

**BRITISH AMERICAN TOBACCO ( MALAYSIA ) BERHAD**

(Company No : 4372-M)

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

For the financial year ended 31 December 2016

Note	3 months ended		Financial year ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Revenue	840,613	1,057,992	3,756,392	4,581,547
Cost of sales	(572,781)	(685,876)	(2,486,775)	(2,907,401)
Gross profit	267,832	372,116	1,269,617	1,674,146
Other operating income	562	486	2,234	5,211
Operating expenses	(83,329)	(98,543)	(399,082)	(439,115)
Restructuring income	131,919	-	46,187	-
Profit from operations	316,984	274,059	918,956	1,240,242
Finance cost	(493)	(1,502)	(10,499)	(9,244)
Profit before tax	316,491	272,557	908,457	1,230,998
Tax expense	5 (27,159)	(78,029)	(187,168)	(320,936)
Profit for the financial period	289,332	194,528	721,289	910,062
Effective tax rate	8.6%	28.6%	20.6%	26.1%
EPS	21 101.3	68.1	252.6	318.7
<b>Dividends</b>				
- Interim 1	-	-	55.0	78.0
- Interim 2	-	-	45.0	78.0
- Interim 3	-	-	55.0	78.0
- Interim 4	77.0	78.0	77.0	78.0
- Special Dividend	22 -	-	46.0	-
	77.0	78.0	278.0	312.0

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2015.

**BRITISH AMERICAN TOBACCO ( MALAYSIA ) BERHAD**  
(Company No : 4372-M)

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
For the financial year ended 31 December 2016

	3 months ended		Financial year ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Profit for the financial period	289,332	194,528	721,289	910,062
Other comprehensive income:				
<b>Items that will not be reclassified to profit or loss:</b>				
Deferred tax on defined benefit plan actuarial gain	-	-	-	-
<b>Items that may be subsequently reclassified to profit or loss:</b>				
Changes in fair value of cash flow hedges	12,874	2,121	14,174	4,321
Deferred tax on fair value changes of cash flow hedges	(3,090)	(528)	(3,397)	(1,078)
Total other comprehensive income for the financial period	<u>9,784</u>	<u>1,593</u>	<u>10,777</u>	<u>3,243</u>
Total comprehensive income for the financial period	<u>299,116</u>	<u>196,121</u>	<u>732,066</u>	<u>913,305</u>
Attributable to:				
Owners of the Company	<u>299,116</u>	<u>196,121</u>	<u>732,066</u>	<u>913,305</u>

**The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2015.**

**BRITISH AMERICAN TOBACCO ( MALAYSIA ) BERHAD**  
(Company No : 4372-M)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the financial year ended 31 December 2016

	Issued and fully paid ordinary shares of 50 sen each		Non- distributable		Distributable	Total
	Number of shares	Nominal value	Cash flow hedge reserve	Share based payment reserve	Retained earnings	attributable to owners
	'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2016	285,530	142,765	358	-	403,500	546,623
Profit for the financial year	-	-	-	-	721,289	721,289
<b>Other comprehensive income for the financial year:</b>						
- changes in fair value of cash flow hedges	-	-	14,174	-	-	14,174
- deferred tax on fair value changes on cash flow hedges	-	-	(3,397)	-	-	(3,397)
	-	-	10,777	-	721,289	732,066
<b>Transactions with owners:</b>						
Expense arising from equity-settled share based payment transactions	-	-	-	5,898	-	5,898
Recharge of share based payment	-	-	-	(5,898)	-	(5,898)
Dividend for financial year ended 31 December 2015						
- Interim 4	-	-	-	-	(222,713)	(222,713)
Dividends for financial year ended 31 December 2016						
- Interim 1	-	-	-	-	(157,041)	(157,041)
- Interim 2	-	-	-	-	(128,489)	(128,489)
- Interim 3	-	-	-	-	(157,041)	(157,041)
	-	-	-	-	-	-
At 31 December 2016	285,530	142,765	11,135	-	459,505	613,405
At 1 January 2015	285,530	142,765	(2,885)	-	384,290	524,170
Profit for the financial year	-	-	-	-	910,062	910,062
<b>Other comprehensive income for the financial year:</b>						
- changes in fair value of cash flow hedges	-	-	4,321	-	-	4,321
- deferred tax on fair value changes on cash flow hedges	-	-	(1,078)	-	-	(1,078)
- deferred tax on defined benefit plan	-	-	-	-	-	-
	-	-	3,243	-	910,062	913,305
<b>Transaction with owners:</b>						
Expense arising from equity-settled share based payment transactions	-	-	-	2,848	-	2,848
Recharge of share based payment	-	-	-	(2,848)	-	(2,848)
Dividend for financial year ended 31 December 2014						
- Interim 4	-	-	-	-	(222,713)	(222,713)
Dividends for financial year ended 31 December 2015						
- Interim 1	-	-	-	-	(222,713)	(222,713)
- Interim 2	-	-	-	-	(222,713)	(222,713)
- Interim 3	-	-	-	-	(222,713)	(222,713)
	-	-	-	-	-	-
At 31 December 2015	285,530	142,765	358	-	403,500	546,623

