



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

**QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE FOURTH QUARTER ENDED 31 MAY 2016**

The figures have not been audited.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016**

|   | 3 months ended      |                     | Year-to-date ended  |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | 31.5.2016<br>RM'000 | 31.5.2015<br>RM'000 | 31.5.2016<br>RM'000 | 31.5.2015<br>RM'000 |
| Revenue   | 85,644              | 71,732              | 288,226             | 253,667             |
| Other gains and losses                          | (128)               | 491                 | 82                  | 310                 |
| Cost of sales and<br>other operating expenses   | (74,241)            | (60,604)            | (249,150)           | (219,280)           |
| Finance costs                                   | (496)               | (616)               | (2,080)             | (2,734)             |
| Profit before tax                               | <u>10,779</u>       | <u>11,003</u>       | <u>37,078</u>       | <u>31,963</u>       |
| Income tax expense                              | (3,215)             | (3,723)             | (8,621)             | (9,156)             |
| Profit for the period                           | <u>7,564</u>        | <u>7,280</u>        | <u>28,457</u>       | <u>22,807</u>       |
| Profit attributable to<br>owners of the Company | <u>7,564</u>        | <u>7,280</u>        | <u>28,457</u>       | <u>22,807</u>       |
| Earnings per share:-                            |                     |                     |                     |                     |
| (a) Basic (sen)                                 | <u>5.05</u>         | <u>5.23</u>         | <u>19.47</u>        | <u>16.59</u>        |
| (b) Diluted (sen)                               | <u>4.68</u>         | <u>4.76</u>         | <u>17.99</u>        | <u>15.07</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 2015 and the accompanying notes to the Interim Financial Report.



**SPRITZER BHD.**  
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**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 MAY 2016**

|   | <b>3 months ended</b> |                  | <b>Year-to-date ended</b> |                  |
|---|-----------------------|------------------|---------------------------|------------------|
|   | <b>31.5.2016</b>      | <b>31.5.2015</b> | <b>31.5.2016</b>          | <b>31.5.2015</b> |
|   | <b>RM'000</b>         | <b>RM'000</b>    | <b>RM'000</b>             | <b>RM'000</b>    |
| Profit for the period   | 7,564                 | 7,280            | 28,457                    | 22,807           |
| <b>Other comprehensive income</b>                                       |                       |                  |                           |                  |
| <i>Items that may be reclassified subsequently to profit or loss:</i>   |                       |                  |                           |                  |
| Exchange differences on translation of foreign entities                 | (22)                  | -                | (22)                      | -                |
| <b>Total comprehensive income attributable to owners of the Company</b> | <u>7,542</u>          | <u>7,280</u>     | <u>28,435</u>             | <u>22,807</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 2015 and the accompanying notes to the Interim Financial Report.



**SPRITZER BHD.**  
**(Company No. 265348-V)**  
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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MAY 2016**

