



**BRITISH AMERICAN  
TOBACCO  
MALAYSIA**

---

**BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**BRITISH AMERICAN TOBACCO ( MALAYSIA ) BERHAD**

Registration No. 196101000326 (4372-M)

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS  
FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2019**

	Note	3 months ended		Financial year ended	
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
		RM'000	RM'000	RM'000	RM'000
Revenue		662,447	770,623	2,508,554	2,822,946
Cost of sales		(470,609)	(547,372)	(1,790,905)	(1,927,812)
Gross profit		191,838	223,251	717,649	895,134
Other operating income		461	19,663	5,622	22,189
Operating expenses		(53,872)	(80,480)	(245,054)	(280,785)
Profit from operations		138,427	162,434	478,217	636,538
Finance costs		(4,291)	(3,482)	(15,963)	(13,529)
Profit before tax	B2	134,136	158,952	462,254	623,009
Tax expense	B3	(36,433)	(42,586)	(116,555)	(154,478)
Profit after tax		97,703	116,366	345,699	468,531
Profit attributable to the shareholders of the Company		97,703	116,366	345,699	468,531
Effective tax rate		27%	27%	25%	25%
EPS	B10	34.2	40.8	121.1	164.1
<u>Dividends</u>					
- Interim 1		-	-	30	33
- Interim 2		-	-	26	35
- Interim 3		-	-	29	40
- Interim 4	B11	33	47	33	47
		33	47	118	155

**The unaudited Condensed Consolidated Income Statements should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2018.**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2019**

	<b>3 months ended</b>		<b>Financial year ended</b>	
	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Profit after tax</b>	97,703	116,366	345,699	468,531
<b>Other comprehensive income, net of tax</b>				
<b>Items that may be subsequently reclassified to income statement</b>				
- changes in fair value of cash flow hedges	(5,051)	(2,006)	(2,480)	2,876
- deferred tax on fair value changes of cash flow hedges	1,212	482	595	(690)
<b>Total other comprehensive (expense)/ income, net of tax</b>	<u>(3,839)</u>	<u>(1,524)</u>	<u>(1,885)</u>	<u>2,186</u>
 Total comprehensive income	 <u>93,864</u>	 <u>114,842</u>	 <u>343,814</u>	 <u>470,717</u>
<b>Profit attributable to:</b>				
Shareholders of the Company	<u>97,703</u>	<u>116,366</u>	<u>345,699</u>	<u>468,531</u>
 <b>Total comprehensive income attributable to:</b>				
Shareholders of the Company	 <u>93,864</u>	 <u>114,842</u>	 <u>343,814</u>	 <u>470,717</u>

**The unaudited 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 2018.**

**BRITISH AMERICAN TOBACCO ( MALAYSIA ) BERHAD**

Registration No. 196101000326 (4372-M)

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**

**AS AT 31 DECEMBER 2019**

		As at 31.12.2019	As at 31.12.2018
	Note	RM'000	RM'000
<b>Assets</b>			
Property, plant and equipment		65,505	44,031
Computer software		1,429	1,429
Goodwill		411,618	411,618
Deferred tax assets		19,376	31,311
<b>Total non-current assets</b>		<u>497,928</u>	<u>488,389</u>
Asset held for sale		234	116
Inventories		98,251	162,282
Tax recoverable		8,222	9,416
Trade and other receivables		402,947	361,479
Derivative financial instruments		177	797
Cash and bank balances		20,386	78,627
<b>Total current assets</b>		<u>530,217</u>	<u>612,717</u>
<b>Total assets</b>		<u><u>1,028,145</u></u>	<u><u>1,101,106</u></u>
<b>Equity</b>			
Share capital		142,765	142,765
Cash flow hedge reserve		(1,511)	374
Retained earnings		247,327	278,528
<b>Total equity</b>		<u>388,581</u>	<u>421,667</u>
<b>Liabilities</b>			
Lease liabilities		21,844	-
<b>Total non-current liabilities</b>		<u>21,844</u>	<u>-</u>
Trade and other payables		170,661	235,867
Borrowings	B5	421,000	410,000
Derivative financial instruments		2,171	198
Current tax liabilities		19,531	33,374
Lease liabilities		4,357	-
<b>Total current liabilities</b>		<u>617,720</u>	<u>679,439</u>
<b>Total liabilities</b>		<u>639,564</u>	<u>679,439</u>
<b>Total equity and liabilities</b>		<u><u>1,028,145</u></u>	<u><u>1,101,106</u></u>
Net assets per share (RM)		1.36	1.48

The unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2018.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019

	Issued and fully paid ordinary shares		Non-distributable		Distributable	Equity Total
	Number of shares	Nominal value	Cash flow hedge reserve	Shared based payment reserve	Retained earnings	
	'000	RM'000	RM'000	RM'000	RM'000	
<b>At 1 January 2019</b>	285,530	142,765	374	-	278,528	421,667
Profit after tax	-	-	-	-	345,699	345,699
Other comprehensive (expense)/income:						
- changes in fair value of cash flow hedges	-	-	(2,480)	-	-	(2,480)
- deferred tax on fair value changes on cash flow hedges	-	-	595	-	-	595
<b>Total comprehensive income</b>	-	-	(1,885)	-	345,699	343,814
Transaction with shareholders:						
Expense arising from equity-settled share based payment transactions	-	-	-	5,775	-	5,775
Recharge of share-based payment	-	-	-	(5,775)	-	(5,775)
Dividend for financial year ended 31 December 2018						
- fourth interim	-	-	-	-	(134,199)	(134,199)
Dividend for financial year ended 31 December 2019						
- first interim	-	-	-	-	(85,659)	(85,659)
- second interim	-	-	-	-	(74,238)	(74,238)
- third interim	-	-	-	-	(82,804)	(82,804)
Total transactions with shareholders of the Company	-	-	-	-	(376,900)	(376,900)
<b>At 31 December 2019</b>	<b>285,530</b>	<b>142,765</b>	<b>(1,511)</b>	<b>-</b>	<b>247,327</b>	<b>388,581</b>
<b>At 1 January 2018</b>	<b>285,530</b>	<b>142,765</b>	<b>(1,812)</b>	<b>-</b>	<b>241,148</b>	<b>382,101</b>
Profit after tax	-	-	-	-	468,531	468,531
Other comprehensive income:						
- changes in fair value of cash flow hedges	-	-	2,876	-	-	2,876
- deferred tax on fair value changes on cash flow hedges	-	-	(690)	-	-	(690)
<b>Total comprehensive income</b>	-	-	2,186	-	468,531	470,717
Transactions with shareholders:						
Expense arising from equity-settled share based payment transactions	-	-	-	4,463	-	4,463
Recharge of share based payment	-	-	-	(4,463)	-	(4,463)
Dividend for financial year ended 31 December 2017						
- fourth interim	-	-	-	-	(122,778)	(122,778)
Dividend for financial year ended 31 December 2018						
- first interim	-	-	-	-	(94,225)	(94,225)
- second interim	-	-	-	-	(99,936)	(99,936)
- third interim	-	-	-	-	(114,212)	(114,212)
Total transactions with shareholders of the Company	-	-	-	-	(431,151)	(431,151)
<b>At 31 December 2018</b>	<b>285,530</b>	<b>142,765</b>	<b>374</b>	<b>-</b>	<b>278,528</b>	<b>421,667</b>

The unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2018.

**BRITISH AMERICAN TOBACCO ( MALAYSIA ) BERHAD**

Registration No. 196101000326 (4372-M)

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

**FOR YEAR ENDED 31 DECEMBER 2019**

	Financial year ended 31.12.2019	Financial year ended 31.12.2018
	RM'000	RM'000
<b>Operating activities</b>		
Cash receipts from customers and fellow subsidiaries	2,467,068	2,950,649
Cash paid to suppliers and employees and fellow subsidiaries	<u>(2,019,307)</u>	<u>(2,333,412)</u>
<b>Cash from operations</b>	447,761	617,237
Income taxes paid	<u>(116,673)</u>	<u>(123,530)</u>
<b>Net cash flow from operating activities</b>	<u>331,088</u>	<u>493,707</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(7,399)	(19,566)
Proceeds from disposals of property, plant and equipment	3,212	2,324
Proceeds disposal of assets held for sale	1,330	2,000
Interest received	1,163	1,288
<b>Net cash flow used in investing activities</b>	<u>(1,694)</u>	<u>(13,954)</u>
<b>Financing activities</b>		
Dividends paid to shareholders	(376,900)	(431,151)
Interest expense paid	(14,849)	(13,529)
Net drawdown from revolving credit	11,000	32,000
Payment on lease liabilities	(6,886)	-
<b>Net cash flow used in financing activities</b>	<u>(387,635)</u>	<u>(412,680)</u>
<b>(Decrease)/ increase in cash and cash equivalents</b>	(58,241)	67,073
<b>Cash and cash equivalents as at 1 January</b>	<u>78,627</u>	<u>11,554</u>
<b>Cash and cash equivalents as at 31 December</b>	<u><u>20,386</u></u>	<u><u>78,627</u></u>