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2015.

**BRITISH AMERICAN TOBACCO ( MALAYSIA ) BERHAD**  
(Company No : 4372-M)

**CONDENSED CONSOLIDATED BALANCE SHEET**

As at 31 December 2016

	As at 31.12.2016	As at 31.12.2015
Note	RM'000	RM'000
<b>Non-current assets</b>		
Property, plant and equipment	27,609	291,894
Computer software	1,700	490
Goodwill	411,618	411,618
Deferred tax assets	27,193	30,536
	468,120	734,538
<b>Current assets</b>		
Assets held for sale	96,599	-
Inventories	214,947	234,413
Receivables	342,216	203,751
Derivative financial instruments	16,728	5,089
Tax recoverable	23,991	398
Deposits, cash and bank balances	33,131	28,811
	727,612	472,462
<b>Current liabilities</b>		
Payables	404,697	304,717
Deferred income	413	2,606
Derivative financial instruments	2,018	10,736
Current tax liabilities	42,275	3,368
Borrowings	130,000	305,000
Bank overdraft	325	-
	579,728	626,427
<b>Net current asset / liabilities</b>	147,884	(153,965)
	616,004	580,573
<b>Capital and reserves</b>		
Share capital	142,765	142,765
Cash flow hedge reserve	11,135	358
Retained earnings	459,505	403,500
<b>Shareholders' funds</b>	613,405	546,623
<b>Non-current liabilities</b>		
Deferred income	-	413
Deferred tax liabilities	2,599	33,537
	616,004	580,573
Net assets per share (RM)	2.15	1.91

The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2015.

**BRITISH AMERICAN TOBACCO ( MALAYSIA ) BERHAD**  
(Company No : 4372-M)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the financial year ended 31 December 2016

	Financial year ended 31.12.2016	Financial year ended 31.12.2015
	RM'000	RM'000
<b>Operating activities</b>		
Cash receipts from customers	3,857,223	4,785,710
Cash paid to suppliers and employees	(3,005,920)	(3,407,605)
Cash from operations	851,303	1,378,105
Income tax paid	(244,821)	(398,525)
Net cash flow from operating activities	606,482	979,580
<b>Investing activities</b>		
Property, plant and equipment		
- additions	(14,416)	(14,348)
- disposals	1,417	5,342
Asset held for sale		
- additions	(8,131)	
- disposals	268,658	6,756
Additions of computer software	(1,426)	-
Interest income received	2,194	2,553
Net cash flow from investing activities	248,296	303
<b>Financing activities</b>		
Dividends paid to shareholders	(665,284)	(890,852)
Interest expense paid	(10,499)	(9,244)
Repayment of revolving credit	(175,000)	(55,000)
Net cash flow used in financing activities	(850,783)	(955,096)
<b>Increase/(decrease) in cash and cash equivalents</b>	3,995	24,787
<b>Cash and cash equivalents as at 1 January</b>	28,811	4,024
<b>Cash and cash equivalents as at 31 December</b>	32,806	28,811

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2015.

**Notes:**

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (“MFRS”) 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad. It should be read in conjunction with the Group’s annual audited financial statements for the year ended 31 December 2015.

