



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

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

The figures have not been audited.

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

	1 month ended 31.12.2016 RM'000	7 months ended 31.12.2016 RM'000
Revenue	26,276	185,943
Other gains and losses	(23)	454
Cost of sales and other operating expenses	(24,801)	(167,321)
Finance costs	(94)	(806)
Profit before tax	<u>1,358</u>	<u>18,270</u>
Income tax expense	(784)	(5,763)
Profit for the period	<u><u>574</u></u>	<u><u>12,507</u></u>
Profit attributable to owners of the Company	<u><u>574</u></u>	<u><u>12,507</u></u>
Earnings per share:-		
(a) Basic (sen)	<u><u>0.32</u></u>	<u><u>7.53</u></u>
(b) Diluted (sen)	<u><u>0.32</u></u>	<u><u>7.49</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 DECEMBER 2016**

	1 month ended 31.12.2016 RM'000	7 months ended 31.12.2016 RM'000
Profit for the period	574	12,507
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign entities	22	(12)
Total comprehensive income attributable to owners of the Company	<u>596</u>	<u>12,495</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.
(Company No. 265348-V)
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	AS AT 31.12.2016 RM'000	AUDITED AS AT 31.5.2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	221,262	214,210
Investment properties	4,354	4,354
Goodwill on consolidation	40	40
	<u>225,656</u>	<u>218,604</u>
Current assets		
Other investments	24,212	6,381
Inventories	36,562	30,418
Trade and other receivables	58,790	68,795
Current tax assets	217	248
Other assets	3,480	6,213
Fixed deposit, cash and bank balances	18,580	17,593
	<u>141,841</u>	<u>129,648</u>
TOTAL ASSETS	<u><u>367,497</u></u>	<u><u>348,252</u></u>
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	89,787	79,215
Treasury shares	(14)	(14)
Share premium	56,423	39,094
Equity-settled employee benefits reserve	1,345	2,693
Translation reserve	(34)	(22)
Retained earnings	140,748	137,854
TOTAL EQUITY	<u>288,255</u>	<u>258,820</u>
Non-current liabilities		
Borrowings	9,572	7,168
Deferred taxation	17,840	18,259
	<u>27,412</u>	<u>25,427</u>
Current liabilities		
Trade and other payables	25,195	36,398
Borrowings	10,482	16,794
Current tax liabilities	3,210	1,088
Other liabilities	12,943	9,725
	<u>51,830</u>	<u>64,005</u>
TOTAL LIABILITIES	<u>79,242</u>	<u>89,432</u>
TOTAL EQUITY AND LIABILITIES	<u><u>367,497</u></u>	<u><u>348,252</u></u>
Net assets per share attributable to owners of the Company (RM)	<u>1.6054</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 DECEMBER 2016**

	Share Capital RM'000	Treasury Shares RM'000	-----Non-distributable Reserves-----		Distributable		Total Equity RM'000
			Equity-settled Employee Benefits Reserve RM'000	Translation Reserve RM'000	Share Premium 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	-	-	-	-	-	12,507	12,507
Other comprehensive income	-	-	-	(12)	-	-	(12)
Total comprehensive income for the period	-	-	-	(12)	-	12,507	12,495
Expenses relating to issuance of ESOS and Warrants	-	-	-	-	(21)	-	(21)
Recognition of share-based payments	-	-	(9)	-	-	9	-
Exercise of ESOS and Warrants	10,572	-	(1,339)	-	17,350	-	26,583
Payment of dividend	-	-	-	-	-	(9,622)	(9,622)
Balance as of 31 December 2016	89,787	(14)	1,345	(34)	56,423	140,748	288,255

