



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

**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE PERIOD ENDED 31 AUGUST 2016**

The figures have not been audited.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD FROM 1 JUNE 2016 TO 31 AUGUST 2016**

	3 months ended 31.8.2016 RM'000	Period-to-date ended 31.8.2016 RM'000
Revenue	78,593	78,593
Other gains and losses	342	342
Cost of sales and other operating expenses	(69,336)	(69,336)
Finance costs	(404)	(404)
Profit before tax	<u>9,195</u>	<u>9,195</u>
Income tax expense	(2,521)	(2,521)
Profit for the period	<u><u>6,674</u></u>	<u><u>6,674</u></u>
Profit attributable to owners of the Company	<u><u>6,674</u></u>	<u><u>6,674</u></u>
Earnings per share:-		
(a) Basic (sen)	<u><u>4.13</u></u>	<u><u>4.13</u></u>
(b) Diluted (sen)	<u><u>3.89</u></u>	<u><u>3.89</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 2016 and the accompanying notes to the Interim Financial Report.



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**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD FROM 1 JUNE 2016 TO 31 AUGUST 2016**

	3 months ended 31.8.2016 RM'000	Period-to-date ended 31.8.2016 RM'000
Profit for the period	6,674	6,674
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign entities	(370)	(370)
Total comprehensive income attributable to owners of the Company	<u>6,304</u>	<u>6,304</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 2016 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 2016

	AS AT 31.8.2016 RM'000	AUDITED AS AT 31.5.2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	223,809	214,210
Investment properties	4,354	4,354
Goodwill on consolidation	40	40
	<u>228,203</u>	<u>218,604</u>
Current assets		
Other investments	3,928	6,381
Inventories	32,150	30,418
Trade and other receivables	64,917	68,795
Current tax assets	244	248
Other assets	3,393	6,213
Fixed deposit, cash and bank balances	19,074	17,593
	<u>123,706</u>	<u>129,648</u>
TOTAL ASSETS	<u><u>351,909</u></u>	<u><u>348,252</u></u>
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	81,479	79,215
Treasury shares	(14)	(14)
Share premium	42,954	39,094
Equity-settled employee benefits reserve	2,328	2,693
Translation reserve	(392)	(22)
Retained earnings	144,530	137,854
TOTAL EQUITY	<u>270,885</u>	<u>258,820</u>
Non-current liabilities		
Borrowings	6,798	7,168
Deferred taxation	18,006	18,259
	<u>24,804</u>	<u>25,427</u>
Current liabilities		
Trade and other payables	25,057	36,398
Borrowings	19,525	16,794
Current tax liabilities	1,667	1,088
Other liabilities	9,971	9,725
	<u>56,220</u>	<u>64,005</u>
TOTAL LIABILITIES	<u>81,024</u>	<u>89,432</u>
TOTAL EQUITY AND LIABILITIES	<u><u>351,909</u></u>	<u><u>348,252</u></u>
Net assets per share attributable to owners of the Company (RM)	<u>1.6626</u>	<u>1.6339</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2016 and the accompanying notes to the Interim Financial Report.



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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE FINANCIAL PERIOD FROM 1 JUNE 2016 TO 31 AUGUST 2016**

	Share Capital RM'000	Treasury Shares RM'000	-----Non-distributable Reserves-----		Share Premium RM'000	Distributable	Total Equity RM'000
			Equity-settled Employee Benefits Reserve RM'000	Translation Reserve RM'000		Retained Earnings RM'000	
Balance as of 1 June 2016	79,215	(14)	2,693	(22)	39,094	137,854	258,820
Profit for the period	-	-	-	-	-	6,674	6,674
Other comprehensive income	-	-	-	(370)	-	-	(370)
Total comprehensive income for the period	-	-	-	(370)	-	6,674	6,304
Expenses relating to issuance of ESOS and Warrants	-	-	-	-	(7)	-	(7)
Recognition of share-based payments	-	-	(2)	-	-	2	-
Exercise of ESOS and Warrants	2,264	-	(363)	-	3,867	-	5,768
Balance as of 31 August 2016	81,479	(14)	2,328	(392)	42,954	144,530	270,885

The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2016 and the accompanying notes to the Interim Financial Report.



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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 1 JUNE 2016 TO 31 AUGUST 2016**

	3 months ended 31.8.2016 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	
Profit for the period	6,674
Adjustments for:	
Depreciation	3,318
Income tax expense	2,521
Finance costs	404
Interest income	(27)
Investment revenue	(86)
Other non-cash items	105
Operating profit before changes in working capital	<u>12,909</u>
Changes in working capital	
Decrease in current assets	4,924
Increase in current liabilities	<u>(11,095)</u>
Cash generated from operations	<u>6,738</u>
Interest received	27
Tax paid	<u>(2,191)</u>
Net cash from operating activities	<u>4,574</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	
Proceeds from disposal of investments	2,500
Purchase of property, plant and equipment	(12,560)
Investment revenue received	24
Net cash used in investing activities	<u>(10,036)</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	
Finance cost paid	(404)
Expenses relating to issuance of Warrants and ESOS paid	(7)
Proceeds from borrowings	3,874
Proceeds from issue of shares	5,768
Repayment of borrowings	<u>(1,985)</u>
Net cash from financing activities	<u>7,246</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,784
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	17,545
Effect on exchange rate changes on balance of cash held in foreign currencies	(26)
Translation differences	<u>(249)</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>19,054</u>
Cash and cash equivalents at end the period comprise the following:	
Fixed deposit, cash and bank balances	19,074
Bank overdrafts	-
	<u>19,074</u>
Less : fixed deposit pledged	<u>(20)</u>
	<u>19,054</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 May 2016 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 2016.