The audited financial statements of the Group for the year ended 31 December 2015 were prepared in accordance with MFRS.

There are no new MFRSs or interpretations that are effective for the first time in this quarter that would be expected to have a material effect on the Group.

The accounting policies and methods of computation adopted by the Group in these quarterly financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 31 December 2015.

2. Audit Report of Preceding Annual Financial Statements

The audit report of the Group’s most recent annual audited financial statements for the year ended 31 December 2015 was unqualified.

3. Unusual Items

On 17th March 2016, the Company announced that it would be restructuring its business operations by sourcing tobacco products for its domestic market from other BAT factories regionally and would cease the manufacturing operations of its subsidiary, Tobacco Importers and Manufacturers Sdn Berhad (“TIM”) located at Virginia Park, Jalan University, 46200, Petaling Jaya, Selangor. The winding down of factory operations at the Virginia Park site will be carried out in stages and targeted to complete by the 2nd half of 2017.

The restructuring is in line with the Company’s efforts towards realising a new and more sustainable business model, amidst an increasingly challenging business environment. The higher excise environment has ultimately led to the sharp rise in illegal cigarettes and significantly lower legal sales volumes resulting in rising cigarette production costs. The restructuring will enable the Company to sharpen its commercial capabilities whilst optimising the supply chain and transactional activities to ensure that the Company remains a competitive consumer-focused market leader.

The winding down of the factory operations will affect approximately 230 employees who will be provided with a benefit package as well as the option to undergo a career-transition programme. Most of the equipment and machinery currently used for factory operations is intended to be sold to related parties within BAT group of entities.

The land and buildings upon which the factory operations are located was disposed of by way of a public tender exercise. On 24 May 2016, the management of the Company as well as the Board had decided that the successful bidder of the public tender is LGB Realty Sdn. Bhd. and on 8 June 2016, the Board announced that TIM had entered into the sale and purchase agreement with the

purchaser to dispose the said property for a total consideration of RM218 million. The proposed disposal has been duly approved by shareholders during the Extraordinary General Meeting held on 6th September 2016. The proposed disposal was completed and the sale proceeds was received on 9<sup>th</sup> November 2016.

In relation to the winding down of its factory operations at the current Virginia Park site and the disposal of the said property, as of 31<sup>st</sup> December 2016 year to date, the Group has recorded a disposal gain of RM159 million and a provision for restructuring expenses of RM113 million (refer to Note 6 - Restructuring (income)/expenses).

4. Changes in Estimates

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current quarter.

On 16 April 2014 the Group received a bill of demand for RM12.9 million. For the full year 2016, the Group disclosed a contingent liability of RM24.9 million in respect of sales tax. The Group's original estimate was conservative and did not include any penalties.

The Group pursued this matter through a judicial review filed on the 12 August 2014 in the Kuala Lumpur High Court. On 12 August 2016, the High Court, in rendering its decision ruled in favour of the Group. Royal Malaysian Customs filed a notice of appeal to the High Court's decision on 6 September 2016, which is currently pending the hearing(s) at the Court of Appeal.

Additionally, see note 11 below.

5. Taxation

Taxation comprises:

	<b>3 months ended</b>		<b>Financial period ended</b>	
	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>In respect of current year</u>				
Current tax				
- Malaysian income tax	54,804	68,642	220,983	324,314
Deferred tax (credit)/charge	(27,645)	9,387	(30,992)	(6,496)
<u>In respect of prior years</u>				
(Over)/under provision in respect of prior years	-	-	(2,823)	3,118
- Malaysian income tax				
	27,159	78,029	187,168	320,936

The average effective tax rate of the Group in the fourth quarter 2016 and financial period ended 31 December 2016 is 8.6% and 20.6% respectively. In 2015, the average effective tax rate of the Group in the fourth quarter and financial period ended 31 December 2015 is 28.6% and 26.1% respectively.

## British American Tobacco (Malaysia) Berhad

The reduction in average effective tax rates in 2016 versus same period last year was attributed to the reversal of deferred tax liabilities arising from the sale of equipment and machinery sold to related parties and non taxability on capital gain for the sale of the land and buildings.