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 DECEMBER 2016**

	7 months ended 31.12.2016 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	
Profit for the period	12,507
Adjustments for:	
Depreciation	8,032
Income tax expense	5,763
Finance costs	806
Interest income	(112)
Investment revenue	(157)
Other non-cash items	342
Operating profit before changes in working capital	<u>27,181</u>
Changes in working capital	
Decrease in current assets	6,936
Decrease in current liabilities	(7,904)
Cash generated from operations	<u>26,213</u>
Interest received	112
Tax paid	(4,029)
Net cash from operating activities	<u>22,296</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	
Proceeds from disposal of property, plant and equipment	44
Proceeds from disposal of short term investments	15,100
Placement of fixed deposit	(1)
Deposits paid for purchase of property, plant and equipment	(1,526)
Purchase of property, plant and equipment	(13,997)
Placement of short term investments	(32,800)
Investment revenue received	56
Net cash used in investing activities	<u>(33,124)</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	
Finance cost paid	(806)
Dividend paid	(9,622)
Expenses relating to issuance of Warrants and ESOS paid	(21)
Proceeds from borrowings	4,800
Proceeds from issue of shares	26,583
Repayment of borrowings	(9,180)
Net cash from financing activities	<u>11,754</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	926
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	17,545
Effect on exchange rate changes on balance of cash held in foreign currencies	105
Translation differences	(17)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>18,559</u>
Cash and cash equivalents at end the period comprise the following:	
Fixed deposit, cash and bank balances	18,580
Less : fixed deposit pledged	(21)
	<u>18,559</u>

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 December 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 December 2016.

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

During the current month ended 31 December 2016, the Company issued 131,500 ordinary shares of RM0.50 each for cash arising from the exercise of employees' share options, whereby 4,000 shares were issued at a subscription price of RM0.75 per ordinary share, 1,000 shares were issued at a subscription price of RM0.91 per ordinary share, 15,000 shares were issued at a subscription price of RM1.56 per ordinary share and 111,500 shares were issued at a subscription price of RM1.90 per ordinary share. During the current month ended 31 December 2016, 16,000 options lapsed as a result of resignation of employees.

During the current month ended 31 December 2016, the Company also issued 1,436,439 ordinary shares of RM0.50 each for cash arising from the conversion of Warrants at an exercise price of RM1.18 per ordinary share. A total of 457,330 Warrants were not exercised before the Warrant expiry date on 13 December 2016 and therefore lapsed and became null and void.

During the 7 months ended 31 December 2016, the Company issued a total of 21,142,078 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, 22,000 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 31 December 2016.

As at 31 December 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 December 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:-

1 month ended 31 December 2016	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue					
External revenue	24,754	1,470	52	-	26,276
Inter-segment revenue	5,413	1	5,429	(10,843)	-
Total revenue	<u>30,167</u>	<u>1,471</u>	<u>5,481</u>	<u>(10,843)</u>	<u>26,276</u>
Results					
Segment results	<u>3,749</u>	<u>(2,373)</u>	<u>5,469</u>	<u>(5,401)</u>	<u>1,444</u>
Finance costs					(94)
Investment revenue					8
Profit before tax					<u>1,358</u>
Income tax expense					<u>(784)</u>
Profit for the period					<u>574</u>

7 months ended 31 December 2016	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue					
External revenue	174,792	10,874	277	-	185,943
Inter-segment revenue	38,311	9	5,488	(43,808)	-
Total revenue	<u>213,103</u>	<u>10,883</u>	<u>5,765</u>	<u>(43,808)</u>	<u>185,943</u>
Results					
Segment results	<u>28,219</u>	<u>(9,259)</u>	<u>6,293</u>	<u>(6,334)</u>	<u>18,919</u>
Finance costs					(806)
Investment revenue					157
Profit before tax					<u>18,270</u>
Income tax expense					<u>(5,763)</u>
Profit for the period					<u>12,507</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 7 months ended 31 December 2016, the Group acquired property, plant and equipment by the following means:

	RM'000
Cash purchase	13,997
Other payables	409
Advance payments made in prior year included in other assets	1,368
	<u>15,774</u>

12. MATERIAL SUBSEQUENT EVENTS

There were no material events subsequent to the end of the current financial period ended 31 December 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 December 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 December 2016 are as follows:

	<u>RM'000</u>
<i>Property, plant and equipment:</i>	
Approved and contracted for	<u>4,436</u>

