SPRITZER®

SPRITZER BHD

必 胜 有 限 公 司

(265348-V)

ANNUAL REPORT

FOR THE PERIOD ENDED DECEMBER 31,2016

HOW DEEP IS THE SPRITZER WATER COMING FROM?

420 feet underground

HOW MUCH SILICON IS CONTAINED IN SPRITZER NATURAL MINERAL WATER?

44 mg/l

HOW BIG IS SPRITZER'S LAND BANK?

330 acres

WHAT IS THE TOTAL NUMBER OF MINERALS FOUND IN SPRITZER NATURAL MINERAL WATER?

5 minerals essential for human health

SPRITZER'S Number Facts

HOW MANY PRODUCTS DOES SPRITZER GROUP HAVE?

8 (Spritzer, Spritzer+Fibre, Spritzer Tinge, Spritzer Sparkling, Spritzer POP, Cactus, Desa, Summer)

HOW MANY EMPLOYEES ARE THERE CURRENTLY (AS AT 31.12.2016)?

893 pax

HOW MANY AWARDS HAVE SPRITZER GROUP WON IN THE PAST 27 YEARS?

69 awards

UNTOUCHED BY HAND FROM WATER SOURCE TO BOTTLE, ZERO HUMAN CONTACT WITH WATER

CONTENTS

Notice of 24TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Fourth **(24th)** Annual General Meeting ("**AGM**") of Spritzer Bhd ("**Spritzer**" or "**Company**") will be held at Lot 898, Jalan Reservoir, Off Jalan Air Kuning, 34000 Taiping, Perak Darul Ridzuan on Monday, May 29, 2017 at 10.30 a.m. for the transaction of the following business:-

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial period ended December 31, 2016 and the Reports of the Directors and Auditors thereon.

   Please refer to Explanatory Note 1

2. To declare a first and final dividend of 3.5 sen per share, under the single tier system, in respect of the financial period ended December 31, 2016. **Resolution 1**

3. To re-elect the following Directors who retire by rotation in accordance with Article 85 of the Company's Constitution and, being eligible, offer themselves for re-election:-

   (i) Dato' Ir. Nik Mohamad Pena bin Nik Mustapha **Resolution 2**
   (ii) Dato' Mohd Adhan bin Kechik **Resolution 3**
   (iii) Dato' Lim Kok Boon **Resolution 4**

4. To re-appoint Dato' Lim A Heng @ Lim Kok Cheong as Director of the Company. **Resolution 5**

   Please refer to Explanatory Note 2

5. To approve the payment of Directors' fees in respect of the financial period ended December 31, 2016. **Resolution 6**

6. To approve the payment of allowances of up to RM800,000 to the Non-Executive Directors from January 1, 2017 until the next AGM of the Company. **Resolution 7**

7. To re-appoint Deloitte PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 8**

Notice of 24TH ANNUAL GENERAL MEETING

SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary Resolutions:-

8. Authority to issue shares pursuant to Section 75 of the Companies Act 2016

"THAT pursuant to Section 75 of the Companies Act 2016, the Constitution of the Company and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares of the Company, from time to time, upon such terms and conditions, for such purposes and to such persons whomsoever as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued does not exceed ten per cent (10%) of the total number of issued shares of the Company for the time being, and that such authority shall continue to be in force until the conclusion of the next AGM of the Company." **Resolution 9**

9. Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("**Proposed Shareholders' Mandate**")

"THAT approval be and is hereby given to the Company and its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations as set out in Section 2.4 of Part A of the Circular to Shareholders dated April 27, 2017 subject to the followings:- **Resolution 10**

(i) the transactions are carried out in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and

(ii) disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the Proposed Shareholders' Mandate during the period with a breakdown of the aggregate value of the recurrent transactions based on the following information:-

(a) the type of the recurrent transactions made; and

(b) the names of the related parties involved in each type of the recurrent transactions and their relationship with the Company.

AND THAT such approval shall continue to be in force until:-

(i) the conclusion of the next AGM of the Company, at which time it will lapse, unless by a resolution passed by the shareholders of the Company in a general meeting, the authority is renewed; or

(ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

Notice of 24TH ANNUAL GENERAL MEETING

(iii) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier.

AND THAT the Directors be and are hereby authorised to complete and do all such acts and things as they may deemed necessary or expedient to give full effect to the Proposed Shareholders' Mandate."

10. Proposed Renewal of Authority to Purchase its Own Shares by Spritzer Bhd

Resolution 11

"THAT, subject always to the Companies Act 2016, the provisions of the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Listing Requirements**") and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised, to the extent permitted by law, to buy-back and/or hold such amount of shares as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad ("**Bursa Securities**") upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

(i) The aggregate number of shares bought-back and/or held does not exceed ten per cent (10%) of the total number of issued shares of the Company at any point of time;

(ii) The maximum amount to be allocated for the buy-back of the Company's own shares shall not exceed the share premium account and/or the retained profits of the Company; and

(iii) Upon completion of buy-back by the Company of its own shares, the Directors of the Company are authorised to deal with the shares so bought-back in any of the following manners:-

(a) cancel the shares so purchased; or

(b) retain the shares so purchased as treasury shares and held by the Company; or

(c) retain part of the shares so purchased as treasury shares and cancel the remainder, and the treasury shares may be distributed as dividends to the shareholders of the Company and/or resold on Bursa Securities and/or subsequently cancelled or any combination of the three.

AND THAT the authority conferred by this resolution shall commence upon the passing of this resolution until:-

(i) the conclusion of the next AGM of the Company following the AGM at which such resolution was passed at which time it will lapse unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

Notice of 24TH ANNUAL GENERAL MEETING

(ii) the expiration of the period within which the next AGM after that date is required by law to be held; or

(iii) revoked or varied by an ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first.

AND THAT authority be and is hereby unconditionally and generally given to the Directors of the Company to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act 1991, and the entering into of all other agreements, arrangements and guarantee with any party or parties) to implement, finalise and give full effect to the aforesaid buy-back with full power to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and with full power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the shares bought-back) in accordance with the Companies Act 2016, the provisions of the Constitution of the Company, the Listing Requirements and all other relevant governmental and/or regulatory authorities."

11. Continuing in Office as Independent Non-Executive Directors

(i) "THAT subject to the passing of the Resolution 2, authority be and is hereby given to Dato' Ir. Nik Mohamad Pena bin Nik Mustapha, who has served as the Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company." **Resolution 12**

(ii) "THAT subject to the passing of the Resolution 3, authority be and is hereby given to Dato' Mohd Adhan bin Kechik, who has served as the Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company." **Resolution 13**

(iii) "THAT authority be and is hereby given to Kuan Khian Leng, who has served as the Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company." **Resolution 14**

12. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Constitution.

Notice of 24TH ANNUAL GENERAL MEETING

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT a first and final dividend of 3.5 sen per share, under the single tier system, in respect of the financial period ended December 31, 2016, subject to the approval of the shareholders at the 24th AGM will be paid on June 23, 2017 to Depositors whose names appear in the Record of Depositors at the close of business on June 9, 2017.

A Depositor shall qualify for entitlement to the dividends only in respect of:-

(a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on June 9, 2017 in respect of transfers; and

(b) Shares bought on Bursa Securities on a cum entitlement basis according to the Rules of Bursa Securities.

By Order of the Board

SOW YENG CHONG (MIA 4122)
TAN BOON TING (MAICSA 7056136)
Company Secretaries

Ipoh, Perak Darul Ridzuan
April 27, 2017

Notice of 24TH ANNUAL GENERAL MEETING

Notes:-

1. Appointment of Proxy

(i) A member of the Company entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend and vote on his behalf. A proxy may but need not be a member of the Company.

(ii) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under Seal or under the hand of an attorney.

(iii) Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholding to be represented by each proxy.

(iv) Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it hold.

(v) The instrument appointing a proxy must be deposited at the Registered Office of the Company at Lot 85, Jalan Portland, Tasek Industrial Estate, 31400 Ipoh, Perak Darul Ridzuan not less than forty-eight (48) hours before the time appointed for holding the meeting.

(vi) Only a depositor whose name appears on the Record of Depositors as at May 19, 2017 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his behalf.

2. Explanatory Notes on Ordinary Business

Note 1

This agenda item is intended for discussion only as under Section 340(1)(a) of the Companies Act 2016, the Audited Financial Statements do not require formal approval of shareholders. As such, this agenda item will not be put forward for voting.

Note 2

Resolution 5 - Re-appointment of Director

With the coming into force of the Companies Act 2016 on January 31, 2017, there is no age limit for directors.

Dato' Lim A Heng @ Lim Kok Cheong, who is above the age of 70, was re-appointed pursuant to Section 129 of the Companies Act, 1965 at the 23rd AGM of the Company held on October 26, 2016 to hold office until the conclusion of the 24th AGM. His term of office will end at the conclusion of the 24th AGM and he has offered himself for re-appointment as a Director of the Company.

This proposed Resolution 5, if passed, will approve and authorise Dato' Lim A Heng @ Lim Kok Cheong to continue to act as Director of the Company and he shall subject to retirement by rotation at a later date.

Notice of 24TH ANNUAL GENERAL MEETING

3. Explanatory Notes on Special Business

Resolution 9 – Authority to issue shares pursuant to Section 75 of the Companies Act 2016
The proposed Resolution 9, if passed, will give a renewed mandate to the Directors of the Company, from the date of the forthcoming AGM, the authority to allot and issue ordinary shares of the Company up to an amount not exceeding ten per cent (10%) of the Company's total number of issued shares for purpose of funding the working capital or strategic development of the Group. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM held on October 26, 2016 which will lapse at the conclusion of the forthcoming AGM.

Resolution 10 – Proposed Shareholders' Mandate
The proposed Resolution 10, if passed, will authorise the Company and its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature in the ordinary course of business.

Resolution 11 – Proposed Renewal of Authority to Purchase its Own Shares
The proposed Resolution 11, if passed, will empower the Company to purchase its own shares up to ten per cent (10%) of the total number of issued shares of the Company at any given point in time through Bursa Securities.

Resolutions 12 to 14 – Continuing in Office as Independent Non-Executive Directors
The proposed Resolutions 12, 13 and 14 are pursuant to Recommendation 3.3 of the Malaysian Code of Corporate Governance 2012 and if passed, will enable Dato' Ir. Nik Mohamad Pena bin Nik Mustapha, Dato' Mohd Adhan bin Kechik and Mr. Kuan Khian Leng to continue to act as Independent Non-Executive Directors of the Company. The full details of the Board's justifications and recommendations for the retention of the above three (3) Directors as Independent Non-Executive Directors are set out in the Statement on Corporate Governance in the Annual Report for the period ended December 31, 2016.

Please refer to the Circular to Shareholders dated April 27, 2017 for further information on Resolutions 10 and 11.

4. Poll Voting

Pursuant to Paragraph 8.29A(1) of the Listing Requirements, all the Resolutions set out in this Notice will be put to vote by poll.

Corporate INFORMATION

BOARD OF DIRECTORS

DATO' LIM A HENG @ LIM KOK CHEONG, JSM, DPMP, JP
Non-Independent Non-Executive Chairman

DATO' LIM KOK BOON, DPMP
Managing Director

LIM SENG LEE
Executive Director & Group Chief Executive Officer

DR. CHUAH CHAW TEO
Executive Director

LAM SANG
Executive Director

CHOK HOOA @ CHOK YIN FATT, PMP
Non-Independent Non-Executive Director

DATO' IR. NIK MOHAMAD PENA BIN NIK MUSTAPHA, DIMP
Independent Non-Executive Director

DATO' MOHD ADHAN BIN KECHIK, DJMK, SMK
Independent Non-Executive Director

KUAN KHIAN LENG
Independent Non-Executive Director

AUDIT COMMITTEE

Chairman
Dato' Ir. Nik Mohamad Pena bin Nik Mustapha, DIMP

Members
Chok Hooa @ Chok Yin Fatt, PMP
Dato' Mohd Adhan bin Kechik, DJMK, SMK
Kuan Khian Leng

NOMINATION COMMITTEE

Chairman
Dato' Ir. Nik Mohamad Pena bin Nik Mustapha, DIMP

Members
Dato' Mohd Adhan bin Kechik, DJMK, SMK
Kuan Khian Leng

REMUNERATION COMMITTEE

Chairman
Chok Hooa @ Chok Yin Fatt, PMP

Members
Dato' Mohd Adhan bin Kechik, DJMK, SMK
Kuan Khian Leng

COMPANY SECRETARIES

Sow Yeng Chong (MIA 4122)
Tan Boon Ting (MAICSA 7056136)

STOCK EXCHANGE LISTING

Listed on Main Market of Bursa Malaysia Securities Berhad
Stock Code : 7103
Stock Name : SPRITZER

REGISTERED OFFICE

Lot 85, Jalan Portland,
Tasek Industrial Estate,
31400 Ipoh, Perak Darul Ridzuan.
Tel. No : 05-2911055
Fax No : 05-2919962
E-mail : info@spritzer.com.my
Website : www.spritzer.com.my

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
41, Jalan Medan Ipoh 6,
Bandar Baru Medan Ipoh,
31400 Ipoh, Perak Darul Ridzuan.
Tel. No : 05-5451222
Fax No : 05-5459222

AUDITORS

Deloitte PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)
Level 2, Weil Hotel,
292 Jalan Sultan Idris Shah,
30000 Ipoh, Perak Darul Ridzuan.
Tel. No : 05-2540288
Fax No : 05-2547288

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
RHB Bank Berhad
OCBC Bank (Malaysia) Berhad
AmBank (M) Berhad
CIMB Bank Berhad
Bank Muamalat Malaysia Berhad
Hong Leong Bank Berhad

Corporate STRUCTURE

AS AT DECEMBER 31, 2016

SPRITZER®

SPRITZER BHD

100%
ANGENET SDN BHD

100%
CHUAN SIN CACTUS SDN BHD

100%
SPRITZER ECOPARK SDN BHD

100%
SPRITZER (HONG KONG) LIMITED

100%
SPRITZER (GUANGZHOU) TRADING LIMITED

100%
CHUAN SIN SDN BHD

100%
PET MASTER SDN BHD

100%
GOLDEN PET INDUSTRIES SDN BHD

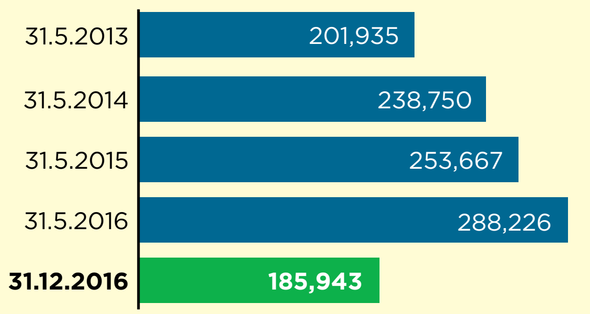
Financial HIGHLIGHTS

Financial period/year ended	31.12.2016 (7mths)	31.5.2016 (12mths)	31.5.2015 (12mths)	31.5.2014 (12mths)	31.5.2013 (12mths)
Revenue (RM'000)	**185,943**	288,226	253,667	238,750	201,935
Revenue growth (%)	**10.6#**	13.6	6.3	18.2	13.3
Profit before interest, tax, depreciation and amortisation (RM'000)	**26,890**	51,529	46,515	42,758	37,116
Profit before taxation (RM'000)	**18,270**	37,078	31,963	28,311	22,788
Profit attributable to owners of the Company (RM'000)	**12,507**	28,457	22,807	21,566	19,233
Basic earnings per share (sen)	**7.5**	19.5	16.6	16.3	14.7
Dividend per share (sen)	**3.5**	5.5	5.0	4.0	4.0
Dividend pay out ratio (%)	**51**	34	32	26	28
No of shares in issue (less treasury shares) ('000)	**179,549**	158,407	141,472	134,830	131,860
Total equity (RM'000)	**288,255**	258,820	215,546	187,792	167,018
Net debt to equity ratio (*) (%)	**0.5**	2.5	12.6	33.3	40.1
Net assets per share (RM)	**1.61**	1.63	1.52	1.39	1.27
Share price at 31 December/31 May (RM)	**2.44**	2.57	1.93	1.80	1.42
Market capitalisation (RM'000)	**438,100**	407,106	273,041	242,694	187,241

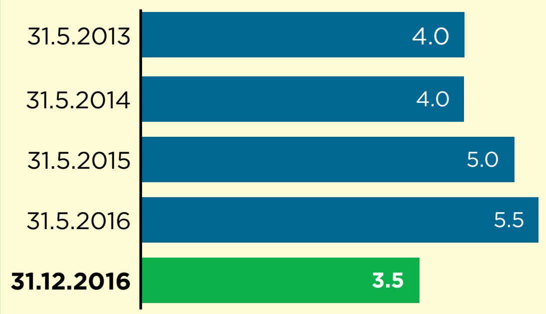
(#) Based on annualised revenue.
(*) Based on net debt (total borrowings less cash and cash equivalents) expressed as a percentage of total equity.

Financial HIGHLIGHTS

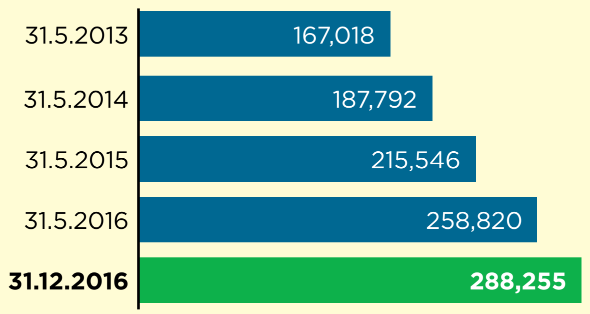
REVENUE (RM'000)



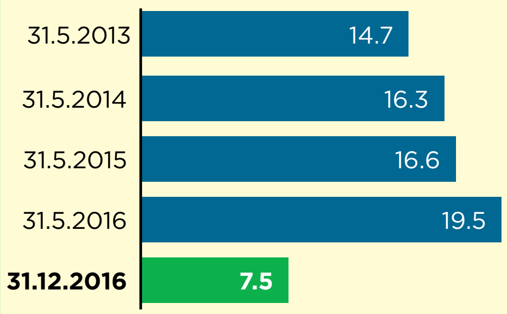
DIVIDEND PER SHARE (SEN)



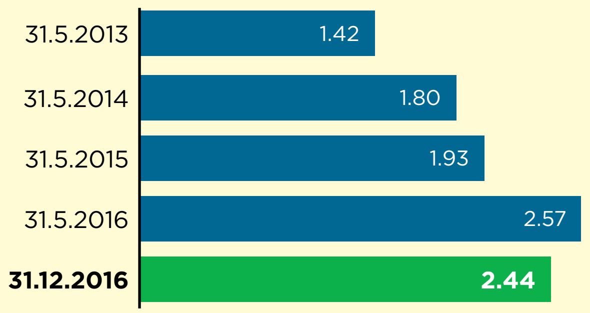
TOTAL EQUITY (RM'000)



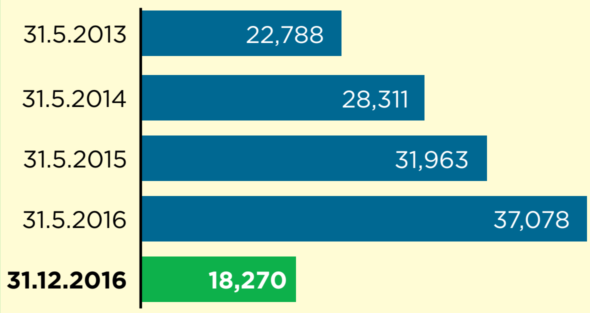
BASIC EARNINGS PER SHARE (SEN)



SHARE PRICE (RM)



PROFIT BEFORE TAXATION (RM'000)



Chairman's STATEMENT

On behalf of the Board of Directors of Spritzer Bhd, I am delighted to present to you the Annual Report and the Audited Financial Statements of the Group and the Company for the financial period ended December 31, 2016.

CHANGE IN FINANCIAL YEAR END

The Group and the Company have changed the financial year end from May 31 to December 31 with effect from June 1, 2016. The current accounting period for preparation of statutory financial statements is a 7-month period from June 1, 2016 to December 31, 2016.

FINANCIAL PERFORMANCE

During the financial period ended December 31, 2016, the Group recorded a revenue of RM185.9 million with profit before tax of RM18.3 million and profit after tax of RM12.5 million. The earnings per share in this 7-month period amounted to 7.5 sen. Our performance in this financial period was impacted by the negative results of our trading operations in China. However, we are glad to note we have performed well in our domestic manufacturing and trading operations and recorded decent growth in revenue and profits in our Malaysian operations.

ISSUANCES OF SHARES

During this financial period, the Company had issued a total of 21,142,078 new ordinary shares pursuant to the exercise of employees' share options and the conversion of warrants of the company. As at December 31, 2016, the total number of ordinary shares (net of treasury shares of 24,000) in issue and fully paid was 179,549,002.

DIVIDEND

The Directors have proposed a first and final dividend of 3.5 sen per ordinary share in respect of the financial period ended December 31, 2016 which is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting. The dividend, if approved, will be paid to our shareholders on June 23, 2017. The current period dividend pay-out ratio is about 51%. The Company has consistently paid out cash dividend in every financial year/period since it was listed on the Bursa Malaysia Securities Berhad in year 2000. We will continue to reward our shareholders with appropriate dividend payments which are in line with our earnings and cash flow requirements.

Chairman's STATEMENT

With our highly integrated and efficient manufacturing process, coupled with our strong brand equity and leading position in the Malaysian bottled water industry, the directors are cautiously optimistic that we will be able to generate satisfactory results...

EXPIRY OF SPRITZER WARRANTS 2011/2016

On December 14, 2011, the Company had issued a total of 32,658,666 warrants to the shareholders pursuant to the Bonus Issue of Warrants on the basis of one (1) free warrant for every four (4) existing shares held as at December 13, 2011. As at the warrant expiry date on December 13, 2016, a total of 457,330 warrants remained outstanding and not exercised. The unexercised warrants had lapsed and become null and void and had ceased to be exercisable after the expiry date on December 13, 2016.

PROSPECTS

The financial year 2017 is expected to remain challenging amidst global and domestic economic uncertainties. Consumer sentiment is expected to remain soft due to the higher cost-push inflation and the impact of the depreciation of the domestic exchange rate. The Group is also experiencing higher input and other operating costs.

We will continue with our marketing and sales efforts so as to improve our sales of bottled water products in Guangzhou, China and in Malaysia. We will also continue with our efforts on market development and brand awareness activities in China. We do not expect our operations in China to generate positive results in financial year 2017.

With our highly integrated and efficient manufacturing process, coupled with our strong brand equity and leading position in the Malaysian bottled water industry, the directors are cautiously optimistic that we will be able to generate satisfactory results in the financial year ending December 31, 2017.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I thank our consumers, customers and shareholders for their continued support. I would also like to thank our business associates, bankers and financiers and the various government authorities for their continued support, assistance and guidance.

Our satisfactory performance in this financial period was made possible by the dedication and commitment of our employees. I thank the management and staff of our Group for their great efforts, hard work and contribution towards the continued growth of the Group.

Dato' Lim A Heng @ Lim Kok Cheong
Chairman

Management Discussion AND ANALYSIS

FOR FINANCIAL PERIOD JUNE 1, 2016 TO DECEMBER 31, 2016

ECONOMIC OVERVIEW

The Malaysian economy recorded a moderate Gross Domestic Product growth rate of 4.2% in 2016. (5.0% in 2015) despite various external and domestic economic headwinds. The global economic conditions were challenging with soft global demand and low commodity prices. The Malaysian economy continued to face headwinds from higher cost of living amid ringgit volatility, impact of subsidy rationalisation by government and soft employment prospects. Despite the fading of the negative impact of Goods and Services Tax implementation, the recovery of consumer sentiment and spending remained subdued.

BUSINESS AND OPERATIONS OVERVIEW

Our Group is principally involved in the manufacturing and selling of a full range of bottled water products. Our Group is currently the largest and most integrated bottled water producer in Malaysia with an estimated market share of about 40%. We are a pioneer in the Malaysian bottled water industry and we started the production and sales of bottled water products in year 1989. Our core brands are Spritzer, Spritzer Tinge, Spritzer POP, Spritzer+Fibre, Cactus and Summer which are also the leading brands in their respective market segments in the Malaysian bottled water industry.

Our Group has three bottled water plants and one plastic packaging manufacturing plant in Malaysia. Our main mineral water plant is located on a 330-acre site in Taiping, Perak with the second mineral water plant in Yong Peng, Johor and the third drinking water plant in Shah Alam, Selangor. Our plastic packaging manufacturing plant is located in Ipoh, Perak.

Our operations are primarily in Malaysia and our export sales currently make up of less than 10% of our Group's revenue. We also have a wholly owned trading company in Guangzhou, China which has, in April 2016, started its operations of selling and wholesale distribution of bottled water products in Guangzhou and its surrounding areas.

The Group also owns and manages the Spritzer EcoPark. This recreational park is situated within our 330-acre mineral water plant in Taiping, Perak. The Spritzer EcoPark, which has been in operations since August 2015, has an 18-hole mini-golf course, a cafeteria, a discovery tunnel and a kids' arts and craft centre.

Management Discussion AND ANALYSIS

FOR FINANCIAL PERIOD JUNE 1, 2016 TO DECEMBER 31, 2016

FINANCIAL REVIEW

FINANCIAL HIGHLIGHTS

Financial period / year ended	31.12.2016 (7 Mths) Audited	31.12.2016 (Annualised) Unaudited	31.5.2016 (12 Mths) Audited	Change Amount	%
Revenue (RM'000)	185,943	318,759	288,226	30,533	10.6
Profit before taxation (RM'000)	18,270	31,320	37,078	(5,758)	(15.5)
Profit after taxation (RM'000)	12,507	21,441	28,457	(7,016)	(24.7)
Basic earnings per share (sen)	7.5	12.9	19.5	(6.6)	(33.8)
Dividend per share (sen)	3.5		5.5	(2.0)	(36.4)
Dividend pay out ratio (%)	51		34	17	
Current ratio (time)	2.7		2.0	0.7	
Quick ratio (time)	2.0		1.6	0.5	
No of shares in issue (less treasury shares) ('000)	179,549		158,407	21,142	13.3
Total equity and reserves (RM'000)	288,255		258,820	29,435	11.4
Net debt to equity ratio (%)	0.5		2.5	(2.0)	
Net assets per share (RM)	1.61		1.63	(0.02)	(1.2)
Market capitalisation (RM'000)	438,100		407,106	30,994	7.6

Note: The annualised figures are presented for illustration purpose only.

Change of Financial Year End

The Group and the Company have changed the financial year end from May 31 to December 31 with effect from June 1, 2016. As these financial statements were prepared for the 7-month period ended December 31, 2016, no comparative figures are available for the preceding corresponding 7-month period. The comparative figures presented in the audited financial statements are for the financial year ended May 31, 2016. However, we have annualised certain 7-month figures to illustrate the changes in performance between the current financial period and the preceding financial year. It is important to note that the annualised figures are not actual figures recorded by the Group and are meant for illustration purpose only.

Results and Dividend

During the 7-month financial period ended December 31, 2016, the Group recorded a revenue of RM185.9 million with a profit before tax of RM18.3 million and a profit for the period attributed to the owners of the Company of RM12.5 million. The Group recorded an earnings per share of 7.5 sen in this financial period. The annualised Group revenue of RM318.8 million represents an increase of 10.6% over the revenue of RM288.2 million recorded in the preceding financial year. The increase in revenue was mainly due to the increase in sales volumes of both bottled water and packaging materials in the domestic market and to a certain extent, the new sales generated by our subsidiary company in China. However, both the annualised Group pre-tax profit of RM31.3 million

Management Discussion AND ANALYSIS

FOR FINANCIAL PERIOD JUNE 1, 2016 TO DECEMBER 31, 2016

and annualised profit after tax of RM21.4 million were lower by 15.5% and 24.7% respectively when compared with the preceding financial year's pre-tax profit of RM37.1 million and after tax profit of RM28.5 million. The margin compression and lower profits were mainly due to the overall increase in input costs and the substantial costs incurred for market entry, brand awareness and product advertising and promotional activities in China. The current period high effective tax rate of 32% (May 31, 2016: 23%) is mainly due to the unutilised losses of certain subsidiary companies not recognised as deferred tax asset. The annualised earnings per share is 12.9 sen (May 31, 2016: 19.5 sen).

The directors have proposed a first and final dividend of 3.5 sen (May 31, 2016: 5.5 sen) per ordinary share in respect of the financial period ended December 31, 2016. The dividend pay-out ratio for the current financial period is 51% (May 31, 2016: 34%). The Company has consistently paid out cash dividend in every financial year/period since the Company was listed on the Bursa Securities Sdn Bhd in the year 2000.

Cash Flow

The Group continued to generate strong cash flow from its business activities. The Group generated a net cash of RM22.3 million from its operating activities during the 7 months ended December 31, 2016. The Group also received a cash inflow of RM26.6 million in the form of proceeds from issuance of 21,142,078 shares arising from the exercise of ESOS and Warrants. During the financial period under

review, we recorded a cash outflow of RM14.0 million for the purchase of property, plant and equipment. The major property, plant and equipment acquired during this period includes two additional units of preform moulding machine and two units of automatic inspection machine. The Company also paid the first and final dividend of 5.5 sen per share in respect of the financial year ended May 31, 2016, amounting to RM9.6 million to its shareholders on November 25, 2016. With the surplus cash flow, the Group also managed to bring down its net debt to equity ratio to 0.5% as at December 31, 2016 (May 31, 2016: 2.5%).