|   | <b>AS AT</b><br><b>31.5.2016</b><br><b>RM'000</b> | <b>AUDITED</b><br><b>AS AT</b><br><b>31.5.2015</b><br><b>RM'000</b> |
|---|---|---|
| <b>ASSETS</b>   |   |   |
| <b>Non-current assets</b>                                       |   |   |
| Property, plant and equipment                                   | 214,210   | 204,085   |
| Investment properties   | 4,354   | 4,354   |
| Goodwill on consolidation                                       | 40  | 40  |
|   | <u>218,604</u>                                    | <u>208,479</u>  |
| <b>Current assets</b>   |   |   |
| Other investments   | 6,381   | 2,323   |
| Inventories   | 30,418  | 23,944  |
| Trade and other receivables                                     | 68,795  | 57,888  |
| Current tax assets  | 248   | 59  |
| Other assets  | 6,213   | 3,858   |
| Fixed deposit, cash and bank balances                           | 17,593  | 15,187  |
|   | <u>129,648</u>                                    | <u>103,259</u>  |
| <b>TOTAL ASSETS</b>   | <u><u>348,252</u></u>                             | <u><u>311,738</u></u>   |
| <b>EQUITY AND LIABILITIES</b>                                   |   |   |
| <b>Capital and reserves</b>                                     |   |   |
| Share capital   | 79,215  | 70,748  |
| Treasury shares   | (14)  | (14)  |
| Share premium   | 39,094  | 24,222  |
| Equity-settled employee benefits reserve                        | 2,693   | 4,016   |
| Translation reserve   | (22)  | -   |
| Retained earnings   | 137,854   | 116,574   |
| <b>TOTAL EQUITY</b>   | <u>258,820</u>                                    | <u>215,546</u>  |
| <b>Non-current liabilities</b>                                  |   |   |
| Borrowings  | 7,168   | 6,449   |
| Deferred taxation   | 18,259  | 18,039  |
|   | <u>25,427</u>                                     | <u>24,488</u>   |
| <b>Current liabilities</b>                                      |   |   |
| Trade and other payables  | 36,398  | 25,868  |
| Borrowings  | 16,794  | 35,803  |
| Current tax liabilities   | 1,088   | 1,759   |
| Other liabilities   | 9,725   | 8,274   |
|   | <u>64,005</u>                                     | <u>71,704</u>   |
| <b>TOTAL LIABILITIES</b>  | <u>89,432</u>                                     | <u>96,192</u>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>                             | <u><u>348,252</u></u>                             | <u><u>311,738</u></u>   |
| Net assets per share attributable to owners of the Company (RM) | <u>1.6339</u>                                     | <u>1.5236</u>   |

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2015 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 YEAR ENDED 31 MAY 2016**

|  | Share<br>Capital<br>RM'000 | Treasury<br>Shares<br>RM'000 | -----Non-distributable Reserves-----                     |                                  | Share<br>Premium<br>RM'000 | Distributable<br>Retained<br>Earnings<br>RM'000 | Total<br>Equity<br>RM'000 |
|--|----------------------------|------------------------------|--|----------------------------------|----------------------------|---|---------------------------|
|  |                            |                              | Equity-settled<br>Employee Benefits<br>Reserve<br>RM'000 | Translation<br>Reserve<br>RM'000 |                            |   |                           |
| <b>Balance as of 1 June 2015</b>                   | 70,748                     | (14)                         | 4,016  | -                                | 24,222                     | 116,574   | 215,546                   |
| Profit for the period                              | -                          | -                            | -  | -                                | -                          | 28,457  | 28,457                    |
| Other comprehensive income                         | -                          | -                            | -  | (22)                             | -                          | -   | (22)                      |
| Total comprehensive income for the period          | -                          | -                            | -  | (22)                             | -                          | 28,457  | 28,435                    |
| Expenses relating to issuance of ESOS and Warrants | -                          | -                            | -  | -                                | (16)                       | -   | (16)                      |
| Recognition of share-based payments                | -                          | -                            | 869  | -                                | -                          | 142   | 1,011                     |
| Exercise of ESOS and Warrants                      | 8,467                      | -                            | (2,192)  | -                                | 14,888                     | -   | 21,163                    |
| Payment of dividend                                | -                          | -                            | -  | -                                | -                          | (7,319)   | (7,319)                   |
| <b>Balance as of 31 May 2016</b>                   | <b>79,215</b>              | <b>(14)</b>                  | <b>2,693</b>   | <b>(22)</b>                      | <b>39,094</b>              | <b>137,854</b>                                  | <b>258,820</b>            |
| <b>Balance as of 1 June 2014</b>                   | 67,427                     | (14)                         | 2,256  | -                                | 18,904                     | 99,219  | 187,792                   |
| Profit for the period                              | -                          | -                            | -  | -                                | -                          | 22,807  | 22,807                    |
| Other comprehensive income                         | -                          | -                            | -  | -                                | -                          | -   | -                         |
| Total comprehensive income for the period          | -                          | -                            | -  | -                                | -                          | 22,807  | 22,807                    |
| Expenses relating to issuance of ESOS and Warrants | -                          | -                            | -  | -                                | (7)                        | -   | (7)                       |
| Recognition of share-based payments                | -                          | -                            | 2,704  | -                                | -                          | 102   | 2,806                     |
| Exercise of ESOS and Warrants                      | 3,321                      | -                            | (944)  | -                                | 5,325                      | -   | 7,702                     |
| Payment of dividend                                | -                          | -                            | -  | -                                | -                          | (5,554)   | (5,554)                   |
| <b>Balance as of 31 May 2015</b>                   | <b>70,748</b>              | <b>(14)</b>                  | <b>4,016</b>   | <b>-</b>                         | <b>24,222</b>              | <b>116,574</b>                                  | <b>215,546</b>            |