16. NOTES TO THE CONDENSED CONSOLIDATED INCOME STATEMENT

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

	1 month ended 31.12.2016 RM'000	7 months ended 31.12.2016 RM'000
Interest income	39	112
Interest expense	(58)	(588)
Investment revenue	8	157
Depreciation and amortisation	(1,179)	(8,027)
Allowance for and write off of receivables	-	-
Allowance for and write off of inventories	(5)	(38)
Gain on disposal of quoted/unquoted investment or properties	-	18
Gain on disposal of property, plant and equipment	8	28
Property, plant and equipment written off	(64)	(679)
Impairment of assets	-	-
Foreign exchange (loss)/gain	(134)	60
Fair value adjustments of investment	15	12
Gain/(Loss) on derivatives	-	-

17. REVIEW OF PERFORMANCE

The Group recorded a revenue of RM26.3 million and profit before tax of RM1.4 million during the current month ended 31 December 2016. During the month, the Group experienced lower than expected sales volume due to the prevailing soft market sentiment. Costs of raw materials, in particular PET resin has risen considerably during the month and the Group continue to incur significant selling and distribution costs for market exploration, product advertising and promotion, both locally and in China.

During the current month ended 31 December 2016, the Group's manufacturing segment contributed RM24.8 million revenue whereas it's trading segment contributed RM1.5 million revenue.

The Group recorded a revenue of RM185.9 million and profit before tax of RM18.3 million during the 7 months ended 31 December 2016. During the financial period, the Group has steady increase in sales volume of both bottled water products and packaging materials. Overall production and operating costs have also increased during this period as a result of 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 RM174.8 million revenue whereas the trading segment contributed RM10.9 million revenue for the 7 months ended 31 December 2016.

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

The current financial period represents one month ended 31 December 2016 whereas the preceding financial period is 3 months ended 30 November 2016, therefore it is not meaningful to compare the results of these two periods for material changes.

19. FUTURE PROSPECTS

The Malaysian inflationary pressure is expected to intensify in 2017 due mainly to the weaker currency, higher commodity and crude oil prices and the various subsidy cuts. The macroeconomic headwinds such as slower economic growth, the weaker domestic currency and rising prices of goods and services 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 year ending 31 December 2017.

20. VARIANCE BETWEEN FORECAST AND ACTUAL PROFIT

Not applicable.

21. INCOME TAX EXPENSE

	1 month ended 31.12.2016 RM'000	7 months ended 31.12.2016 RM'000
Income tax		
- current period	1,316	6,182
Deferred tax		
- current period	(277)	229
- prior year	(255)	(648)
	<u>784</u>	<u>5,763</u>

The effective tax rate for the financial period ended 31 December 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 December 2016 are as follows:-

	<u>RM'000</u>
Short term borrowings	
- Unsecured	10,284
- Secured	198
	10,482
Long term borrowings	
- Unsecured	9,311
- Secured	261
	<u>9,572</u>
	<u>20,054</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 3.5 sen per ordinary share, single tier, in respect of the current financial period ended 31 December 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.

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.

	1 month ended 31.12.2016	7 months ended 31.12.2016
	RM'000	RM'000
Net profit attributable to owners of the Company	574	12,507
Basic earnings per share		
	'000	'000
Number of shares (excluding treasury shares) in issue at beginning of the period	177,981	158,407
Add: Weighted average number of shares issued during the period	1,568	7,618
Weighted average number of shares in issue during the period (basic)	179,549	166,025
Basic EPS (sen)	0.32	7.53
Diluted earnings per share		
	'000	'000
Weighted average number of shares used in the calculation of basic EPS	179,549	166,025
Shares deemed to be issued for no consideration in respect of ESOS and Warrants	919	919
Weighted average number of shares in issue during the period (diluted)	180,468	166,944
Diluted EPS (sen)	0.32	7.49

27. DISCLOSURE OF REALISED AND UNREALISED PROFITS

	As at 31.12.2016 RM'000	As at 31.5.2016 RM'000
Total retained earnings of the Group:		
- Realised	197,807	193,879
- Unrealised	(2,540)	(2,388)
	195,267	191,491
Less : Consolidation adjustments	(54,519)	(53,637)
Total retained earnings as per statement of financial position	140,748	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 27 February 2017.