



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

**QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND QUARTER ENDED 30 NOVEMBER 2014**

The figures have not been audited.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 30 NOVEMBER 2014**

	3 months ended		Year-to-date ended	
	30.11.2014 RM'000	30.11.2013 RM'000	30.11.2014 RM'000	30.11.2013 RM'000
Revenue	57,845	55,181	120,223	110,842
Other gains and losses	(266)	64	75	550
Cost of sales and other operating expenses	(52,307)	(49,783)	(105,484)	(98,471)
Finance costs	(717)	(874)	(1,502)	(1,778)
Profit before tax	<u>4,555</u>	<u>4,588</u>	<u>13,312</u>	<u>11,143</u>
Income tax expense	(1,089)	(1,221)	(3,179)	(2,547)
Profit for the period	<u><u>3,466</u></u>	<u><u>3,367</u></u>	<u><u>10,133</u></u>	<u><u>8,596</u></u>
Profit attributable to owners of the Company	<u><u>3,466</u></u>	<u><u>3,367</u></u>	<u><u>10,133</u></u>	<u><u>8,596</u></u>
Earnings per share:-				
(a) Basic (sen)	<u><u>2.52</u></u>	<u><u>2.54</u></u>	<u><u>7.38</u></u>	<u><u>6.49</u></u>
(b) Diluted (sen)	<u><u>2.25</u></u>	<u><u>2.28</u></u>	<u><u>6.58</u></u>	<u><u>5.83</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 30 NOVEMBER 2014**

	3 months ended		Year-to-date ended	
	30.11.2014 RM'000	30.11.2013 RM'000	30.11.2014 RM'000	30.11.2013 RM'000
Profit for the period	3,466	3,367	10,133	8,596
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>3,466</u>	<u>3,367</u>	<u>10,133</u>	<u>8,596</u>
Total comprehensive income attributable to owners of the Company	<u>3,466</u>	<u>3,367</u>	<u>10,133</u>	<u>8,596</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 30 NOVEMBER 2014

	AS AT 30.11.2014 RM'000	AUDITED AS AT 31.5.2014 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	198,329	197,258
Investment properties	4,124	4,124
Other receivables	-	-
Goodwill on consolidation	40	40
	<u>202,493</u>	<u>201,422</u>
Current assets		
Investment in unquoted shares	68	68
Inventories	28,874	27,419
Trade and other receivables	57,393	66,033
Current tax assets	347	380
Other assets	6,225	3,316
Fixed deposit, cash and bank balances	13,359	8,984
	<u>106,266</u>	<u>106,200</u>
TOTAL ASSETS	<u><u>308,759</u></u>	<u><u>307,622</u></u>
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	69,435	67,427
Treasury shares	(14)	(14)
Share premium	22,024	18,904
Equity-settled employee benefits reserve	1,732	2,256
Retained earnings	109,414	99,219
TOTAL EQUITY	<u>202,591</u>	<u>187,792</u>
Non-current liabilities		
Other payables	1,174	1,174
Borrowings	11,264	16,466
Deferred taxation	16,392	16,273
	<u>28,830</u>	<u>33,913</u>
Current liabilities		
Trade and other payables	21,390	21,088
Borrowings	44,357	55,018
Current tax liabilities	1,862	1,481
Other liabilities	9,729	8,330
	<u>77,338</u>	<u>85,917</u>
TOTAL LIABILITIES	<u>106,168</u>	<u>119,830</u>
TOTAL EQUITY AND LIABILITIES	<u><u>308,759</u></u>	<u><u>307,622</u></u>
Net assets per share attributable to owners of the Company (RM)	<u>1.4591</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 30 NOVEMBER 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
Balance as of 1 June 2014	67,427	(14)	2,256	18,904	99,219	187,792
Total comprehensive income for the period	-	-	-	-	10,133	10,133
Expenses relating to issuance of ESOS and Warrants	-	-	-	(5)	-	(5)
Realisation of share-based payments	-	-	(62)	-	62	-
Exercise of ESOS and Warrants	2,008	-	(462)	3,125	-	4,671
Payment of dividend	-	-	-	-	-	-
Balance as of 30 November 2014	69,435	(14)	1,732	22,024	109,414	202,591
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Balance as of 1 June 2013	65,942	(14)	1,200	16,982	82,908	167,018
Total comprehensive income for the period	-	-	-	-	8,596	8,596
Expenses relating to issuance of ESOS	-	-	-	(6)	-	(6)
Realisation of share-based payments	-	-	(39)	-	39	-
Exercise of ESOS and Warrants	408	-	(191)	471	-	688
Payment of dividend	-	-	-	-	(5,306)	(5,306)
Balance as of 30 November 2013	66,350	(14)	970	17,447	86,237	170,990