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 2016 except for the adoption of the Amendments for MFRSs effective for annual periods beginning on or after 1 January 2016.

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 2016:

- Amendments to MFRS 101 Disclosure Initiative
- Amendments to MFRS 116 and MFRS 138 Clarifications of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRSs Annual Improvements to MFRSs 2012 - 2014 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:

- MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)
- MFRS 15 Revenue from Contracts with Customers
- Clarifications to MFRS 15 Revenue from Contracts with Customers
- MFRS 16 Leases
- Amendments to MFRS 107 Disclosure Initiative
- Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses

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. CHANGE IN FINANCIAL YEAR END

As announced on 28 April 2016, the Company and the Group have changed financial year end from 31 May to 31 December with effect from 1 June 2016. Therefore, the current accounting period for preparation of statutory financial statements is a 7-month period from 1 June 2016 to 31 December 2016. As a result of the change in financial year end, no comparative figures have been disclosed in the interim financial statements except for the Condensed Consolidated Statement of Financial Position.

4. AUDIT QUALIFICATION

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

5. 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.

6. 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 financial period ended 31 August 2016.

7. MATERIAL CHANGES IN ESTIMATES

There were no material changes in the estimates used in the current financial period compared to those used in the previous financial year which have a material effect in the current financial period ended 31 August 2016.

8. ISSUANCES, CANCELLATIONS, REPURCHASES, RESALE AND REPAYMENTS OF DEBT AND EQUITY SECURITIES

During the current financial period ended 31 August 2016, the Company issued 976,500 ordinary shares of RM0.50 each for cash arising from the exercise of employees' share options, whereby 36,000 shares were issued at a subscription price of RM0.75 per ordinary share, 117,000 shares were issued at a subscription price of RM0.91 per ordinary share, 350,000 shares were issued at a subscription price of RM1.56 per ordinary share and 473,500 shares were issued at a subscription price of RM1.90 per ordinary share. During the current financial period, 6,000 share options lapsed as a result of resignation of employees.

During the current financial period ended 31 August 2016, the Company also issued 3,550,114 ordinary shares of RM0.50 each for cash arising from the conversion of Warrants at an exercise price of RM1.18 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 current financial period ended 31 August 2016.

As at 31 August 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 financial period ended 31 August 2016.

9. DIVIDEND PAID

No dividend was paid during the current financial period ended 31 August 2016.

10. SEGMENTAL REPORTING

The analysis of the Group business segments for the current financial period are as follows:-

3 months ended 31 August 2016	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue					
External revenue	73,891	4,597	105	-	78,593
Inter-segment revenue	18,658	4	10	(18,672)	-
Total revenue	<u>92,549</u>	<u>4,601</u>	<u>115</u>	<u>(18,672)</u>	<u>78,593</u>
Results					
Segment results	<u>13,104</u>	<u>(3,630)</u>	<u>393</u>	<u>(354)</u>	<u>9,513</u>
Finance costs					(404)
Investment revenue					86
Profit before tax					<u>9,195</u>
Income tax expense					<u>(2,521)</u>
Profit for the period					<u><u>6,674</u></u>

11. 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 period ended 31 August 2016, the Group acquired property, plant and equipment with a total cost of RM13,059,961, out of which RM12,559,961 was acquired by cash and RM500,000 was acquired by hire purchase arrangement.

12. MATERIAL SUBSEQUENT EVENTS

There were no material events subsequent to the end of the current financial period ended 31 August 2016 up to the date of this report.

13. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current financial period ended 31 August 2016.

14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

15. CAPITAL COMMITMENTS

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

	<u>RM'000</u>
<i>Property, plant and equipment:</i>	
Authorised but not contracted for	850
Approved and contracted for	1,995
	<u>2,845</u>

16. NOTES TO THE CONDENSED CONSOLIDATED INCOME STATEMENT

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

	3 months ended 31.8.2016 RM'000	Period-to-date ended 31.8.2016 RM'000
Interest income	27	27
Interest expense	(317)	(317)
Investment revenue	86	86
Depreciation and amortisation	(3,318)	(3,318)
Allowance for and write off of receivables	-	-
Allowance for and write off of inventories	-	-
Gain on disposal of quoted/unquoted investment or properties	-	-
(Gain)/Loss on disposal of property, plant and equipment	-	-
Property, plant and equipment written off	(140)	(140)
Impairment of assets	-	-
Foreign exchange loss	(46)	(46)
Fair value adjustments of investment	(15)	(15)
Gain/(Loss) on derivatives	-	-