The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2015 and the accompanying notes to the Interim Financial Report.



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## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 MAY 2016

|   | <b>31.5.2016</b> | <b>31.5.2015</b> |
|---|------------------|------------------|
|   | <b>RM'000</b>    | <b>RM'000</b>    |
| <b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>                         |                  |                  |
| Profit for the year   | 28,457           | 22,807           |
| Adjustments for:  |                  |                  |
| Depreciation  | 12,716           | 12,162           |
| Income tax expense  | 8,621            | 9,156            |
| Finance costs   | 2,080            | 2,734            |
| Interest income   | (82)             | (37)             |
| Investment revenue  | (167)            | (80)             |
| Other non-cash items  | 1,885            | 3,163            |
| Operating profit before changes in working capital                            | <u>53,510</u>    | <u>49,905</u>    |
| <b>Changes in working capital</b>   |                  |                  |
| (Increase)/Decrease in current assets   | (20,286)         | 9,302            |
| Increase in current liabilities   | 10,766           | 3,004            |
| <b>Cash generated from operations</b>   | <u>43,990</u>    | <u>62,211</u>    |
| Interest received   | 82               | 37               |
| Tax paid  | (9,381)          | (7,079)          |
| Tax refunded  | 120              | 288              |
| <b>Net cash from operating activities</b>                                     | <u>34,811</u>    | <u>55,457</u>    |
| <b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>                         |                  |                  |
| Capital return on unquoted investment   | 10               | -                |
| Proceeds from disposal of property, plant and equipment                       | 168              | 48               |
| Proceeds from disposal of investments   | 5,419            | -                |
| Placement of fixed deposit  | (1)              | -                |
| Purchase of property, plant and equipment                                     | (22,220)         | (17,157)         |
| Placement of short term investments   | (9,471)          | (2,250)          |
| Investment revenue received   | 167              | 80               |
| <b>Net cash used in investing activities</b>                                  | <u>(25,928)</u>  | <u>(19,279)</u>  |
| <b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>                         |                  |                  |
| Finance cost paid   | (2,080)          | (2,734)          |
| Dividend paid   | (7,319)          | (5,554)          |
| Expenses relating to issuance of Warrants and ESOS paid                       | (16)             | (7)              |
| Proceeds from borrowings  | 5,000            | 2,450            |
| Proceeds from issue of shares   | 21,163           | 7,702            |
| Repayment of borrowings   | (23,318)         | (31,844)         |
| <b>Net cash used in financing activities</b>                                  | <u>(6,570)</u>   | <u>(29,987)</u>  |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                              | 2,313            | 6,191            |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>                     | 15,168           | 8,928            |
| Effect on exchange rate changes on balance of cash held in foreign currencies | 64               | 49               |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>                           | <u>17,545</u>    | <u>15,168</u>    |
| Cash and cash equivalents at end the period comprise the following:           |                  |                  |
| Fixed deposit, cash and bank balances   | 17,593           | 15,187           |
| Bank overdrafts   | (28)             | -                |
|   | <u>17,565</u>    | <u>15,187</u>    |
| Less : fixed deposit pledged  | (20)             | (19)             |
|   | <u>17,545</u>    | <u>15,168</u>    |

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2015 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 2015.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim financial report are consistent with those applied in the Group's audited financial statements for the financial year ended 31 May 2015 except for the adoption of the Amendments to MFRSs effective for annual periods beginning on or after 1 July 2014.