### 6. Notes to the Statements of Comprehensive Income

	3 months ended		Financial period ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Interest income	(558)	(486)	(2,194)	(2,553)
Interest expense	493	1,502	10,499	9,244
Depreciation and amortization	2,295	9,518	12,865	39,582
(Gain)/loss on disposal of property, plant and equipments	(72)	66	(39)	(2,362)
Provision for (write-back)/ write-off of receivables	(1,272)	371	(167)	214
Provision for write-off of inventory	6,044	2,970	9,440	4,304
Net foreign exchange (gain)/loss	(6,062)	718	(3,694)	(12,685)
Loss on derivatives	2,057	1,753	993	7,699
Restructuring (income)/expenses:	(131,919)	-	(46,187)	-
Gain on disposal of land and building	(159,461)	-	(159,461)	-
Impairment of assets	3,284	-	35,980	-
Provision for redundancies	8,085	-	40,786	-
Provision for obsolete materials	3,919	-	14,550	-
Leaseback rental	12,971	-	12,971	-
(Reversal)/provision for project cost	(716)	-	8,987	-

### 7. Changes in Composition of the Group

There were no changes in the composition of the Group during the financial period under review.

### 8. Corporate Proposals

There were no new corporate proposals announced as at 10 February 2017 (the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report).

### 9. Changes in Share Capital and Debt

There were no issuances, cancellations, repurchases, resale of equity securities for the period under review.

### 10. Borrowings

The Group's borrowings as at 31 December 2016 are as follows:

Current	RM'000
1 week revolving credit maturing on 5th January 2017	50,000
2 weeks revolving credit maturing on 9th January 2017	30,000
1 month revolving credit maturing on 30th January 2017	50,000
	130,000

All borrowings are denominated in Ringgit Malaysia.



**11. Contingent Liabilities and Contingent Assets**

The Group has on 8 January 2014 received a letter from the Royal Malaysian Customs disputing the method of calculation of sales tax following the change in transfer price valuation base imposed on 18 October 2012.

On 16 April 2014, the Group received a bill of demand from Royal Malaysian Customs for RM12.9 million in respect of sales tax and penalties (sales tax RM8.8 million and penalties RM4.1 million) for the period from October 2012 through December 2013. The Group stood firm in its position that there is a challengeable case which is supported by external legal opinion on the matter. Accordingly, the Group pursued this matter through a judicial review filed on the 12 August 2014 in the Kuala Lumpur High Court. The High Court had granted a full stay pending the ultimate decision of the case.

On 12 August 2016, the High Court, in rendering its decision ruled in favor of the Group and held that the Royal Malaysian Customs uplift and calculation of sales tax was without legal basis. The High Court further awarded costs of RM7,000 to be paid to the Group. On 6 September 2016, Royal Malaysian Customs filed a notice of appeal to the High Court's decision. Pending the hearing(s) at the Court of Appeal, the decision date for the appeal would most likely be in the 3rd quarter of 2017.

There were no other contingent liabilities or contingent assets as at 10 February 2017 (the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report).

**12. Capital Commitments**

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

Property, plant and equipment:	<b>RM'000</b>
Authorised by the Directors and contracted for	-
Authorised by the Directors but not contracted for	19
	<u>19</u>

**13. Breakdown of realised and unrealised profit/(loss)**

The following analysis of realised and unrealised retained profits/(accumulated losses) is prepared 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 whilst the disclosure is based on the prescribed format by the Bursa Malaysia Securities Berhad.

	<b>As at 31.12.2016 RM'000</b>	<b>As at 31.12.2015 RM'000</b>
Total retained profits of British American Tobacco (Malaysia) Berhad and its subsidiaries		
- Realised profits	559,209	536,857
- Unrealised gain	26,721	(2,420)
Less: Consolidation Adjustments	(126,425)	(130,937)
Total retained profits	<u>459,505</u>	<u>403,500</u>

The unrealised portion within unappropriated profits (retained earnings) as at 31 December 2016 predominantly relates to net deferred tax asset of RM24.6 million and unrealised foreign exchange gain of RM2.1 million.

