



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

**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE PERIOD ENDED 30 NOVEMBER 2016**

The figures have not been audited.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD FROM 1 JUNE 2016 TO 30 NOVEMBER 2016**

	3 months ended 30.11.2016 RM'000	6 months ended 30.11.2016 RM'000
Revenue	81,074	159,667
Other gains and losses	135	477
Cost of sales and other operating expenses	(73,184)	(142,520)
Finance costs	(308)	(712)
Profit before tax	<u>7,717</u>	<u>16,912</u>
Income tax expense	(2,458)	(4,979)
Profit for the period	<u><u>5,259</u></u>	<u><u>11,933</u></u>
Profit attributable to owners of the Company	<u><u>5,259</u></u>	<u><u>11,933</u></u>
Earnings per share:-		
(a) Basic (sen)	<u><u>3.13</u></u>	<u><u>7.15</u></u>
(b) Diluted (sen)	<u><u>3.10</u></u>	<u><u>7.08</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 30 NOVEMBER 2016**

	3 months ended 30.11.2016 RM'000	6 months ended 30.11.2016 RM'000
Profit for the period	5,259	11,933
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign entities	380	10
Total comprehensive income attributable to owners of the Company	<u>5,639</u>	<u>11,943</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 30 NOVEMBER 2016

	AS AT 30.11.2016 RM'000	AUDITED AS AT 31.5.2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	222,124	214,210
Investment properties	4,354	4,354
Goodwill on consolidation	40	40
	<u>226,518</u>	<u>218,604</u>
Current assets		
Other investments	3,197	6,381
Inventories	36,755	30,418
Trade and other receivables	60,278	68,795
Current tax assets	223	248
Other assets	3,460	6,213
Fixed deposit, cash and bank balances	30,571	17,593
	<u>134,484</u>	<u>129,648</u>
TOTAL ASSETS	<u>361,002</u>	<u>348,252</u>
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	89,003	79,215
Treasury shares	(14)	(14)
Share premium	55,224	39,094
Equity-settled employee benefits reserve	1,404	2,693
Translation reserve	(12)	(22)
Retained earnings	140,168	137,854
TOTAL EQUITY	<u>285,773</u>	<u>258,820</u>
Non-current liabilities		
Borrowings	5,988	7,168
Deferred taxation	18,373	18,259
	<u>24,361</u>	<u>25,427</u>
Current liabilities		
Trade and other payables	26,311	36,398
Borrowings	10,577	16,794
Current tax liabilities	2,359	1,088
Other liabilities	11,621	9,725
	<u>50,868</u>	<u>64,005</u>
TOTAL LIABILITIES	<u>75,229</u>	<u>89,432</u>
TOTAL EQUITY AND LIABILITIES	<u>361,002</u>	<u>348,252</u>
Net assets per share attributable to owners of the Company (RM)	<u>1.6056</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 30 NOVEMBER 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	-	-	-	-	-	11,933	11,933
Other comprehensive income	-	-	-	10	-	-	10
Total comprehensive income for the period	-	-	-	10	-	11,933	11,943
Expenses relating to issuance of ESOS and Warrants	-	-	-	-	(16)	-	(16)
Recognition of share-based payments	-	-	(2)	-	-	2	-
Exercise of ESOS and Warrants	9,788	-	(1,287)	-	16,146	-	24,647
Payment of dividend	-	-	-	-	-	(9,621)	(9,621)
Balance as of 30 November 2016	89,003	(14)	1,404	(12)	55,224	140,168	285,773

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.



SPRITZER BHD.
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 1 JUNE 2016 TO 30 NOVEMBER 2016

	6 months ended
	30.11.2016
	RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	
Profit for the period	11,933
Adjustments for:	
Depreciation	6,848
Income tax expense	4,979
Finance costs	712
Interest income	(73)
Investment revenue	(149)
Other non-cash items	220
Operating profit before changes in working capital	<u>24,470</u>
Changes in working capital	
Decrease in current assets	6,047
Increase in current liabilities	<u>(8,691)</u>
Cash generated from operations	<u>21,826</u>
Interest received	73
Tax paid	<u>(3,569)</u>
Net cash from operating activities	<u>18,330</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	
Proceeds from disposal of property, plant and equipment	36
Proceeds from disposal of short term investment	15,100
Placement of fixed deposit	(1)
Purchase of property, plant and equipment	(15,387)
Placement of short term investment	(11,800)
Investment revenue received	48
Net cash used in investing activities	<u>(12,004)</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	
Finance cost paid	(712)
Dividend paid	(9,621)
Expenses relating to issuance of Warrants and ESOS paid	(16)
Proceeds from borrowings	-
Proceeds from issue of shares	24,647
Repayment of borrowings	<u>(7,869)</u>
Net cash from financing activities	<u>6,429</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,755
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	17,545
Effect on exchange rate changes on balance of cash held in foreign currencies	269
Translation differences	<u>(19)</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>30,550</u></u>
Cash and cash equivalents at end the period comprise the following:	
Fixed deposit, cash and bank balances	30,571
Bank overdrafts	-
	<u>30,571</u>
Less : fixed deposit pledged	<u>(21)</u>
	<u><u>30,550</u></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 30 November 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 30 November 2016.