Financial Position and Gearing

The financial position of the Group has been further strengthened with the net profit of RM12.5 million made during the period and the subscription of 21.1 million new shares by warrant holders and employees' share option holders. Our total assets have increased by RM19.2 million or 5.5% from RM348.3 million on May 31, 2016 to RM367.5 million on December 31, 2016. Our total liabilities have decreased by RM10.2 million or 11.4% from RM89.4 million on May 31, 2016 to RM79.2 million on December 31, 2016. The Group's ability to meet its short term financial and debt obligations has been further improved. As at December 31, 2016, the current ratio was higher at 2.7 times (May 31, 2016: 2.0 times) and similarly, the quick ratio was also higher at 2.0 times (May 31, 2016: 1.6 times). As at the end of the financial period, the net debt to equity ratio has decreased to 0.5% (May 31, 2016: 2.5%).

Management Discussion AND ANALYSIS

FOR FINANCIAL PERIOD JUNE 1, 2016 TO DECEMBER 31, 2016

"We had, once again won the World Branding Awards as Brand of the Year 2016 National Award in the water category in September 2016."

Equity, Reserves and Market Capitalisation

In line with the net profit made and the issuance of 21.1 million new shares, and after the payment of the final dividend in respect of the preceding financial year, our equity and reserves have increased by RM29.4 million or 11.4% from RM258.9 million on May 31, 2016 to RM288.3 million on December 31, 2016. As at December 31, 2016, the net asset value per share stood at RM1.61 (May 31, 2016: RM1.63). The decrease in net asset value per share is attributable to the issuance of 21.1 million new shares during the period at an average issue price per share of RM1.26, which is lower than the net asset value per share of RM1.63 at the beginning of the financial period. The total number of ordinary shares (net of treasury shares) in issue and fully paid as at the end of financial period was 179,549,002 (May 31, 2016: 158,406,924). As at December 31, 2016, the Company's market capitalisation has increased by 7.6% to RM438.1 million from RM407.1 as at May 31, 2016.

ACHIEVEMENTS, AWARDS AND RECOGNITIONS

We continue to receive recognitions from prestigious and reputable organizations for our core brands, products and world-class manufacturing facilities.

We had, once again won the World Branding Awards as Brand of the Year 2016 National Award in the water category in September 2016. Winners of this premier awards programme of the World Branding Forum were assessed and voted by more than 120,000 consumers from around the world; the shortlisted topmost brands were then judged by World Branding Forum Advisory Council to be truly exceptional.

Management Discussion AND ANALYSIS

FOR FINANCIAL PERIOD JUNE 1, 2016 TO DECEMBER 31, 2016

In October 2016, we had for the 7th consecutive year, been honoured with the 2016 Frost & Sullivan Asia Pacific Bottled Water Company of the Year. The Frost & Sullivan's Best Practices Awards recognise companies through a range of regional and global markets for superior leadership, technology innovation, customer service and strategic product development.

At the award ceremony held on December 19, 2016 in Hong Kong, Spritzer had for the 3rd consecutive year, been honoured with The Asia Excellence Brand Awards 2016. The Asia Excellence Brand Awards was organised by Yazhou Zhoukan, a highly regarded Chinese language international newsweekly. Winners of the Awards were judged based on both public votes and questionnaires returned by business leaders.

We are thankful for having received the above prestigious awards. Such recognitions will certainly motivate us to strive for greater excellence.

PROSPECTS

The operating environment in financial year 2017 is expected to remain challenging amidst global and domestic economic uncertainties and volatilities. Consumer sentiment is expected to remain soft due to the higher cost-push inflation, the impact of the depreciation of the domestic currency and the soft employment conditions. The Group is also experiencing higher input and other operating costs. However, the competitive operating environment and the weak consumer sentiment may restrict our ability to pass on the rising costs.

We will continue with our marketing and sales efforts so as to improve our sales of bottled water products in Guangzhou, China and in Malaysia. We will also continue with our efforts on market development and brand awareness activities in China. However, we do not expect our operations in China to generate positive results in financial year 2017.

We are currently planning to build a new automated warehouse in our Taiping plant to accommodate the higher volume of production and sales. We expect to finalise on the size, capacity and the cost of the new warehouse by June 2017.

We are constantly upgrading and further automate our production processes so as to enhance our production capability and capacity. We will be focusing on sustaining our sales growth and work on garnering a bigger market share for our bottled water products.

With our highly integrated and efficient manufacturing process, coupled with our strong brand equity and leading position in the Malaysian bottled water industry, we are cautiously optimistic that we will be able to generate satisfactory results in the financial year ending December 31, 2017.

APPRECIATION

We thank our employees for their continued hard work and dedication during the financial period under review.

We also thank our consumers, partners, distributors and customers for their trust and support to our Group and brands.

Corporate Social RESPONSIBILITY

At Spritzer, sustainability and corporate social responsibility ("CSR") initiatives have always been integrated into the ways we conduct our business in the present and into the future. As the leader of the bottled water industry in Malaysia, we pride ourselves in conducting business honestly and responsibly as well as in taking on the leadership role in promoting CSR activities.

Our commitment on sustainability encompasses on-going efforts focusing on creating positive impact in the society we serve while our CSR activities strive to maintain a healthy balance between economic, social and environmental responsibilities and the interests of our internal and external stakeholders towards a better future.

Our CSR framework consists of four main areas of focus namely, the environment, the market place, the community and the work place:

Corporate Social RESPONSIBILITY

ENVIRONMENT

Our modern, eco-friendly manufacturing facility in Taiping is located amidst 330 acres of tropical rain forest, away from potential water and air pollution thus protecting our natural water sources and ensuring high quality of our products. Environmental sustainability is vital and we are conscious and understand the need for careful management on the issue of carbon footprint generated by our business activities and we are committed to protect and preserve the environment. We have worked with the Forest Research Institute Malaysia ("FRIM") Biodiversity Department to create and enhance our sustainability activities through tree planting and other projects that are related to the protection of the environment. Our tree planting activity is on-going and we have planted approximately 15,000 trees in the vicinity of our manufacturing facility.

Go Nature, Go Spritzer Campaign

In September 2016 Spritzer, in partnership with Global Environment Centre ("**GEC**"), organised a nature awareness campaign called "Go Nature, Go Spritzer" seedballs planting campaign. GEC is a Malaysian non-profit organisation with the mission to support the protection of the environment and sustainable use of natural resources to meet local, regional and global needs.

GO NATURE, GO SPRITZER SEEDBALL CAMPAIGN (SEPTEMBER 16-18, 2016)

The Campaign which was launched at Sunway Pyramid, Kuala Lumpur from September 16 to 18, 2016 involved roadshows carried out in 15 other locations throughout Malaysia to invite members of the public to hand make fruit and vegetables seedballs (seeds mixed with soil, fertiliser and clay, and rolled into a small ball). A total of 5,000 seedballs were made and scattered by mini helicopter drones on November 18, 2016 over a plot of land located within the shared compound of Rumah Pangsa AU2, Taman Keramat in Kuala Lumpur. The seedballs which will grow into a variety of fruits and vegetables plants are expected to benefit 668 families in that area.

Other on-going green initiatives undertaken by Spritzer are as follows:

- Packaging reduction and light-weighting. By reducing the weight of packaging through innovative design and new packaging solutions, the consumption of plastic raw materials, as well as the energy cost required to produce the packaging is reduced. Spritzer bottles are designed to be easily collapsible for recycling, this saves up to at least 65% of recycling space.
- Use of plastic polyethylene terephthalate ("PET") materials which is 100% recyclable, as packaging.
- Invest in innovative technology including advanced technology machinery and systems in the manufacturing process to increase automation therefore increasing productivity and at the same time conserve energy, reduce PET material consumption, and production waste.
- Invest in process and resource efficiency management projects which utilise information technology to improve efficiency in business processes and to reduce paper consumption in the workplace.
- Optimise transportation and logistics by engaging in efficient and effective delivery and distribution systems in the effort to minimise fuel consumption and exploring the use of alternative fuel, hence reducing Carbon Dioxide ("CO2") emissions.

Corporate Social RESPONSIBILITY

"Our modern, eco-friendly manufacturing facility in Taiping is located amidst 330 acres of tropical rain forest"

- Promote recycling amongst consumers by organising green campaigns throughout the country to help raise public awareness on environmental issues and the importance of recycling.

MARKET PLACE

In dealing with suppliers, customers, shareholders and other stakeholders, Spritzer holds firm to corporate ethics which serve as a compass in doing business responsibly and in the long term interest of our stakeholders. Spritzer practises the principles of good corporate governance and ethical business conduct, in addition to complying with the rules and regulations of the law. Our commitment to good corporate governance and the continuous improvement on corporate governance is further elaborated in the Statement on Corporate Governance of this Annual Report.

Spritzer supports green initiatives/products and takes this into account during suppliers and vendors selection process and also in other stages of our procurement process. Our objective is to select suppliers and vendors that will complement our efforts to improve sustainability of our products and at the same time reduce cost, improve product quality and ultimately creating a sustainable and efficient supply chain.

At Spritzer, we are committed to providing our customers with the highest level of satisfaction. We engage and interact with our customers and consumers via our official website, Facebook page, Twitter, Instagram and WeChat. There is also a dedicated customer hotline for direct communication on products and services. We provide consumers with tips on living a healthy lifestyle and information regarding our products, in particular our "Spritzer" brand mineral water which contains high level of Silicon. A research previously conducted by Professor Christopher Exley of Keele University, UK found that daily intake of Spritzer, a Silicon-Rich mineral water helped remove aluminium, a known neurotoxin from the human body. Aluminium has been linked to causing of the Alzheimer's disease.

COMMUNITY

Spritzer cares about the well-being of the communities and believes in sharing and giving back to the communities for the improvement in overall well-being and to promote growth within our communities. This journey has been an on-going one and we take pride for being able to serve and contribute to our communities.

Corporate Social RESPONSIBILITY

We continued to collaborate and work closely with the Taiping local authorities by contributing and maintaining the street light boxes at popular tourist attractions such as the Taiping Zoo, road signs and billboards on highways, with the purpose of beautifying and promoting Taiping as a heritage town.

Spritzer EcoPark

- "Spritzer EcoPark" is a recreational park situated inside the 330 acres of greenery where our eco-friendly factory in Taiping is located. The park, which is open to the public has since been one of the major attractions of Taiping. The facilities of this park include an 18-hole mini-golf course, kids' arts and craft centre and cafeteria. The park is also home to "Cactus Rock", a 214 million-year old rock that is one of the main attractions. Public of all ages and walks of life are welcomed to enjoy the park, visitors can also request for a factory tour during their visit to the park.

- **Zumba**
  Weekly Zumba dance classes led by a qualified instructor are held at Spritzer EcoPark for the employees and the public, free of charge.

- **Blood Donation Campaign**
  In August 2016, Spritzer for the second time organised with joint effort with Taiping Hospital in a blood donation program held at Spritzer Ecopark where the public and employees can donate blood to the hospital for a good cause. The campaign was successful in helping Taiping Hospital improve its blood bank shortage.

NELSON MANDELA INTERNATIONAL DAY CELEBRATION (JULY16, 2016)

- **Taiping Zoo animal adoption programme**
  Spritzer has adopted a pair of Indian bison (Seladang) in Taiping Zoo and the bison family has grown into five bison recently.

Our community outreach programmes include regular and ad-hoc contributions in cash and in kind to schools, old folks home, the homeless, under privileged children's homes, associations, local temples and mosques and to other charitable entities. Other activities undertaken by Spritzer include annual and regular sponsorships of sporting, entertainment, educational and cultural events.

Below are some of the other community programmes and sporting events sponsored by Spritzer during the period:

- Raintown Half Marathon 2016 held at Padang Esplanade Taiping;
- Wild Tiger Charity Run held at Perdana Botanical Gardens, Kuala Lumpur;
- Penang Starwalk 2016 held at Penang Times Square;
- EFN 8 Champions League 2016 (Muaythai) held at Kuala Lumpur Badminton Stadium;
- Danz Power Marathon Dance Carnival 2016 held at Spritzer Ecopark;
- Spritzer Taiping Open Badminton Championships 2016 held in Taiping;
- New Vision Badminton Academy Sdn Bhd ("NV") and Art Sport, badminton academies in Selangor and Penang, respectively. The academies provide long term and short term, intensive and exclusive badminton training programmes in Malaysia and overseas. The academies also identify and train potential badminton players in Malaysia as well as organise and arrange for tournaments for potential badminton players to participate and gain experience;
- Petronas Cub Prix events held in Perak, Terengganu, Johor, Pahang and Negeri Sembilan;

Corporate Social RESPONSIBILITY

DANZ POWER 2016 (OCTOBER 9, 2016)

- 14th Perak Spritzer Cup Written English Competition, Perak; and
- Nelson Mandela International Day Celebration held at Berjaya Times Square, Kuala Lumpur;

Regular plant tours are conducted for school children, government department officers, suppliers, customers, members of clubs and associations and members of the public. Spritzer welcomes the public to visit its plant in Taiping and is transparent about its manufacturing process for education purpose as well as to boost confidence amongst the consumers on the quality of our processes and products. During the visit, visitors will be able to obtain valuable information about types of water, the health benefits of drinking sufficient water as well as the special characteristic and health benefits of Silicon.

WORK PLACE

Spritzer recognises that our employees are our greatest asset; they are major contributors to our success and play a critical part in helping the Group achieve its business objectives. Therefore, we strongly believe in the continuous development in technical and non-technical skills, performance management and growth of our people.

EFNB CHAMPIONS LEAGUE (OCTOBER 8, 2016)

SRC TREASURE HUNT 2016 (SEPTEMBER 4, 2016)

Corporate Social RESPONSIBILITY

Spritzer also recognises that to maintain a competitive edge, we need to attract and retain talent. One of the ways is by establishing the Employees' Share Option Scheme ("ESOS") in March 2012 for eligible employees and directors as a way of appreciating and recognising their contributions towards the Group. To stay competitive in the job market, we continuously upgrade our remuneration packages to keep pace with the fast-changing job market condition and to meet market expectation on salaries and other employment benefits.

Our human capital development programmes include in-house and external training and seminars, provision of information/knowledge sharing platform to encourage communication and to improve knowledge sharing. High performing employees will be identified and enrolled in executive training programme to help them improve skills and knowledge and at the same time building peer-to-peer networking and self-confidence to become successful leaders in our organisation.

Spritzer believes in and promotes work-life balance and therefore committed to providing a healthy and safe working environment to our people to maximise their performance and productivity. We strive to continuously improve on this area and our commitment has been documented in our Employee Handbook. Regular social, sports competition and team building activities including futsal, treasure hunt, badminton, basketball, mini-golf, tele-matches, annual dinners and family day outings are carried out by the Sports and Recreation Club ("SRC") for employees to facilitate communication and to promote family values, health and vitality at the same time. Cash prizes are awarded to winners of competition organised by the SRC to boost motivation and to reward active participation. Weekly Zumba and Yoga classes that are led by professional instructors are organised in office for employees who enjoy good exercise and team building.

RELAY FOR LIFE MALAYSIA (AUGUST 6-7, 2016)

SK TITI GANTONG PLANT VISIT (NOVEMBER 10, 2016)

DANZ POWER 2016 (OCTOBER 9, 2016)

Corporate Social RESPONSIBILITY

BLOOD DONATION PROGRAM (AUGUST 4, 2016)

PENANG STARWALK 2016 (SEPTEMBER 11, 2016)

MISS GREEN WORLD 2016 (JULY 19, 2016)

SPRITZER PARTY WITH TAIPING ORPHANAGE HOME (DECEMBER 29, 2016)

Corporate Social RESPONSIBILITY

SRC TEAM BUILDING (2016)


WORLD BREASTFEEDING WEEK 2016 (AUGUST 6, 2016)

GO NATURE, GO SPRITZER SEEDBALL CAMPAIGN (SEPTEMBER 16-18, 2016)

NEW VISION BADMINTON ACADEMY SDN BHD

Directors' PROFILE

DATO' LIM A HENG @ LIM KOK CHEONG, JSM, DPMP, JP

Non-Independent Non-Executive Chairman

Dato' Lim Kok Cheong, aged 72, male, a Malaysian and was appointed to the Board on June 22, 2000.

He has more than 42 years of experience in the trading and manufacturing of edible oils and consumer products industry.

He is the Life Honorary President of both the Associated Chinese Chambers of Commerce and Industry of Malaysia and the Perak Chinese Chamber of Commerce and Industry. He is the Chairman of Poi Lam High School (Suwa) and the Honorary President of Perak Hock Kean Association and the Federation of Hokkien Associations of Malaysia.

He is the Executive Chairman of Yee Lee Corporation Bhd and the Chairman of Yee Lee Organization Bhd.

He is a director and major shareholder of Yee Lee Corporation Bhd; and a director of Yee Lee Holdings Sdn Bhd; He is the spouse of Datin Chua Siok Hoon, all of whom are the major shareholders of the Company. Besides, he is a brother of Dato' Lim Kok Boon and the uncle of Mr. Lim Seng Lee and Mr. Lim Hock Lai.

DATO' LIM KOK BOON, DPMP

Managing Director

Dato' Lim Kok Boon, aged 62, male, a Malaysian and was appointed to the Board on June 22, 2000.

He is a Past President/Consultant of the Asia Middle East Bottled Water Association (ABWA). He is also the adviser to the Board of Governors of Hua Lian High School, Taiping.

He has been involved in the sales and distribution of biscuits, confectionery and bottled drinks since 1979. He was instrumental in the growth of Chuan Sin Sdn Bhd, a wholly-owned subsidiary of the Company, when it successfully switched to the production of bottled water in 1988. Since then, he has been overseeing the entire day-to-day operations of Spritzer Bhd Group.

He is a brother of Dato' Lim Kok Cheong and the brother-in-law of Datin Chua Siok Hoon, both are the major shareholders of the Company. He is the spouse of Datin Lai Yin Leng and the father of Mr. Lim Seng Lee, the Group Chief Executive Officer of the Company and Mr. Lim Hock Lai.

LIM SENG LEE

Executive Director and Group Chief Executive Officer

Lim Seng Lee, aged 41, male, a Malaysian and was appointed to the Board on October 15, 2015. He has been redesignated to Group Chief Executive Officer of the Company with effect from April 28, 2016. He graduated with a Bachelor of Science in International Business from San Francisco State University, United States.

He joined Spritzer Bhd as a Sales Executive in 2003. He was promoted to Marketing Manager in year 2007 and he has been involved in sales and marketing activities in the bottled water market.

In 2008, he took the position of Deputy General Manager and was responsible to assist the Managing Director and General Manager to plan and set up the company's policy and objectives. At the same time, he was involved in strategic planning and Corporate Social Responsibility of the Company. In 2011, he has been promoted to be the Group General Manager and responsible to oversee and ensures the overall operation activities of the Group are in accordance with the Group's policies and objectives. He is the Country Representative (Malaysia) of the Asia Middle East Bottled Water Association (ABWA).

He is a son of Dato' Lim Kok Boon, the Managing Director of the Company and Datin Lai Yin Leng. He is also a nephew of Dato' Lim Kok Cheong, the Chairman of the Company and Datin Chua Siok Hoon, both of whom are the major shareholders of the Company. He is also the brother of Mr. Lim Hock Lai.

Directors' PROFILE

CHUAH CHAW TEO

Executive Director

Chuah Chaw Teo, aged 65, male, a Malaysian and was appointed to the Board on May 16, 1994. He graduated with a Bachelor of Science (Honours) Degree in 1975 and Doctorate in Applied Organic Chemistry in 1979 from University of Otago, New Zealand.

He worked as a teaching assistant in Polymer Laboratory, State University of New York from 1980 to 1982 and as a Research Associate in University of Malaya in 1982. From 1983 to June 1997, he worked for Yee Lee Corporation Bhd in various capacities as Chief Chemist, Research and Development Manager and later as General Manager of Research and Development Department. He joined Chuan Sin Sdn Bhd as its General Manager in July 1997 and responsible for the product development, quality control and improvement of Chuan Sin Sdn Bhd's products.

He was a member of the Committee set up by the Standards and Industrial Research Institute of Malaysia (SIRIM) in 1991 to produce a draft on Malaysian Standards Specification on Natural Mineral Water. Presently, he is the Chairman of the Federation of Malaysian Manufacturers Bottled Water Group and also the Chairman of the Environmental and Technical Committee of the Asia Middle East Bottled Water Association (ABWA). He is a Fellow of the Institute of Kimia Malaysia (IKM) since September 2014. Besides, he is a member of the Industry Advisory Panel for Applied Chemistry Programme at the Universiti Teknologi Petronas (UTP). He is a Director of Hovid Berhad.

LAM SANG

Executive Director

Lam Sang, aged 67, male, a Malaysian and was appointed to the Board on December 28, 2001. He has more than 30 years of experience in the manufacturing and marketing of plastic products and toothbrush. He is the Deputy President of Perak Hock Kean Association and Vice Chairman of Poi Lam High School, Secondary School, and Primary School.

Prior to joining Golden PET Industries Sdn Bhd, a wholly-owned subsidiary of the Company, he was the Sales Manager of United Plastic Sdn Bhd, a plastic manufacturing company from 1973 to 1980.
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CHOK HOOA @ CHOK YIN FATT, PMP

Non-Independent Non-Executive Director

Chok Yin Fatt, aged 70, male, a Malaysian and was appointed to the Board on December 28, 2001. He graduated with a Bachelor Degree in Business Studies from Curtin University of Technology, Australia and Master in Business Administration from University of Strathclyde, United Kingdom. He is a Chartered Accountant of the Malaysian Institute of Accountants, fellow members of CPA Australia and Malaysian Institute of Chartered Secretaries and Administrators and a member of the Malaysian Institute of Certified Public Accountants.

He has extensive experience in the field of financial management, accounting and corporate secretarial functions. He was attached to UAC Berhad from 1974 to 1982. In 1982, he joined Yee Lee Corporation Bhd as Chief Accountant and was promoted to the Board as an Executive Director in 1990.

He is a Director of OKA Corporation Bhd and Yee Lee Corporation Bhd, and other public companies which are not listed on the Bursa Malaysia Securities Berhad including Yee Lee Organization Bhd and MSHK Corporation Bhd. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee of the Company.

Directors' PROFILE

DATO' IR. NIK MOHAMAD PENA BIN NIK MUSTAPHA, DIMP

Independent Non-Executive Director

Dato' Ir. Nik Mohamad Pena bin Nik Mustapha, aged 66, male, a Malaysian and was appointed to the Board on July 14, 1997. He obtained a Degree of Bachelor of Science (Civil Engineering) from University of Glasgow, United Kingdom in 1975. He holds the memberships in the following professional bodies, namely the Board of Engineers Malaysia, Institution of Engineers Malaysia, Institution of Highways and Transportation United Kingdom and Association of Consulting Engineers Malaysia. He advises the Board members on all matters relating to civil and structural aspect of the Group's buildings.

He is a consultant engineer and the Managing Director of Nik Jai Associates Sdn Bhd, a company of civil and structural engineering consultants. He started his career as a civil engineer with Jabatan Kerja Raya (JKR) in 1975 and was promoted to the post of Senior Executive Engineer in 1980. He left JKR in 1983 and joined an engineering consulting firm. In 1985, he set up his own partnership firm, Nik Jai Associates. In 1990, he incorporated his company, Nik Jai Associates Sdn Bhd which specialises in multi-storey buildings, highways, bridges and water resources.

He is a Director of Yee Lee Corporation Bhd, the Chairman of the Audit Committee and Nomination Committee of the Company.

DATO' MOHD ADHAN BIN KECHIK, DJMK, SMK

Independent Non-Executive Director

Dato' Mohd Adhan bin Kechik, aged 61, male, a Malaysian and was appointed to the Board on May 16, 1994. He graduated with a Bachelor of Laws (Honours) Degree and Master of Laws Degree from University of Malaya. He is currently the Chairman of the National Kenaf and Tobacco Board (Lembaga Kenaf dan Tembakau Negara).

He is a lawyer by profession. Currently, he is practising as a partner at Messrs Adhan & Yap. Prior to setting up his own private practice in Kota Bharu, Kelantan in 1984, he was attached to the Legal and Judicial Department for five years serving in the Magistrate Court, High Court, Public Trustee's office and Attorney General's office before being appointed the Legal Adviser to the Ministry of Transport in 1983.

He also served the State Government of Kelantan for four years as Menteri Besar's political secretary from 1986 to 1990. He is an elected State Assemblyman of Kelantan for Kemahang from 1995 to 1999 and Bukit Bunga since 2004.

He is a Director of Yee Lee Corporation Bhd, a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

KUAN KHIAN LENG

Independent Non-Executive Director

Kuan Khian Leng, aged 41, male, a Malaysian, was appointed to the Board on January 25, 2007. He graduated with a Bachelor in Civil Engineering (First Class Honours) and Master in Management Science & Operational Research from University of Warwick, United Kingdom.

He started his career as a Civil and Structural Engineer in Sepakat Setia Perunding Sdn Bhd in year 2000. In March 2002, he joined Citibank Berhad as Assistant Manager and subsequently held several managerial positions in the Marketing, Project Management and Risk Management departments. In July 2006, he held the position of Business Intelligence Head in Kuwait Finance House (Malaysia) Berhad.

He served as the Executive Director of Mexter Technology Berhad from June 2007 to December 2015, overseeing the operations, business development and marketing activities of the company. At present, he is the Group Executive Director of Fajarbaru Builder Sdn Bhd, which is involved in large scale construction and property development. He is also a Council Member of Master Builders Association Malaysia (MBAM).

Currently, he is a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

Note:-
Save as disclosed, none of the above Directors has:-

1) any family relationship with any Director and/or major shareholder of the Company;
2) any conviction for offences within the past five years other than traffic offences;
3) any public sanction or penalty imposed by the relevant regulatory bodies during the financial period ended December 31, 2016; and
4) any conflict of interest with the Company.

Key Senior MANAGEMENT'S PROFILE

For Key Senior Management's Profiles of Dato' Lim Kok Boon, Mr. Lim Seng Lee, Dr. Chuah Chaw Teo and Mr. Lam Sang, kindly refer to the Directors' Profile in this Annual Report.

SOW YENG CHONG

Group Financial Controller

Sow Yeng Chong, aged 60, male, a Malaysian and joined Spritzer Bhd in October 2009 as the Group Financial Controller. He also serves as Joint Company Secretary of the Company since 2010.

He has wide working experience in the field of accounting and corporate finance.

He started his career in 1981 as an Audit Assistant with Payne Davies & Co. and subsequently worked as an Accountant of Far East Marble & Handicraft Sdn Bhd.

He was employed by Yee Lee Corporation Bhd from 1985 to 1997 in various capacities and his last position being the Group Financial Controller and Joint Company Secretary. He was a remisier with TA Securities Holdings Bhd from 1997 to 2009.

He is a Non-Independent Non-Executive Director of Yee Lee Corporation Bhd, a company listed on the Main Market of Bursa Malaysia Securities Bhd. He is also a director of Kumpulan Belton Berhad, a non-listed public company. He is also a member of Malaysian Institute of Accountants.

CHONG MEE YOONG

Deputy General Manager

Chong Mee Yoong, aged 52, female, a Malaysian and joined Chuan Sin Sdn Bhd in 1991 as a Food Technologist and currently holding the position as the Deputy General Manager of Chuan Sin Sdn Bhd since July 2013. She oversees the plant operations and Quality Assurance Department of Chuan Sin Sdn Bhd.

She graduated with a Bachelor of Science (Hons) in Food Science and Nutrition from National University of Malaysia. Prior to joining Chuan Sin Sdn Bhd, she worked as a Food Technologist with Yee Lee Corporation Bhd in 1990.

LIM HOCK LAI

Sales and Operations Director

Lim Hock Lai, aged 39, male, a Malaysian and joined Chuan Sin Sdn Bhd in September 2008 as the Business Manager. He was promoted to Head of Sales and Marketing in August 1, 2009 and responsible in Sales and Marketing activities in bottle water market of the Group. Currently, he is holding the position as a Sales and Operations Director since July 1, 2013 and is responsible for the sales and performance of Chuan Sin Sdn Bhd, Shah Alam branch and Angenet Sdn Bhd.

He graduated with a Bachelor of Information Systems from Swinburne University of Technology at Melbourne, Australia. He joined Nagase & Co., Ltd, a Japanese trading company as a Sales Executive and subsequently joined Clariant International Ltd, a Swiss chemical company as a Sales Manager prior to joining Chuan Sin Sdn Bhd in 2008.

He is a son of Dato' Lim Kok Boon, the Managing Director of the Company and Datin Lai Yin Leng. He is also a nephew of Dato' Lim Kok Cheong, the Chairman of the Company and Datin Chua Siok Hoon, both of whom are the major shareholders of the Company. He is also the brother of Mr. Lim Seng Lee, the Group Chief Executive Officer of the Company.

ADDITIONAL INFORMATION:-

1. Save for Dr. Chuah Chaw Teo and Mr. Sow Yeng Chong, none of the other Key Senior Management has any directorship in public companies and listed issuers.
2. Save for Dato' Lim Kok Boon, Mr. Lim Seng Lee and Mr. Lim Hock Lai, none of the other Key Senior Management has any family relationship with any Directors and/or major shareholders of the Company.
3. None of the Key Senior Management has:-
   - (i) any conflict of interest with the Company;
   - (ii) been convicted of any offences (other than traffic offences) within the past five years; and
   - (iii) been imposed with any sanction or penalty by the relevant regulatory bodies during the financial period ended December 31, 2016.