The consolidation adjustments recognised for the Group mainly relate to accumulated goodwill amortisation recognised from years 2000 to 2005 and hence realised.

**14. Material Litigation**

There was no material litigation as at 10 February 2017 (the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report).

**15. Segment Reporting**

No segmental analysis is prepared as the Group is primarily engaged in the manufacture and sale of cigarettes and other tobacco products. The Group's management team review the financial information as a whole for decision making.

**16. Material Changes in the Quarterly Results as Compared with the Preceding Quarter**

During the fourth quarter of 2016, Domestic and Duty Free volumes registered a 4.3% decline versus the previous quarter of the year, driven by the continued impact of the November 2015 excise led price increase, which in turn resulted in a sharp increase in illegal incidence.

Contract manufacturing volumes declined 33.3% versus the preceding quarter, due to the winding down of the Group's factory operations in Malaysia, which will be carried out in stages. All contract manufacturing volumes for exports have ceased as of 31<sup>st</sup> December 2016.

The weak volume performance described above, coupled with timing differences in expenditures, translated into fourth quarter revenue and gross profit decline of 9.8%, and 17.1% respectively, when both compared to the third quarter of the year.

Operating expenses in the fourth quarter of 2016 were 10.5% higher than the previous quarter largely driven by higher marketing expenditure due to timing of spend, which was partially offset by lower recharges. During the same period, the Group recorded a restructuring income of RM132 million which consists of a gain from the disposal of the land and building which the factory operation is located (RM159 million), provision for employee redundancy related costs (RM8 million), impairment of asset (RM3 million), provision for obsolete raw materials (RM4 million) and leaseback rental (RM13 million).

As a consequence, Profit from Operations in the fourth quarter of 2016 registered an increase of 27.7% (RM69 million) when compared to the previous quarter. Profit from Operations, excluding the impact of one-off restructuring expenses and income, declined 25.7% (RM64 million).

#### 17. Review of Performance

On a full year basis, total Legal Domestic market registered a volume contraction of 25.7% compared to 2015. Excises increases over the years including the steep excise increase in November 2015 drove a significant increase in illegal cigarette trade.

As a consequence of this market evolution, the Group's Domestic and Duty Free volumes in 2016 declined 27.8% when compared to 2015.

Contract manufacturing business declined by 46.2% versus the same period of last year (cigarettes and non-cigarettes). This was due to the winding down of the Group's factory operations in Malaysia, which will be carried out in stages. All contract manufacturing volumes for exports have ceased as of 31<sup>st</sup> December 2016.

Within total legal market, the Group recorded 57.1% share of market as of December 2016 year to date, declined by 3.8ppt versus 2015. This decline was mainly attributed to the down trading dynamics in the market post hefty excise increase in November 2015.

Dunhill recorded market share of 42.2% as of December 2016 year, to date (-3.9ppt vs full year 2015). Despite a decline of 3.9ppt vs 2015, , Dunhill maintained its clear Premium market leadership due to the success of its innovation range of products.

Peter Stuyvesant, the fastest growing brand within its segment, registered 6.5% share of market as of December 2016 year to date, an increase of 0.9ppt when compared to 2015.

As a result of the November 2015 excise led price increase and its consequent impact on legal domestic volumes, revenue for 2016 declined 18.0% (RM825 million) versus the same period of last year. The implementation of additional productivity savings was not able to offset the unfavourable impact from the volume reduction, leading to a Gross Profit deterioration of 24.2% (RM405 million), when compared to 2015.

Operating Expenses for 2016 were 9.1% lower than the same period last year (RM40 million), largely attributed to lower trade expenditures as well as lower recharges from other related entities.

As of December 2016 year to date, the Group has recorded a one-off restructuring expenses (RM113 million) in relation to the winding down of its factory operations, which was announced on 17th March 2016. The one-off restructuring expenses consist of provision for redundancies (RM41 million), asset impairment (RM36 million), provision for obsolete raw materials (RM14 million), project cost (RM9 million) and leaseback rental (RM13 million). The Group has also

recorded a one-off gain from the disposal of the land and building which the factory operations are located amounting to RM159 million.