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

During the 3 months ended 30 November 2016, the Company issued 2,476,500 ordinary shares of RM0.50 each for cash arising from the exercise of employees' share options, whereby 126,000 shares were issued at a subscription price of RM0.75 per ordinary share, 246,000 shares were issued at a subscription price of RM0.91 per ordinary share, 797,500 shares were issued at a subscription price of RM1.56 per ordinary share and 1,307,000 shares were issued at a subscription price of RM1.90 per ordinary share. During the current financial period, there were no options lapsed as a result of resignation of employees.

During the 3 months ended 30 November 2016, the Company also issued 12,571,025 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 6 months ended 30 November 2016, the Company issued a total of 19,574,139 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, 6,000 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 current financial period ended 30 November 2016.

As at 30 November 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 30 November 2016.

9. DIVIDEND PAID

On 25 November 2016, the Company paid a first and final dividend of 11% or 5.5 sen per share, under the single tier system, amounting to RM9,621,503 in respect of the previous financial year ended 31 May 2016.

10. SEGMENTAL REPORTING

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

3 months ended 30 November 2016	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue					
External revenue	76,147	4,807	120	-	81,074
Inter-segment revenue	14,240	4	49	(14,293)	-
Total revenue	<u>90,387</u>	<u>4,811</u>	<u>169</u>	<u>(14,293)</u>	<u>81,074</u>
Results					
Segment results	<u>11,366</u>	<u>(3,256)</u>	<u>431</u>	<u>(579)</u>	<u>7,962</u>
Finance costs					(308)
Investment revenue					63
Profit before tax					<u>7,717</u>
Income tax expense					<u>(2,458)</u>
Profit for the period					<u>5,259</u>

6 months ended 30 November 2016	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue					
External revenue	150,038	9,404	225	-	159,667
Inter-segment revenue	32,898	8	59	(32,965)	-
Total revenue	<u>182,936</u>	<u>9,412</u>	<u>284</u>	<u>(32,965)</u>	<u>159,667</u>
Results					
Segment results	<u>24,470</u>	<u>(6,886)</u>	<u>824</u>	<u>(933)</u>	<u>17,475</u>
Finance costs					(712)
Investment revenue					149
Profit before tax					16,912
Income tax expense					(4,979)
Profit for the period					<u>11,933</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 6 months ended 30 November 2016, the Group acquired property, plant and equipment with a total cost of RM15,387,303 by cash.

12. MATERIAL SUBSEQUENT EVENTS

There were no material events subsequent to the end of the current financial period ended 30 November 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 30 November 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 30 November 2016 are as follows:

	RM'000
<i>Property, plant and equipment:</i>	
Approved and contracted for	<u>4,868</u>

16. NOTES TO THE CONDENSED CONSOLIDATED INCOME STATEMENT

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

	3 months ended 30.11.2016 RM'000	6 months ended 30.11.2016 RM'000
Interest income	46	73
Interest expense	(213)	(530)
Investment revenue	63	149
Depreciation and amortisation	(3,530)	(6,848)
Allowance for and write off of receivables	-	-
Allowance for and write off of inventories	(33)	(33)
Gain on disposal of quoted/unquoted investment or properties	18	18
(Gain)/Loss on disposal of property, plant and equipment	20	20
Property, plant and equipment written off	(475)	(615)
Impairment of assets	-	-
Foreign exchange loss	240	194
Fair value adjustments of investment	12	(3)
Gain/(Loss) on derivatives	-	-

17. REVIEW OF PERFORMANCE

Current financial period vs. corresponding financial period last year

(3 months ended 30 November 2016 vs 3 months ended 30 November 2015)

The Group recorded a revenue of RM81.1 million during the 3 months ended 30 November 2016, which represents a 24% increase as compared to the preceding year corresponding financial period ended 30 November 2015 revenue of RM65.6 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 RM7.7 million has decreased 20% as compared with the preceding year corresponding period RM9.6 million mainly due to higher input costs and selling and distribution costs incurred for market exploration, product advertising and promotion incurred in China.