Audit Committee REPORT

The Board of Directors of Spritzer is pleased to present the Audit Committee ("AC") Report for the financial period of seven (7) months ended December 31, 2016 ("FPE 2016").

The purpose, authority, composition, membership, meetings and responsibilities of the AC are set out in the AC Charter which can be viewed at the Company's website at http://www.spritzer.com.my.

MEMBERS OF THE AUDIT COMMITTEE

The AC comprises the following four (4) non-executive Board members:-

Chairman
Dato' Ir. Nik Mohamad Pena bin Nik Mustapha
Independent Non-Executive Director

Members
Chok Hooa @ Chok Yin Fatt
Non-Independent Non-Executive Director

Dato' Mohd Adhan bin Kechik
Kuan Khian Leng
Independent Non-Executive Directors

Composition

The AC, appointed by the Board from amongst its members, presently comprises four (4) Non-Executive Directors, with a majority being independent directors. The Independent Directors satisfy the test of independence under Paragraph 1.01 of the Listing Requirements. The Chairman is elected from among the members and is an independent director pursuant to Paragraph 15.10 of the Listing Requirements.

Mr. Chok Hooa @ Chok Yin Fatt is a member of the Malaysian Institute of Accountants. In this respect, the Company is in compliance with Paragraph 15.09(1)(c)(i) of the Listing Requirements.

Meetings

During the FPE 2016, three (3) meetings were held and the details of attendance of each AC members are as follows:-

AC Members	Attendance
Dato' Ir. Nik Mohamad Pena bin Nik Mustapha	3/3
Chok Hooa @ Chok Yin Fatt	3/3
Dato' Mohd Adhan bin Kechik	3/3
Kuan Khian Leng	3/3

Audit Committee REPORT

SUMMARY OF WORKS OF THE AUDIT COMMITTEE

During the FPE 2016, the AC had discharged its duties and responsibilities by carrying out the following works and activities:-

Financial Reporting

1. Reviewed the quarterly financial results including the draft announcements pertaining thereto, and make recommendations to the Board for approval of the same as follows:-

Date of meetings	Review of unaudited quarterly financial results and audited financial statements
July 28, 2016	Fourth quarter unaudited financial results as well as the audited financial statements of the Group for the financial year ended May 31, 2016
October 26, 2016	Unaudited interim financial report for the financial period June 1, 2016 to August 31, 2016
January 25, 2017	Unaudited interim financial report for the financial period September 1, 2016 to November 30, 2016
February 27, 2017	Unaudited interim financial report for the financial period December 1, 2016 to December 31, 2016 as well as the audited financial statements of the Group for the financial period ended December 31, 2016

   The above review is to ensure that the Company's quarterly financial reporting and disclosures present a true and fair view of the Group's financial position and performance and are in compliance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia; and

2. Reviewed with the management on any significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements and steps taken to address the matters.

Risk Management and Internal Control

1. Deliberated and reviewed with the Group Risk Management Advisory Committee on the Group's risk profile, the key risks identified and the risk management process to ensure that all high and critical risk areas are being addressed;

2. Reviewed with the management and internal auditors on the adequacy and effectiveness of the internal control system to ensure compliance with the internal controls and procedures set up within the Group and adequate scope coverage over the activities of the Group;

3. Reviewed and deliberated internal audit reports and to monitor/follow-up on remedial action; and

4. Reviewed the Statement on Risk Management and Internal Control and recommended to the Board for approval prior to the inclusion in the Company's Annual Report for the FPE 2016.

Audit Committee REPORT

External Audit

1. Discussed and considered the significant accounting and auditing issues arising from the interim audit as well as the final audit with the External Auditors. The AC also had a private discussion with the External Auditors on November 23, 2016 without the presence of Management during the review of the Professional Services Planning Memorandum for the financial period ended December 31, 2016 to discuss any fraudulent case and/or problems/issues arising from the audit review;

2. Reviewed with the External Auditors at the meeting held on November 23, 2016, their audit plan in respect of the financial period ended December 31, 2016, outlining the auditors' responsibilities, materiality, audit risks assessment, significant risks and areas of audit focus, fraud consideration, internal control plan, involvement of internal auditors and component auditors, timing of audit, engagement quality control, independence policies and procedures and also on financial reporting and other updates; and

3. Reviewed and evaluated the performance, competency, professionalism and the confirmation of independence from the External Auditors. In respect of the financial period ended December 31, 2016, Deloitte PLT ("Deloitte") has confirmed their independence to act as Company's External Auditors in accordance with the relevant professional and regulatory requirements.

   The AC, having been satisfied with the performance, independence and suitability of Deloitte, had recommended to the Board for approval of the re-appointment of Deloitte as the External Auditors for the financial year ending December 31, 2017 at its meeting held on February 27, 2017 at a fee to be determined later.

Internal Audit

1. Reviewed and approved the Internal Audit Plan for the financial period ended December 31, 2016 to ensure that the scope and coverage of the internal audit of the Group is adequate and comprehensive;

2. Reviewed the quarterly internal audit reports and considered the findings and recommendations made including the Management's responses and the corrective action, if necessary. The Internal Auditors monitored the implementation of management's action plans on outstanding issues through follow up audits to ensure that all key risks and weaknesses were being properly addressed; and

3. Reviewed the performance and effectiveness of the internal audit functions.

Other activities

1. Reviewed on a quarterly basis, the recurrent related party transactions entered into by the Company and the Group to ascertain that the transactions are conducted at arm's length and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders;

2. Reviewed and/or updated the Group's Code of Conduct, Corporate Disclosure Policy, Whistle Blowing Policy and AC Charter prior to recommendation to Board for approval; and

3. Reviewed the AC Report and Statement on Corporate Governance for inclusion in the Annual Report for the FPE 2016 before recommend to the Board for approval.

The Group does not have an internal audit department of its own and had therefore engaged the services of a related party to carry out such tasks. Total costs incurred for the internal audit function of the Group for the FPE 2016 amounted to RM18,000.00.

Audit Committee REPORT

SUMMARY OF WORKS UNDERTAKEN BY A RELATED PARTY ENGAGED TO CARRY OUT INTERNAL AUDIT FUNCTION

The Company has engaged a related party, Yee Lee Edible Oils Sdn Bhd, to perform internal audit function for the Group. The outsourced internal auditors assisted by our internal audit staff have perform routine audit on all operating units within the Group, with emphasis on principal risk areas. The planning and conduct of audits based on the risk profile of the business units of the Group is in line with the approach adopted in the Enterprise Risk Management of the Group. Their audit scopes include regular independent assessments and systematic review of the adequacy, efficiency and effectiveness of the Group's internal control system. The internal auditors also undertake to conduct special audits from time to time as requested by the senior management.

Audit assignments were performed during the year on subsidiary companies of the Group covering assets management, cash collections and credit control, inventory, purchasing and sales, operations and compliance to quality management system. Audit reports incorporating the findings and recommendations for corrective actions on the systems and control weaknesses are presented to the Management concerned and thereafter to the AC for appraisal and review. The Management has ensure all remedial actions have been taken to resolve the audit issues highlighted in the audit reports within a reasonable time frame. Significant issues are highlighted by the AC to the Board on quarterly basis.

Statement on CORPORATE GOVERNANCE

Spritzer Bhd adheres to high standards of corporate governance practices under the leadership of the Board of Directors ("**Board**"), as guided by the Malaysian Code on Corporate Governance 2012 ("**MCCG 2012**"). It is being applied as a fundamental part of discharging the directors' responsibilities to protect and enhance shareholders' value.

The following sections explain how the Group has applied the key principles of the MCCG 2012 and the extent of its compliance with the recommendations throughout the financial period ended December 31, 2016.

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear Functions of the Board and the Management

The Board has clear functions established for the Board vis-à-vis the management respectively.

The Board is responsible for formulating and reviewing the strategic plans, conduct, and key policies of the Company, establishing visions and goals for the management and continuously monitoring, overseeing and evaluating the Group's strategies, policies and performance so as to protect and enhance shareholders' value.

The Board does not actively manage but rather oversees the management of the Group. To ensure the effective discharge of its function and responsibilities, the Board delegates some of its authorities and discretion to the Managing Director, Group Chief Executive Officer and Executive Directors, representing the Management as well as the Board Committees, namely the Audit Committee, Nomination Committee and Remuneration Committee, which are entrusted with specific responsibilities to oversee the Group's affairs, with authority to act on behalf of the Board in accordance with their respective Terms of Reference. The ultimate responsibility for the final decision on all matters deliberated in these Committees, however, lies with the Board. Besides that, the Chairman of the relevant Board Committees also reports to the Board on key issues deliberated by the Board Committees at their respective meetings.

The Managing Director, Group Chief Executive Officer and Executive Directors are primarily responsible for the implementation of the strategies set by the Board and manage the day-to-day operation and administrative functions. The Management supports the Executive Directors and implements the running of the financial and general operations of the Group.

The Independent Non-Executive Directors provide objective and independent judgement to the decision making of the Board which provides an effective check and balance to the Board's decision-making process.

The Board also delegates specific functions to ad hoc committees as and when required. In addition, the Board is guided by the documented and approved Board Charter which sets out the roles, functions, authority, responsibilities, membership, key matters reserved for the Board, relationships with management and other matters. The Board Charter can be viewed at the Company's website at http://www.spritzer.com.my.

The Board will review the Board Charter as and when required and will update the charter in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities to ensure its effectiveness.

Statement on CORPORATE GOVERNANCE

1.2 Clear Roles and Responsibilities in discharging its fiduciary and leadership functions

The Board assumes the following responsibilities, amongst others:-

(a) Reviewing and adopting the Company's strategic plans – The Board has in place a strategy planning process, whereby it will be presented for discussion on a quarterly basis during board meeting and the Group Chief Executive Officer reports on the results and challenges met. The Board objectively reviews and monitors the implementation of the plan by management and provides input and feedback to the management.

(b) Overseeing the conduct of the Company's business – The Board oversees the performance of the Management by reviewing the actual performance and provides guidance to the Management on measures to be undertaken to improve business performance and minimise risk areas.

(c) Overseeing the development and implementation of a shareholder communication policy for the Company – The Board acknowledges the importance of timely dissemination of information to its shareholders. Announcements on the major events of the Company and financial results release provide the shareholders and potential investors with the update of Group's activities and financial performances.

The General Meetings act as the principal forum of dialogue with the shareholders. Shareholders are notified of the meeting and provided with a copy of the Company's Annual Report and/or Circular prior thereto in accordance with the stipulated timeframe set out in the Listing Requirements and the Companies Act 2016 in order to enable shareholders to fully evaluate the resolutions being proposed. Shareholders are given the opportunities to raise questions pertaining to the Group and the resolutions being proposed at each AGM. Members of the Board and the auditors of the Company are available at the AGM to respond to all queries and to provide clarification on issues and concerns raised by the shareholders.

Besides, the Company has a website where access to its Annual Reports, announcements, quarterly financial results and other relevant information for shareholders and potential investors to access anytime.

(d) approving major capital expenditure, acquisitions and divestitures, and monitoring capital management;

(e) monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting with the guidance of the Audit Committee;

(f) reviewing, ratifying and monitoring systems of risk management and internal control under the guidance of the Audit Committee. High risk area, if any, is highlighted and the adequacy of compliance and internal controls throughout the organisation are reported to the Audit Committee and the Board.

(g) selecting, appointing and evaluating from time to time the performance of and succession planning under the guidance of the Nominating Committee, including the senior management;

(h) reviewing and approving remuneration of the Managing Director, Group Chief Executive Officer, Executive Directors and the Non-Executive Directors under the guidance of the Remuneration Committee;

(i) monitoring Board composition, processes and performance with the guidance of the Nominating Committee; and

(j) performing such other functions as are prescribed by law or are assigned to the Board.

In carrying out its responsibilities and functions, the Board may delegate any of its powers to a Board Committee, a Director, senior management or other employees subject to ultimate responsibility of the Directors.

Statement on CORPORATE GOVERNANCE

1.3 Formalised Ethical Standards through Code of Ethics and Conduct

The Board has formalised a Directors' Code of Ethics and Conduct that is incorporated in the Board Charter, which sets out the standard of conduct expected of Directors, with the aim to cultivate good ethical conduct that permeates throughout the Group through transparency, integrity and accountability.

Directors are required to disclose any conflict of interest situations or any material personal interest that they may have in the affairs of the Group as soon as they become aware of the interest and abstain themselves from any deliberations on the matter.

1.4 Sustainability of Business

The Board views the commitment to sustainability and environmental, social and governance performance as part of its broader responsibility to customers, consumers, shareholders, employees, the communities and environment in which it operates. Report on such activities is set out in its Corporate Social Responsibility on pages 21 to 28 of this Annual Report.

1.5 Access to Information and Advice

The Directors have the right to access all information pertaining to the Group for the purpose of discharging their duties. The Directors are provided with an agenda, reports and other relevant information at least seven (7) days of the Board Meetings, covering various aspects of the Group's operations so that they have a comprehensive understanding of the matters to be deliberated upon to enable them to arrive at an informed decision. All scheduled meetings held during the period were preceded with a formal agenda issued by the Company Secretary. Senior management and advisers are invited to attend Board meetings, where necessary, to provide additional information and insights on the relevant agenda items tabled at Board meetings.

The Chairman leads the presentation of Board papers and discussion. Group Chief Executive Officer will explain and discuss on the pertinent issues. All Directors are entitled to call for additional clarification and information to assist them in matters that require their decision-making. Every Director has individual and independent access to the advice and dedicated support services of the Company Secretaries in ensuring the effective functioning of the Board.

In addition, the Board may seek independent professional advice at the Company's expense on specific issues to enable it to discharge its duties in relation to matters being deliberated. During the period, no external expert was separately engaged by the Board for advice.

1.6 Qualified and Competent Company Secretaries

The Company Secretaries play an important advisory role and is a source of information and advice to the Board and its Committees on issues relating to updated and compliance of regulatory requirements, codes, guidance and legislations affecting the Company and the Group.

The Board is supported by two (2) professionally qualified Company Secretaries who individually has more than ten (10) years of corporate secretarial experience.

Statement on CORPORATE GOVERNANCE

The Company Secretaries serve notice to the Directors and Principal Officers to notify them of closed periods for trading in the Company's shares. The Company Secretaries attend and ensure that all Board meetings are properly convened and that accurate and proper records of the proceedings and resolutions passed are taken and maintained in the statutory register of the Company. The Company Secretaries work closely with the Management to ensure that there are timely and appropriate information flows within and to the Board and Board Committees.

The Board is of the view that the Company Secretaries have been competent and kept themselves abreast with the evolving regulatory changes and developments through continuous education programmes and attendance of relevant conferences, seminars and training programmes.

The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board.

2. STRENGTHEN COMPOSITION

2.1 Nomination Committee

The Nomination Committee is responsible for assessing the performance of the existing Directors and identifying, nominating, recruiting, appointing and orientating new Directors. It assists the Board in reviewing on an annual basis the overall composition, appropriate balance and size of Non-Executive participation and in establishing procedures and processes towards an annual assessment of the effectiveness of the Board as a whole and contribution of each individual Director and Board Committee members.

The Nomination Committee comprises three (3) independent non-executive directors with Dato' Ir. Nik Mohamad Pena bin Nik Mustapha as its Chairman.

The Nomination Committee meets at least once in a year with additional meetings to be convened, if necessary. During the financial period under review, the Nomination Committee had met once and full attendance by the members was recorded.

The members of the Nomination Committee and records of attendance of each member at the Nomination Committee meeting held during the financial period ended December 31, 2016 is as follow:-

Chairman	**Number of meeting attended**
Dato' Ir. Nik Mohamad Pena bin Nik Mustapha, DIMP *Independent Non-Executive Director*	1/1
Members Dato' Mohd Adhan bin Kechik, DJMK, SMK *Independent Non-Executive Director*	1/1
Kuan Khian Leng *Independent Non-Executive Director*	1/1

The Terms of Reference of the Nomination Committee is available on the Company's website at http://www.spritzer.com.my.

Statement on CORPORATE GOVERNANCE

The summary of the activities carried out by the Nomination Committee during the financial period are as follows:-

a) reviewed and assessed the mix of skills, expertise, composition, size, experience and effectiveness of the Board and its Committees;
b) evaluated the performance and effectiveness of the Board and its Committees and of each individual member;
c) discussed and identified the training needs of the Directors for continuous education purpose;
d) discussed and recommended the continuance in office of the Non-Independent Non-Executive Chairman;
e) assessed and evaluated the independence of the Independent Non-Executive Directors based on roles and duties, integrity, governance and independent judgement and participation in meetings;
f) assessed and recommended the retention of Independent Non-Executive Directors who have served on the Board for a cumulative tenure of more than nine (9) years;
g) assessed and recommended to the Board for the re-election of the Directors who are due for retirement pursuant to Article 85 of the Company's Constitution, to be tabled to the shareholders at the forthcoming 24th AGM; and
h) assessed and recommended to the Board for the re-appointment of a Director who is retire at the forthcoming 24th AGM with the coming into force of the Companies Act 2016 on January 31, 2017 to be tabled to the shareholders at the forthcoming 24th AGM.

All recommendations of the Nomination Committee are subject to the endorsement of the Board.

2.2 Develop, Maintain and Review Criteria for Recruitment and Annual Assessment of Directors

The Board, together with the Nomination Committee, determines the size and composition of the Board subject to the provisions of the Company's Constitution. The composition and size of the Board is such that it will facilitate the decision making process of the Company. The Board comprises a minimum of one third of independent non-executive directors and comprises directors with a broad and relevant range of skills, diversity, expertise and experience.

(a) Recruitment or New Appointment of Directors

The Nomination Committee is responsible for identifying and recommending suitable candidates for Board membership and also for assessing the performance of the Directors on an on going basis. This process shall ensure that the Board membership accurately reflects the long-term strategic direction and needs of the Company while it determines the skills matrix needed to support the strategic direction and needs of the Company.

The process for the appointment of a new director is summarised in the sequence as follows:-

1. The candidate identified upon the recommendation by the existing Directors, senior management staff, shareholders and/or other consultants;
2. In evaluating the suitability of candidates to the Board, the Nomination Committee considers, inter-alia, the competency, experience, commitment, contribution and integrity of the candidates, and in the case of candidates proposed for appointment as Independent Non-Executive Directors, the candidate's independence;
3. Recommendation to be made by Nomination Committee to the Board if the proposed candidate is found to be suitable. This includes recommendation for appointment as a member of the various Board committees, where necessary; and
4. The final decision as to who shall be appointed as Director remains the responsibility of the full Board after considering the recommendation of the Nomination Committee.

Statement on CORPORATE GOVERNANCE

As an integral element of the process of appointing new Directors, the Nomination Committee will ensure that Directors undergo an orientation programme to familiarise themselves with the Group's business, which include visits to the Group's various offices and factory premises and meetings with senior management. This is to facilitate their understanding of the Group's activities and to assist them in effectively discharging their duties.

(b) Gender Diversity Policy

The Board acknowledges the importance of boardroom diversity and the recommendation of the MCCG 2012 pertaining to the establishment of a gender diversity policy. Hence, the Board had always been in support of a policy of non-discrimination on the basis of race, religion and gender. The Board encourages a dynamic and diverse composition by nurturing suitable and potential candidates equipped with the competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company. Nevertheless, the Board has no immediate plan to implement a gender diversity policy and will only set specific targets in relation to gender diversity if the situation so requires and if it is in the best interest of the Company to do so.

(c) Re-election and re-appointment of Directors

In accordance with the Company's Constitution ("Constitution"), all newly appointed Directors are subject to re-election by shareholders at the first annual general meeting ("**AGM**") after their appointments. The Constitution also provide that one third of the remaining Directors be subject to re-election by rotation at each AGM provided always that all Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election.

The Nomination Committee is responsible for recommending to the Board those Directors who are eligible to stand for re-election and/or re-appointment.

With the coming into force of the Companies Act 2016 on January 31, 2017 there is no age limit for directors. Dato' Lim A Heng @ Lim Kok Cheong, who is above the age of 70, was re-appointed pursuant to Section 129 of the Companies Act, 1965 at the 23rd AGM of the Company held on October 26, 2016 to hold office until the conclusion of this 24th AGM. His term of office will end at the conclusion of the 24th AGM and he has offered himself for re-appointment as a Director of the Company.

The Directors who will retire by rotation and are eligible for re-election pursuant to Article 85 of the Company's Constitution at the forthcoming 24th AGM are Dato' Ir. Nik Mohamad Pena bin Nik Mustapha, Dato' Mohd Adhan bin Kechik and Dato' Lim Kok Boon.

Their profiles are set out on pages 29 and 31 of this Annual Report.

(d) Annual Assessment

The Nomination Committee conducted its formal annual evaluation and appraisal on the effectiveness of the Board, its Committees and the contribution of each director. The evaluation comprised assessment by individual directors and assessment of independence of independent directors. The assessment of individual director is based on specific criteria, covering areas such as Board composition and structure, principal responsibilities of the Board, the Board process, succession planning and Board governance.

Statement on CORPORATE GOVERNANCE

There were no major concerns from the results of the annual assessment. The Nomination Committee, upon the review carried out, is satisfied that the size of the Board is optimum and that there is an appropriate mix of experience and expertise in the composition of the Board and its Committees.

Based on the annual board assessment and evaluation, the Nomination Committee has recommended the re-appointment of Dato' Lim A Heng @ Lim Kok Cheong as a director and the re-election of Dato' Ir. Nik Mohamad Pena bin Nik Mustapha, Dato' Mohd Adhan bin Kechik and Dato' Lim Kok Boon as directors at the forthcoming 24th AGM. The Board (saved for the interested directors) is satisfied that these four (4) directors have continued to contribute to the Board effectiveness and have discharged their responsibilities as directors.

An assessment and evaluation on the performance and effectiveness of the Audit Committee was undertaken by the Nomination Committee for the financial period ended December 31, 2016. The Nomination Committee is satisfied that the Audit Committee and its members have discharged their functions, duties and responsibilities in accordance with the Audit Committee Charter.

2.3 Directors' Remuneration

The Remuneration Committee has three (3) members comprising two (2) Independent Non-Executive Directors and a Non-Independent Non-Executive Director. The Remuneration Committee is responsible to make recommendation to the Board on all elements of remuneration and terms of employment of Executive Directors. Non-Executive Directors' remuneration with the recommendation of the Remuneration Committee will be a matter to be decided by the Board as a whole with the Director concerned abstaining from deliberations and voting decisions in respect of his own remuneration.

The Remuneration Committee is entrusted to assist the Board, amongst others, to recommend to the Board the remuneration of Executive Directors by linking rewards to the corporate and individual performance. The Remuneration Committee shall ensure that the level of remuneration is sufficient to attract and to retain Directors of the quality required to manage the business of the Group.

The current remuneration payable to Non-Executive Directors comprises Directors' Fees which required shareholders' approval, allowances and equity-settled share based payment.

Meetings of the Remuneration Committee are held as and when necessary, and at least once a year. The members of the Remuneration Committee and records of attendance of each member at the Remuneration Committee meeting held during the financial period ended December 31, 2016 are as follows:-

Chairman	**Number of meeting attended**
Chok Hooa @ Chok Yin Fatt *Non-Independent Non-Executive Director*	1/1
Members	
Dato' Mohd Adhan bin Kechik, DJMK, SMK *Independent Non-Executive Director*	1/1
Kuan Khian Leng *Independent Non-Executive Director*	1/1

Statement on CORPORATE GOVERNANCE

The details of the remuneration paid or payable to the Directors during the financial period by the Company and the Group categorised into appropriate components for the financial period ended December 31, 2016 are as follows:-

Directors' Remuneration	Salaries RM'000	Fee RM'000	Bonus RM'000	Others RM'000	Grand Total RM'000
Group					
Executive Directors	1,138	94	1,003	161	2,396
Non-Executive Directors	-	99	-	269	368
	1,138	**193**	**1,003**	**430**	**2,764**
Company					
Executive Directors	-	60	-	6	66
Non-Executive Directors	-	77	-	22	99
	-	**137**	**-**	**28**	**165**

Directors' remuneration are broadly categorised into the following bands:-

	GROUP Number of Directors		COMPANY Number of Directors	
Range of Remuneration	**Executive Directors**	**Non-Executive Directors**	**Executive Directors**	**Non-Executive Directors**
RM50,000 and below	-	4	4	5
RM200,001 to RM250,000	-	1	-	-
RM250,001 to RM300,000	1	-	-	-
RM350,001 to RM400,000	1	-	-	-
RM700,001 to RM750,000	1	-	-	-
RM1,000,001 to RM1,050,000	1	-	-	-
	4	5	4	5

Directors' fees and all benefits payable, if any are subject to the approval by shareholders at the forthcoming 24th AGM of the Company.

3. REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independence

The Board recognises the importance of independence and objectivity in its decision making process. The presence of the Independent Non-Executive Directors is essential in providing unbiased and impartial opinion, advice and judgment to ensure the interests of the Group, shareholders, employees, customers and other communities in which the Group conducts its businesses are well represented and taken into account.

The Board, through the Nomination Committee, assesses the independence of Independent Directors annually, taking into account the individual Director's ability to exercise independent judgment at all times and to contribute to the effective functioning of the Board.

Statement on CORPORATE GOVERNANCE

The Board is satisfied with the level of independence demonstrated by all the Independent Non-Executive Directors and their ability to act in the best interests of the Company.

3.2 Tenure of Independent Directors

One recommendation of the MCCG 2012 states that the tenure of an independent director should not exceed a cumulative term of nine (9) years. However, the Nomination Committee and the Board have determined at the annual assessment carried out that Dato' Ir. Nik Mohamad Pena bin Nik Mustapha, Dato' Mohd Adhan bin Kechik and Mr. Kuan Khian Leng, who have served on the Board for a cumulative term of more than nine (9) years, remain objective and independent in expressing their views and in participating in deliberations and decision making of the Board and Board Committees. The length of their services on the Board does not in any way interfere with their exercise of independent judgment and ability to act in the best interests of the Company.

3.3 Shareholders' Approval for the Continuance in Office as Independent Non-Executive Directors

The Board on the review and recommendation made by the Nomination Committee, is unanimous in its opinion that the three (3) Independent Directors, namely Dato' Ir. Nik Mohamad Pena bin Nik Mustapha, Dato' Mohd Adhan bin Kechik and Mr. Kuan Khian Leng who each has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, have fulfilled the criteria under the definition of an Independent Director as set out under Paragraph 1.01 of the Listing Requirements.

The Board strongly believes that a director's independence cannot be determined arbitrarily with reference only to the tenure of service but rather particular emphasis is placed on the role of independent directors to facilitate independent, unbiased and objective decision making in the Company.

Thus, the Board would recommend to the shareholders for approval at the forthcoming 24th AGM for Dato' Ir. Nik Mohamad Pena bin Nik Mustapha, Dato' Mohd Adhan bin Kechik and Mr. Kuan Khian Leng, to continue acting as Independent Directors of the Company.

3.4 Separation of positions of the Chairman and Managing Director

The roles and responsibilities of the Chairman and Managing Director are separated to ensure a balance of power and authority. The Chairman is responsible for ensuring Board effectiveness and conduct whilst the Managing Director has the overall responsibilities over organisational effectiveness and the implementation of Board policies and decisions.

3.5 Composition

The Board currently has nine (9) members, comprising four (4) Executive Directors and five (5) Non-Executive Directors of whom three (3) are independent. The role of Chairman is held by a Non-Independent Non-Executive Director. This Board composition complies with the Listing Requirements to have at least one third of the Board consisting of Independent Directors.

The Board Meetings are presided by the Chairman. The Executive Directors are generally responsible for making and implementing policies and decisions of the Board, overseeing operations as well as managing development and implementation of business and corporate strategies. The Independent Non-Executive Directors are independent of management and free from any business relationship which could materially interfere with their independent judgment. Their presence ensures that issues of strategies, performance and resources proposed by the management are objectively evaluated with their judgment.

Statement on CORPORATE GOVERNANCE

The Board is mindful that the Non-Independent Non-Executive Chairman, Dato' Lim A Heng @ Lim Kok Cheong, is a Non-Independent Director of the Company. However, the presence of sufficient Independent Directors on the Board who provide unbiased and independent views, advice and judgement plays a vital role in ensuring there is enough check and balance and corporate accountability.

In addition, being the founder of the Company and having wide experiences and knowledge in the field of bottled water sector, the Chairman has proven to be able to provide strong leadership and in prioritising business objectives. The Board and its Nomination Committee are of the view that the chairmanship of Dato' Lim A Heng @ Lim Kok Cheong shall remain.

The Board is satisfied with the existing number and composition of the Directors which fairly reflects the investment of minority shareholders in the Company.

The profile of each Director is presented on pages 29 to 31 of this Annual Report.

4. FOSTER COMMITMENT

4.1 Time Commitment

The Directors are aware of the time commitment expected from each of them to attend to the matters of the Group generally, including attendance at Board, Board Committee and other types of meetings. None of our Directors are directors of more than five (5) public listed companies. The Board is satisfied that the present directorships in external organisations held by the Directors do not give rise to any conflict of interests nor impair their ability to discharge their responsibilities to the Group.

The Board has committed to meet at least four (4) times a year, usually before the announcement of quarterly results to Bursa Malaysia Securities Berhad ("**Bursa Securities**"), with additional meetings convened when necessary.