#### Adoption of Amendments and Annual Improvements to Standards

The Group has adopted the following Amendments to MFRSs, with a date of initial application of 1 June 2015.

- (i) Annual Improvements to MFRSs 2010 - 2012 Cycle
- (ii) Annual Improvements to MFRSs 2011 - 2013 Cycle

The application of the above Amendments to MFRSs has no significant impact on the financial statements of the Group.

#### Standards in issue but not yet effective

The Group has not elected for early adoption of the relevant new and revised MFRSs and Amendments to MFRSs, which have been issued but not yet effective at the date of authorisation for issue of the interim financial report. The directors anticipate that the adoption of these Standards when they become effective, will have no material impact on the financial statements except for the adoption of the following Standards:

- (i) MFRS 9 Financial Instruments
- (ii) MFRS 15 Revenue from Contracts with Customers

The directors of the Group anticipate that the application of the above MFRSs in the future may have a material impact on amounts reported and disclosures made in respect of the Group's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of these MFRSs until the Group completes a detailed review.

### 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 31 May 2016, the Company issued 4,636,000 ordinary shares of RM0.50 each for cash arising from the exercise of employees' share options, whereby 670,000 shares were issued at a subscription price of RM0.75 per ordinary share, 1,032,000 shares were issued at a subscription price of RM0.91 per ordinary share, 1,546,000 shares were issued at a subscription price of RM1.56 per ordinary share and 1,388,000 shares were issued at a subscription price of RM1.90 per ordinary share. During the current quarter, 8,000 share options lapsed as a result of resignation of employees.

During the quarter ended 31 May 2016, the Company also issued 4,817,348 ordinary shares of RM0.50 each for cash arising from the conversion of Warrants at an exercise price of RM1.18 per ordinary share.

During the financial year ended 31 May 2016, the Company issued a total of 16,934,869 ordinary shares of RM0.50 each arising from the exercise of employees' share option and exercise of Warrants. All issued shares were fully paid. In the same period, 381,000 employees' share options have lapsed as a result of employee resignation.

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 May 2016.

As at 31 May 2016, 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 May 2016.

## 8. DIVIDEND PAID

On 18 December 2015, the Company paid a first and final dividend of 5.0 sen per share, under the single tier system, amounting to RM7,318,682 in respect of the previous financial year ended 31 May 2015.

## 9. SEGMENTAL REPORTING

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

| <b>3 months ended<br/>31 May 2016</b> | <b>Manufacturing<br/>RM'000</b> | <b>Trading<br/>RM'000</b> | <b>Others<br/>RM'000</b> | <b>Eliminations<br/>RM'000</b> | <b>Consolidated<br/>RM'000</b> |
|---------------------------------------|---------------------------------|---------------------------|--------------------------|--------------------------------|--------------------------------|
| <u>Revenue</u>                        |                                 |                           |                          |                                |                                |
| External revenue                      | 80,570                          | 4,948                     | 126                      | -                              | 85,644                         |
| Inter-segment revenue                 | 20,519                          | 6                         | 8,504                    | (29,029)                       | -                              |
| Total revenue                         | 101,089                         | 4,954                     | 8,630                    | (29,029)                       | 85,644                         |
| <u>Results</u>                        |                                 |                           |                          |                                |                                |
| Segment results                       | 11,355                          | 165                       | 467                      | (751)                          | 11,236                         |
| Finance costs                         |                                 |                           |                          |                                | (496)                          |
| Investment revenue                    |                                 |                           |                          |                                | 39                             |
| Profit before tax                     |                                 |                           |                          |                                | 10,779                         |
| Income tax expense                    |                                 |                           |                          |                                | (3,215)                        |
| Profit for the period                 |                                 |                           |                          |                                | 7,564                          |