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 30 NOVEMBER 2014**

	6 months ended	
	30.11.2014	30.11.2013
	RM'000	RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit for the period	10,133	8,596
Adjustments for:		
Depreciation	5,979	5,369
Finance costs	1,502	1,778
Income tax expense	3,179	2,547
Interest income	(19)	(15)
Investment revenue	(36)	(72)
Other non-cash items	285	(19)
Operating profit before changes in working capital	21,023	18,184
Changes in working capital		
Decrease/(Increase) in current assets	4,048	(5,234)
Increase/(Decrease) in current liabilities	1,701	(1,252)
Cash generated from operations	26,772	11,698
Interest received	19	15
Tax paid	(2,654)	(1,101)
Tax refunded	9	77
Net cash generated from operating activities	24,146	10,689
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	15	-
Purchase of property, plant and equipment	(6,914)	(8,990)
Rental received	36	72
Net cash used in investing activities	(6,863)	(8,918)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Finance cost paid	(1,502)	(1,778)
Dividend paid	-	(5,306)
Expenses relating to issuance of Warrants and ESOS paid	(5)	(6)
Proceeds from borrowings	3,450	7,398
Proceeds from issue of shares	4,671	688
Repayment of borrowings	(19,505)	(7,699)
Net cash used in financing activities	(12,891)	(6,703)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	4,392	(4,932)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	8,928	8,173
Effect on exchange rate changes	(11)	(4)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	13,309	3,237
Cash and cash equivalents at end the period comprise the following:		
Fixed deposit, cash and bank balances	13,359	6,657
Bank overdrafts	(31)	(3,401)
	13,328	3,256
Less : fixed deposit pledged	(19)	(19)
	13,309	3,237

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 ended 30 November 2014, the Company issued 579,000 ordinary shares of RM0.50 each for cash arising from the exercise of employees' share option, whereby 88,000 shares were issued at a subscription price of RM0.75 per ordinary share, 204,000 shares were issued at a subscription price of RM0.91 per ordinary share and 287,000 shares were issued at a subscription price of RM1.56 per ordinary share. During the current quarter, 95,000 share options lapsed as a result of resignation of employees.

During the quarter ended 30 November 2014, the Company also issued 2,392,991 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 30 November 2014.

As at 30 November 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 30 November 2014.

8. DIVIDEND PAID

No dividend was paid during the current quarter and year-to-date ended 30 November 2014.

9. SEGMENTAL REPORTING

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

Current quarter ended 30 November 2014	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<u>Revenue</u>					
External revenue	54,855	2,990	-	-	57,845
Inter-segment revenue	13,889	4	-	(13,893)	-
Total revenue	<u>68,744</u>	<u>2,994</u>	<u>-</u>	<u>(13,893)</u>	<u>57,845</u>
<u>Results</u>					
Segment results	<u>5,375</u>	<u>12</u>	<u>242</u>	<u>(357)</u>	<u>5,272</u>
Finance costs					(717)
Investment revenue					-
Profit before tax					<u>4,555</u>
Income tax expense					<u>(1,089)</u>
Profit for the period					<u>3,466</u>

Year-to-date period ended 30 November 2014	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<u>Revenue</u>					
External revenue	113,884	6,339	-	-	120,223
Inter-segment revenue	28,346	7	-	(28,353)	-
Total revenue	<u>142,230</u>	<u>6,346</u>	<u>-</u>	<u>(28,353)</u>	<u>120,223</u>
<u>Results</u>					
Segment results	<u>14,905</u>	<u>192</u>	<u>383</u>	<u>(702)</u>	<u>14,778</u>
Finance costs					(1,502)
Investment revenue					36
Profit before tax					<u>13,312</u>
Income tax expense					<u>(3,179)</u>
Profit for the period					<u>10,133</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 30 November 2014, the Group acquired property, plant and equipment with a total cost of RM7,113,546, 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 30 November 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 30 November 2014.

13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

14. CAPITAL COMMITMENTS

Capital commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 30 November 2014 are as follows:

	<u>RM'000</u>
Approved and contracted for	<u>5,118</u>

15. NOTES TO THE CONDENSED CONSOLIDATED INCOME STATEMENT

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

	3 months ended 30.11.2014 RM'000	Year-to-date ended 30.11.2014 RM'000
Interest income	14	19
Interest expense	(620)	(1,321)
Investment revenue	-	36
Depreciation and amortisation	(2,967)	(5,979)
Equity-settled share based payments	-	-
Allowance for and write off of receivables	(364)	(364)
Allowance for and write off of inventories	-	-
Gain/(Loss) on disposal of quoted/unquoted investment or properties	-	-
Gain on disposal of property, plant and equipment	1	8
Property, plant and equipment written off	(1)	(57)
Impairment of assets	-	-
Foreign exchange loss	(191)	(100)
Gain/(Loss) on derivatives	-	-

16. REVIEW OF PERFORMANCE

Current quarter vs. corresponding quarter last year

The Group recorded a revenue of RM57.8 million during the current quarter ended 30 November 2014, which represents a 5% increase as compared to the preceding year corresponding quarter's revenue of RM55.2 million. The increase in revenue is mainly from increased sales volume as well as increase in average selling prices. Profit before tax of the current quarter has remained consistent at RM4.6 million.