As a result of the above, for December 2016 year to date, the Group registered a decline of 25.9% (RM321 million) and 26.2% (RM323 million) in Profit from Operations and Profit before Tax respectively, when compared to the same period of last year. Profit from Operations, excluding the impact of one-off restructuring expenses and income, declined 29.5% (RM367 million).

The net sale proceeds of the Proposed Disposal, less the expenses for the Proposed Disposal will be utilised as cash dividends to shareholder.

#### 18. Utilisation of Proceeds

The sale proceeds of the Proposed Disposal worth RM218 million have been fully utilised in the following manner as at 31 December 2016.

	<b>Purpose</b>	<b>Proposed Utilisation RM'000</b>	<b>Actual Utilisation RM'000</b>	<b>Variance RM'000</b>
1	Estimated expenses in relation to Proposed Disposal	10,002	9,782	220
2	One off restructuring expenses	55,024	62,371	(7,347)
3	Leaseback Rental	13,080	12,971	109
4	Cash dividend to Shareholders	139,894	132,876	7,018
	<b>Total</b>	<b>218,000</b>	<b>218,000</b>	<b>-</b>

#### *Notes:*

- 1. The estimated expenses which comprise, amongst others, professional fees for advisors and lawyers, RPGT, expenses to convene the EGM and printing, dispatch and advertising expenses.*
- 2. These one-off expenses include, but is not limited to, redundancy payments to the affected employees of the BAT Group, changes in management support to ensure business continuity, and other incidental expenses in relation to cessation of the Company's factory operations.*
- 3. The Tenancy for the initial 12 months of the Tenancy Term commencing from the SPA Completion Date.*
- 4. The net sale proceeds of the Proposed Disposal, less the expenses for the Proposed Disposal (as described in Notes 1, 2 and 3 above) will be utilised as cash dividends to Shareholders.*

#### 19. Events Subsequent to the End of the Period

There are no other material events subsequent to the end of the financial period under review that have not been reflected in the quarterly financial statements.

#### 20. Seasonal or Cyclical Factors

The results of the Group are generally impacted by changes in excise typically announced annually during National Budget.

#### 21. Future Year's Prospects

The Group remains concerned with legal volumes continuing to be impacted by the current high levels of illegal cigarette trade as a consequence of excise increases over the years including the unprecedented hike in November 2015, as well as consumer down trading within the legal market.

## British American Tobacco (Malaysia) Berhad

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The high levels of illegal cigarette trade forms the main challenge in the short and medium term for the legal tobacco industry after its sharp incidence increase from 36.9% in 2015 to 51.2% as recorded in the month of June 2016 (Source: Illicit Cigarette Study). Illegal cigarette trade has surpassed the legal market volumes with one out of two packs of cigarettes sold is illegal. The outlook of 2017 will be very much dependant on the recovery of the legal market.

### 22. Earnings Per Share

	3 months ended		Financial year ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
<b>Basic earnings per share</b>				
Profit for the financial period (RM'000)	289,332	194,528	721,289	910,062
Weighted average number of ordinary shares in issue ('000)	285,530	285,530	285,530	285,530
Basic earnings per share (sen)	101.3	68.1	252.6	318.7

The Group does not have in issue any financial instrument or other contract that may entitle its holder to ordinary shares and therefore, dilutive to its basic earnings per share.

### 23. Dividends

The Board of Directors has declared a fourth interim dividend of 77.00 sen per share and special dividend of 46.00 sen per share, tax exempt under the single-tier tax system, amounting to RM351,201,900 in respect of the financial year ending 31 December 2016 (for the financial year ended 31 December 2015, fourth interim dividend of 78.00 sen per share tax exempt under the single-tier tax system, amounting to RM222,713,400), payable on 23 March 2017, to all shareholders whose names appear on the Record of Depositors on 13 March 2017.

A Depositor shall qualify for entitlement only in respect of:

- (a) Securities transferred to the Depositor's Securities Account before 4.00 p.m. on 13 March 2017, in respect of ordinary transfers; and
- (b) Securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

**DAVID CHIAM JOY YEOW (LS0009734)**

Company Secretary

Petaling Jaya

16 February 2017