| <b>Financial year ended<br/>31 May 2016</b> | <b>Manufacturing<br/>RM'000</b> | <b>Trading<br/>RM'000</b> | <b>Others<br/>RM'000</b> | <b>Eliminations<br/>RM'000</b> | <b>Consolidated<br/>RM'000</b> |
|---|---------------------------------|---------------------------|--------------------------|--------------------------------|--------------------------------|
| <u>Revenue</u>                              |                                 |                           |                          |                                |                                |
| External revenue                            | 272,975                         | 14,890                    | 361                      | -                              | 288,226                        |
| Inter-segment revenue                       | 65,032                          | 16                        | 8,824                    | (73,872)                       | -                              |
| Total revenue                               | 338,007                         | 14,906                    | 9,185                    | (73,872)                       | 288,226                        |
| <u>Results</u>                              |                                 |                           |                          |                                |                                |
| Segment results                             | 41,132                          | (143)                     | 9,588                    | (11,586)                       | 38,991                         |
| Finance costs                               |                                 |                           |                          |                                | (2,080)                        |
| Investment revenue                          |                                 |                           |                          |                                | 167                            |
| Profit before tax                           |                                 |                           |                          |                                | 37,078                         |
| Income tax expense                          |                                 |                           |                          |                                | (8,621)                        |
| Profit for the year                         |                                 |                           |                          |                                | 28,457                         |

## 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 financial year ended 31 May 2016, the Group acquired property, plant and equipment with a total cost of RM24,365,294, out of which RM22,220,494 was acquired by cash.

## 11. MATERIAL SUBSEQUENT EVENTS

Subsequent to the financial year end, a subsidiary company, Chuan Sin Sdn Bhd ("Chuan Sin") received a Notice of Demand from a vendor for an amount of RM659,479 being claim for professional services fee in respect of installation and related services on implementation of Enterprise Resource Management ("ERP") application. Chuan Sin had terminated the service of the ERP vendor prior to full implementation of the Group and had already paid in full for work that was performed up to the date of termination. The Board is in the opinion that there is no merit in this claim as it is for services yet to be performed by the vendor and will strongly dispute this claim.

Other than the above, there were no material events subsequent to the end of the current quarter and financial year ended 31 May 2016 up to the date of this report.

## 12. CHANGES IN THE COMPOSITION OF THE GROUP

On 11 June 2015, a wholly-owned subsidiary company, Spritzer (Hong Kong) Limited ("SPR HK") was incorporated in Hong Kong. SPR HK has a proposed paid-up capital of HKD100,000 comprising 100,000 ordinary shares of HKD1 each. SPR HK's principal activity is investment holding.

On 26 November 2015, SPR HK had incorporated a wholly-owned subsidiary company in China known as Spritzer (Guangzhou) Trading Limited ("SPR GZ"). SPR GZ has a registered capital of RMB30,010,000 and its principal activities are acting as wholesale and retail dealer, importer and exporter of beverages and similar products.

Except as stated above, there were no other changes in the composition of the Group during the current quarter and the financial year ended 31 May 2016.

## 13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Other than as disclosed in Note 11 above, there were no material contingent liabilities and assets as at the date of this report.

## 14. CAPITAL COMMITMENTS

Capital commitments that are not provided for in the interim financial statements as at 31 May 2016 are as follows:

|                                       |               |
|---------------------------------------|---------------|
|                                       | <b>RM'000</b> |
| <i>Property, plant and equipment:</i> |               |
| Approved and contracted for           | <u>8,754</u>  |



## 15. NOTES TO THE CONDENSED CONSOLIDATED INCOME STATEMENT

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

|  | <b>3 months<br/>ended<br/>31.5.2016<br/>RM'000</b> | <b>Year-to-date<br/>ended<br/>31.5.2016<br/>RM'000</b> |
|--|--|--|
| Interest income  | 37   | 82   |
| Interest expense   | (423)  | (1,735)  |
| Investment revenue   | 39   | 167  |
| Depreciation and amortisation                                | (3,315)  | (12,716)   |
| Equity-settled share based payments                          | (1,011)  | (1,011)  |
| Allowance for and write off of receivables                   | (26)   | (131)  |
| Allowance for and write off of inventories                   | -  | -  |
| Gain on disposal of quoted/unquoted investment or properties | 1  | 6  |
| (Gain)/Loss on disposal of property, plant and equipment     | 8  | (671)  |
| Property, plant and equipment written off                    | (629)  | (685)  |
| Impairment of assets   | -  | -  |
| Foreign exchange loss  | (69)   | (72)   |
| Fair value adjustments of investment                         | 8  | 10   |
| Gain/(Loss) on derivatives                                   | -  | -  |

