31,179</u>	<u>33,913</u>
<b>Current liabilities</b>		
Trade and other payables	22,270	21,088
Borrowings	46,508	55,018
Current tax liabilities	2,035	1,481
Other liabilities	10,917	8,330
	<u>81,730</u>	<u>85,917</u>
<b>TOTAL LIABILITIES</b>	<u>112,909</u>	<u>119,830</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>308,514</u></u>	<u><u>307,622</u></u>
Net assets per share attributable to owners of the Company (RM)	<u>1.4396</u>	<u>1.3928</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2014 and the accompanying notes to the Interim Financial Report.



SPRITZER BHD.  
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2014**

	Share Capital RM'000	Treasury Shares RM'000	Non-distributable Reserves Equity-settled Employee Benefits Reserve RM'000	Distributable Reserve - Share Premium RM'000	Retained Earnings RM'000	Total Equity RM'000
<b>Balance as of 1 June 2014</b>	67,427	(14)	2,256	18,904	99,219	187,792
Total comprehensive income for the period	-	-	-	-	6,667	6,667
Expenses relating to issuance of ESOS and Warrants	-	-	-	(2)	-	(2)
Realisation of share-based payments	-	-	(32)	-	32	-
Exercise of ESOS and Warrants	522	-	(285)	911	-	1,148
<b>Balance as of 31 August 2014</b>	<u>67,949</u>	<u>(14)</u>	<u>1,939</u>	<u>19,813</u>	<u>105,918</u>	<u>195,605</u>
<hr/>						
<b>Balance as of 1 June 2013</b>	65,942	(14)	1,200	16,982	82,908	167,018
Total comprehensive income for the period	-	-	-	-	5,229	5,229
Expenses relating to issuance of ESOS	-	-	-	(3)	-	(3)
Realisation of share-based payments	-	-	(30)	-	30	-
Exercise of ESOS and Warrants	203	-	(95)	234	-	342
<b>Balance as of 31 August 2013</b>	<u>66,145</u>	<u>(14)</u>	<u>1,075</u>	<u>17,213</u>	<u>88,167</u>	<u>172,586</u>

The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2014 and the accompanying notes to the Interim Financial Report.



**SPRITZER BHD.**  
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL PERIOD ENDED 31 AUGUST 2014**

	3 months ended	
	31.8.2014	31.8.2013
	RM'000	RM'000
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>		
Profit for the period	6,667	5,229
Adjustments for:		
Depreciation	3,012	2,751
Finance costs	785	904
Income tax expense	2,090	1,326
Interest income	(5)	(8)
Investment revenue	(36)	(36)
Other non-cash items	(103)	(86)
Operating profit before changes in working capital	12,410	10,080
<b>Changes in working capital</b>		
Decrease/(Increase) in current assets	3,210	(8,315)
Increase/(Decrease) in current liabilities	3,769	(2,787)
<b>Cash generated from operations</b>	19,389	(1,022)
Interest received	5	8
Tax paid	(1,593)	(603)
<b>Net cash generated from/(used in) operating activities</b>	17,801	(1,617)
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	8	-
Purchase of property, plant and equipment	(3,423)	(2,454)
Rental received	36	36
<b>Net cash used in investing activities</b>	(3,379)	(2,418)
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>		
Finance cost paid	(785)	(904)
Expenses relating to issuance of Warrants and ESOS paid	(2)	(3)
Proceeds from borrowings	630	3,530
Proceeds from issue of shares	1,148	342
Repayment of borrowings	(12,043)	(5,810)
<b>Net cash used in financing activities</b>	(11,052)	(2,845)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	3,370	(6,880)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	8,928	8,173
Effect on exchange rate changes	2	-
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	12,300	1,293
Cash and cash equivalents at end the period comprise the following:		
Fixed deposit, cash and bank balances	12,408	3,998
Bank overdrafts	(89)	(2,686)
	12,319	1,312
Less : fixed deposit pledged	(19)	(19)
	12,300	1,293

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2014 and the accompanying notes to the Interim Financial Report.



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## **NOTES TO THE INTERIM FINANCIAL REPORT**

### **1. BASIS OF PREPARATION**

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 "Interim Financial Reporting", International Financial Reporting Standards ("IFRS") 34 "Interim Financial Reporting" and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 May 2014.

### **2. CHANGES IN ACCOUNTING POLICIES**

During the period, the Group adopted all new and revised MFRSs and IC Interpretations ("IC Int.") and amendments to MFRSs and IC Int. issued that are relevant to the Group's operations and effective for accounting periods beginning on or after 1 January 2014. The adoption of these new and revised MFRSs and IC Int. has had no material impact on the disclosures or on the amounts recognised in the financial statements.

#### **Standards and IC Interpretations ("IC Int.") in issue but not yet effective**

The Group has not elected for early adoption of the relevant new and revised MFRSs and IC Int. and amendments to MFRSs and IC Int. which have been issued but not yet effective at the date of authorisation for issue of these financial statements. The directors anticipate that the adoption of these Standards and IC Int. when they become effective will have no material impact on the financial statements of the Group in the period of initial recognition.