During the seven (7) months financial period ended December 31, 2016, two (2) Board meetings were held and the attendance is as follows:-

Directors	Attendance
Dato' Lim A Heng @ Lim Kok Cheong	2/2
Dato' Lim Kok Boon	2/2
Lim Seng Lee	2/2
Dr. Chuah Chaw Teo	2/2
Lam Sang	2/2
Chok Hooa @ Chok Yin Fatt	2/2
Dato' Ir. Nik Mohamad Pena bin Nik Mustapha	2/2
Dato' Mohd Adhan bin Kechik	2/2
Kuan Khian Leng	2/2

The Directors would notify the Company prior to accepting any new directorship in a public listed company.

Statement on CORPORATE GOVERNANCE

4.2 Directors' Training

The Board acknowledges that continuous education is vital in keeping them abreast with developments in the market place and with new statutory and regulatory requirements, besides enhancing professionalism and knowledge in enabling them to discharge their roles in an effective manner.

Relevant training programmes were arranged to facilitate knowledge building for Directors. The Directors may also attend additional training courses according to their individual needs, to equip themselves for the discharge of their responsibilities as directors of a public listed company and in the Board Committees on which they serve.

All our Directors have attended and completed the Mandatory Accreditation Programme as prescribed by the Bursa Securities.

All the Directors have attended development and training programmes during the financial period ended December 31, 2016. The conferences, seminars, workshops and training programmes attended by the Directors were as follows:-

Name	Conferences, seminars, workshops and training programmes
Dato' Lim A Heng @ Lim Kok Cheong	Environmental, Social and Governance Practices for Corporate Sustainability and Reporting
Dato' Lim Kok Boon	Environmental, Social and Governance Practices for Corporate Sustainability and Reporting
Lim Seng Lee	Going Public and What it Entails
	How to Make a Quantum Leap in your Sales in 2017
Dr. Chuah Chaw Teo	Environmental, Social and Governance Practices for Corporate Sustainability and Reporting
Lam Sang	Environmental, Social and Governance Practices for Corporate Sustainability and Reporting
Chok Hooa @ Chok Yin Fatt	The Impact of Plastics on the Sustainability of Environment : Should Plastics Be Banned?
	MAICSA Annual Conference 2016 : Sustainability - Shaping The Future
	Launch of AGM Guide and Corporate Governance Breakfast Series entitled "How to Leverage on AGMs for Better Engagement with Shareholders"
	Environmental, Social and Governance Practices for Corporate Sustainability and Reporting
Dato' Ir. Nik Mohamad Pena bin Nik Mustapha	Corporate Governance Breakfast Series for Directors : Future of Auditor Reporting - The Game Changer for Boardroom
	Environmental, Social and Governance Practices for Corporate Sustainability and Reporting
	Corporate Governance Breakfast Series with Directors: "Anti-corruption and Integrity - Foundation of Corporate Sustainability"
Dato' Mohd Adhan bin Kechik	Environmental, Social and Governance Practices for Corporate Sustainability and Reporting
Kuan Khian Leng	Launch of AGM Guide and Corporate Governance Breakfast Series entitled "How to Leverage on AGMs for Better Engagement with Shareholders"
	Environmental, Social and Governance Practices for Corporate Sustainability and Reporting

Statement on CORPORATE GOVERNANCE

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with Applicable Financial Reporting Standards

The Board is committed to provide a balanced, clear and meaningful assessment of the financial performance and prospects of the Company via all disclosures and announcements made. The Board is assisted by the Audit Committee to oversee and scrutinise the process and quality of the financial reporting includes reviewing and monitoring of the integrity of the financial statements and the appropriateness of the Company's accounting policies to ensure accuracy, adequacy and completeness of the report, as well as in compliance with the relevant accounting standards.

5.2 Assessment of Suitability and Independence of External Auditors

The Board has established a formal and transparent arrangement with the external auditors of the Company through the Audit Committee. The Audit Committee communicated directly and independently with the auditors and without the presence of the Executive Directors at least once a year.

The Audit Committee at its meeting held on February 27, 2017 undertook an annual evaluation of the performance, suitability, independence, professionalism and remuneration of the external auditors. In its evaluation, the Audit Committee considered several factors, which included adequacy of experience and resources of the firm and the professional staff assigned to the audit together with the independence of Deloitte PLT ("Deloitte") for the financial period ended December 31, 2016.

Deloitte, has in place policies on rotation for partners and managers of an audit engagement to ensure objectivity, independence and integrity of the audit. They have declared their independence to the Group and their compliance with By-Laws (on professional ethics, conduct and independence) of the Malaysian Institute of Accountants.

Being satisfied with Deloitte's performance, independence and suitability, the Audit Committee recommended the re-appointment of Deloitte as external auditors of the Company for the financial period ended December 31, 2016. The Board at its meeting held on February 27, 2017 approved the Audit Committee's recommendation for the approval to be obtained at the 24th AGM on the re-appointment of Deloitte as external auditors of the Company for the financial year ending December 31, 2017.

6. RECOGNISE AND MANAGE RISKS

6.1 Sound Framework to Manage Risks

The Board has established a comprehensive framework for risk management and a sound internal control system. The Group's Risk Management Advisory Committee oversees its enterprise risk management, review and approve actions developed to mitigate key risks and advising the Board on risk related issues. In addition, it also provides direction and counsel to the risk management process as well as involves in the evaluation of the structure for the Group's risk management processes and support system.

6.2 Internal Control Function

The Group continues to maintain and to review its internal control procedures to ensure, as far as possible, the protection of its assets and its shareholders' investments.

Details of the Group's internal control system are set out in the Statement on Risk Management and Internal Control on pages 52 to 56 of this Annual Report.

6.3 Whistleblower Policy

The Board is committed to maintain the highest possible standard of professionalism, ethics and legal conduct in the Group's business activities. The Company's Whistleblower Policy provides a mechanism for its Board members, all levels of employees, contractors, suppliers, bankers, customers and business associates to report suspected or instances of wrongdoing in the conduct of its business, whether in matters of financial reporting or other malpractices, at the earliest opportunity and in an appropriate way.

The Whistleblower Policy is available on the Company's website at http://www.spritzer.com.my.

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policy

The Board has adopted its Corporate Disclosure Policy to promote timely and high quality disclosure of material information to the public. The Corporate Disclosure Policy is available on the Company's website at http://www.spritzer.com.my.

The Board adheres strictly to the Bursa Securities' disclosure framework to provide investors and the public with accurate and complete information on a timely basis. The Board ensures that confidential information is handled properly by authorised personnel to avoid leakage and improper use of such information. The Board is also mindful that information which is expected to be material must be announced immediately.

7.2 Leverage on Information Technology for Effective Dissemination of Information

The Board endeavours to provide timely and accurate disclosure of all material information of the Group to the shareholders and investors. Information is disseminated through various disclosures and announcements made to the Bursa Securities which includes the quarterly financial results, audited financial statements and Annual Reports. This information is also electronically published at the Bursa Securities' and the Company's websites at http://www.bursamalaysia.com and http://www.spritzer.com.my respectively and it is accessible by public.

8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Encourage Shareholder Participation at General Meetings

The Board regards the AGM and other general meetings as an opportunity to communicate directly with shareholders and encourages attendance and participation in dialogue. The Board takes cognisance in serving longer than the required minimum notice period for AGMs, when possible. The Chairman together with the Managing Director ensure that the Board is accessible to shareholders and an open channel of communication is cultivated. The Board has ensured that an explanatory statement will accompany each item of special business included in the notice of meeting on the effects of the proposed resolutions. Each shareholder can vote in person or by appointing a proxy/ proxies to attend and vote on his behalf. Separate issues are tabled in separate resolutions at general meetings, voting is carried out systematically and resolutions are properly recorded.

Statement on CORPORATE GOVERNANCE

8.2 Poll Voting

Pursuant to Paragraph 8.29A(1) of the Listing Requirements, the Company is required to ensure that any resolution set out in the notice of general meetings is voted by poll. Hence, all the resolutions set out in the notice of the Company's forthcoming 24th AGM will be voted by poll.

8.3 Effective communication and proactive engagement

At the 23rd AGM, all Directors were present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company. The Directors, Management and external auditors were in attendance to respond to the shareholders' queries.

The Board welcomes questions and feedback from shareholders during and at the end of shareholders' meeting and ensures their queries are responded in a proper and systematic manner.

COMPLIANCE STATEMENT

During the financial period of seven (7) months ended December 31, 2016, the Board is satisfied that the Company has complied with the principles and recommendations of the MCCG 2012 except where it was specifically stated otherwise.

OTHER INFORMATION

1. Utilisation of Proceeds raised from Corporate Proposals

The Company did not raise any funds from any corporate proposals during the financial period ended December 31, 2016.

2. Non-audit Fees

For the financial period ended December 31, 2016, the amount of audit and non-audit fees paid/payable to the Company's external auditors are as follows:-

	Company	Group
	RM	RM
Audit fee	35,500	187,695
Non-audit fee	-	800
Total	35,500	188,495

3. Material Contracts

There was no material contract which has been entered into by the Group, involving the Directors' and major shareholders' interests, entered into since the end of the previous financial year and at the end of the financial period.

Statement of DIRECTORS' RESPONSIBILITY

FOR PREPARING THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 1965 to prepare the financial statements for period ended December 31, 2016 which give a true and fair view of the financial position of the Company and of the Group and the financial performance and cash flows for the period ended December 31, 2016 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

In preparing the financial statements, the Directors have:-

- Adopted appropriate accounting policies and applied them consistently;
- Made judgments and estimates that are reasonable and prudent; and
- Prepared the financial statements on a going concern basis.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy the financial position of the Company and of the Group to enable them to ensure that the financial statements are drawn up in accordance with the provisions of the Companies Act, 1965.

The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and of the Group to prevent and detect fraud and other irregularities.

Statement on Risk Management AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors of Spritzer Bhd ("**Board**") is pleased to provide the following Statement on Risk Management & Internal Control pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Listing Requirements**"). The Board is committed towards fulfilling its responsibility on the Group's compliance with the Principles and Best Practices provisions in relation to risk management as stipulated in the Malaysian Code on Corporate Governance 2012.

BOARD RESPONSIBILITIES

The Board acknowledges the importance in maintaining sound internal controls and effective risk management practices to ensure good corporate governance. The Board affirms its overall responsibility for the Group's system of internal control which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. The Board is taking appropriate initiatives to further strengthen the transparency, accountability and efficiency of the Group's operations.

The Board also recognises that a sound system of internal control can only provide reasonable, but not absolute assurance against material loss or failure. The internal control system is thus designed to manage and minimise rather than to completely eliminate the risk of failure in achieving the Group's business objectives. This denotes that the internal control system has been applied to manage risks within cost levels appropriate to the significance of the risks.

RISK MANAGEMENT FRAMEWORK

The Group recognises that effective Risk Management is an integral part of Corporate Governance and continuously strives for excellence to ensure effective and systematic protection of its personnel, assets and stakeholders. The effectiveness of the risk management is monitored and evaluated by all levels of management on an ongoing basis. The Group's Enterprise Risk Management ("**ERM**") Framework provides for regular review and reporting.

Companies within the Group has their own Risk Management Committee ("**RMC**") chaired by Managing Director or General Manager of the respective companies and the members (Risk Management Representatives) are departmental heads of various business units. Risks identified are raised for attention in the Risk Action Plan ("**RAP**"). The RAPs include an assessment of the degree of risk, and an evaluation of the effectiveness of the risk mitigating and treatment measures. RAPs are compiled by the Risk Management Representative, reviewed by the Group Risk Officer and approved by the RMC Chairman. RAPs are discussed during RMC meetings that are held at least twice every year. All RAPs are reported to the Group Risk Management Advisory Committee ("**GRMAC**") during its meetings.

The GRMAC is headed by a member of the Audit Committee and three other members from Senior Management, including the Group Financial Controller. The GRMAC will provide direction and counsel to the risk management process as well as involves in the evaluation of the structure for the Group's risk management processes and support system. In addition, it will review and approve actions developed to mitigate key risks and advising the Board on risk related issues. The GRMAC meetings are held at least twice every year.

A summary of significant risks is submitted to the Audit Committee for its attention. The Audit Committee will review and monitor the effectiveness of the Group's risk management system, and advises the Board accordingly.

Statement on Risk Management AND INTERNAL CONTROL

The Group Financial Controller also serves as the Group's Risk Officer who is responsible for enabling the efficient and effective governance of significant risks, and related opportunities, to the Group.

The risk management programme has served the Group with structured, consistent approaches and methodologies in responding to the uncertainties in its operating environment. This warrants the strategic and rapid response by the management to impede the impact on its key risks to achieve the Group's business objectives.

CONTROL ENVIRONMENT

- The Board Charter sets out the responsibilities and functions of the Board.
- Board committees such as the Audit Committee and the Remuneration Committee are established by the Board and they are governed by clearly defined terms of reference and authority for areas within their scope.
- The Employee Handbook of Spritzer Bhd provides for the corporate philosophy, core values and milestones of the Group and at the same time sets out the ethical standards and expected code of conduct to achieve the Group's vision and support the business objectives, risk management and internal controls.
- The Group has also written Environment, Safety and Health and Information Technology policies and procedures which are also incorporated into the Employee Handbook.
- The Group has organisational structures which are aligned with its business and operational requirements setting out clearly defined levels of authority and responsibilities. Job description for all levels of employees are also clearly documented and updated on a timely basis.

INTERNAL AUDIT FUNCTION

The Group engages an independent Internal Audit Team to conduct scheduled internal audit visits to business units, and carries out its functions in monitoring the effective application of policies, procedures and activities related to internal controls, risk management and governance processes.

The Internal Audit Team conducts risk-based audit with focus on effective risk management practices. Its primary function is to provide objective and independent assurance of the Group's system of internal controls as well as reviewing the adequacy and effectiveness of risk management, governance and control processes that are in place. It also monitors compliance with applicable laws and regulation, policies, and guidelines to ensure these are adhered to by the Group. Internal control weaknesses, if any together with audit recommendation for improvement shall be reported to management for corrective / preventive actions. Significant audit findings and corrective measures are to be highlighted to the GRMAC and the Audit Committee.

CONTROL ACTIVITIES

The control activities carried out by the Group include the following:

- The Group has in place policies and procedures in the form of Standard Operating Procedures – SOP and Operational Manuals in key business processes and support functions which include financial reporting, human capital, procurement, and information systems. Policies and procedures are also established relating to delegation of authority and segregation of duties.
- The Audit Committee reviews and approves the internal audit plan at the start of the year and reviews the internal audit reports and other internal control issues identified by the Internal Auditors.

Statement on Risk Management AND INTERNAL CONTROL

- Major capital expenditure and investment are reviewed and approved by the Board. All other purchases and payments are approved by reference to formalised limits of authority.
- The Group has in place insurance coverage where it is available on economically acceptable terms to minimise related financial impacts.
- The Group's business units set annual Key Performance Indices ("**KPI**") for improvement and performance evaluation purpose. KPIs are reviewed on a monthly basis at subsidiary levels in the monthly Performance Outstanding Steering Committee ("**POST**") meetings and Departmental Head KPI meetings.
- Internal audits are carried out to ensure compliance with KPIs, and audit findings are presented to senior management for review. Corrective actions are carried out to ensure KPIs are achieved.
- Annual operating and financial budgets are prepared by the Group's business and operating units, and are approved by the Managing Directors and submitted to the Board. The review of budget against actual performance are performed on a quarterly basis and are presented to the Senior Management and certain directors. In the process, significant variances are investigated and necessary remedial actions taken to minimise variances in future.
- The Group's Safety and Health Committee holds regular meetings to discuss about related issues and to ensure that the Group's safety and health policies are carried out in compliance with the law and regulations to ensure employee and workplace safety.

INFORMATION AND COMMUNICATIONS

- Monthly and quarterly management reports and other relevant financial information containing key financial results, ratio analysis and operational performance indicators are submitted to the management and the Board for review on a timely basis.
- Minutes of Monthly Operations and Demand Review meetings are circulated to the Senior Management for information. Operational issues of material in nature are presented to the Board.
- Minutes of monthly POST meetings are circulated to Senior Management for information on operational matters and challenges faced by various department. Results of the POST audits carried out are also communicated to Senior Management. This facilitates identification of risks on a timely basis.
- The Group has an Enterprise Resource Planning ("**ERP**") system that can capture, compile and analyse data to produce relevant reports for management decision making purposes.
- A Whistleblower policy is established to provide secured communication channel which facilitate whistleblowing in a transparent and confidential manner. The policy sets out mechanism in which genuine whistleblowers will be able to raise concerns about suspected or actual improprieties in matters of financial reporting, violation or non-compliance with the law and regulations and the Group's policy and ethical standards in carrying out its business.

MONITORING

Board meetings are held at least on a quarterly basis where the Board is kept up-to-date on significant changes in the business and the external environment in which the Group operates and to review the performance of the Group.

The Group's management team comprising executive directors and departmental heads carries out periodic meetings with agendas on matters for discussion and communicates regularly to monitor operational and financial performance as well as to formulate action plans to address areas of concern.

The independent Internal Audit Team reports to the Audit Committee on the findings of the audit, including risk and control matters of significance that could adversely affect the Group's financial position or reputation. The internal audit function will provide the Board with an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system in anticipating potential risk exposures over key business processes and in controlling the proper conduct of business within the Group.

Statement on Risk Management AND INTERNAL CONTROL

REVIEW OF EFFECTIVENESS

The Board remains committed towards improving the system of internal control and risk management process to meet its corporate objectives and to support all types of businesses and operations within the Group. The Board is of the opinion that the Group's present system of internal controls is sound and sufficient to safeguard the Group's interest and its business operations. It is also satisfied that the risks taken are at an acceptable level within the control of the business environment of the Group.

MAJOR RISK AREAS

The major risk areas identified and managed by the Group on an on-going basis are as follows:

(a) Business / Operations risks

- The Group is constantly searching for new water sources as well as engaging with local water board in its efforts to ensure there is continuous flow of water supply to cater for demand and production needs.
- It is the Group's policy to invest in modernisation and automation of production facilities and machinery to increase productivity, overcome labour shortages and keep operational costs at manageable levels.
- To manage risk of lack of talent, the Group has in place attractive remuneration packages and implemented HR policies which focus on attracting and retaining talents within the Group.
- Operations teams hold regular discussions and monthly meetings which include discussions on managing existing risks and identifying new risks affecting the business operations of the Group.
- New risks which are identified will be escalated to operations heads and general managers via electronic communications, minutes of meetings and written reports.
- RAP will be prepared on significant risks identified and the RAPs will be submitted to the Risk Management Representative for further action.

(b) Financial risks

The key financial risks facing the Group are credit risk and liquidity and cash flow risks.

Credit risk

- Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss which affects negatively the profitability and cash flows of the Group. The exposure of the Group to credit risk arises principally from its trade receivables.
- The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from customer defaults.
- The Group has in place an account opening verification and credit application process to ensure credit worthiness of potential new customers are properly evaluated before acceptance. Cash term or secured payment terms such as with financial guarantee and letter of credit will always be demanded for new customer accounts, with credit limit, where applicable.
- The Group has ageing reports for collection and monitoring purpose. Prompt action, which included orders and delivery suspension will be taken against long overdue accounts.

Statement on Risk Management AND INTERNAL CONTROL

Liquidity and cash flow risks

- The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and financial liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.
- The Group's principal source of liquidity has historically been cash flows from operations and funds obtained from long and short-term borrowings.
- The Group expects that the cash generated from its operations, its existing credit facilities and the trade terms provided by its suppliers will be sufficient to meet the Group's currently anticipated capital expenditure and working capital needs for at least the next 12 months.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Listing Requirements, the External Auditors, Deloitte PLT, have reviewed this Statement in accordance with the Recommended Practice Guide 5 (Revised) issued by the Malaysian Institute of Accountants, for inclusion in the Annual Report for the financial period ended December 31, 2016. Deloitte PLT had reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material aspects, in accordance with the disclosures required by Paragraph 41 and 42 of the Guidelines, nor is it factually inaccurate.

CONCLUSION

The Board has received assurance from the Group Chief Executive Officer and Group Financial Controller that the Group's risk management and internal control systems have operated adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group. For the financial period under review, the Board is satisfied with the adequacy and effectiveness of the Group's risk management and internal control processes in safeguarding the shareholders' investment as well as other stakeholders' interests.

There were no material or significant losses incurred during the financial period as a result of deficiencies in internal control that would require separate disclosure in this Annual Report.

This Statement was approved by the Board on April 10, 2017.

Report of the Directors and FINANCIAL STATEMENTS

Directors' REPORT

The directors of **SPRITZER BHD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial period June 1, 2016 to December 31, 2016.

CHANGE IN FINANCIAL YEAR END

During the current financial period, the Group and the Company changed their financial year end from May 31 to December 31. Accordingly, the financial statements of the Group and of the Company for the current financial period are drawn up for a period of seven months from June 1, 2016 to December 31, 2016.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding.

The subsidiaries are principally involved in the production of natural mineral water, carbonated flavoured water, distilled water, drinking water and non-carbonated flavoured water, manufacturing and selling of PET preforms, PET bottles, caps, toothbrushes and other plastic products, distribution of bottled water and other consumer products, operator of a mini golf course and recreational park and investment holding. The information on the name, place of incorporation, principal activities, and percentage of issued and share capital held by the holding company in each subsidiary is as disclosed in Note 15 to the financial statements.

RESULTS

The results of the Group and of the Company for the financial period are as follows:

	The Group RM'000	The Company RM'000
Profit for the period attributable to owners of the Company	12,507	6,220

In the opinion of the directors, the results of operations of the Group and of the Company during the financial period have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid or proposed by the Company are in respect of the following:

Ordinary shares

A first and final dividend of 5.5 sen per share, amounting to RM9.622 million, proposed in the previous financial year and dealt with in the previous year directors' report was paid on November 11, 2016.

The directors have proposed a first and final dividend of 3.5 sen per share, under the single tier system, in respect of the current financial period. The proposed 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. Upon approval by the shareholders, the dividend payment will be accounted for in equity as an appropriation of retained earnings during the financial year ending December 31, 2017.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial period other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial period, the issued and paid-up ordinary share capital of the Company was increased from RM79,215,462 to RM89,786,501 by way of:

(i) issue of 166,000 new ordinary shares of RM0.50 each for cash pursuant to the Employees' Share Option Scheme ("ESOS") of the Company at an exercise price of RM0.75 per ordinary share;

(ii) issue of 364,000 new ordinary shares of RM0.50 each for cash pursuant to the ESOS of the Company at an exercise price of RM0.91 per ordinary share;

(iii) issue of 1,162,500 new ordinary shares of RM0.50 each for cash pursuant to the ESOS of the Company at an exercise price of RM1.56 per ordinary share;

(iv) issue of 1,892,000 new ordinary shares of RM0.50 each for cash pursuant to the ESOS of the Company at an exercise price of RM1.90 per ordinary share; and

(v) issue of 17,557,578 new ordinary shares of RM0.50 each for cash pursuant to conversion of Warrants at an exercise price of RM1.18 per ordinary share.

The resulting premium arising from the shares issued pursuant to the ESOS and Warrants of the Company of RM17,349,960 has been credited to the share premium account.

The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

The Company has not issued any debentures during the financial period.

Treasury Shares

There was no repurchase of its own shares from the open market by the Company during the financial period. As of December 31, 2016, the Company held a total of 24,000 out of its 179,573,002 issued and paid-up ordinary share capital as treasury shares. Such treasury shares are being held at a carrying amount of RM13,832 and further relevant details are disclosed in Note 23 (b) to the financial statements.

Share Options

Under the Company's ESOS, which became effective on March 9, 2012, options to subscribe for new ordinary shares of RM0.50 each in the Company were granted to eligible persons who include directors and employees of the Group and of the Company. The details of the ESOS are disclosed in Note 31 to the financial statements.

Directors' REPORT

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

(a) which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial period which secures the liabilities of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial period.

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial period which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial period and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company in the financial period in which this report is made.

Directors' REPORT

DIRECTORS

The directors of the Company in office during the financial period and during the period from the end of the financial period to the date of this report are:

Y Bhg Dato' Lim A Heng @ Lim Kok Cheong, JSM, DPMP, JP
Y Bhg Dato' Lim Kok Boon, DPMP
Mr Lim Seng Lee
Dr Chuah Chaw Teo
Mr Lam Sang
Mr Chok Hooa @ Chok Yin Fatt, PMP
Y Bhg Dato' Ir. Nik Mohamad Pena bin Nik Mustapha, DIMP
YB Dato' Mohd Adhan bin Kechik, DJMK, SMK
Mr Kuan Khian Leng

The directors who hold office in the subsidiaries of the Company during the financial period and up to the date of this report are:

Name of Directors	**Subsidiaries**
Y Bhg Dato' Lim A Heng @ Lim Kok Cheong, JSM, DPMP, JP	AG, CS, CSC, GPI, PM, SEP
Y Bhg Dato' Lim Kok Boon, DPMP	AG, CS, CSC, PM, SEP, SPR HK, SPR GZ
Mr Lim Seng Lee	SEP, SPR HK, SPR GZ
Dr Chuah Chaw Teo	AG, GPI, PM, SEP
Mr Lam Sang	GPI, PM
Y Bhg Datin Chua Shok Tim @ Chua Siok Hoon	CS, CSC
Mr Lim Ee Young	SPR GZ
Mr Tang Ha Huat	GPI

Denotes:

AG	Angenet Sdn Bhd
CS	Chuan Sin Sdn Bhd
CSC	Chuan Sin Cactus Sdn Bhd
GPI	Golden PET Industries Sdn Bhd
PM	PET Master Sdn Bhd
SEP	Spritzer EcoPark Sdn Bhd
SPR HK	Spritzer (Hong Kong) Limited
SPR GZ	Spritzer (Guangzhou) Trading Limited

Directors' REPORT

DIRECTORS' INTERESTS

The shareholdings in the Company of those who were directors at the end of the financial period, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016, are as follows:

	Number of ordinary shares			
Shares in the Company	**Balance as of 1.6.2016**	**Bought**	**Sold**	**Balance as of 31.12.2016**
Registered in the name of directors				
Y Bhg Dato' Lim A Heng @ Lim Kok Cheong, JSM, DPMP, JP	8,346,366	800,841	-	9,147,207
Y Bhg Dato' Lim Kok Boon, DPMP	6,536,800	-	-	6,536,800
Mr Lim Seng Lee	280,566	-	-	280,566
Dr Chuah Chaw Teo	504,666	-	(271,800)	232,866
Mr Lam Sang	1,999,982	-	(771,900)	1,228,082
Mr Chok Hooa @ Chok Yin Fatt, PMP	203,500	-	(70,000)	133,500
Y Bhg Dato' Ir. Nik Mohamad Pena bin Nik Mustapha, DIMP	1,700,000	210,000	-	1,910,000
YB Dato' Mohd Adhan bin Kechik, DJMK, SMK	3,575,665	105,000	(100,000)	3,580,665
Mr Kuan Khian Leng	-	45,000	(45,000)	-
Deemed interests by virtue of shares held by companies in which the directors have interests				
Y Bhg Dato' Lim A Heng @ Lim Kok Cheong, JSM, DPMP, JP	75,098,576	11,319,418	(800,000)	85,617,994
Y Bhg Dato' Lim Kok Boon, DPMP	3,864,000	583,000	-	4,447,000
Mr Lim Seng Lee	3,864,000	583,000	-	4,447,000
Mr Kuan Khian Leng	4,680,000	-	-	4,680,000
Deemed interests by virtue of shares held by immediate family members of the directors				
Y Bhg Dato' Lim A Heng @ Lim Kok Cheong, JSM, DPMP, JP	2,228,598	388,899	-	2,617,497
Y Bhg Dato' Lim Kok Boon, DPMP	513,899	337,000	(50,000)	800,899
Mr Lim Seng Lee	151,000	88,000	(30,000)	209,000

Directors' REPORT

Warrant holdings in the Company	Number of Warrants over ordinary shares Balance as of 1.6.2016	Bought	Sold/ Converted	Lapsed on 13.12.2016	Balance as of 31.12.2016
Registered in the name of directors					
Y Bhg Dato' Lim A Heng @ Lim Kok Cheong, JSM, DPMP, JP	800,841	-	(800,841)	-	-
Deemed interests by virtue of shares held by companies in which the directors have interests					
Y Bhg Dato' Lim A Heng @ Lim Kok Cheong, JSM, DPMP, JP	7,792,518	1,583,000	(9,375,518)	-	-
Y Bhg Dato' Lim Kok Boon, DPMP	1,166,000	-	(1,166,000)	-	-
Mr Lim Seng Lee	1,166,000	-	(1,166,000)	-	-
Deemed interests by virtue of shares held by immediate family members of the directors					
Y Bhg Dato' Lim A Heng @ Lim Kok Cheong, JSM, DPMP, JP	388,899	-	(388,899)	-	-

Share options of the Company	Number of options over ordinary shares Balance as of 1.6.2016	Granted	Exercised	Balance as of 31.12.2016
Registered in the name of directors				
Y Bhg Dato' Lim Kok Boon, DPMP	478,000	-	-	478,000
Mr Lim Seng Lee	375,000	-	-	375,000
Y Bhg Dato' Ir. Nik Mohamad Pena bin Nik Mustapha, DIMP	210,000	-	(210,000)	-
Y B Dato' Mohd Adhan bin Kechik, DJMK, SMK	105,000	-	(105,000)	-
Mr Kuan Khian Leng	45,000	-	(45,000)	-

By virtue of Y Bhg Dato' Lim A Heng @ Lim Kok Cheong, JSM, DPMP, JP's interests in the shares of the Company, he is also deemed to have an interest in the shares of all the subsidiaries to the extent that the Company has interests.