## 16. REVIEW OF PERFORMANCE

### Current quarter vs. corresponding quarter last year

The Group recorded a revenue of RM85.6 million during the current quarter ended 31 May 2016, which represents a 19% increase as compared to the preceding year corresponding quarter's revenue of RM71.7 million. The increase in revenue is mainly from increased sales volume for both bottled water products and packaging materials. The hot weather, caused by the El Nino phenomenon has contributed to the increased demand for bottled water in the current quarter. Despite the increase in revenue, the Group's current quarter's profit before tax of RM10.8 million has remained quite consistent with the preceding year corresponding quarter's RM11.0 million mainly due to higher input costs and selling and distribution costs incurred for market exploration, product launching and advertising and promotion incurred in China.

The Group's manufacturing segment contributed RM80.6 million revenue for the current quarter ended 31 May 2016 as compared to the revenue of RM67.9 million recorded in the previous financial year corresponding quarter representing a 19% increase. This is mainly attributable to the increase in sales volume.

Revenue from the trading segment has increased 26% from RM3.9 million in the previous financial year corresponding quarter to RM4.9 million in the currently quarter ended 31 May 2016. This increase is due to new sales into China.

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

The Group recorded a revenue of RM288.2 million for the financial year ended 31 May 2016, which represents a 14% increase as compared to the preceding year corresponding year's revenue of RM253.7 million. The increase in revenue is mainly from increased sales volume of both bottled water products and packaging materials as well as increase in average selling prices. Profit before tax of RM37.1 million for the year represents a 16% increase as compared to the RM32.0 million profit before tax of the previous year. The increase in profit was contributed mainly by the higher sales volume, better economies of scale as well as the reduction in plastic packaging material cost for the year on average.

The Group's manufacturing segment contributed RM273.0 million revenue for the current year ended 31 May 2016 as compared to the revenue of RM240.3 million recorded in the previous year representing a 14% increase. This is mainly attributable to the increase in sales volume.

Revenue from the trading segment of RM14.9 million has increase 11% as compared with previous year's revenue of RM13.4 million due to increase in sales volume due to new sales into China.

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

The Group recorded a revenue of RM85.6 million during the current quarter ended 31 May 2016, representing a 22% increase compared to the preceding quarter's revenue of RM70.3 million. Profit before tax increased 48% from RM7.3 million in the preceding quarter to RM10.8 million in the current quarter mainly due to higher sales volume.

## 18. FUTURE PROSPECTS

The weak prices of crude oil and our commodities together with the weak domestic currency have adversely impacted the Malaysian economy and its financial position. The uncertain economic condition has also dampened the consumer sentiments and spending. Amid these economic headwinds and challenges, we are cautiously optimistic that the demand for bottled water will remain stable. Water is an essential product and is needed for the sustenance of human life. With our wide product range catering to the various market segments, our strong branding, our premium silicon-rich water source and our leading position in the bottled water industry, we will be able to sustain the demand of our various bottled water products.

The various fiscal reforms, the upward revision of the minimum wage and weak domestic currency will push up our costs. To achieve greater economies of scale and to improve our cost and production efficiencies, we will continue to automate our production and other work processes to enhance our production output. We will also continue to invest in and promote our core brands with our various advertising, promotional and sponsorship activities to boost the demand for our bottled water and to further strengthen our leading position in the industry.

We are mindful that the macroeconomic headwinds such as slower economic growth, low prices of our commodities and the weaker domestic currency will dampen consumer sentiments and dent consumption. Nevertheless, we remain confident that the demand for our bottled water products will be stable and the Directors expect the Group to perform satisfactorily in the financial year ending 31 December 2016.