Current year-to-date period vs corresponding period last year

The Group recorded a revenue of RM120.2 million during the 6 months ended 30 November 2014, which represents an 8% increase as compared to the preceding year corresponding period's revenue of RM110.8 million. The increase in revenue is mainly from increased sales volume as a result of prolonged dry weather during the first quarter of the financial year as well as increase in average selling prices. Profit before tax of RM13.3 million for the period represents a 20% increase as compared to the RM11.1 million profit before tax of the same period last year. The increase in profit was 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 RM113.9 million revenue for the current period ended 30 November 2014 as compared to the revenue of RM104.0 million recorded in the preceding year corresponding period representing a 10% 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 9% from RM6.9 million in the preceding year corresponding period to RM6.3 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 RM57.8 million during the current quarter ended 30 November 2014, representing a 7% decrease compared to the preceding quarter's revenue of RM62.4 million. Profit before tax decreased 48% from RM8.8 million in the last quarter to RM4.6 million in the current quarter mainly due to lower sales volume during the quarter and higher advertising and promotion costs incurred during the current quarter ended 30 November 2014.

18. FUTURE PROSPECTS

The sharp fall of global crude oil prices and the generally lower commodity prices together with the depreciation of the domestic currency have adversely impacted the Malaysian economy and its financial position. The fiscal reforms and the impending implementation of the goods and services tax have further dampened the consumer sentiments. Amid these economic headwinds and challenges, we are cautiously optimistic that the demand for bottled water will remain favourable. Water is an essential product and the fundamental bottled water values of quality, purity, availability, convenience, affordability and hydration are as strong as they have ever been. Our wide product range catering the various market segments, our strong branding, the health benefits of our silicon-rich Spritzer natural mineral water and our leading position in the bottled water industry will be able to sustain the demand of our various bottled water products.

The various fiscal reforms and the depreciation of the domestic currency have also pushed up our costs. We will put in further efforts to improve our operational efficiency and productivity so as to remain competitive in the bottled water industry. We will continue to invest in and promote our core brands with our various advertising, promotional and sponsorship activities.

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 30.11.2014 RM'000	Year-to-date ended 30.11.2014 RM'000
Income tax		
- current period	887	3,060
Deferred tax		
- current period	204	(235)
- prior year under provision	(2)	354
	<u>1,089</u>	<u>3,179</u>

The effective tax rate for the year-to-date period ended 30 November 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 30 November 2014 are as follows:-

	RM'000
Short term borrowings	
- Unsecured	41,235
- Secured	3,122
	<u>44,357</u>
Long term borrowings	
- Unsecured	10,024
- Secured	1,240
	<u>11,264</u>
	<u>55,621</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 30 November 2014.

In the Annual General Meeting of the Company held on 24 November 2014, the shareholders have approved 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 and subsequently paid on 18 December 2014. The dividend has not been included as a liability in the financial statements as at 30 November 2014.

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.

	3 months ended 30.11.2014	Year-to-date ended 30.11.2014
	RM'000	RM'000
Net profit attributable to owners of the Company	3,466	10,133
Basic earnings per share		
	'000	'000
Number of shares (excluding treasury shares) in issue at beginning of the period	135,875	134,830
Add: Weighted average number of shares issued during the period	1,552	2,388
Weighted average number of shares in issue during the period (basic)	137,427	137,218
Basic EPS (sen)	2.52	7.38
Diluted earnings per share		
	'000	'000
Weighted average number of shares used in the calculation of basic EPS	137,427	137,218
Shares deemed to be issued for no consideration in respect of ESOS and Warrants	16,762	16,762
Weighted average number of shares in issue during the period (diluted)	154,189	153,980
Diluted EPS (sen)	2.25	6.58

26. DISCLOSURE OF REALISED AND UNREALISED PROFITS

	As at 30.11.2014 RM'000	As at 31.5.2014 RM'000
Total retained earnings of the Group:		
- Realised	161,771	151,039
- Unrealised	(1,742)	(1,603)
	160,029	149,436
Less : Consolidation adjustments	(50,615)	(50,217)
Total retained earnings as per statement of financial position	109,414	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 29 January 2015.