The Group's manufacturing segment contributed RM76.1 million revenue for the 3 months ended 30 November 2016 as compared to the revenue of RM62.5 million recorded in the previous financial year corresponding period representing a 22% increase. This is mainly attributable to the increase in sales volume.

Revenue from the trading segment has increased 54% from RM3.0 million in the previous financial year corresponding financial period to RM4.6 million in the 3 months ended 30 November 2016. This increase is due to new sales into China.

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

(6 months ended 30 November 2016 vs 6 months ended 30 November 2015)

The Group recorded a revenue of RM159.7 million during the 6 months ended 30 November 2016, which represents a 21% increase as compared to the preceding year corresponding period's revenue of RM132.3 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. Despite the increase in revenue, profit before tax of RM16.9 million for the period represents a decline of 11% from the RM19.0 million profit before tax of the same period last year. The decrease in profit was contributed mainly by higher employee benefit costs as well as sales and marketing costs incurred to promote and sell products in the China market.

The Group's manufacturing segment contributed RM150.0 million revenue for the 6 months ended 30 November 2016 as compared to the revenue of RM125.7 million recorded in the preceding year corresponding period representing a 19% 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 increased 45% from RM6.5 million in the previous financial year corresponding financial period to RM9.4 million in the 6 months ended 30 November 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 30 November 2016 vs 3 months ended 31 August 2016)

The Group recorded a revenue of RM81.1 million during the 3 months ended 30 November 2016, representing a 3% increase compared to the preceding financial period ended 31 August 2016 revenue of RM78.6 million. However, profit before tax decreased 16% from RM9.2 million in the preceding 3 months ended 31 August 2016 to RM7.7 million in the current financial period mainly due higher selling and distribution costs incurred on promoting export of products to and sales of products in 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 have dampened 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.

We had launched our bottled water products in Guangzhou, China in April 2016. Our initial efforts were focused on market development and brand awareness activities. We foresee more marketing and sales efforts are needed for our bottled water products to gain market acceptance in Guangzhou and its surrounding areas. We do not expect our operations in China to generate positive results in the near term.

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 30.11.2016 RM'000	Period-to-date ended 30.11.2016 RM'000
Income tax		
- current period	2,091	4,866
Deferred tax		
- current period	906	506
- prior year	(539)	(393)
	<u>2,458</u>	<u>4,979</u>

The effective tax rate for the 6 months ended 30 November 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 30 November 2016 are as follows:-

	RM'000
Short term borrowings	
- Unsecured	10,374
- Secured	203
	<u>10,577</u>
Long term borrowings	
- Unsecured	5,713
- Secured	275
	<u>5,988</u>
	<u>16,565</u>

24. MATERIAL LITIGATION

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

25. DIVIDEND

The Directors do not recommend any interim dividend for the current period ended 30 November 2016.

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 30.11.2016	6 months ended 30.11.2016
	RM'000	RM'000
Net profit attributable to owners of the Company	5,259	11,933
Basic earnings per share		
	'000	'000
Number of shares (excluding treasury shares) in issue at beginning of the period	162,934	158,407
Add: Weighted average number of shares issued during the period	5,003	8,379
Weighted average number of shares in issue during the period (basic)	167,937	166,786
Basic EPS (sen)	3.13	7.15
Diluted earnings per share		
	'000	'000
Weighted average number of shares used in the calculation of basic EPS	167,937	166,786
Shares deemed to be issued for no consideration in respect of ESOS and Warrants	1,657	1,657
Weighted average number of shares in issue during the period (diluted)	169,594	168,443
Diluted EPS (sen)	3.10	7.08

27. DISCLOSURE OF REALISED AND UNREALISED PROFITS

	As at 30.11.2016	As at 31.5.2016
	RM'000	RM'000
Total retained earnings of the Group:		
- Realised	196,816	193,879
- Unrealised	(2,028)	(2,388)
	194,788	191,491
Less : Consolidation adjustments	(54,620)	(53,637)
Total retained earnings as per statement of financial position	140,168	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 25 January 2017.