## 19. VARIANCE BETWEEN FORECAST AND ACTUAL PROFIT

Not applicable.

## 20. INCOME TAX EXPENSE

|                  | <b>3 months<br/>ended<br/>31.5.2016<br/>RM'000</b> | <b>Year-to-date<br/>ended<br/>31.5.2016<br/>RM'000</b> |
|------------------|--|--|
| Income tax       |  |  |
| - current period | 2,395  | 8,332  |
| - prior year     | (62)   | 69   |
| Deferred tax     |  |  |
| - current period | 1,093  | 424  |
| - prior year     | (211)  | (204)  |
|                  | <u>3,215</u>                                       | <u>8,621</u>   |

The effective tax rate for the current quarter ended 31 May 2016 is higher than the statutory income tax rate of 24% mainly due to certain expenses not being allowable for income tax purposes.

## 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 May 2016 are as follows:-

|                       | <b>RM'000</b> |
|-----------------------|---------------|
| Short term borrowings |               |
| - Unsecured           | 16,634        |
| - Secured             | 160           |
|                       | <u>16,794</u> |
| Long term borrowings  |               |
| - Unsecured           | 7,162         |
| - Secured             | 6             |
|                       | <u>7,168</u>  |
|                       | <u>23,962</u> |

## 23. MATERIAL LITIGATION

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

## 24. DIVIDEND

The Directors have proposed a first and final dividend of 11% or 5.5 sen (2015 : 10% or 5.0 sen) per ordinary share of 50 sen each, single tier, in respect of the current financial year ended 31 May 2016. This first and final dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements. The date of the Annual General Meeting and the date of book closure for the said dividend will be announced in due course.

## 25. EARNINGS PER SHARE ("EPS")

Basic 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<br/>ended<br/>31.5.2016</b> | <b>Year-to-date<br/>ended<br/>31.5.2016</b> |
|--|---|---|
|  | <b>RM'000</b>                           | <b>RM'000</b>                               |
| Net profit attributable to owners of the Company                                 | 7,564                                   | 28,457                                      |
| <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 | 148,954                                 | 141,472                                     |
| Add: Weighted average number of shares issued during the period                  | 734                                     | 4,653                                       |
| Weighted average number of shares in issue during the period (basic)             | 149,688                                 | 146,125                                     |
| Basic EPS (sen)  | 5.05                                    | 19.47                                       |
| <b>Diluted earnings per share</b>  |   |   |
|  | <b>'000</b>                             | <b>'000</b>                                 |
| Weighted average number of shares used in the calculation of basic EPS           | 149,688                                 | 146,125                                     |
| Shares deemed to be issued for no consideration in respect of ESOS and Warrants  | 12,099                                  | 12,099                                      |
| Weighted average number of shares in issue during the period (diluted)           | 161,787                                 | 158,224                                     |
| Diluted EPS (sen)  | 4.68                                    | 17.99                                       |

## 26. DISCLOSURE OF REALISED AND UNREALISED PROFITS

|  | <b>As at<br/>31.5.2016<br/>RM'000</b> | <b>As at<br/>31.5.2015<br/>RM'000</b> |
|--|---------------------------------------|---------------------------------------|
| Total retained earnings of the Group:                          |                                       |                                       |
| - Realised   | 193,879                               | 170,226                               |
| - Unrealised   | (2,388)                               | (2,663)                               |
|  | 191,491                               | 167,563                               |
| Less : Consolidation adjustments                               | (53,637)                              | (50,989)                              |
| Total retained earnings as per statement of financial position | 137,854                               | 116,574                               |

## 27. CHANGE IN FINANCIAL YEAR END

On 28 April 2016, the Board of Directors had approved the change in the Group's financial year end from 31 May to 31 December with effect from 1 June 2016. Therefore, the next accounting period of the Group shall be for a 7-month period commencing on 1 June 2016 and ending on 31 December 2016.

## 28. 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 28 July 2016.