Directors' REPORT

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors or the fixed salary of a full-time employee of the Company as disclosed in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the transactions between the Company and certain companies in which certain directors of the Company are also directors and/or shareholders as disclosed in Note 20 to the financial statements.

During and at the end of the financial period, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the options granted to certain directors pursuant to the Company's ESOS as disclosed above and in Note 31 to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains directors' liability insurance for purpose of Section 289 of the Companies Act 2016 throughout the financial period, which provides appropriate insurance cover for the directors and/or officers of the Group and of the Company. The amount of insurance premium paid/payable during the financial period is as follows:

	The Group RM	The Company RM
Insurance premium paid/payable	5,440	1,900

AUDITORS' REMUNERATION

The amount paid/payable as remuneration of the auditors for the financial period ended December 31, 2016 is as disclosed in Note 7 to the financial statements.

AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

Y BHG DATO' LIM KOK BOON, DPMP
Managing Director

MR LIM SENG LEE
Executive Director
Ipoh,
April 10, 2017

Independent Auditors' REPORT

TO THE MEMBERS OF SPRITZER BHD

(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **SPRITZER BHD**, which comprise the statements of financial position of the Group and of the Company as of December 31, 2016, and the statements of profit or loss, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial period June 1, 2016 to December 31, 2016, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 69 to 142.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as of December 31, 2016, and of their financial performance and their cash flows for the financial period June 1, 2016 to December 31, 2016 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws *(on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current period. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' REPORT

TO THE MEMBERS OF SPRITZER BHD

(Incorporated in Malaysia)

Key audit matters	*How the scope of our audit responded to the key audit matter*
Trade receivables represent 12% of the Group's current assets and the management exercises significant judgement regarding the collectability of aged or impaired receivables. Refer to Note 19 to the financial statements for further information on trade receivables. The recognition and measurement of impairment of trade receivables are disclosed in Note 3 to the financial statements	We have: • Assessed the adequacy of allowance for doubtful debts on long outstanding debtors and those who exceeded credit period/limit. • Evaluated management's assessment to support the collectability of receivables. • Assessed the specific analysis of individual customers with long overdue balances, including the profile, background and credibility of the customers. • Checked for post period end subsequent collections from customers. • Performed past bad debts trend analysis by comparing the allowance for doubtful debts to the actual bad debts written off.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditors' REPORT

TO THE MEMBERS OF SPRITZER BHD

(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditors' REPORT

TO THE MEMBERS OF SPRITZER BHD

(Incorporated in Malaysia)

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016, we also report that in the case of consolidated financial statements, the names of the subsidiaries, of which we have not acted as auditors, are indicated in Note 15 to the financial statements.

Other Reporting Responsibilities

The supplementary information set out in Note 36 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

LIM KENG PEO
Partner - 2939/01/18(J/PH)
Chartered Accountant
April 10, 2017

Statements of PROFIT OR LOSS

FOR THE PERIOD JUNE 1, 2016 TO DECEMBER 31, 2016

(With Comparative Figures For The Year Ended May 31, 2016)

		The Group		The Company	
	Note	Period Ended 31.12.2016 (7 Months) RM'000	Year Ended 31.5.2016 (12 Months) RM'000	Period Ended 31.12.2016 (7 Months) RM'000	Year Ended 31.5.2016 (12 Months) RM'000
Revenue	5	185,943	288,226	5,416	8,795
Other gains and losses	7	454	82	1,502	1,812
Changes in inventories of finished goods, trading merchandise and work-in-progress		3,313	3,329	-	-
Purchase of finished goods and trading merchandise		(93)	(566)	-	-
Raw materials consumed		(76,772)	(118,768)	-	-
Employee benefits expenses	7	(26,547)	(35,643)	(165)	(370)
Depreciation of property, plant and equipment	13	(8,027)	(12,707)	-	-
Finance costs	10	(806)	(2,080)	-	-
Other expenses	7	(59,195)	(84,795)	(215)	(90)
Profit before tax		18,270	37,078	6,538	10,147
Tax expense	11	(5,763)	(8,621)	(318)	(475)
Profit for the period/year attributable to owners of the Company		12,507	28,457	6,220	9,672
Earnings per share					
Basic (sen)	12	7.53	19.47		
Diluted (sen)	12	7.49	17.99		

The accompanying Notes form an integral part of the financial statements.

Statements of Profit or Loss and OTHER COMPREHENSIVE INCOME

FOR THE PERIOD JUNE 1, 2016 TO DECEMBER 31, 2016

(With Comparative Figures For The Year Ended May 31, 2016)

	The Group		The Company	
	Period Ended 31.12.2016 (7 Months) RM'000	Year Ended 31.5.2016 (12 Months) RM'000	Period Ended 31.12.2016 (7 Months) RM'000	Year Ended 31.5.2016 (12 Months) RM'000
Profit for the period/year	12,507	28,457	6,220	9,672
Other comprehensive loss				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign entities	(12)	(22)	-	-
Total comprehensive income for the period/year attributable to owners of the Company	12,495	28,435	6,220	9,672

The accompanying Notes form an integral part of the financial statements.

Statements of FINANCIAL POSITION

AS OF DECEMBER 31, 2016

(With Comparative Figures As Of May 31, 2016)

		The Group		The Company	
	Note	31.12.2016 RM'000	31.5.2016 RM'000	31.12.2016 RM'000	31.5.2016 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	221,262	214,210	-	-
Investment properties	14	4,354	4,354	-	-
Investments in subsidiaries	15	-	-	83,964	72,557
Goodwill on consolidation	16	40	40	-	-
Total non-current assets		225,656	218,604	83,964	72,557
Current assets					
Other investments	17	24,212	6,381	24,154	6,323
Inventories	18	36,562	30,418	-	-
Trade and other receivables	19	58,790	68,795	51,338	53,382
Current tax assets	11	217	248	-	-
Other assets	21	3,480	6,213	3,737	3,045
Fixed deposits, cash and bank balances	22	18,580	17,593	343	5,220
Total current assets		141,841	129,648	79,572	67,970
Total assets		367,497	348,252	163,536	140,527
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	23(a)	89,787	79,215	89,787	79,215
Treasury shares	23(b)	(14)	(14)	(14)	(14)
Reserves	24	198,482	179,619	73,018	60,439
Total equity		288,255	258,820	162,791	139,640
Non-current liabilities					
Hire-purchase payables	25	261	6	-	-
Borrowings	26	9,311	7,162	-	-
Deferred tax liabilities	27	17,840	18,259	-	-
Total non-current liabilities		27,412	25,427	-	-

Statements of FINANCIAL POSITION

AS OF DECEMBER 31, 2016

(With Comparative Figures As Of May 31, 2016)

		The Group		The Company	
	Note	31.12.2016 RM'000	31.5.2016 RM'000	31.12.2016 RM'000	31.5.2016 RM'000
Current liabilities					
Trade and other payables	28	25,195	36,398	17	15
Hire-purchase payables	25	198	160	-	-
Borrowings	26	10,284	16,634	-	-
Current tax liabilities	11	3,210	1,088	190	47
Other liabilities	29	12,943	9,725	538	825
Total current liabilities		51,830	64,005	745	887
Total liabilities		79,242	89,432	745	887
Total equity and liabilities		367,497	348,252	163,536	140,527

The accompanying Notes form an integral part of the financial statements.

Statement of CHANGES IN EQUITY

FOR THE PERIOD JUNE 1, 2016 TO DECEMBER 31, 2016

(With Comparative Figures For The Year Ended May 31, 2016)

The Group	Note	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Equity-Settled Employee Benefits Reserve RM'000	Translation Reserve RM'000	Distributable Reserve - Retained Earnings RM'000	Total Equity RM'000
			← Non-distributable Reserves →					
Balance as of June 1, 2015		70,748	(14)	24,222	4,016	-	116,574	215,546
Profit for the year		-	-	-	-	-	28,457	28,457
Other comprehensive loss for the year		-	-	-	-	(22)	-	(22)
Total comprehensive income/(loss) for the year		-	-	-	-	(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	-	14,888	(2,192)	-	-	21,163
Payment of dividend	30	-	-	-	-	-	(7,319)	(7,319)
Balance as of May 31, 2016		79,215	(14)	39,094	2,693	(22)	137,854	258,820
Profit for the period		-	-	-	-	-	12,507	12,507
Other comprehensive loss for the period		-	-	-	-	(12)	-	(12)
Total comprehensive income/(loss) 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	-	17,350	(1,339)	-	-	26,583
Payment of dividend	30	-	-	-	-	-	(9,622)	(9,622)
Balance as of December 31, 2016		89,787	(14)	56,423	1,345	(34)	140,748	288,255

The accompanying Notes form an integral part of the financial statements.

Statement of CHANGES IN EQUITY

FOR THE PERIOD JUNE 1, 2016 TO DECEMBER 31, 2016

(With Comparative Figures For The Year Ended May 31, 2016)

The Company	Note	Share Capital RM'000	Treasury Shares RM'000	← Non-distributable Reserves: Share Premium RM'000	Non-distributable Reserves →: Equity-Settled Employee Benefits Reserve RM'000	Distributable Reserve - Retained Earnings RM'000	Total Equity RM'000
Balance as of June 1, 2015		70,748	(14)	24,222	4,016	16,299	115,271
Profit and total comprehensive income for the year		-	-	-	-	9,672	9,672
Expenses relating to issuance of ESOS and Warrants		-	-	(16)	-	-	(16)
Recognition of share-based payments		-	-	-	869	-	869
Exercise of ESOS and Warrants		8,467	-	14,888	(2,192)	-	21,163
Payment of dividend	30	-	-	-	-	(7,319)	(7,319)
Balance as of May 31, 2016		79,215	(14)	39,094	2,693	18,652	139,640
Profit and total comprehensive income for the period		-	-	-	-	6,220	6,220
Expenses relating to issuance of ESOS and Warrants		-	-	(21)	-	-	(21)
Recognition of share-based payments		-	-	-	(9)	-	(9)
Exercise of ESOS and Warrants		10,572	-	17,350	(1,339)	-	26,583
Payment of dividend	30	-	-	-	-	(9,622)	(9,622)
Balance as of December 31, 2016		89,787	(14)	56,423	1,345	15,250	162,791

The accompanying Notes form an integral part of the financial statements.

Statement of CASH FLOWS

FOR THE PERIOD JUNE 1, 2016 TO DECEMBER 31, 2016

(With Comparative Figures For The Year Ended May 31, 2016)

	Note	The Group Period Ended 31.12.2016 (7 Months) RM'000	The Group Year Ended 31.5.2016 (12 Months) RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit for the period/year		12,507	28,457
Adjustments for:			
Depreciation of property, plant and equipment		8,032	12,716
Tax expense recognised in profit or loss		5,763	8,621
Finance costs		806	2,080
Property, plant and equipment written off		679	685
Inventories written off		38	-
Unrealised gain on foreign exchange		(199)	(243)
Investment revenue		(157)	(167)
Interest income		(112)	(82)
Reversal of impairment loss on receivables		(65)	(321)
Allowance for slow moving and obsolete inventories no longer required		(53)	(32)
(Gain)/Loss on disposal of property, plant and equipment		(28)	671
Gain on disposal of other investment		(18)	(6)
Fair value adjustment of other investment		(12)	(10)
Equity-settled share-based payments		-	1,011
Receivables written off		-	78
Deposits written off		-	45
Impairment loss recognised on receivables		-	7
		27,181	53,510
Movements in working capital:			
(Increase)/Decrease in:			
Inventories		(6,129)	(6,442)
Trade and other receivables		10,174	(10,500)
Other assets		2,891	(3,344)
(Decrease)/Increase in:			
Trade and other payables		(11,122)	9,315
Other liabilities		3,218	1,451
Cash Generated From Operations		26,213	43,990
Interest received		112	82
Income tax paid		(4,029)	(9,381)
Income tax refunded		-	120
Net Cash From Operating Activities		22,296	34,811

Statement of CASH FLOWS

FOR THE PERIOD JUNE 1, 2016 TO DECEMBER 31, 2016

(With Comparative Figures For The Year Ended May 31, 2016)

	Note	The Group Period Ended 31.12.2016 (7 Months) RM'000	Year Ended 31.5.2016 (12 Months) RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Proceeds from disposal of other investments		15,100	5,419
Investment revenue		56	167
Proceeds from disposal of property, plant and equipment		44	168
Placement of other investments		(32,800)	(9,471)
Purchase of property, plant and equipment	33(a)	(13,997)	(22,220)
Deposits paid for purchase of property, plant and equipment		(1,526)	-
Placement of fixed deposit		(1)	(1)
Capital return from investment in unquoted shares		-	10
Net Cash Used In Investing Activities		(33,124)	(25,928)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from issuance of shares arising from exercise of ESOS and Warrants		26,583	21,163
Proceeds from term loans		4,800	5,000
Dividends paid		(9,622)	(7,319)
Repayment of bankers' acceptances - net		(3,159)	(7,637)
Repayment of revolving credits - net		(2,950)	(5,550)
Repayment of term loans		(2,864)	(7,774)
Finance costs paid		(806)	(2,080)
Repayment of hire-purchase payables		(207)	(2,357)
Expenses relating to issuance of ESOS and Warrants paid		(21)	(16)
Net Cash From/(Used In) Financing Activities		11,754	(6,570)
NET INCREASE IN CASH AND CASH EQUIVALENTS		926	2,313
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD/YEAR		17,545	15,168
Effect of exchange rate changes on the balance of cash held in foreign currencies		88	64
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	33(b)	18,559	17,545

The accompanying Notes form an integral part of the financial statements.

Statement of CASH FLOWS

FOR THE PERIOD JUNE 1, 2016 TO DECEMBER 31, 2016

(With Comparative Figures For The Year Ended May 31, 2016)

	Note	The Company Period Ended 31.12.2016 (7 Months) RM'000	The Company Year Ended 31.5.2016 (12 Months) RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit for the period/year		6,220	9,672
Adjustments for:			
Tax expense recognised in profit or loss		318	475
Dividend income		(5,416)	(8,795)
Interest income		(1,373)	(1,725)
Investment revenue		(101)	(71)
Gain on disposal of other investment		(18)	(6)
Fair value adjustment of other investment		(12)	(10)
Equity-settled share-based payments		-	104
		(382)	(356)
Movements in working capital:			
Decrease/(Increase) in:			
Trade and other receivables		1,144	(11,981)
Other assets		(3,735)	(3,039)
Increase/(Decrease) in:			
Trade and other payables		2	9
Other liabilities		(287)	420
Cash Used In Operations		(3,258)	(14,947)
Dividend received from subsidiaries		5,416	8,795
Interest received		1,373	1,725
Income tax paid		(175)	(449)
Income tax refunded		-	67
Net Cash From/(Used In) Operating Activities		3,356	(4,809)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Proceeds from disposal of other investments		15,100	5,419
Placement of other investments		(32,800)	(9,471)
Acquisition of shares in a subsidiary		(7,473)	(55)
Investment revenue		-	71
Net Cash Used In Investing Activities		(25,173)	(4,036)

Statement of CASH FLOWS

FOR THE PERIOD JUNE 1, 2016 TO DECEMBER 31, 2016

(With Comparative Figures For The Year Ended May 31, 2016)

	Note	The Company Period Ended 31.12.2016 (7 Months) RM'000	The Company Year Ended 31.5.2016 (12 Months) RM'000
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from issuance of shares arising from exercise of ESOS and Warrants		26,583	21,163
Dividends paid		(9,622)	(7,319)
Expenses relating to issuance of ESOS and Warrants paid		(21)	(16)
Net Cash From Financing Activities		16,940	13,828
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(4,877)	4,983
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD/YEAR		5,220	237
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	33(b)	343	5,220

The accompanying Notes form an integral part of the financial statements.

Notes to the FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad.

The Company is principally involved in investment holding.

The subsidiaries are principally involved in the production of natural mineral water, carbonated flavoured water, distilled water, drinking water and non-carbonated flavoured water, manufacturing and selling of PET preforms, PET bottles, caps, toothbrushes and other plastic products, distribution of bottled water and other consumer products, operator of a mini golf course and recreational park and investment holding. The information on the name, place of incorporation, principal activities, and percentage of issued and share capital held by the holding company in each subsidiary is as disclosed in Note 15.

The Companies Act 2016 (New Act) was enacted to replace the Companies Act, 1965 and was passed by Parliament on April 4, 2016. The New Act was subsequently gazetted on September 15, 2016. On January 26, 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the effective date of the New Act, except for section 241 and Division 8 of Part III of the New Act, to be January 31, 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Group and of the Company would include the removal of the authorised share capital, replacement of no par value shares in place of par or nominal value shares and the treatment of share premium.

The adoption of the New Act is not expected to have any financial impact on the Group and on the Company for the financial period ended December 31, 2016 as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on the disclosures to the annual report and financial statements of the Group and of the Company for the financial year ending December 31, 2017.

The registered office of the Company is located at Lot 85, Jalan Portland, Tasek Industrial Estate, 31400 Ipoh, Perak Darul Ridzuan.

The principal place of business of the Company is located at Lot 898, Jalan Reservoir, Off Jalan Air Kuning, 34000 Taiping, Perak Darul Ridzuan.

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Group's and the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

The financial statements of the Group and of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the directors on April 10, 2017.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act, 1965 in Malaysia.

Notes to the FINANCIAL STATEMENTS

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.1 Adoption of new and revised MFRSs

New and revised MFRSs affecting amounts reported and/or disclosures in the financial statements

In the current period, the Group and the Company have applied a number of new and revised MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2016.

The adoption of the new and revised MFRSs has had no material impact on the disclosures or on the amounts recognised in the financial statements.

2.2 Standards in issue but not yet effective

The directors anticipate that the following Standards will be adopted in the annual financial statements of the Group and of the Company when they become mandatorily effective for adoption. The adoption of these Standards is not expected to have a material impact on the financial statements of the Group and of the Company except as further discussed below:

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)[2]
MFRS 15	Revenue from Contracts with Customers (and the related Clarifications) [2]
MFRS 16	Leases[3]
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts[2]
Amendments to MFRS 140	Transfers of Investment Property[2]
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration[2]
Amendments to MFRS 107	Disclosure Initiative[1]
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to MFRSs	Annual Improvements to MFRSs 2014 - 2016 Cycle[1 or 2]

[1] Effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.

[2] Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

[3] Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

MFRS 9 *Financial Instruments*

MFRS 9 (IFRS 9 issued by IASB in November 2009) introduced new requirements for the classification and measurement of financial assets. MFRS 9 (IFRS 9 issued by IASB in October 2010) include requirements for the classification and measurement of financial liabilities and for derecognition, and in February 2014, the new requirements for general hedge accounting was issued by MASB. Another revised version of MFRS 9 was issued by MASB - MFRS 9 (IFRS 9 issued by IASB in July 2014) mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.2 Standards in issue but not yet effective (cont'd)

MFRS 9 *Financial Instruments (cont'd)*

Key requirements of MFRS 9:

- all recognised financial assets that are within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or at fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, MFRS 9 requires that the amount of change in the fair value of the financial liability's that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

- in relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in MFRS 139. Under MFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Group and of the Company anticipate that the application of MFRS 9 in the future may have a material impact on amounts reported in respect of the Group's and of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 until the Group and the Company complete a detailed review.

Notes to the FINANCIAL STATEMENTS

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.2 Standards in issue but not yet effective (cont'd)

MFRS 15 *Revenue from Contracts with Customers*

In September 2014, MFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Subsequently, amendments to MFRS 15 were issued in June 2016 which provide clarification on certain requirements of MFRS 15 and provide additional transitional relief upon implementing MFRS 15. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in MFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by MFRS 15.

The directors of the Group and of the Company anticipate that the application of MFRS 15 in the future may have a material impact on the amounts reported and disclosures made in these financial statements. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 15 until the Group and the Company complete a detailed review.

MFRS 16 *Leases*

MFRS 16 specifies how an MFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with MFRS 16's approach to lessor accounting substantially unchanged from its predecessor, MFRS 117.

At lease commencement, a lessee will recognise a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessees shall use their incremental borrowing rate.

The directors of the Group and of the Company anticipate that the application of MFRS 16 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 16 until the Group and the Company perform a detailed review.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.2 Standards in issue but not yet effective (cont'd)

Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*

The amendments clarify that in estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority (typically in cash), i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follow:

- the original liability is derecognised;
- the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date, and
- any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The amendments are effective for annual reporting periods beginning on or after January 1, 2018 with earlier application permitted. Specific transition provisions apply.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared on the historical cost basis except for certain non-current assets and financial instruments that are measured at amortised cost or at fair value, at the end of each reporting period as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group and the Company take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial statements of the Group and of the Company is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2, leasing transactions that are within the scope of MFRS 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value in use in MFRS 136.

Notes to the FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Accounting (cont'd)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Subsidiaries and Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and of the subsidiaries controlled by the Company. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassessed whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Accounting (cont'd)

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the relevant assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable MFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

Business Combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to the share-based payment arrangements of the acquire or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Business Combinations (cont'd)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another MFRSs.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with MFRS 139 or MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interests in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

The policy described above is applied to all business combinations that take place on or after January 1, 2011.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, net of goods and services tax, trade discounts and customer returns.

Sale of goods

Revenue from sale of goods is recognised when the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend income

Dividend income represents gross dividends from unquoted investments and is recognised when the shareholder's rights to receive payment is established.

Income from mini golf operation

Revenue from mini golf entrance is recognised when tickets are sold.

Revenue from package events service fees is recognised when services are rendered.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income

Rental income is recognised on a straight-line basis, by reference to the agreements entered.

Employee Benefits

Short-term employee benefits

Wages, salaries, paid annual leave, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Notes to the FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Employee Benefits (cont'd)

Defined contribution plans

The Group makes statutory contributions to approved provident funds and the contributions are charged to profit or loss as incurred. The approved provident funds are defined contribution plans. Once the contributions have been paid, there are no further payment obligations.

Share-based compensation benefits

The Company operates an equity-settled, share-based compensation plan, where shares and/or options are issued by the Company to eligible directors and employees of the Group and of the Company. The fair value of the employee services received in exchange for the grant of the shares and/or options is recognised as an expense with a corresponding entry to reserves over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares and/or options granted at the grant date and the number of shares and/or options vested by vesting date, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in the estimates of the number of the options that are expected to become exercisable. The grant of options by the Company over its equity instruments to the directors and employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Foreign Currencies

The individual financial statements of each entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Ringgit Malaysia, which is the functional currency of the Company, and also the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entity, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the year in which they arise except for exchange differences arising on the retranslation of non-monetary items carried at fair value in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, the exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, assets and liabilities of the foreign incorporated subsidiaries of the Group are expressed in Ringgit Malaysia using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the translation reserve of the Group. Such exchange differences are reclassified to profit or loss in the year in which the foreign incorporated subsidiaries are disposed of.

Notes to the FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which require a substantial period of time to get them ready for their intended use, are capitalised and included as part of the cost of the related assets. Capitalisation of borrowing costs will cease when the assets are ready for their intended use.

All other borrowing costs are recognised as an expense in the year in which they are incurred.

Taxation

Tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the statements of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability of the Group and of the Company for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses, unused tax credits and unutilised reinvestment allowances to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, unused tax losses, unused tax credits and unutilised reinvestment allowances can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or to settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Taxation (cont'd)

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the interest of the acquirer in the net fair value of the identifiable assets, liabilities and contingent liabilities over cost of the acquiree.

Earnings per Share

Basic earnings per share ("EPS") is calculated by dividing the consolidated profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the consolidated profit or loss attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the period, adjusted for the effects of all dilutive potential ordinary shares.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land and capital work-in-progress are not depreciated.

Capital work-in-progress comprises factory building under construction and factory equipment under installation. Depreciation on assets under work-in-progress commences when the assets are ready for their intended use.

Leasehold land is amortised over the lease periods ranging from 77 to 82 years. Depreciation of other property, plant and equipment is computed on the reducing balance method to write off the cost of the various property, plant and equipment over their estimated useful lives at the following annual rates:

Buildings and factory extension	2% to 5%
Staff quarters	2% to 10%
Plant and machinery	5% to 10%
Motor vehicles	20%
Furniture, fixtures and equipment	5% to 20%
Electrical installation	10%
Water dispensers	10%

The estimated useful lives, residual values and depreciation method of property, plant and equipment are reviewed at each year end, with the effect of any changes in estimates accounted for prospectively.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, Plant and Equipment Under Hire-Purchase Arrangements

Assets acquired under hire-purchase arrangements which transfer substantially all of the risks and rewards incident to ownership of the assets are capitalised under property, plant and equipment. The assets and the corresponding hire-purchase obligations are recorded at their fair values or, if lower, at the present value of the minimum hire-purchase payments of the assets at the inception of the respective arrangements.

Finance costs, which represent the differences between the total hire-purchase commitments and the fair values of the assets acquired, are charged to profit or loss over the term of the relevant hire-purchase period so as to give a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases, other than leasehold properties classified as investment property, are classified as operating leases. Property interest held under an operating lease to earn rentals or for capital appreciation or both is classified as investment property.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the year in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Investment Properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at cost, including transaction cost. Subsequent to initial recognition, investment properties are measured at fair value. Fair value is arrived by reference to market evidence of transaction prices for similar properties. Gain or loss arising from changes in the fair value of investment properties are recognised in profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from their disposal. Gain or loss on the retirement or disposal of an investment property is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss in the year in which the retirement or disposal arise.

Notes to the FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investments in Subsidiaries

Investments in subsidiaries are stated in the Company's financial statements at cost less accumulated impairment losses, if any.

Goodwill

Goodwill acquired in a business combination is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment losses. Goodwill arising on consolidation represents the excess of cost of business combination over the interest of the Group in the net fair values of the identifiable assets, liabilities and contingent liabilities recognised of the acquiree at the date of the combination.

Goodwill is not amortised. Instead, it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units of the Group expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss is recognised immediately in the consolidated statement of profit or loss and any impairment loss recognised for goodwill is not subsequently reversed.

On disposal of an entity or operation, the goodwill associated with the entity or operation disposed of is included in the carrying amount of the entity or operation when determining the gain or loss on disposal.

Any excess of the interest of the Group in the net fair values of the acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisition (previously known as negative goodwill) is reassessed and is recognised immediate in the consolidated statement of profit or loss.

Impairment of Assets excluding Goodwill

At the end of each reporting period, the Group and the Company review the carrying amounts of their assets (other than inventories, financial assets and investment properties which are dealt with in their respective policies) to determine if there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of Assets excluding Goodwill (cont'd)

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is only reversed to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. A reversal is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined principally on the "First-in, First-out" and "Weighted Average" methods. Cost of raw materials, trading merchandise, packing materials, spare parts and goods-in-transit comprise the original purchase price plus cost incurred in bringing the inventories to their existing location and condition. Cost of finished goods and work-in-progress comprise the cost of direct and packing materials, direct labour and a proportion of production overheads. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of past event and it is probable that the Group and the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Research and Development Costs

Research costs relating to the original and planned investigation undertaken with the prospect of gaining new technical knowledge and understanding, are recognised as an expense when incurred.

Development costs represent costs incurred in the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems, or services prior to the commencement of commercial production or use. Development costs are charged to profit or loss in the year in which it is incurred except where a clearly-defined project is undertaken and it is probable that the development costs will give rise to future economic benefits. Such development costs are recognised as an intangible asset and amortised on a straight-line method over the life of the project from the date of commencement of commercial operation, which is on average five years.

Notes to the FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments

Financial instruments are recognised in statements of financial position when, and only when the Group and the Company become a party to the contractual provisions of the financial instruments.

Where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, such financial assets are recognised and derecognised on trade date.

Financial instruments are initially measured at fair value, plus transaction costs, except for those financial assets and financial liabilities classified as at fair value through profit or loss ("FVTPL"), which are initially measured at fair value.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income and expense is recognised on an effective interest basis for debt instruments other than those financial assets or financial liabilities classified as at FVTPL.

(a) Financial assets

Financial assets of the Group and of the Company are classified into 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(i) AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL. All AFS financial assets are measured at fair value at the end of the reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of the reporting period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's and the Company's right to receive the dividends is established.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (cont'd)

(a) Financial assets (cont'd)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(iii) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

AFS investments are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the AFS investments, the estimated future cash flows of the investments have been affected. For unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the investments below their costs is considered to be objective evidence of impairment. When an AFS investment is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss even though the investment has not been derecognised. Impairment losses of AFS investments previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under investment revaluation reserve.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Notes to the FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (cont'd)

(a) Financial assets (cont'd)

(iii) Impairment of financial assets (cont'd)

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are debited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

(iv) Derecognition of financial assets

The Group and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group and the Company neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Company recognise their retained interests in the asset and an associated liability for amounts it may have to pay. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Company continue to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

(b) Financial liabilities and equity instruments

(i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definition of a financial liability and an equity instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (cont'd)

(b) Financial liabilities and equity instruments (cont'd)

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and by the Company are recognised at the proceeds received, net of direct issue costs.

Shares repurchased by the Company are held as treasury shares, and are stated at the cost of repurchases, including directly attributable costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

(iii) Financial liabilities

Financial liabilities of the Group and of the Company are classified into "other financial liabilities" category.