### **3. AUDIT QUALIFICATION**

The preceding year's annual audited financial statements of the Group were not subject to any qualification.

### **4. SEASONAL AND CYCLICAL FACTORS**

The operations of the Group are generally not materially affected by any seasonal nor cyclical factors. However, festive periods and hot weather do affect positively the demand of bottled water products.

### **5. UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS**

There were no material items of an unusual nature and amount for the current quarter and financial year-to-date.

### **6. MATERIAL CHANGES IN ESTIMATES**

There were no material changes in the estimates used in the current quarter compared to those used in the previous financial year which have a material effect in the current quarter and financial year-to-date.

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

During the current quarter and year-to-date ended 31 August 2014, the Company issued 1,000,000 ordinary shares of RM0.50 each for cash arising from the exercise of employees' share option, whereby 276,000 shares were issued at a subscription price of RM0.75 per ordinary share, 371,000 shares were issued at a subscription price of RM0.91 per ordinary share and 353,000 shares were issued at a subscription price of RM1.56 per ordinary share. During the current quarter, 92,000 share options lapsed as a result of resignation of employees.

During the quarter and year-to-date ended 31 August 2014, the Company also issued 44,650 ordinary shares of RM0.50 each for cash arising from the conversion of Warrants at an exercise price of RM 1.18 per ordinary share.

There were no other issuance and repayment of debt securities, share buy-backs, share cancellations and resale of treasury shares for the quarter and financial year-to-date ended 31 August 2014.

As at 31 August 2014, the total shares held as treasury shares remained at 24,000 shares as none of the treasury shares were resold or cancelled during the current quarter ended 31 August 2014.

## 8. DIVIDEND PAID

No dividend was paid during the current quarter and year-to-date ended 31 August 2014.

## 9. SEGMENTAL REPORTING

The analysis of the Group business segments for the current quarter and financial year-to-date are as follows:-

<b>Current quarter and Year-to-date period ended 31 May 2014</b>	<b>Manufacturing RM'000</b>	<b>Trading RM'000</b>	<b>Others RM'000</b>	<b>Eliminations RM'000</b>	<b>Consolidated RM'000</b>
<b>Revenue</b>					
External revenue	59,029	3,349	-	-	62,378
Inter-segment revenue	14,458	3	-	(14,461)	-
Total revenue	<u>73,487</u>	<u>3,352</u>	<u>-</u>	<u>(14,461)</u>	<u>62,378</u>
<b>Results</b>					
Segment results	<u>9,516</u>	<u>180</u>	<u>155</u>	<u>(345)</u>	<u>9,506</u>
Finance costs					(785)
Investment revenue					<u>36</u>
Profit before tax					<u>8,757</u>
Income tax expense					<u>(2,090)</u>
Profit for the period					<u><u>6,667</u></u>

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

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

During the period ended 31 August 2014, the Group acquired property, plant and equipment with a total cost of RM3,622,909, out of which RM200,000 was acquired by hire purchase arrangement.

## 11. MATERIAL SUBSEQUENT EVENTS

There were no material events subsequent to the end of the current quarter and financial year-to-date ended 31 August 2014 up to the date of this report.

## 12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current quarter and the financial year-to-date ended 31 August 2014.

## 13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

## 14. CAPITAL COMMITMENTS

Capital commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 31 August 2014 are as follows:

	<u>RM'000</u>
Authorised but not contracted for	173
Approved and contracted for	<u>5,345</u>
	<u><u>5,518</u></u>

## 15. NOTES TO THE CONDENSED CONSOLIDATED INCOME STATEMENT

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

	<b>3 months ended 31.8.2014 RM'000</b>	<b>Year-to-date ended 31.8.2014 RM'000</b>
Interest income	5	5
Interest expense	(701)	(701)
Depreciation and amortisation	(3,012)	(3,012)
Equity-settled share based payments	-	-
Allowance for and write off of receivables	-	-
Allowance for and write off of inventories	-	-
Gain/(Loss) on disposal of quoted/unquoted investment or properties	-	-
(Loss)/Gain on disposal of property, plant and equipment	7	7
Property, plant and equipment written off	(56)	(56)
Impairment of assets	-	-
Foreign exchange gain	91	91
Gain/(Loss) on derivatives	-	-

## 16. REVIEW OF PERFORMANCE

### Current quarter vs. corresponding quarter last year

The Group recorded a revenue of RM62.4 million during the current quarter ended 31 August 2014, which represents a 12% increase as compared to the preceding year corresponding quarter's revenue of RM55.7 million. The increase in revenue is mainly from increased sales volume as a result of prolonged dry weather as well as increase in average selling prices. Profit before tax has increased 34% from RM6.6 million in the preceding year corresponding quarter to RM8.8 million in the current quarter, contributed mainly by the higher sales volume, better average selling price as well as the reduction in packaging material cost.

The Group's manufacturing segment contributed RM59.0 million revenue for the current period ended 31 August 2014 as compared to the revenue of RM52.1 million recorded in the preceding year corresponding period representing a 13% increase. This is mainly attributable to the increase in sales volume and average selling prices of bottled water products.