17. REVIEW OF PERFORMANCE

Current financial period vs. corresponding financial period last year

(3 months ended 31 August 2016 vs 3 months ended 31 August 2015)

The Group recorded a revenue of RM78.6 million during the current financial period ended 31 August 2016, which represents an 18% increase as compared to the preceding year corresponding financial period ended 31 August 2015 revenue of RM66.7 million. The increase in revenue is mainly from increased sales volume for both bottled water products and packaging materials. Despite the increase in revenue, the Group's current financial period profit before tax of RM9.2 million has decreased 2% as compared with the preceding year corresponding period RM9.4 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 RM73.9 million revenue for the current financial period ended 31 August 2016 as compared to the revenue of RM63.1 million recorded in the previous financial year corresponding period representing a 17% increase. This is mainly attributable to the increase in sales volume.

Revenue from the trading segment has increased 31% from RM3.5 million in the previous financial year corresponding financial period to RM4.6 million in the current financial period ended 31 August 2016. This increase is due to new sales into China.

18. MATERIAL CHANGES IN THE CURRENT FINANCIAL PERIOD RESULTS COMPARED TO THE RESULTS OF THE PRECEDING FINANCIAL PERIOD

(3 months ended 31 August 2016 vs 3 months ended 31 May 2016)

The Group recorded a revenue of RM78.6 million during the current financial period ended 31 August 2016, representing an 8% decrease compared to the preceding financial period ended 31 May 2016 revenue of RM85.6 million. Profit before tax decreased 15% from RM10.8 million in the preceding period ended 31 May 2016 to RM9.2 million in the current financial period mainly due to lower sales volume as a result of cooler weather and higher selling and distribution costs incurred on promoting export of products to China.

19. FUTURE PROSPECTS

The fiscal policy and the various subsidy cuts to address the fiscal deficit together with the weaker domestic currency have resulted in the higher costs of doing business and thus margin compression. The macroeconomic headwinds such as slower economic growth and weaker domestic currency will dampen consumer sentiments and dent consumption. However, we believe the trend for bottled water consumption will continue to be positive as it is the preferred choice among consumers who want healthier drinks. With our continuous efforts to promote our core brands, our wide range of products offered, our innovative and convenient packaging, the enhancement of our production capacity and our improved warehousing and distribution system, we are confident that the volume of our bottled water products will continue to grow.

To achieve greater economies of scale and to improve our cost and production efficiencies, we will further 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 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 period ending 31 December 2016.

20. VARIANCE BETWEEN FORECAST AND ACTUAL PROFIT

Not applicable.

21. INCOME TAX EXPENSE

	3 months ended 31.8.2016 RM'000	Period-to-date ended 31.8.2016 RM'000
Income tax		
- current period	2,774	2,774
Deferred tax		
- current period	(399)	(399)
- prior year	146	146
	<u>2,521</u>	<u>2,521</u>

The effective tax rate for the current financial period ended 31 August 2016 is higher than the statutory income tax rate of 24% mainly due to unutilised losses of certain subsidiaries not recognised as deferred tax assets.

22. STATUS OF CORPORATE PROPOSALS

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

23. GROUP BORROWINGS

The Group borrowings as at 31 August 2016 are as follows:-

	RM'000
Short term borrowings	
- Unsecured	19,306
- Secured	219
	<u>19,525</u>
Long term borrowings	
- Unsecured	6,438
- Secured	360
	<u>6,798</u>
	<u>26,323</u>

24. MATERIAL LITIGATION

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

25. DIVIDEND

The Directors have proposed a first and final dividend of 11% or 5.5 sen per ordinary share of 50 sen each, single tier, in respect of the previous financial year ended 31 May 2016. This dividend will be paid on 25 November 2016 and has not been included as a liability in the financial statements.

26. 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 31.8.2016	Period-to-date ended 31.8.2016
	RM'000	RM'000
Net profit attributable to owners of the Company	6,674	6,674
Basic earnings per share		
	'000	'000
Number of shares (excluding treasury shares) in issue at beginning of the period	158,407	158,407
Add: Weighted average number of shares issued during the period	3,376	3,376
Weighted average number of shares in issue during the period (basic)	161,783	161,783
Basic EPS (sen)	4.13	4.13
Diluted earnings per share		
	'000	'000
Weighted average number of shares used in the calculation of basic EPS	161,783	161,783
Shares deemed to be issued for no consideration in respect of ESOS and Warrants	9,603	9,603
Weighted average number of shares in issue during the period (diluted)	171,386	171,386
Diluted EPS (sen)	3.89	3.89

27. DISCLOSURE OF REALISED AND UNREALISED PROFITS

	As at 31.8.2016 RM'000	As at 31.5.2016 RM'000
Total retained earnings of the Group:		
- Realised	200,006	193,879
- Unrealised	(1,662)	(2,388)
	198,344	191,491
Less : Consolidation adjustments	(53,814)	(53,637)
Total retained earnings as per statement of financial position	144,530	137,854

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 26 October 2016.