(iv) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

(v) Derecognition of financial liabilities

The Group and the Company derecognise financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

(vi) Financial guarantee contracts

The Group has issued corporate guarantee to banks for borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Group to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings. Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liabilities are initially recognised at their fair values plus transaction costs and subsequently at the higher of the amount determined in accordance with MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate, in the Group's statement of financial position.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Notes to the FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (cont'd)

(b) Financial liabilities and equity instruments (cont'd)

(vi) Financial guarantee contracts (cont'd)

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Company for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Group will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the bank in the Group's statement of financial position.

(c) Derivative financial instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Segment Reporting

For management purposes, the Group is organised into operating segments that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that related to transactions with any of the Group's other components. The Group's reporting segments were identified based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Group's reportable segments are strategic business operations that are managed separately based on the Group's management and internal reporting structure.

Statements of Cash Flows

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

Cash and cash equivalents consists of cash and bank balances, deposits with licensed banks, bank overdrafts and highly liquid investments which are readily convertible to cash with insignificant risks of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

Notes to the FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the accounting policies of the Group and of the Company which are described in Note 3, the directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

In the process of applying accounting policies of the Group and of the Company, the directors are of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Estimated Useful Lives of Property, Plant and Equipment

The Group regularly reviews the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

(b) Recoverability of Receivables

The Group makes allowance for doubtful receivables based on an assessment of the recoverability of trade and other receivables. An allowance is established for trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful receivables requires use of judgment and estimates.

Where the expectation is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful receivables expenses in the period in which such estimate has been changed.

(c) Allowance for Slow Moving and Obsolete Inventories

The Group makes allowance for slow moving and obsolete inventories based on an assessment of the recoverability of the inventories through sales and recycling for alternative uses. Allowance is applied to inventories where events or changes in circumstances indicate that the costs may not be recoverable.

The identification of slow moving and obsolete inventories requires use of judgment and estimates.

Where the expectation is different from the original estimate, such difference will impact the carrying value of the inventories and expenses on inventories written down in the period in which such estimate has been changed.

Notes to the FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(d) Deferred Tax on Investment Properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolio and concluded that the Group's investment properties are not being held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax on investment properties, the directors have determined that the presumption that the carrying amounts of the investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has recognised deferred tax liabilities on changes in fair values of investment properties based on the expected rate that would apply on disposal of the investment properties.

(e) Income Taxes

The Group is subject to income taxes of numerous jurisdictions. Judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(f) Deferred Tax Assets

The Group recognises deferred tax assets to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and unused tax credits can be utilised. This involves estimation regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised.

5. REVENUE

	The Group		The Company	
	Period Ended 31.12.2016 (7 Months) RM'000	Year Ended 31.5.2016 (12 Months) RM'000	Period Ended 31.12.2016 (7 Months) RM'000	Year Ended 31.5.2016 (12Months) RM'000
Sale of goods	185,666	287,865	-	-
Income from mini golf operation	277	361	-	-
Dividend income from subsidiaries	-	-	5,416	8,795
	185,943	288,226	5,416	8,795

6. SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The chief operating decision maker and senior management of the Group review the operating segment results regularly to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

The Group has three reportable segments, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately as they require different technology and marketing strategies. The chief operating decision maker and senior management review the management reports of each of the strategic units on a monthly basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Goodwill is allocated to reportable segment as described in Note 16. Unallocated items mainly comprise corporate assets and liabilities, such as tax assets/liabilities and deferred tax assets/liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Segments comprise:

Segment	Products and services
Manufacturing	Natural mineral water, carbonated flavoured water, distilled water, drinking water, non-carbonated flavoured water, PET preforms, PET bottles, caps and toothbrushes
Trading	Bottled water and other consumer products
Others	Recreational park, investment and properties holding

For financial statements presentation purposes, these individual operating segments have been aggregated into a single operating segment considering the following factors:

- the production of merchandise of the products are similar; and

- the methods used to distribute the products to the customers are the same.

Notes to the FINANCIAL STATEMENTS

6. SEGMENT REPORTING (CONT'D)

The Group 31.12.2016	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue					
External sales	174,792	10,874	277	-	185,943
Inter-segment sales	38,311	9	5,488	(43,808)	-
Total revenue	213,103	10,883	5,765	(43,808)	185,943
Results					
Segment results	28,219	(9,259)	6,293	(6,334)	18,919
Finance costs					(806)
Investment revenue					157
Profit before tax					18,270
Tax expense					(5,763)
Profit for the year					12,507
Other information					
Capital additions	15,536	308	-	(70)	15,774
Depreciation of property, plant and equipment	7,932	62	38	-	8,032
Property, plant and equipment written off	679	-	-	-	679
Gain on disposal of property, plant and equipment	28	-	-	-	28
Reversal of impairment loss on receivables	65	-	-	-	65
Allowance for slow moving and obsolete inventories no longer required	53	-	-	-	53
Fair value adjustment of other investment (gain)	-	-	12	-	12
Gain on disposal of other investment	-	-	18	-	18
Inventories written off	38	-	-	-	38
Assets					
Segment assets	357,740	8,306	174,637	(173,403)	367,280
Unallocated segment assets					217
Consolidated Total Assets					367,497
Liabilities					
Segment liabilities	124,205	3,476	5,065	(74,554)	58,192
Unallocated segment liabilities					21,050
Consolidated Total Liabilities					79,242

Notes to the FINANCIAL STATEMENTS

6. SEGMENT REPORTING (CONT'D)

The Group 31.5.2016	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue					
External sales	272,975	14,890	361	-	228,226
Inter-segment sales	65,032	16	8,824	(73,872)	-
Total revenue	338,007	14,906	9,185	(73,872)	288,226
Results					
Segment results	41,132	(143)	9,588	(11,586)	38,991
Finance costs					(2,080)
Investment revenue					167
Profit before tax					37,078
Tax expense					(8,621)
Profit for the year					28,457
Other information					
Capital additions	23,801	121	448	(5)	24,365
Depreciation of property, plant and equipment	12,601	50	65	-	12,716
Property, plant and equipment written off	680	5	-	-	685
Loss on disposal of property, plant and equipment	671	-	-	-	671
Reversal of impairment loss on receivables	250	71	-	-	321
Receivables written off	78	-	-	-	78
Deposits written off	45	-	-	-	45
Allowance for slow moving and obsolete inventories no longer required	32	-	-	-	32
Impairment loss on receivables	7	-	-	-	7
Fair value adjustment of other investment (gain)	-	-	10	-	10
Gain on disposal of other investment	-	-	6	-	6
Assets					
Segment assets	351,056	7,285	151,213	(161,550)	348,004
Unallocated segment assets					248
Consolidated Total Assets					348,252
Liabilities					
Segment liabilities	145,128	4,437	5,414	(84,894)	70,085
Unallocated segment liabilities					19,347
Consolidated Total Liabilities					89,432

Notes to the FINANCIAL STATEMENTS

6. SEGMENT REPORTING (CONT'D)

Geographical segments

Information on the Group's operations and analysis of the carrying amounts of segment assets and capital additions by geographical segment has not been provided as the segment assets and capital additions of the Group located outside Malaysia is less than 10% of its total segment assets and capital additions respectively.

The Group's analysis of the segment revenue from external customers by geographical area based on the geographical location of its customers has not been provided as the export sales of the Group is less than 10% of its total revenue.

7. OTHER GAINS AND LOSSES, OTHER EXPENSES AND EMPLOYEE BENEFITS EXPENSES

Included in other gains and losses and other expenses are the following:

		The Group		The Company	
	Note	Period Ended 31.12.2016 (7 Months) RM'000	Year Ended 31.5.2016 (12 Months) RM'000	Period Ended 31.12.2016 (7 Months) RM'000	Year Ended 31.5.2016 (12 Months) RM'000
Unrealised gain on foreign exchange		199	243	-	-
Investment revenue	8	157	167	101	71
Rental income:					
- Premises		146	235	-	-
- Motor vehicles		113	188	-	-
- Water dispensers		1	2	-	-
- Others		-	8	-	-
Interest income		112	82	1,373	1,725
Reversal of impairment loss on receivables	19	65	321	-	-
Allowance for slow moving and obsolete inventories no longer required	18	53	32	-	-
Gain/(Loss) on disposal of property, plant and equipment		28	(671)	-	-
Gain on disposal of other investment	18	6	18	6	
Fair value adjustments of other investment		12	10	12	10
Rental expense:					
- Plant and equipment		(753)	(1,005)	-	-
- Premises		(534)	(319)	-	-
Property, plant and equipment written off		(679)	(685)	-	-

7. OTHER GAINS AND LOSSES, OTHER EXPENSES AND EMPLOYEE BENEFITS EXPENSES (CONT'D)

		The Group		The Company	
	Note	Period Ended 31.12.2016 (7 Months) RM'000	Year Ended 31.5.2016 (12 Months) RM'000	Period Ended 31.12.2016 (7 Months) RM'000	Year Ended 31.5.2016 (12 Months) RM'000
Auditors' remuneration:					
Statutory audit		(183)	(192)	(36)	(36)
Others		(6)	(6)	-	-
Realised loss on foreign exchange		(139)	(315)	-	-
Research and development expenditure		(91)	(153)	-	-
Inventories written off		(38)	-	-	-
Receivables written off		-	(78)	-	-
Deposits written off		-	(45)	-	-
Impairment loss recognised on receivables	19	-	(7)	-	-

Included in employee benefits expenses are the following:

		The Group		The Company	
	Note	Period Ended 31.12.2016 (7 Months) RM'000	Year Ended 31.5.2016 (12 Months) RM'000	Period Ended 31.12.2016 (7 Months) RM'000	Year Ended 31.5.2016 (12 Months) RM'000
Directors' remuneration	9	2,815	4,089	165	370
Contributions to Employees' Provident Fund		1,621	2,434	-	-
Equity-settled share-based payments		-	744	-	-
Rental of hostels		46	59	-	-

Notes to the FINANCIAL STATEMENTS

7. OTHER GAINS AND LOSSES, OTHER EXPENSES AND EMPLOYEE BENEFITS EXPENSES (CONT'D)

Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company which includes Executive Directors of the Company and certain members of senior management of the Company.

The remuneration of directors are disclosed in Note 9. The remuneration of other members of key management personnel of the Group during the financial period are as follows:

	The Group	
	Period Ended 31.12.2016 (7 Months) RM'000	Year Ended 31.5.2016 (12 Months) RM'000
Short-term employee benefits	2,258	2,691
Post-employment benefits - Defined contribution plan	179	325
Equity-settled share-based payments	-	138
	2,437	3,154

The estimated monetary value of benefits-in-kind received and receivable by other members of key management personnel otherwise than in cash from the Group amounted to RM75,444 (31.5.2016: RM80,605).

8. INVESTMENT REVENUE

	The Group		The Company	
	Period Ended 31.12.2016 (7 Months) RM'000	Year Ended 31.5.2016 (12 Months) RM'000	Period Ended 31.12.2016 (7 Months) RM'000	Year Ended 31.5.2016 (12 Months) RM'000
Income from other investments	101	71	101	71
Rental income from investment properties	56	96	-	-
	157	167	101	71

The following is an analysis of investment revenue earned by category of assets:

	The Group		The Company	
	Period Ended 31.12.2016 (7 Months) RM'000	Year Ended 31.5.2016 (12 Months) RM'000	Period Ended 31.12.2016 (7 Months) RM'000	Year Ended 31.5.2016 (12 Months) RM'000
Investment income earned on:				
Non-derivative financial assets carried at fair value through profit or loss	101	71	101	71
Non-financial assets	56	96	-	-
	157	167	101	71

Notes to the FINANCIAL STATEMENTS

9. DIRECTORS' REMUNERATION

	The Group		The Company	
	Period Ended 31.12.2016 (7 Months) RM'000	Year Ended 31.5.2016 (12 Months) RM'000	Period Ended 31.12.2016 (7 Months) RM'000	Year Ended 31.5.2016 (12 Months) RM'000
Directors of the Company:				
Fees	193	309	137	219
Equity-settled share-based payments	-	256	-	104
Other emoluments	2,571	3,443	28	47
	2,764	4,008	165	370
Directors of the subsidiaries:				
Fees	17	27	-	-
Equity-settled share-based payments	-	11	-	-
Other emoluments	34	43	-	-
	51	81	-	-
	2,815	4,089	165	370

Included in directors' other emoluments are contributions made by the Group to the Employees' Provident Fund of RM142,272 (31.5.2016: RM333,994).

The estimated monetary value of benefits-in-kind received and receivable by the directors otherwise than in cash from the Group amounted to RM144,603 (31.5.2016: RM190,529).

10. FINANCE COSTS

	The Group	
	Period Ended 31.12.2016 (7 Months) RM'000	Year Ended 31.5.2016 (12 Months) RM'000
Interests on:		
Term loans	261	580
Bankers' acceptances	157	606
Revolving credits	152	483
Hire-purchase	17	63
Bank overdrafts	1	2
Onshore foreign currency loan (USD)	-	1
Total interest expenses for financial liabilities not classified as at FVTPL	588	1,735
Other finance costs	218	345
	806	2,080

Notes to the FINANCIAL STATEMENTS

11. TAX EXPENSE

	The Group		The Company	
	Period Ended 31.12.2016 (7 Months) RM'000	Year Ended 31.5.2016 (12 Months) RM'000	Period Ended 31.12.2016 (7 Months) RM'000	Year Ended 31.5.2016 (12 Months) RM'000
Malaysian income tax:				
Current period/year	6,182	8,332	318	418
Prior year	-	69	-	57
	6,182	8,401	318	475
Deferred tax (Note 27):				
Relating to origination and reversal of temporary differences	241	445	-	-
Relating to crystallisation of deferred tax liability on revaluation surplus	(12)	(21)	-	-
Prior year	(648)	(204)	-	-
	(419)	220	-	-
	5,763	8,621	318	475

The Group's and the Company's income tax rate is at 24% (31.5.2016: 24%) except for its foreign subsidiaries whose income tax rates range from 16.5% to 25% (31.5.2016: 16.5% to 25%).

The Budget 2017 announced on October 21, 2016 proposed that the incremental portion of chargeable income compared to the immediate preceding year of assessment enjoys reduced income tax rate as follows with effect from years of assessment 2017 and 2018. Following these, the applicable tax rates to be used for the measurement of any applicable deferred tax will be at the below expected rates:

Percentage of increase in chargeable income as compared to the immediate preceding year of assessment	Percentage point of reduction in tax rate	Tax rate after reduction %
Less than 5%	Nil	24
5% - 9.99%	1	23
10% - 14.99%	2	22
15% - 19.99%	3	21
20% and above	4	20

Notes to the FINANCIAL STATEMENTS

11. TAX EXPENSE (CONT'D)

The tax expense for the period/year can be reconciled to the accounting profit as follows:

	The Group		The Company	
	Period Ended 31.12.2016 (7 Months) RM'000	Year Ended 31.5.2016 (12 Months) RM'000	Period Ended 31.12.2016 (7 Months) RM'000	Year Ended 31.5.2016 (12 Months) RM'000
Profit before tax	18,270	37,078	6,538	10,147
Tax at the applicable statutory income tax rate of 24% (31.5.2016: 24%)	4,385	8,794	1,569	2,435
Tax effects of:				
Current period/year unutilised tax losses and unabsorbed capital allowances not recognised as deferred tax assets	564	393	-	-
Expenses that are not deductible in determining taxable profit	2,394	1,055	49	97
Utilisation of reinvestment allowances	(593)	(405)	-	-
Expenses allowed for double tax deductions	(161)	(346)	-	-
Reinvestment allowance recognised as deferred tax assets	-	(1,129)	-	-
Income that is not taxable in determining taxable profit	-	(5)	(1,300)	(2,114)
Others	(84)	399	-	-
Effect of difference in tax rates of subsidiaries operating in other jurisdictions	(94)	-	-	-
Income tax - prior year	-	69	-	57
Deferred tax - prior year	(648)	(204)	-	-
Tax expense recognised in profit or loss	5,763	8,621	318	475

Current tax assets and liabilities

	The Group		The Company	
	31.12.2016 RM'000	31.5.2016 RM'000	31.12.2016 RM'000	31.5.2016 RM'000
Current tax assets				
Tax refunds receivable	217	248	-	-
Current tax liabilities				
Income tax payables	3,210	1,088	190	47

Notes to the FINANCIAL STATEMENTS

12. EARNINGS PER SHARE

The basic and diluted earnings per ordinary share are calculated as follows:

	The Group	
	Period Ended 31.12.2016 (7 Months)	Year Ended 31.5.2016 (12 Months)
Profit for the period/year attributable to owners of the Company (RM'000)	12,507	28,457
Number of ordinary shares in issue as of June 1 ('000)	158,431	141,496
Shares repurchased and held as treasury shares ('000)	(24)	(24)
	158,407	141,472
Weighted average number of ordinary shares issued during the period/year ('000)	7,618	4,653
Weighted average number of ordinary shares in issue ('000)	166,025	146,125
Basic earnings per ordinary share (sen)	7.53	19.47
Weighted average number of ordinary shares used in calculation of basic earnings per share ('000)	166,025	146,125
Shares deemed to be issued for no consideration in respect of ESOS and Warrants ('000)	919	12,099
Weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000)	166,944	158,224
Diluted earnings per ordinary share (sen)	7.49	17.99

13. PROPERTY, PLANT AND EQUIPMENT

The Group 31.12.2016	Cost: At beginning of period RM'000	Additions RM'000	Disposals RM'000	Write offs RM'000	Reclassification RM'000	Translation difference RM'000	At end of period RM'000
Freehold land	54,240	-	-	-	-	-	54,240
Long-term leasehold land	4,809	-	-	-	-	-	4,809
Buildings	53,658	305	-	(79)	(1,017)	-	52,867
Factory extension	3,665	38	-	-	-	-	3,703
Staff quarters	1,118	-	-	(200)	1,036	-	1,954
Plant and machinery	168,889	11,229	-	(2,047)	534	-	178,605
Motor vehicles	15,875	1,506	(245)	(93)	632	-	17,675
Motor vehicles under hire-purchase	1,722	-	-	-	(632)	-	1,090
Furniture, fixtures and equipment	17,337	834	-	(138)	-	6	18,039
Electrical installation	2,893	98	-	-	-	-	2,991
Water dispensers	291	-	-	-	-	-	291
Capital work-in-progress	907	1,764	-	-	(553)	-	2,118
Total	325,404	15,774	(245)	(2,557)	-	6	338,382

The Group 31.12.2016	Accumulated depreciation: At beginning of period RM'000	Charge for the period RM'000	Disposals RM'000	Write offs RM'000	Reclassification RM'000	Translation difference RM'000	At end of period RM'000
Freehold land	-	-	-	-	-	-	-
Long-term leasehold land	626	33	-	-	-	-	659
Buildings	7,122	534	-	(16)	(15)	-	7,625
Factory extension	706	87	-	-	-	-	793
Staff quarters	237	29	-	(45)	15	-	236
Plant and machinery	83,595	5,427	-	(1,611)	-	-	87,411
Motor vehicles	8,909	990	(229)	(93)	287	-	9,864
Motor vehicles under hire-purchase	426	111	-	-	(287)	-	250
Furniture, fixtures and equipment	8,249	709	-	(113)	-	1	8,846
Electrical installation	1,144	105	-	-	-	-	1,249
Water dispensers	180	7	-	-	-	-	187
Capital work-in-progress	-	-	-	-	-	-	-
Total	111,194	8,032	(229)	(1,878)	-	1	117,120

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group 31.5.2016	Cost					
	At beginning of year RM'000	Additions RM'000	Disposals RM'000	Write offs RM'000	Reclassification RM'000	At end of year RM'000
Freehold land	54,240	-	-	-	-	54,240
Long-term leasehold land	4,809	-	-	-	-	4,809
Buildings	50,000	1,745	-	-	1,913	53,658
Factory extension	3,665	-	-	-	-	3,665
Staff quarters	1,118	-	-	-	-	1,118
Plant and machinery	143,962	7,388	(2,161)	(2,975)	22,675	168,889
Plant and machinery under hire-purchase	15,168	-	-	-	(15,168)	-
Motor vehicles	13,434	2,293	(248)	-	396	15,875
Motor vehicles under hire-purchase	1,381	737*	-	-	(396)	1,722
Furniture, fixtures and equipment	15,634	2,062	(24)	(335)	-	17,337
Electrical installation	2,431	463	-	(1)	-	2,893
Water dispensers	301	-	-	(10)	-	291
Capital work-in-progress	650	9,677	-	-	(9,420)	907
Total	306,793	24,365	(2,433)	(3,321)	-	325,404

* The hire-purchase agreement of the motor vehicle commenced in June 2016.

The Group 31.5.2016	Accumulated depreciation					
	At beginning of year RM'000	Charge for the year RM'000	Disposals RM'000	Write offs RM'000	Reclassification RM'000	At end of year RM'000
Freehold land	-	-	-	-	-	-
Long-term leasehold land	569	57	-	-	-	626
Buildings	6,205	917	-	-	-	7,122
Factory extension	550	156	-	-	-	706
Staff quarters	203	34	-	-	-	237
Plant and machinery	73,064	7,622	(1,368)	(2,340)	6,617	83,595
Plant and machinery under hire-purchase	5,666	951	-	-	(6,617)	-
Motor vehicles	7,511	1,419	(217)	-	196	8,909
Motor vehicles under hire-purchase	417	205	-	-	(196)	426
Furniture, fixtures and equipment	7,365	1,181	(9)	(288)	-	8,249
Electrical installation	983	162	-	(1)	-	1,144
Water dispensers	175	12	-	(7)	-	180
Capital work-in-progress	-	-	-	-	-	-
Total	102,708	12,716	(1,594)	(2,636)	-	111,194

Notes to the FINANCIAL STATEMENTS

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	The Group Carrying amounts 31.12.2016 RM'000	31.5.2016 RM'000
Freehold land	54,240	54,240
Long-term leasehold land	4,150	4,183
Buildings	45,242	46,536
Factory extension	2,910	2,959
Staff quarters	1,718	881
Plant and machinery	91,194	85,294
Plant and machinery under hire-purchase	-	-
Motor vehicles	7,811	6,966
Motor vehicles under hire-purchase	840	1,296
Furniture, fixtures and equipment	9,193	9,088
Electrical installation	1,742	1,749
Water dispensers	104	111
Capital work-in-progress	2,118	907
Total	221,262	214,210

During the financial period/year, depreciation expense is charged to the following items in the statement of profit or loss:

	The Group Period Ended 31.12.2016 (7 Months) RM'000	Year Ended 31.5.2016 (12 Months) RM'000
Depreciation of property, plant and equipment	8,027	12,707
Research and development expenses included in other expenses	5	9
	8,032	12,716

14. INVESTMENT PROPERTIES

The Group 31.12.2016	At beginning of period RM'000	Fair value adjustments RM'000	Disposals RM'000	At end of period RM'000
At fair value				
Freehold land and buildings	614	-	-	614
Long-term leasehold land	1,710	-	-	1,710
Short-term leasehold land	590	-	-	590
Buildings	1,376	-	-	1,376
Renovation	64	-	-	64
Total	4,354	-	-	4,354

Notes to the FINANCIAL STATEMENTS

14. INVESTMENT PROPERTIES (CONT'D)

The Group 31.5.2016	At beginning of year RM'000	Fair value adjustments RM'000	Disposals RM'000	At end of year RM'000
At fair value				
Freehold land and buildings	614	-	-	614
Long-term leasehold land	1,710	-	-	1,710
Short-term leasehold land	590	-	-	590
Buildings	1,376	-	-	1,376
Renovation	64	-	-	64
Total	4,354	-	-	4,354

The fair value of the Group's investment properties as of December 31, 2016 had been arrived at on the basis of a valuation carried out by independent valuers who have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuation was arrived at by reference to the market evidence of transaction prices for similar properties.

The fair value of the investment properties were determined based on the market comparable approach that reflects recent transacted prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

As of December 31, 2016, there were no contractual obligations for future repairs and maintenance of the investment properties (31.5.2016: Nil).

Details of the Group's investment properties and information about the fair value hierarchy as of December 31, 2016 are as follows:

	Fair Value		
The Group 31.12.2016	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**
Freehold land and buildings	-	614	-
Long-term leasehold land	-	1,710	-
Short-term leasehold land	-	590	-
Buildings	-	1,376	-
Renovation	-	64	-
The Group 31.5.2016			
Freehold land and buildings	-	614	-
Long-term leasehold land	-	1,710	-
Short-term leasehold land	-	590	-
Buildings	-	1,376	-
Renovation	-	64	-

There were no transfers between Levels 1 and 2 during the financial period/year.

Notes to the FINANCIAL STATEMENTS

14. INVESTMENT PROPERTIES (CONT'D)

During the financial period/year, direct operating expenses incurred relating to the investment properties of the Group are as follows:

The Group	Generate rental income Period Ended 31.12.2016 RM'000 (7 Months)	Generate rental income Year Ended 31.5.2016 RM'000 (12 Months)	Do not generate rental income Period Ended 31.12.2016 RM'000 (7 Months)	Do not generate rental income Year Ended 31.5.2016 RM'000 (12 Months)
Quit rent and assessments	7	12	5	11
Electricity and water charges	-	-	4	3
Repair and maintenance	-	-	12	-

15. INVESTMENTS IN SUBSIDIARIES

	The Company 31.12.2016 RM'000	The Company 31.5.2016 RM'000
Unquoted shares, at cost:		
At beginning of period/year	72,557	71,737
Subscription of shares	11,416	55
Additions	-	907
Reversals	(9)	(142)
At end of period/year	83,964	72,557

The additions and reversals during the period/year relate to share options granted to the directors and employees of the subsidiaries in prior years.

The details of the subsidiaries are as follows:

Name of Company	Place of Incorporation	Proportion of ownership interest and voting power held by the Group 31.12.2016 %	Proportion of ownership interest and voting power held by the Group 31.5.2016 %	Principal Activities
Direct subsidiaries				
Chuan Sin Sdn Bhd	Malaysia	100	100	Production of natural mineral water, carbonated flavoured water, distilled water, drinking water and non-carbonated flavoured water.
Golden PET Industries Sdn Bhd*	Malaysia	100	100	Manufacturing and selling of PET preforms, PET bottles, caps, toothbrushes and other plastic products.

Notes to the FINANCIAL STATEMENTS

15. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of Company	Place of Incorporation	Proportion of ownership interest and voting power held by the Group 31.12.2016 %	31.5.2016 %	Principal Activities
Chuan Sin Cactus Sdn Bhd	Malaysia	100	100	Distribution of bottled water and other consumer products.
PET Master Sdn Bhd	Malaysia	100	100	Manufacturing and selling of PET preforms.
Angenet Sdn Bhd	Malaysia	100	100	Manufacturing and selling of bottled water.
Spritzer EcoPark Sdn Bhd[1]	Malaysia	100	100	Operator of a mini golf course and recreational park.
Spritzer (Hong Kong) Limited*[2]	Hong Kong	100	100	Investment holding.
Indirect subsidiary held through Spritzer (Hong Kong) Limited				
Spritzer (Guangzhou) Trading Limited*	People's Republic of China	100	100	Distribution of bottled water and other consumer products.

[1] During the financial period, the Company subscribed for 900,000 new ordinary shares of RM1 each, in the share capital of Spritzer EcoPark Sdn Bhd by way of capitalisation of amount due from subsidiary. The effective equity interest of the Company in Spritzer EcoPark Sdn Bhd remained at 100%.

[2] During the financial period, the Company subscribed for 19,542,768 new ordinary shares of HKD1 each, in the share capital of Spritzer (Hong Kong) Limited for a cash consideration of RM10,515,654. The effective equity interest of the Company in Spritzer (Hong Kong) Limited remained at 100%.

* The financial statements of this company are examined by auditors other than the auditors of the Company.

15. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Composition of the Group

Information about composition of the Group at the end of the reporting period is as follows:

Principal activities	Place of incorporation and operation	Number of wholly-owned subsidiaries 31.12.2016	31.5.2016
Production of natural mineral water, carbonated flavoured water, distilled water, drinking water and non-carbonated flavoured water	Malaysia	2	2
Manufacturing and selling of PET preforms, PET bottles, caps, toothbrushes and other plastic products	Malaysia	2	2
Distribution of bottled water and other consumer products	Malaysia	1	1
	People's Republic of China	1	1
Investment holding	Hong Kong	1	1
Operator of a mini golf course and recreational park	Malaysia	1	1
		8	8

16. GOODWILL ON CONSOLIDATION

	The Group 31.12.2016 RM'000	31.5.2016 RM'000
At beginning and end of period/year	40	40

Impairment tests for cash-generating units ("CGU") containing goodwill

Carrying amount of goodwill is allocated to Chuan Sin Cactus Sdn Bhd's trading operations.

The directors did not test the above goodwill for impairment in the current financial period as the operations of Chuan Sin Cactus Sdn Bhd have not deviated materially from that achieved in the previous financial year and any write down in goodwill, if necessary, to its recoverable amount is unlikely to be material to the Group's financial statements.