Revenue from the trading segment has decreased 8% from RM3.6 million in the preceding year corresponding period to RM3.4 million in the current period mainly due to reduction in quantities sold.

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

The Group recorded a revenue of RM62.4 million during the current quarter ended 31 August 2014, representing a 9% decrease compared to the preceding quarter's revenue of RM68.3 million. Profit before tax decreased 8% from RM9.5 million in the last quarter to RM8.8 million in the current quarter mainly due to lower sales volume during the quarter. Sales volume surged in the preceding quarter as a result of increased demand in bottled water mainly due to water rationing in a few states in the country, there was no water rationing in the current quarter.



## 18. FUTURE PROSPECTS

The major advanced economies have shown further improvement and the global economy is expected to register a higher growth rate in year 2014. However, the fiscal policy and various subsidy cuts to address the Malaysian budget deficit have raised the costs of doing business and affect earnings growth. Domestic consumer spending will be affected as inflationary pressure increases. While the private consumption growth is affected by tighter financing condition and erosion of overall spending power, the infrastructure and public spending will remain strong in view of the various on-going infrastructure projects being undertaken. The Malaysian economy in 2014 is expected to register a moderate growth rate which is likely to be better than the 2013 GDP growth rate of 4.7%. We anticipate the demand for our products to remain favourable in view of the product affordability, our wide product range for various market segments and our strong branding. We will continue to promote our core brands and the health benefits of our silicon-rich Spritzer natural mineral water.

Our earnings have been and will continue to be affected by the various fiscal tightening measures introduced by the Malaysian Government. To mitigate the escalating costs of doing business, we will continue with our various efforts to improve our operations efficiency and productivity so as to stay competitive in the bottled water industry. We will also continue with our efforts to grow our revenue and to improve our average selling prices in both the domestic and export markets.

The Directors are cautiously optimistic that the bottled water market will remain good as the fundamental bottled water values of quality, purity, availability, convenience and hydration are as strong as they have ever been. On the assumption that the demand for bottled water remains firm, the Directors expect the Group to perform satisfactorily in the financial year ending 31 May 2015.

## 19. VARIANCE BETWEEN FORECAST AND ACTUAL PROFIT

Not applicable.

## 20. INCOME TAX EXPENSE

	3 months ended 31.5.2014 RM'000	Year-to-date ended 31.5.2014 RM'000
Income tax		
- current period	2,173	2,173
- prior year	-	-
Deferred tax		
- current period	(439)	(439)
- prior year under provision	356	356
	<u>2,090</u>	<u>2,090</u>

The effective tax rate for the year-to-date period ended 31 August 2014 is lower than the statutory income tax rate mainly due to utilisation of reinvestment allowance.

## 21. STATUS OF CORPORATE PROPOSALS

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

## 22. GROUP BORROWINGS

The Group borrowings as at 31 August 2014 are as follows:-

	<u>RM'000</u>
Short term borrowings	
- Unsecured	42,589
- Secured	3,919
	46,508
Long term borrowings	
- Unsecured	12,028
- Secured	1,787
	<u>13,815</u>
	<u>60,323</u>

## 23. MATERIAL LITIGATION

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

## 24. DIVIDEND

The Directors do not recommend any interim dividend for the current quarter ended 31 August 2014.

The Directors have proposed a first and final dividend of 4.0 sen per share, under the single tier system, in respect of the previous financial year ended 31 May 2014. This first and final dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements. The date of the Annual General Meeting and the date of book closure for said dividend will be announced in due course.

## 25. EARNINGS PER SHARE (EPS)

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

	<b>3 months ended 31.8.2014</b>	<b>Year-to-date ended 31.8.2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Net profit attributable to owners of the Company	6,667	6,667
<b>Basic earnings per share</b>		
	<b>'000</b>	<b>'000</b>
Number of shares (excluding treasury shares) in issue at beginning of the period	134,830	134,830
Add: Weighted average number of shares issued during the period	836	836
Weighted average number of shares in issue during the period (basic)	135,666	135,666
Basic EPS (sen)	4.91	4.91
<b>Diluted earnings per share</b>		
	<b>'000</b>	<b>'000</b>
Weighted average number of shares used in the calculation of basic EPS	135,666	135,666
Shares deemed to be issued for no consideration in respect of ESOS and Warrants	20,031	20,031
Weighted average number of shares in issue during the period (diluted)	155,697	155,697
Diluted EPS (sen)	4.28	4.28

## 26. DISCLOSURE OF REALISED AND UNREALISED PROFITS

	<b>As at 31.8.2014</b>	<b>As at 31.5.2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Total retained earnings of the Group:		
- Realised	158,776	151,039
- Unrealised	(1,706)	(1,603)
	157,070	149,436
Less : Consolidation adjustments	(51,152)	(50,217)
Total retained earnings as per statement of financial position	105,918	99,219

## 27. AUTHORISATION FOR ISSUE

This interim financial report and explanation notes were authorised for issue by the Directors in accordance with a resolution of the Directors on 14 October 2014.