Notes to the FINANCIAL STATEMENTS

17. OTHER INVESTMENTS

	The Group		The Company	
	31.12.2016 RM'000	31.5.2016 RM'000	31.12.2016 RM'000	31.5.2016 RM'000
Available-for-sale investment carried at cost:				
Investment in unquoted shares				
At beginning of period/year	58	68	-	-
Less: Capital return	-	(10)	-	-
At end of period/year	58	58	-	-
Financial assets carried at fair value through profit and loss:				
Investments in quoted money market funds in Malaysia	24,154	6,323	24,154	6,323
	24,212	6,381	24,154	6,323

Details of the Group's and of the Company's other investments and information about the fair value hierarchy as of December 31, 2016 are as follows:

The Group and The Company 31.12.2016	Fair Value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Financial assets carried at fair value through profit and loss:			
Investments in quoted money market funds in Malaysia	24,154	-	-

The Group and The Company 31.5.2016	Fair Value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Financial assets carried at fair value through profit and loss:			
Investment in quoted money market funds in Malaysia	6,323	-	-

There were no transfers between Levels 1 and 2 during the financial period/year.

Notes to the FINANCIAL STATEMENTS

18. INVENTORIES

	The Group	
	31.12.2016 RM'000	31.5.2016 RM'000
Finished goods and trading merchandise	13,349	10,065
Raw materials	10,254	8,710
Spare parts	6,364	6,534
Packing materials	5,412	4,488
Goods-in-transit	1,424	944
Work-in-progress	312	283
	37,115	31,024
Less: Allowance for slow moving and obsolete inventories	(553)	(606)
Net	36,562	30,418
Cost of inventories recognised as an expense	112,869	175,965

Movement in allowance for slow moving and obsolete inventories is as follows:

	The Group	
	31.12.2016 RM'000	31.5.2016 RM'000
Balance at beginning of period/year	606	638
Allowance no longer required (Note 7)	(53)	(32)
Balance at end of period/year	553	606

19. TRADE AND OTHER RECEIVABLES

	The Group	
	31.12.2016 RM'000	31.5.2016 RM'000
Trade receivables	16,395	15,025
Less: Allowance for doubtful debts	(65)	(130)
	16,330	14,895
Amount due from other related parties:		
- trade	41,953	53,219
Other receivables	507	681
	58,790	68,795

Notes to the FINANCIAL STATEMENTS

19. TRADE AND OTHER RECEIVABLES (CONT'D)

	The Company 31.12.2016 RM'000	31.5.2016 RM'000
Amount due from subsidiaries		
- non-trade (Note 20)	51,328	53,382
Other receivables	10	-
	51,338	53,382

The currency profile of trade and other receivables is as follows:

	The Group 31.12.2016 RM'000	31.5.2016 RM'000
Ringgit Malaysia	55,945	66,150
Singapore Dollar	1,867	1,847
Chinese Renminbi	858	687
United States Dollar	127	117
Australian Dollar	58	124
	58,855	68,925

The amount due from subsidiaries and other receivables of the Company are denominated in Ringgit Malaysia.

Trade receivables and the trade portions of amount due from other related parties of the Group comprise amounts receivable for the sale of goods. The credit periods granted on sale of goods range from 7 to 120 days (31.5.2016: 7 to 120 days). No interest is charged on overdue outstanding balances of these balances.

Included in other receivables of the Group is an amount of RM331,336 (31.5.2016: RM435,997) being Goods and Services Tax and Value Added Tax refundable.

An allowance has been made for estimated irrecoverable amounts from sale of goods of the Group amounting to RM64,951 (31.5.2016: RM129,839) and has been determined by reference to past default experience.

Movement in the allowance for doubtful debts is as follows:

	The Group 31.12.2016 RM'000	31.5.2016 RM'000
Balance at beginning of period/year	130	754
Impairment loss recognised on receivables (Note 7)	-	7
Impairment loss reversed (Note 7)	(65)	(321)
Impairment loss recognised on receivables written off as uncollectible	-	(310)
Balance at end of period/year	65	130

Notes to the FINANCIAL STATEMENTS

19. TRADE AND OTHER RECEIVABLES (CONT'D)

The currency profile of impaired trade receivables is as follows:

	The Group 31.12.2016 RM'000	31.5.2016 RM'000
Australian Dollar	58	123
Ringgit Malaysia	7	7
	65	130

Ageing of impaired trade receivables is as follows:

	The Group 31.12.2016 RM'000	31.5.2016 RM'000
More than 120 days	65	130

Included in trade receivables and amount due from other related parties of the Group are receivables with total carrying amount of RM1,146,706 (31.5.2016: RM974,668) and RM230,825 (31.5.2016: RM880,745) respectively which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances nor does it have a legal right to offset against any amounts owed by the Group to the counterparty except for an amount of Nil (31.5.2016: RM23,696) which the Group holds a bank guarantee to secure the amount against outstanding charges or liabilities incurred by a customer.

Ageing of trade receivables and amount due from other related parties which are past due but not impaired at the end of the reporting period are as follows:

The Group	Trade receivables		Amount due from other related parties	
	31.12.2016 RM'000	31.5.2016 RM'000	31.12.2016 RM'000	31.5.2016 RM'000
31 - 60 days	152	330	-	-
61 - 90 days	425	164	-	-
91 - 120 days	435	225	-	-
More than 120 days	135	256	231	881
	1,147	975	231	881

The Group seeks to maintain strict control over its outstanding trade receivables and amount due from other related parties and has a credit period policy to minimise credit risk. Overdue balances are reviewed regularly by management. The Group has not provided for impairment loss on these trade receivables and trade amount due from other related parties that are past due as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Transactions with related parties are disclosed in Note 20.

Notes to the FINANCIAL STATEMENTS

20. RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or entities.

Related party transactions

Transactions with related parties are as follows:

	The Group		The Company	
	Period Ended 31.12.2016 (7 Months) RM'000	Year Ended 31.5.2016 (12 Months) RM'000	Period Ended 31.12.2016 (7 Months) RM'000	Year Ended 31.5.2016 (12 Months) RM'000
Subsidiaries				
Dividends received	-	-	5,416	8,795
Transactions with other related parties being companies in which certain directors/shareholders and/or persons connected with the directors/shareholders have substantial interests				
Cactus Marketing Sdn Bhd				
Sale of goods	5,257	8,509	-	-
Rental of premise received	28	48	-	-
Purchase of goods	-	2	-	-
Cranberry (M) Sdn Bhd				
Rental of premise received	24	41	-	-
Multibase Systems Sdn Bhd				
Secretarial fees paid/payable	15	24	6	9
Sabah Tea Garden Sdn Bhd				
Rental of premise received	20	22	-	-
Sale of goods	4	6	-	-
Purchase of goods	2	14	-	-
South East Asia Paper Products Sdn Bhd				
Purchase of goods	2,953	4,511	-	-
Sale of goods	1	1	-	-
Unikampar Credit And Leasing Sdn Bhd				
Hire-purchase financing	500	-	-	-
Hire-purchase interest paid	17	20	-	-
Sale of goods	1	2	-	-

Notes to the FINANCIAL STATEMENTS

20. RELATED PARTY TRANSACTIONS (CONT'D)

	The Group		The Company	
	Period Ended 31.12.2016 (7 Months) RM'000	Year Ended 31.5.2016 (12 Months) RM'000	Period Ended 31.12.2016 (7 Months) RM'000	Year Ended 31.5.2016 (12 Months) RM'000
Transactions with other related parties being companies in which certain directors/shareholders and/or persons connected with the directors/shareholders have substantial interests				
Unipon Enterprise Sdn Bhd				
Sale of goods	236	268	-	-
Uniyelee Insurance Agencies Sdn Bhd				
Insurance premium paid/payable	-	80	-	-
Uniyelee Service Agencies Sdn Bhd				
Insurance premium paid/payable	-	35	-	-
Yee Lee Edible Oils Sdn Bhd				
Sale of goods	6,524	11,793	-	-
Transport charges paid	61	175	-	-
Internal audit fee paid	15	12	-	-
Yee Lee Marketing Sdn Bhd				
Sale of goods	13,419	18,227	-	-
Yee Lee Oils & Foodstuffs (Singapore) Pte Ltd				
Sale of goods	2,747	4,858	-	-
Yee Lee Trading Co Sdn Bhd				
Sale of goods	73,541	127,392	-	-
Purchase of goods	2	5	-	-
Yew Lee Chiong Tin Factory Sdn Bhd				
Sale of goods	4	6	-	-

The non-trade amount due from subsidiaries is unsecured, bears interest at 4.00% (31.5.2016: 4.00%) per annum, repayable on demand and will be settled in cash.

The non-trade amounts owing to other related parties are unsecured, interest-free, repayable on demand and will be settled in cash.

The outstanding balances arising from related party transactions are disclosed in Notes 19, 25 and 28.

Notes to the FINANCIAL STATEMENTS

21. OTHER ASSETS

	The Group		The Company	
	31.12.2016 RM'000	31.5.2016 RM'000	31.12.2016 RM'000	31.5.2016 RM'000
Deposits	2,133	4,597	1	1
Prepaid expenses	1,347	1,616	-	1
Share application monies	-	-	3,736	3,043
	3,480	6,213	3,737	3,045

Included in deposits and prepaid expenses of the Group are amounts totalling RM1,526,124 (31.5.2016: RM3,435,968) which represent deposits paid for purchase of property, plant and equipment.

The share application monies of the Company were paid to a subsidiary, Spritzer (Hong Kong) Limited for subscription of new shares in the subsidiary.

22. FIXED DEPOSITS, CASH AND BANK BALANCES

	The Group		The Company	
	31.12.2016 RM'000	31.5.2016 RM'000	31.12.2016 RM'000	31.5.2016 RM'000
Fixed deposits with licensed banks	5,421	3,720	-	3,700
Cash and bank balances	13,159	13,873	343	1,520
	18,580	17,593	343	5,220

Fixed deposit of RM20,727 (31.5.2016: RM20,410) is pledged to a licensed bank as security for banking facilities granted to a subsidiary.

The effective interest rates for fixed deposits ranged from 2.40% to 3.15% (31.5.2016: 2.60% to 3.15%) per annum with maturity periods of 4 to 30 days (31.5.2016: 1 to 30 days).

The currency profile of fixed deposits, cash and bank balances is as follows:

	The Group	
	31.12.2016 RM'000	31.5.2016 RM'000
Ringgit Malaysia	11,469	13,861
Chinese Renminbi	4,082	1,451
Australian Dollar	1,861	1,631
United States Dollar	1,153	602
Hong Kong Dollar	15	48
	18,580	17,593

Cash and bank balances of the Company are denominated in Ringgit Malaysia.

Notes to the FINANCIAL STATEMENTS

23. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

The Group and The Company

	31.12.2016 Number of ordinary shares '000 units	31.5.2016 Number of ordinary shares '000 units	31.12.2016 RM'000	31.5.2016 RM'000
Authorised:				
Ordinary shares of RM0.50 each	200,000	200,000	100,000	100,000
Issued and fully paid:				
Ordinary shares of RM0.50 each:				
Balance at beginning of period/year	158,431	141,496	79,215	70,748
Exercise of ESOS	3,584	6,691	1,793	3,345
Warrants conversion	17,558	10,244	8,779	5,122
Balance at end of period/year	179,573	158,431	89,787	79,215

The Company increased its issued and paid-up ordinary share capital during the financial period by the issuance of 3,584,500 (31.5.2015: 6,691,000) and 17,557,578 (31.5.2016: 10,243,869) new ordinary shares of RM0.50 each pursuant to the exercise of ESOS and the conversion of Warrants of the Company respectively.

The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

The Warrants of the Company had expired on December 13, 2016 and 457,330 Warrants that remained unexercised on that date had lapsed and became null and void.

(b) Treasury shares

The Group and The Company

	31.12.2016 Number of ordinary shares '000 units	31.5.2016 Number of ordinary shares '000 units	31.12.2016 RM'000	31.5.2016 RM'000
Balance at beginning and end of period/year	24	24	14	14

As of December 31, 2016, there are 24,000 treasury shares held by the Company. The number of ordinary shares of RM0.50 each in issue and fully paid after excluding the treasury shares is 179,549,002 (31.5.2016: 158,406,924).

The mandate given by the shareholders to purchase own shares will expire at the forthcoming Annual General Meeting ("AGM") and an ordinary resolution needs to be tabled at the AGM for shareholders to grant a fresh mandate for another year.

Notes to the FINANCIAL STATEMENTS

24. RESERVES

	The Group		The Company	
	31.12.2016 RM'000	31.5.2016 RM'000	31.12.2016 RM'000	31.5.2016 RM'000
Non-distributable reserves:				
Share premium	56,423	39,094	56,423	39,094
Equity-settled employee benefits reserve	1,345	2,693	1,345	2,693
Translation reserve	(34)	(22)	-	-
	57,734	41,765	57,768	41,787
Distributable reserve:				
Retained earnings	140,748	137,854	15,250	18,652
	198,482	179,619	73,018	60,439

(a) Share premium

	The Group and The Company	
	31.12.2016 RM'000	31.5.2016 RM'000
Balance at beginning of period/year	39,094	24,222
Issuance of ordinary shares pursuant to conversion of Warrants at a premium of RM0.68 per ordinary share	11,939	6,966
Transfer from equity-settled employee benefits reserve upon exercise of ESOS	1,339	2,192
Issuance of ordinary shares pursuant to the ESOS at a premium of RM0.41 per ordinary share	149	688
Issuance of ordinary shares pursuant to the ESOS at a premium of RM0.25 per ordinary share	42	256
Issuance of ordinary shares pursuant to the ESOS at a premium of RM1.06 per ordinary share	1,232	2,484
Issuance of ordinary shares pursuant to the ESOS at a premium of RM1.40 per ordinary share	2,649	2,302
Expenses relating to issuance of ESOS and Warrants	(21)	(16)
Balance at end of period/year	56,423	39,094

(b) Translation reserve

Exchange differences relating to the translation from the functional currency of foreign subsidiaries of the Group into Ringgit Malaysia are recognised directly in other comprehensive income and accumulated in the translation reserve.

(c) Retained earnings

The entire retained earnings of the Company as of the end of the financial period is available for distribution as single tier dividends to the shareholders of the Company.

Notes to the FINANCIAL STATEMENTS

25. HIRE-PURCHASE PAYABLES

The Group	Minimum hire-purchase payments 31.12.2016 RM'000	Minimum hire-purchase payments 31.5.2016 RM'000	Present value of minimum hire-purchase payments 31.12.2016 RM'000	Present value of minimum hire-purchase payments 31.5.2016 RM'000
Amounts payable under hire-purchase arrangements:				
Within one year	218	164	198	160
In the second to fifth year inclusive	273	6	261	6
	491	170	459	166
Less: Future finance charges	(32)	(4)	-	-
Present value of hire-purchase payables	459	166	459	166
Less: Amount due within 12 months (shown under current liabilities)			(198)	(160)
Non-current portion			261	6

The non-current portion is repayable as follows:

	The Group 31.12.2016 RM'000	The Group 31.5.2016 RM'000
Financial years ending December 31/May 31:		
2017	-	6
2018	171	-
2019	90	-
	261	6

As of December 31, 2016, hire-purchase obligations of the Group payable to a related party amounted to RM458,281 (31.5.2016: RM165,912).

It is the Group's policy to acquire certain of its property, plant and equipment under hire-purchase arrangements. The terms for hire-purchase was 3 years (31.5.2016: 3 to 5 years). For the financial period ended December 31, 2016, the effective borrowing rates ranged from 5.68% to 5.87% (31.5.2016: 4.70% to 5.96%) per annum. Interest rates are fixed at the inception of the hire-purchase arrangements.

The Group's hire-purchase payables are secured by the assets under hire-purchase and are guaranteed by the Company.

Notes to the FINANCIAL STATEMENTS

26. BORROWINGS

	The Group	
	31.12.2016 RM'000	31.5.2016 RM'000
Unsecured		
Term loans	13,170	11,234
Bankers' acceptances	4,425	7,584
Revolving credits	2,000	4,950
Bank overdrafts	-	28
	19,595	23,796
Less: Amount due within 12 months (shown under current liabilities)	(10,284)	(16,634)
Non-current portion	9,311	7,162

The non-current portion of the term loans is repayable as follows:

	The Group	
	31.12.2016 RM'000	31.5.2016 RM'000
Financial years ending December 31/May 31:		
2018	3,751	2,899
2019	2,413	2,422
2020	2,012	1,052
2021	1,135	789
	9,311	7,162

The Group has the following term loans:

(a) a seven (7) year term loan of RM28,755,616 (31.5.2016: RM28,755,616) which is repayable by quarterly instalments commencing February 16, 2010. The term loan was fully repaid during the period;

(b) a five (5) year term loan of RM1,260,000 (31.5.2016: RM1,260,000) which is repayable by equal monthly instalments commencing August 27, 2011. The term loan was fully repaid during the period;

(c) a five (5) year term loan of RM1,547,214 (31.5.2016: RM1,547,214) which is repayable by equal monthly instalments commencing August 29, 2011. The term loan was fully repaid during the period;

(d) a five (5) year term loan of RM3,230,000 (31.5.2016: RM3,230,000) which is repayable by equal monthly instalments commencing November 1, 2013;

(e) a five (5) year term loan of RM6,000,000 (31.5.2016: RM6,000,000) which is repayable by equal monthly instalments commencing May 29, 2014;

(f) a five (5) year term loan of RM5,000,000 (31.5.2016: RM5,000,000) which is repayable by equal monthly instalments commencing June 1, 2016; and

(g) a five (5) year term loan of RM4,800,000 (31.5.2016: Nil) which is repayable by equal monthly instalments commencing January 16, 2017.

Notes to the FINANCIAL STATEMENTS

26. BORROWINGS (CONT'D)

The average effective interest rates per annum are as follows:

	Period Ended 31.12.2016 (7 Months) %	Year Ended 31.5.2016 (12 Months) %
Term loans	4.15 - 4.95	4.36 - 5.15
Bankers' acceptances	3.18 - 3.84	3.25 - 4.23
Revolving credits	4.30 - 4.67	4.40 - 5.25
Bank overdrafts	7.15 - 8.10	7.35 - 8.10
Onshore foreign currency loan (USD)	-	1.65

The Group obtained banking facilities including term loan facilities to the extent of RM138,380,000 (31.5.2016: RM145,417,000) from certain licensed banks, of which RM130,580,000 (31.5.2016: RM135,117,000) are guaranteed by the Company.

27. DEFERRED TAX LIABILITIES

The Group 31.12.2016	At beginning of period RM'000	Recognised in statement of profit or loss RM'000	At end of period RM'000
Deferred tax liabilities/(assets)			
Property, plant and equipment	17,747	(738)	17,009
Investment properties	50	-	50
Revaluation reserve	1,598	(12)	1,586
Unrealised loss on foreign exchange	(1)	1	-
Unutilised reinvestment allowances	(1,100)	350	(750)
Unutilised tax losses and unabsorbed capital allowances	(35)	(20)	(55)
	18,259	(419)	17,840

The Group 31.5.2016	At beginning of year RM'000	Recognised in statement of profit or loss RM'000	At end of year RM'000
Deferred tax liabilities/(assets)			
Property, plant and equipment	16,413	1,334	17,747
Investment properties	36	14	50
Revaluation reserve	1,612	(14)	1,598
Unrealised loss on foreign exchange	(3)	2	(1)
Unutilised reinvestment allowances	-	(1,100)	(1,100)
Unutilised tax losses and unabsorbed capital allowances	(19)	(16)	(35)
	18,039	220	18,259

Notes to the FINANCIAL STATEMENTS

27. DEFERRED TAX LIABILITIES (CONT'D)

As of December 31, 2016, the Group has unutilised tax losses and unabsorbed capital allowances and estimated unutilised reinvestment allowances of RM3,095,000 and RM4,576,000 (31.5.2016: RM985,000 and RM4,585,000 respectively.

As of December 31, 2016, the Group has the following deferred tax assets:

	The Group	
	31.12.2016 RM'000	31.5.2016 RM'000
Tax effects of deductible temporary differences arising from:		
Unutilised tax losses and unabsorbed capital allowances	743	236
Unutilised reinvestment allowances	1,098	1,100
	1,841	1,336
Recognised during the financial period/year:		
Unutilised tax losses and unabsorbed capital allowances	(55)	(35)
Unutilised reinvestment allowances	(750)	(1,100)
	(805)	(1,135)
Unrecognised during the financial period/year:		
Unutilised tax losses and unabsorbed capital allowances	688	201
Unutilised reinvestment allowances	348	-
	1,036	201

28. TRADE AND OTHER PAYABLES

	The Group		The Company	
	31.12.2016 RM'000	31.5.2016 RM'000	31.12.2016 RM'000	31.5.2016 RM'000
Trade payables	14,119	19,257	-	-
Amount due to other related parties (Note 20):				
- trade	1,321	1,738	-	-
- non-trade	1,076	90	-	-
Other payables	8,679	15,313	17	15
	25,195	36,398	17	15

28. TRADE AND OTHER PAYABLES (CONT'D)

The currency profile of trade and other payables is as follows:

	The Group	
	31.12.2016 RM'000	31.5.2016 RM'000
Ringgit Malaysia	23,255	33,978
United States Dollar	1,627	1,987
Chinese Renminbi	211	249
Euro	102	131
Singapore Dollar	-	49
Japanese Yen	-	4
	25,195	36,398

Other payables of the Company are denominated in Ringgit Malaysia.

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs respectively. The credit periods granted to the Group for trade purchases range from 30 to 120 days (31.5.2016: 30 to 120 days).

Included in other payables of the Group is an amount payable for Goods and Services Tax for RM518,649 (31.5.2016: RM404,926).

Other payables of the Group and of the Company are unsecured, interest-free and are repayable on demand.

Transactions with related parties are disclosed in Note 20.

29. OTHER LIABILITIES

	The Group		The Company	
	31.12.2016 RM'000	31.5.2016 RM'000	31.12.2016 RM'000	31.5.2016 RM'000
Accrued expenses	12,338	8,975	175	245
Deposits received	605	750	363	580
	12,943	9,725	538	825

Notes to the FINANCIAL STATEMENTS

30. DIVIDEND

	The Group and The Company	
	Period Ended 31.12.2016 (7 Months) RM'000	Year Ended 31.5.2016 (12 Months) RM'000
First and final dividend paid: 5.5 sen, single tier, for financial year ended May 31, 2016 (31.5.2016: 5.0 sen per share, single tier, for financial year ended May 31, 2015)	9,622	7,319

The directors proposed a first and final dividend of 3.5 sen per share, under the single tier system, in respect of the current financial period. This 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.

31. SHARE-BASED PAYMENTS

Under the Company's Employees' Share Option Scheme ("ESOS"), which has been approved at an Extraordinary General Meeting held on November 24, 2011, options to subscribe for new ordinary shares ("Spritzer Shares") of RM0.50 each in the Company were granted to eligible employees, Executive Directors and Non-Executive Directors ("Eligible Persons") of the Company and its subsidiaries, which are not dormant. The ESOS is administered by the ESOS Committee and governed by a set of by-laws.

The ESOS shall be in force for a period of five (5) years commencing March 9, 2012 and will expire on March 8, 2017.

Basis of determining the Subscription Price

Subject to any adjustments made under the by-laws and pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), the subscription price shall be the higher of:

(a) The five (5)-day weighted average of the market prices of Spritzer Shares immediately preceding the date of offer, with a discount of not more than 10% at the ESOS Committee's discretion; or

(b) The par value of Spritzer Shares.

Notes to the FINANCIAL STATEMENTS

31. SHARE-BASED PAYMENTS (CONT'D)

Details of the movements in share options during the financial period are as follows:

Option series	Expiry date	Exercise price per ordinary share RM	Number of options over ordinary shares of RM0.50 each Balance as of 1.6.2016 '000 units	Lapsed '000 units	Exercised '000 units	Balance as of 31.12.2016 '000 units
(1) Granted on 9.3.2012 (Offer 1)	8.3.2017	0.75	215	-	(166)	49
(2) Granted on 11.3.2013 (Offer 2)	8.3.2017	0.91	517	-	(364)	153
(3) Granted on 10.3.2014 (Offer 3)	8.3.2017	1.56	1,768	(16)	(1,162)	590
(4) Granted on 9.3.2015 (Offer 4)	8.3.2017	1.90	4,503	(6)	(1,892)	2,605
Total			7,003	(22)	(3,584)	3,397

There was no new offer made by the Company during the financial period.

The number of share options vested as of December 31, 2016 is 3,397,000 (31.5.2016: 7,003,500) units.

Fair value of share options granted

The range of fair value of the options granted ranged from RM0.2070 to RM0.4145.

The fair value of the options was determined using the "Black-Scholes" model based on the closing market price at offer date, the exercise price, expected volatility based on its historical volatility, expected dividend yield, option life and risk-free rate.

Input into the model

	Offer 1	Offer 2	Offer 3	Offer 4
Offer date share price (RM)	0.825	1.010	1.730	2.100
Exercise price (RM)	0.750	0.910	1.560	1.900
Expected volatility (%):				
1st year	29.04	29.50	31.67	26.80
2nd year	32.13	28.60	N/A	25.90
3rd year	33.25	31.40	N/A	N/A
4th year	36.78	31.00	N/A	N/A
5th year	35.01	N/A	N/A	N/A
Expected dividend yield (%)	2.48	2.62	3.46	2.43
Option life (years)	5	4	3	2

Notes to the FINANCIAL STATEMENTS

31. SHARE-BASED PAYMENTS (CONT'D)

The range of risk-free rate was 3.23% to 3.85% (31.5.2016: 3.23% to 3.85%).

The range of share prices at the date of exercise of the options during the financial period were RM2.19 to RM2.60 (31.5.2016: RM1.72 to RM2.75).

The share options outstanding at the end of the reporting period have weighted average exercise price of RM1.78 (31.5.2016: RM1.71), and the weighted average remaining contractual life for these options is 67 days (31.5.2016: 281 days).

32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

Categories of financial instruments

	The Group		The Company	
	31.12.2016 RM'000	31.5.2016 RM'000	31.12.2016 RM'000	31.5.2016 RM'000
Financial assets				
Loans and receivables:				
Trade and other receivables	58,459	68,359	10	-
Amount due from subsidiaries	-	-	51,328	53,382
Refundable deposits	742	672	1	1
Fixed deposits, cash and bank balances	18,580	17,593	343	5,220
Available-for-sale:				
Investment in unquoted shares	58	58	-	-
Fair value through profit and loss:				
Investment in quoted money market funds	24,154	6,323	24,154	6,323
Financial liabilities				
Other financial liabilities:				
Trade and other payables	24,677	35,993	17	15
Borrowings	19,595	23,796	-	-
Hire-purchase payables	459	166	-	-
Accrued expenses	12,338	8,975	175	245
Refundable deposits received	134	131	-	-

Financial Risk Management Objectives and Policies

Risk management is integral to the whole business of the Group and of the Company. Management continually monitors the Group's and the Company's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the Group's and the Company's activities.

There have been no changes to the Group's and the Company's exposure to these financial risks or the manner in which they manage and measure the risks.

Notes to the FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(a) Market risk

(i) Foreign currency risk

The Group's transactions in foreign currencies are in United States Dollar ("USD"), Australian Dollars ("AUD"), Euro ("EUR"), Singapore Dollar ("SGD"), Chinese Renminbi ("RMB"), Japanese Yen ("JPY") and Hong Kong Dollar ("HKD") and therefore, are exposed to foreign exchange risk.

The carrying amounts of the foreign currency denominated monetary assets and liabilities of the Group at the end of the reporting period are disclosed in Notes 19, 22 and 28.

Sensitivity analysis for foreign currency risk

The management does not consider the Group's exposure to foreign currency exchange risk significant as of December 31, 2016. Therefore, sensitivity analysis for foreign currency exchange risk is not disclosed.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group finances its operations by a mixture of internal funds and bank and other borrowings. The Group regularly reviews the interest rate profile of borrowings against prevailing and anticipated market rates. The repayment and maturity profiles of borrowings are structured after taking into consideration of the cash inflows expected to be generated from the underlying assets or operations and the economic life of the assets or operations being financed.

The policy of the Group is to borrow both on the fixed and floating rate basis. The objective for the mix between fixed and floating rate borrowings is set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

The details of the Group's borrowings are as disclosed in Notes 25 and 26.

Sensitivity analysis for interest rate risk

The Group does not consider its exposure to interest rate risk from bank borrowings and interest-bearing assets significant as of December 31, 2016 due to insignificant fluctuations in the market interest rates. Therefore, interest rate sensitivity analysis is not disclosed.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and to the Company. The Group and the Company have adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The exposure of the Group to credit risk arises principally from its receivables, amount due from other related parties and other financial assets. The credit risk exposure of the Company arises from amount due from subsidiaries and financial guarantees given to licensed banks and a credit and leasing company for credit and hire-purchase facilities granted to subsidiaries and other financial assets.

Notes to the FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

Receivables

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. The Group established policies on credit control involves comprehensive credit evaluations, setting up appropriate credit limits, ensuring the sales are made to customers with good credit history and regular review of customers' outstanding balances and payment trends. The Group considers the risk of material loss in the event of non-performance by the customers to be unlikely.

At the end of the reporting period, the Group is not subject to significant concentration of credit risk.

The maximum exposure to credit risk of the Group and of the Company arising from receivables is represented by their carrying amounts in the statements of financial position.

The Group holds bank guarantees to the extent of RM930,180 (31.5.2016: RM837,648) that secures them against any outstanding charges or liabilities incurred by customers. Other than these, the Group does not hold any other collateral and the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position, net of the amount of the bank guarantees mentioned above. The Group uses ageing analysis to monitor the credit quality of the trade receivables.

For other receivables, management does not consider its exposure to credit risk significant due to the insignificant carrying amount as of December 31, 2016.

The ageing of trade receivables and amount due from other related parties that are past due are disclosed in Note 19.

Amount Due From Subsidiaries

The credit risk on advances made to subsidiaries that are repayable on demand is managed on a Group basis by management of the Company to ensure that risk of losses incurred by the Company due to non-repayment by subsidiaries is minimal.

At the end of the reporting period, there was no indication that the balances due from subsidiaries are not recoverable.

At the end of the reporting period, the maximum exposure to credit risk of the Company arising from amount due from subsidiaries is represented by its carrying amounts in the statements of financial position.

Financial Guarantee

The Company provides unsecured financial guarantees to licensed banks and a credit and leasing company in respect of credit and hire-purchase facilities granted to subsidiaries. The Company monitors on an ongoing basis the trend of repayments made by the subsidiaries.

The maximum exposure to credit risk amounts to RM20,054,000 (31.5.2016: RM26,559,000) representing banking and hire-purchase facilities utilised as of the end of the reporting period.

At the end of the reporting period, there was no indication that the subsidiaries would default on repayment.

32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

Other Financial Assets

The credit risk on liquid funds are limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(c) Liquidity and cash flow risks

The Group and the Company practise prudent liquidity risk management to minimise the mismatch of financial assets and financial liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

The Group's and the Company's principal source of liquidity has historically been cash flows from operations and funds obtained from long and short-term borrowings.

The Group and the Company expect that the cash generated from their operations, their existing credit facilities and the trade terms provided by its suppliers will be sufficient to meet the Group's and the Company's currently anticipated capital expenditure and working capital needs for at least the next 12 months.

The Group has credit facilities of approximately RM85,546,000 (31.5.2016: RM95,086,000) which are unused at the end of the reporting period. The Group expects to meet its financial obligations from its operating cash flows and proceeds from maturing financial assets.

The maturity profile of the Group's and of the Company's non-derivative financial assets and financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations are as follows:

The Group 31.12.2016	**On demand or within one year RM'000**	**One year to five years RM'000**	**Over five years RM'000**	**Total RM'000**
Non-derivative financial assets:				
Trade and other receivables	58,459	-	-	58,459
Refundable deposits	742	-	-	742
Investment in unquoted shares	58	-	-	58
Investments in quoted money market funds	24,154	-	-	24,154
Fixed deposits, cash and bank balances	18,581	-	-	18,581
Total undiscounted non-derivative financial assets	101,994	-	-	101,994
Non-derivative financial liabilities:				
Trade and other payables	24,677	-	-	24,677
Refundable deposits received	134	-	-	134
Accrued expenses	12,338	-	-	12,338
Hire-purchase payables	218	272	-	490
Borrowings	10,830	10,037	-	20,867

Notes to the FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(c) Liquidity and cash flow risks (cont'd)

The Group 31.12.2016	**On demand or within one year RM'000**	**One year to five years RM'000**	**Over five years RM'000**	**Total RM'000**
Total undiscounted non-derivative financial liabilities	48,197	10,309	-	58,506
Net undiscounted non-derivative financial assets/(liabilities)	53,797	(10,309)	-	43,488

The Group 31.5.2016	**On demand or within one year RM'000**	**One year to five years RM'000**	**Over five years RM'000**	**Total RM'000**
Non-derivative financial assets:				
Trade and other receivables	68,359	-	-	68,359
Refundable deposits	672	-	-	672
Investment in unquoted shares	58	-	-	58
Investments in quoted money market funds	6,323	-	-	6,323
Fixed deposits, cash and bank balances	17,593	-	-	17,593
Total undiscounted non-derivative financial assets	93,005	-	-	93,005
Non-derivative financial liabilities:				
Trade and other payables	35,993	-	-	35,993
Refundable deposits received	131	-	-	131
Accrued expenses	8,975	-	-	8,975
Hire-purchase payables	164	6	-	170
Borrowings	17,134	7,714	-	24,848
Total undiscounted non-derivative financial liabilities	62,397	7,720	-	70,117
Net undiscounted non-derivative financial assets/(liabilities)	30,608	(7,720)	-	22,888

32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(c) Liquidity and cash flow risks (cont'd)

The Company 31.12.2016	On demand or within one year RM'000	One year to five years RM'000	Over five years RM'000	Total RM'000
Non-derivative financial assets:				
Trade and other receivables	10	-	-	10
Amount due from subsidiaries	51,328	-	-	51,328
Refundable deposits	1	-	-	1
Investments in quoted money market funds	24,154	-	-	24,154
Fixed deposits, cash and bank balances	343	-	-	343
Total undiscounted non-derivative financial assets	75,836	-	-	75,836
Non-derivative financial liabilities:				
Trade and other payables	17	-	-	17
Accrued expenses	175	-	-	175
Financial guarantee contracts	20,054	-	-	20,054
Total undiscounted non-derivative financial liabilities	20,246	-	-	20,246
Net undiscounted non-derivative financial assets	55,590	-	-	55,590

The Company 31.5.2016	On demand or within one year RM'000	One year to five years RM'000	Over five years RM'000	Total RM'000
Non-derivative financial assets:				
Amount due from subsidiaries	53,382	-	-	53,382
Refundable deposits	1	-	-	1
Investments in quoted money market funds	6,323	-	-	6,323
Fixed deposits, cash and bank balances	5,220	-	-	5,220
Total undiscounted non-derivative financial assets	64,926	-	-	64,926
Non-derivative financial liabilities:				
Trade and other payables	15	-	-	15
Accrued expenses	245	-	-	245
Financial guarantee contracts	26,559	-	-	26,559

Notes to the FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(c) Liquidity and cash flow risks (cont'd)

The Company 31.5.2016	On demand or within one year RM'000	One year to five years RM'000	Over five years RM'000	Total RM'000
Total undiscounted non-derivative financial liabilities	26,819	-	-	26,819
Net undiscounted non-derivative financial assets	38,107	-	-	38,107

The Group and the Company have not committed to any derivative financial instruments during the financial period.

(d) Capital risk management

The Group and the Company manage their capital to ensure the Group and the Company will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's and the Company's overall strategy remains unchanged from the previous financial year.

The capital structure of the Group and of the Company consist of net debt and equity of the Group and of the Company.

Fair Values of Financial Assets and Financial Liabilities

The carrying amounts of short-term financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

The fair values of long-term financial liabilities are included in Level 2 category of the fair value hierarchy in accordance with MFRS 7 - *Financial Instruments: Disclosure* and have been determined by the present value of future cash flows estimated and discounted using the current interest rates for similar instruments at the end of the reporting period. There is no material difference between the carrying amounts and the estimated fair values of these financial liabilities as of the end of the reporting period.

No disclosure is made on the fair value of investment in unquoted shares of the Group as it is impractical to estimate due to the lack of quoted market price and the inability to establish its fair value without incurring excessive cost.

The fair values of investment properties and other investments are disclosed in Notes 14 and 17 respectively.

Notes to the FINANCIAL STATEMENTS

33. STATEMENTS OF CASH FLOWS

(a) Purchase of property, plant and equipment

Property, plant and equipment were acquired by the following means:

	The Group Period Ended 31.12.2016 (7 Months) RM'000	The Group Year Ended 31.5.2016 (12 Months) RM'000
Cash purchase	13,997	22,220
Other payables	409	1,201
Advance payments made in prior year included in deposits	1,368	944
	15,774	24,365

The principal amounts of instalment repayments for property, plant and equipment acquired by hire-purchase are reflected as cash outflows from financing activities.

(b) Cash and cash equivalents

Cash and cash equivalents comprise the following:

	The Group		The Company	
	31.12.2016 RM'000	31.5.2016 RM'000	31.12.2016 RM'000	31.5.2016 RM'000
Fixed deposits with licensed banks	5,421	3,720	-	3,700
Cash and bank balances	13,159	13,873	343	1,520
Bank overdrafts	-	(28)	-	-
	18,580	17,565	343	5,220
Less : Fixed deposit pledged to a licensed bank	(21)	(20)	-	-
	18,559	17,545	343	5,220

Notes to the FINANCIAL STATEMENTS

34. CAPITAL COMMITMENTS

As of December 31, 2016, the Group has the following commitments in respect of property, plant and equipment:

	The Group	
	31.12.2016 RM'000	31.5.2016 RM'000
Approved and contracted for:		
- land and buildings	1,248	90
- plant and equipment	3,188	8,664
	4,436	8,754

35. CHANGE IN FINANCIAL YEAR END

During the current financial period, the Group and the Company changed their financial year end from May 31 to December 31. Accordingly, the financial statements of the Group and of the Company for the current financial period are drawn up for a period of seven months from June 1, 2016 to December 31, 2016.

Notes to the FINANCIAL STATEMENTS

36. SUPPLEMENTARY INFORMATION - DISCLOSURE ON REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company as of December 31, 2016 into realised and unrealised profits or losses, pursuant to the directive issued by Bursa Malaysia Securities Berhad on March 25, 2010, is as follows:

	The Group		The Company	
	31.12.2016 RM'000	**31.5.2016 RM'000**	**31.12.2016 RM'000**	**31.5.2016 RM'000**
Total retained earnings of the Company and its subsidiaries				
Realised	197,807	193,879	15,250	18,652
Unrealised	(2,540)	(2,388)	-	-
	195,267	191,491	15,250	18,652
Less: Consolidation adjustments	(54,519)	(53,637)	-	-
Total retained earnings as per statements of financial position	140,748	137,854	15,250	18,652

The determination of realised and unrealised profits or losses is based on Guidance of Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants on December 20, 2010.

This supplementary information have been made solely for complying with the disclosure requirements as stipulated in the directives of Bursa Malaysia Securities Berhad and is not made for any other purposes.

Statement By DIRECTORS

The directors of **SPRITZER BHD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of December 31, 2016 and of the financial performance and the cash flows of the Group and of the Company for the period June 1, 2016 to December 31, 2016.

The supplementary information set out in Note 36, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the Directors,

Y BHG DATO' LIM KOK BOON, DPMP
Managing Director

MR LIM SENG LEE
Executive Director

Ipoh,
April 10, 2017

Declaration by the Officer PRIMARILY RESPONSIBLE

FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **MR SOW YENG CHONG (IC No. 570218-08-5997)**, the officer primarily responsible for the financial management of **SPRITZER BHD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

MR SOW YENG CHONG

Subscribed and solemnly declared by the
abovenamed **MR SOW YENG CHONG** at IPOH
this 10th day of April, 2017.

Before me,

MR CHONG TAT CHEONG
NO.: A234
COMMISSIONER FOR OATHS

Analysis of SHAREHOLDINGS

AS AT MARCH 28, 2017

SHARE CAPITAL

Number of Issued Share	:	182,581,502 ordinary shares (excluding 24,000 Treasury Shares)
Issued Share Capital	:	RM94,581,761.00
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders		Number of Issued Shares	
	Number	%	Number	%
Less than 100 shares	99	5.00	4,129	0.01
100 to 1,000 shares	286	14.47	186,407	0.10
1,001 to 10,000 shares	1,199	60.65	4,625,167	2.53
10,001 to 100,000 shares	301	15.23	9,197,545	5.04
100,001 to less than 5% of issued shares	89	4.50	86,270,716	47.25
5% and above of issued shares	3	0.15	82,297,538	45.07
Total	**1,977**	**100.00**	**182,581,502**	**100.00**

SUBSTANTIAL SHAREHOLDERS (as per the Company's Register of Substantial Shareholders)

Substantial Shareholders	Direct Interest		Deemed Interest	
	Number of Issued Shares	% of Issued Shares	Number of Issued Shares	% of Issued Shares
1. Yee Lee Corporation Bhd ("**YLC**")	58,359,329	31.96	-	-
2. Yee Lee Holdings Sdn Bhd ("**YLH**")	22,811,665	12.49	-	-
3. Lim A Heng @ Lim Kok Cheong ("**LKC**")	9,147,207	5.01	88,235,491 [a]	48.33
4. Lim Kok Boon ("**LKB**")	7,014,800	3.84	5,577,899 [b]	3.06
5. Chua Shok Tim @ Chua Siok Hoon ("**CSH**")	2,110,500	1.16	95,272,198 [c]	52.18
6. Lai Yin Leng ("**LYL**")	233,333	0.13	12,339,366 [d]	6.76
7. FMR LLC	9,325,400	5.11	-	-
8. Yee Lee Organization Bhd ("**YLO**")	-	-	81,170,994 [e]	44.46
9. Unikampar Credit And Leasing Sdn Bhd ("**UCL**")	-	-	81,170,994 [f]	44.46
10. Uniyelee Sdn Bhd ("**UYL**")	-	-	81,170,994 [f]	44.46
11. Yeleta Holdings Sdn Bhd ("**YH**")	-	-	81,170,994 [g]	44.46
12. Young Wei Holdings Sdn Bhd ("**YW**")	-	-	81,170,994 [h]	44.46

Analysis of SHAREHOLDINGS
AS AT MARCH 28, 2017

Notes:-

[a] Deemed interest by virtue of shareholdings in Chuan Sin Resources Sdn Bhd ("**CSR**") and YW pursuant to Section 8 of the Companies Act 2016 ("Act"); and the shares held by his spouse, CSH and children, Lim Ee Young and Lim Ee Wai in the Company pursuant to Section 59(11)(c) of the Act.

[b] Deemed interest by virtue of shareholding in CSR pursuant to Section 8 of the Act; and the shares held by his spouse, LYL and children, Lim Seng Lee and Lim Hock Lai in the Company pursuant to Section 59(11)(c) of the Act.

[c] Deemed interest by virtue of shareholding in YW and deemed shareholding in CSR pursuant to Section 8 of the Act; and the shares held by her spouse, LKC and children, Lim Ee Young and Lim Ee Wai in the Company pursuant to Section 59(11)(c) of the Act.

[d] Deemed interest by virtue of deemed shareholding in CSR pursuant to Section 8 of the Act; and the shares held by her spouse, LKB and children, Lim Seng Lee and Lim Hock Lai in the Company pursuant to Section 59(11)(c) of the Act.

[e] Deemed interest held through YLC and YLH pursuant to Section 8 of the Act.

[f] Deemed interest held through YLO pursuant to Section 8 of the Act.

[g] Deemed interest held through UCL pursuant to Section 8 of the Act.

[h] Deemed interest held through YH pursuant to Section 8 of the Act.

DIRECTORS' SHAREHOLDINGS (as per the Company's Register of Directors' Shareholdings)

Directors	Direct Interest		Deemed Interest	
	Number of Issued Shares	% of Issued Shares	Number of Issued Shares	% of Issued Shares
1. Lim A Heng @ Lim Kok Cheong	9,147,207	5.01	88,235,491 [a]	48.33
2. Lim Kok Boon	7,014,800	3.84	5,577,899 [b]	3.06
3. Lim Seng Lee	575,566	0.32	4,691,000 [c]	2.57
4. Chuah Chaw Teo	232,866	0.13	-	-
5. Lam Sang	1,108,082	0.61	-	-
6. Chok Hooa @ Chok Yin Fatt	138,500	0.08	-	-
7. Nik Mohamad Pena bin Nik Mustapha	1,900,000	1.04	-	-
8. Mohd Adhan bin Kechik	3,423,965	1.88	-	-
9. Kuan Khian Leng	-	-	4,680,000 [d]	2.56

Notes:-

[a] Deemed interest by virtue of shareholdings in CSR and YW pursuant to Section 8 of the Act; and the shares held by his spouse, CSH and children, Lim Ee Young and Lim Ee Wai in the Company pursuant to Section 59(11)(c) of the Act.

[b] Deemed interest by virtue of shareholding in CSR pursuant to Section 8 of the Act; and the shares held by his spouse, LYL and children, Lim Seng Lee and Lim Hock Lai in the Company pursuant to Section 59(11)(c) of the Act.

[c] Deemed interest by virtue of shareholding in CSR pursuant to Section 8 of the Act; and the shares held by his spouse, Huang Yu Ying in the Company pursuant to Section 59(11)(c) of the Act.

[d] Deemed interest by virtue of shareholding in Unique Bay Sdn Bhd pursuant to Section 8 of the Act.

By virtue of Dato' Lim A Heng @ Lim Kok Cheong's interest in the shares of the Company, he is also deemed to have an interest in the shares of all the subsidiary companies to the extent that the Company has interest.

Analysis of SHAREHOLDINGS

AS AT MARCH 28, 2017

TOP THIRTY SECURITIES ACCOUNT HOLDERS

	Shareholders	Number of Issued Shares	% of Issued Shares
1.	Yee Lee Corporation Bhd	50,338,666	27.57
2.	Yee Lee Holdings Sdn Bhd	22,811,665	12.49
3.	Lim A Heng @ Lim Kok Cheong	9,147,207	5.01
4.	Yee Lee Corporation Bhd	8,020,663	4.39
5.	Lim Kok Boon	7,014,800	3.84
6.	Cartaban Nominees (Asing) Sdn Bhd BBH and Co Boston for Fidelity Low-Priced Stock Fund	5,120,400	2.80
7.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Unique Bay Sdn Bhd	4,680,000	2.56
8.	Chuan Sin Resources Sdn Bhd	4,447,000	2.44
9.	Mohd Adhan Bin Kechik	3,423,965	1.88
10.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	3,324,000	1.82
11.	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund F9EX for Fidelity Northstar Fund	3,300,000	1.81
12.	AmanahRaya Trustees Berhad PB Smallcap Growth Fund	2,970,900	1.63
13.	AmanahRaya Trustees Berhad Public Strategic Smallcap Fund	2,676,100	1.47
14.	Cartaban Nominees (Tempatan) Sdn Bhd RHB Trustees Berhad for Manulife Investment Shariah Progress Fund	2,379,300	1.30
15.	AmanahRaya Trustees Berhad Public Islamic Treasures Growth Fund	2,126,700	1.16
16.	Chua Shok Tim @ Chua Siok Hoon	2,110,500	1.16
17.	Nik Mohamad Pena Bin Nik Mustapha	1,900,000	1.04
18.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Apex Dana Al-Sofi-I	1,836,200	1.01
19.	AmanahRaya Trustees Berhad Public Islamic Emerging Opportunities Fund	1,702,500	0.93
20.	CIMSEC Nominees (Asing) Sdn Bhd Exempt An for CIMB Securities (Singapore) Pte Ltd	1,660,750	0.91
21.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Apex Dana Al-Faiz-I	1,279,600	0.70
22.	AmanahRaya Trustees Berhad Public Select Treasures Equity Fund	1,267,200	0.69
23.	BT Capital Sdn Bhd	1,175,700	0.64
24.	Lam Sang	1,108,082	0.61
25.	AmanahRaya Trustees Berhad Affin Hwang Growth Fund	1,095,300	0.60
26.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yoong Fui Kien	1,033,000	0.57
27.	Jailani Bin Abdullah	997,375	0.55
28.	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan)	872,200	0.48
29.	Zalaraz Sdn Bhd	841,000	0.46
30.	Lim Khek Keng	702,300	0.38
	Total	**151,363,073**	**82.90**

List of PROPERTIES

AS AT DECEMBER 31, 2016

Location	Tenure	Current Use	Approximate Age of Building	Land/ Gross Floor Area (sq. metres)	Carrying Amount RM'000	Date of Acquisition*/ Valuation
Lot 144371 H.S. (D) 127812 (formerly Lot PT 121576), Mukim and District of Klang, Selangor Darul Ehsan.	Freehold	Industrial land/ Factory/ Office complex	Factory / Office 10 years	31,386/ 13,380	31,853	11.09.09
PT 7579 Pajakan Negeri No. H.S. (D) 24492 (formerly Lot No. 643 Geran 35453), PT 7580 Pajakan Negeri No. H.S. (D) 24493 (formerly part of Lot No. 129 CT 12779), PT 7581 Pajakan Negeri No. H.S. (D) 24494 (formerly part of Lot No. 129 CT 12779), Lot No. 135 Title No. Pajakan Negeri No. 2577, Lot No. 898 Title No. Geran Mukim 300, Lot No. PT 4911 Surat Hakmilik H.S. (D) LM 15332, Lot No. 814 Geran Mukim 313, Lot No. 388 EMR 753, Lot No.1574 EMR 630, Mukim of Tupai, District of Larut & Matang, Perak Darul Ridzuan.	Lot 135 Leasehold expiring on 31.08.2890 PT 7579, 7580 & 7581 Leasehold expiring on 23.09.2890 Remaining Lots Freehold	Factory/ Office/ Staff quarters/ Agricultural/ Development land	Factory/ Office 9 to 22 years Warehouse 18 years Staff quarters 10 to 12 years	212,182/ 38,381	23,635	31.05.10
Lot No. 454 Pajakan Negeri No. 3176, Lot Nos.1595, 384, 386, 387, 10078, 10079, and (P.T.) 4912, Title Nos. Geran 31600 (formerly C.T. 7366), Geran Mukim 315, EMR 615, EMR 1374 and Surat Hakmilik H.S. (D) LM15333 respectively, Mukim of Tupai, District of Larut & Matang, Perak Darul Ridzuan.	Lot 454 Leasehold expiring on 28.11.2894 Remaining Lots Freehold	Staff quarters/ Minigolf course and building/ Agricultural/ Development land	Staff quarters 9 years Building 1 year	201,673/ 1,689	8,229	31.05.10
Lot No. 9535 Pajakan Negeri No. 114421, Lot No. 9538 Pajakan Negeri No. 114424, Lot No. 9539 Pajakan Negeri No. 114425, Lot No. 9540 Pajakan Negeri No. 114426, Lot No. 9545 Pajakan Negeri No. 114431, Lot No. 9546 Pajakan Negeri No. 114432, Lot No. 9547 Pajakan Negeri No. 114433, Lot No. 9548 Pajakan Negeri No. 114434, Title No. H.S. (D) L & M 2361, 2364, 2365, 2366, 2371, 2372, 2373 and 2374, respectively, Mukim of Tupai, District of Larut & Matang, Perak Darul Ridzuan.	Leasehold expiring on 13.11.2084	8 units single storey terrace house	22 years	1,537/ 669	524	31.05.10

List of PROPERTIES
AS AT DECEMBER 31, 2016

Location	Tenure	Current Use	Approximate Age of Building	Land/ Gross Floor Area (sq. metres)	Carrying Amount RM'000	Date of Acquisition*/ Valuation
Lot Nos. 181631, 181632, 181633 & 181642, Title Nos. Pajakan Negeri 89482, 89483, 89484 & 89493 respectively, Mukim of Hulu Kinta, District of Kinta, Perak Darul Ridzuan.	Leasehold expiring on 17.10.2089	Factory/ Office complex/ Vacant industrial land	Factory/ Office 23 years Warehouses 4 to 20 years	33,969/ 15,517	12,440	31.05.10
H.S. (M) 4162 No. P.T.D. 6382, H.S. (M) 4163 No. P.T.D. 6383, H.S. (M) 4164 No. P.T.D. 6384, H.S. (M) 4189 No. P.T.D. 6385, H.S. (M) 4188 No. P.T.D. 6386, H.S. (M) 4202 No. P.T.D. 6405, H.S. (M) 4201 No. P.T.D. 6407, H.S. (M) 4160 No. P.T.D. 6409, H.S. (M) 4172 No. P.T.D. 6408, Mukim Tanjong Sembrong, Bukit Jintan, Johor Darul Takzim.	Freehold	Factory/ Office/ Staff quarters/ Agricultural land	21 years	77,626/ 3,198	6,919	31.05.10, *17.12.12 and *02.06.14
Lot No. 644 Geran 35454, Lot No. 130 CT 12780, Lot No. 131 CT 2974, Lot No. 902 EMR 663, Lot No. 903 EMR 664, Lot No. 904 EMR 665, Lot Nos. 125, 126, 10083, 10084 & 817, Lot No. 48 EMR 1000, Lot No. 827 EMR 539, Lot No. 1234 EMR 929, Lot No. 1235 EMR 928, Lot No. 1246 EMR 931, Lot No. 1466 EMR 1069, Lot No. 1043 CT 9668, Lot No. 455 Pajakan Negeri No. 2653, Mukim of Tupai, District of Larut & Matang, Perak Darul Ridzuan.	<u>Lot 125, 130 & 131</u> Leasehold expiring on 31.08.2890 <u>Lot 126</u> Leasehold expiring on 23.09.2890 <u>Lot 455</u> Leasehold expiring on 19.11.2893 <u>Remaining Lots</u> Freehold	Agricultural/ Development land	N/A	764,890	10,673	31.05.10
Lot No. 57253, Mukim of Bandar Kepong, District of Gombak, Selangor Darul Ehsan.	Freehold	Vacant industrial land	N/A	8,266	10,885	31.05.10
Lot 47439 PN 379994 (formerly Lot No. P.T. 77 Title No. H.S. (D) KA 6980/85), Mukim of Hulu Kinta, District of Kinta, Perak Darul Ridzuan.	Leasehold expiring on 05.04.2066	Industrial/ Factory complex	33 to 50 years	4,076/ 2,539	2,140	31.05.15

List of PROPERTIES

AS AT DECEMBER 31, 2016

Location	Tenure	Current Use	Approximate Age of Building	Land/ Gross Floor Area (sq. metres)	Carrying Amount RM'000	Date of Acquisition*/ Valuation
Lot No. 10647 Title No. Pajakan Negeri 78371, Mukim of Bidor, District of Batang Padang, Perak Darul Ridzuan.	Leasehold expiring on 06.03.2050	Vacant industrial land	N/A	16,190	700	31.05.15
Lot No. 3729 Title No. H.S. (D) L & M 124/75, Mukim of Tupai, District of Larut & Matang, Perak Darul Ridzuan.	Leasehold expiring on 22.08.2035	Factory/ Office complex	23 to 42 years	1,028/ 782	900	31.05.15
Lot No. 11319 HSM 1854, Lot No. 11320 HSM 1855, Mukim of Tupai, District of Larut & Matang, Perak Darul Ridzuan.	Freehold	Commercial building	8 years	339	614	31.05.15
Lot No. 1044 Title No. Pajakan Negeri 2561 Mukim of Tupai, District of Larut & Matang, Perak Darul Ridzuan.	Leasehold expiring on 31.08.2891	Agricultural land	N/A	122,190	3,102	*30.09.13

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SPRITZER®

SPRITZER BHD (265348-V)
(Incorporated in Malaysia)

Number of shares held	
CDS Account Number	

FORM OF PROXY

I/We, ...
(Full name, NRIC No. or Company No.)

of..
(Address)

being a member of **SPRITZER BHD**, hereby appoint ....
(Full name, NRIC No. or Company No.)

of..
(Address)

*and/or failing him, ...
(delete as appropriate) *(Full name, NRIC No. or Company No.)*

of..
(Address)

as my/our proxy to vote for me/us and on my/our behalf at the Twenty-Fourth Annual General Meeting of the Company, to be held on Monday, May 29, 2017 at 10.30 a.m. at Lot 898, Jalan Reservoir, Off Jalan Air Kuning, 34000 Taiping, Perak Darul Ridzuan, and at any adjournment thereof for/against* the resolutions to be proposed thereat.

RESOLUTION NO.	DESCRIPTIONS	FOR	AGAINST
ORDINARY BUSINESS			
1.	To declare a first and final dividend		
2.	To re-elect Dato' Ir. Nik Mohamad Pena bin Nik Mustapha as Director		
3.	To re-elect Dato' Mohd Adhan Bin Kechik as Director		
4.	To re-elect Dato' Lim Kok Boon as Director		
5.	To re-appoint Dato' Lim A Heng @ Lim Kok Cheong as Director		
6.	To approve the payment of Directors' fees		
7.	To approve the payment of allowances to Non-Executive Directors		
8.	To re-appoint Deloitte PLT as Auditors of the Company and to authorise the Directors to fix their remuneration		
SPECIAL BUSINESS			
9.	To authorise the Directors to issue shares pursuant to Section 75 of the Companies Act 2016		
10.	To approve the Proposed Shareholders' Mandate		
11.	To approve the Proposed Renewal of Authority to Purchase its Own Shares by Spritzer Bhd		
12.	Continuing in Office for Dato' Ir. Nik Mohamad Pena bin Nik Mustapha as an Independent Non-Executive Director		
13.	Continuing in Office for Dato' Mohd Adhan Bin Kechik as an Independent Non-Executive Director		
14.	Continuing in Office for Kuan Khian Leng as an Independent Non-Executive Director		

Dated this .... day of .... 2017.

....
Signature(s)/Common Seal of Member

* Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his discretion.

Notes:-

(i) A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at the meeting shall have the same rights as the member to speak at the meeting.

(ii) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under Seal or under the hand of an attorney.

(iii) A member may appoints not more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, such appointment shall be invalid unless he specifies the proportions of his shareholding to be represented by each proxy.

(iv) Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it hold.

(v) The instrument appointing a proxy must be deposited at the Registered Office of the Company at Lot 85, Jalan Portland, Tasek Industrial Estate, 31400 Ipoh, Perak Darul Ridzuan not less than forty-eight (48) hours before the time appointed for holding the meeting.

(vi) Only a depositor whose name appears on the Record of Depositors as at May 19, 2017 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his behalf.

(vii) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in the Notice will be put to vote by poll.

Fold here to seal

STAMP

THE COMPANY SECRETARY
SPRITZER BHD
Lot 85, Jalan Portland
Tasek Industrial Estate
31400 Ipoh
Perak Darul Ridzuan
Malaysia

Fold here to seal

www.spritzer.com.my

Lot 898, Jalan Reservoir,
Off Jalan Air Kuning,
34000 Taiping,
Perak Darul Ridzuan,
Malaysia