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 2018.

**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**A1. BASIS OF PREPARATION**

These condensed consolidated financial statements ('Condensed Report') are unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standard ("MFRS") 134 *Interim Financial Reporting*, the International Accounting Standard ("IAS") 34 *Interim Financial Reporting* and the requirements of the Companies Act 2016 in Malaysia, where applicable. This Condensed Report has also been prepared in accordance with paragraph 9.22 and Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

This Condensed Report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018. The explanatory notes attached to the Condensed Report provide explanations of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2018.

**A2. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of this Condensed Report are consistent with those adopted in the preparation of the Group's audited financial statements for the financial year ended 31 December 2018, except for the adoption of MFRS 16 which became effective from 1 January 2019. The adoption of MFRS 16 from 1 January 2019 and its financial impact to the Group are disclosed in Note A3 of this Condensed Report. As at the date of authorisation of this Condensed Report, the following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

**MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020**

Amendments to MFRS 3 Business Combinations - *Definition of a Business*

Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material

Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement and MFRS 7, Financial Instruments: Disclosures – Interest Rate Benchmark Reform

**MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021**

MFRS 17 Insurance Contracts

**MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed**

Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The Group plans to apply the abovementioned accounting standards, interpretations and amendments, where applicable:

- from the annual period beginning on 1 January 2020 for those accounting standards, interpretations and amendments that are effective for annual periods beginning on or after 1 January 2020.

The Group does not plan to apply MFRS 17, Insurance Contracts that is effective for annual period beginning on 1 January 2020 as it is not applicable to the Group. The initial application of the accounting standards, interpretations or amendments are not expected to have any material financial impact to the Group.

**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**A3. CHANGE IN ACCOUNTING POLICY**

MFRS 16 introduces a single, on-balance sheet lease accounting model for leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the assets. The following table presents the impact of changes on the financial statements from the adoption of the standard as at 1 January 2019:

	<b>As at 31.12.2018</b>	<b>Changes</b>	<b>As at 01.01.2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current assets</b>			
Right-of-use-assets	-	30,439	30,439
<b>Non-current liabilities</b>			
Lease liabilities	-	24,799	24,799
<b>Current liabilities</b>			
Lease liabilities	-	5,640	5,640

The Group has applied MFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented under MFRS 117, Leases and related interpretations.

**A4. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS**

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

**A5. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE**

During the fourth quarter of 2019, the Group had undertaken measures in restructuring the organisation to be more efficient, agile and focused to enable the Group to operate in a challenging business environment. This restructuring resulted in a reduction of the workforce and reconstructed a new base for sustainable cost structure. The restructuring commenced in the fourth quarter of 2019 and is expected to be completed in 2020.

There were no significant unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial year ended 31 December 2019, other than the exercise to restructure the business operations of the Group. The financial impact arising from the abovementioned restructuring of business operations is set out below:

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Provision for redundancies	15,420	-

**A6. SIGNIFICANT CHANGES IN ESTIMATE**

There were no significant changes in estimates that have had a material effect during the current quarter and financial year ended 31 December 2019.



**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**A7. DEBT AND EQUITY SECURITIES**

There were no issuances, repurchases and repayments of debt and equity securities during the current quarter and year ended 31 December 2019

**A8. SEGMENT REPORTING**

The Company is domiciled in Malaysia. The analysis of revenue from external customers in Malaysia is as follows:

	<b>3 months ended</b>		<b>Financial year ended</b>	
	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Sale of semi-finished goods, cigarettes, pipe tobaccos, cigars and other tobacco products	662,447	770,623	2,508,554	2,822,946

The Group does not have any non-current assets that are located in countries other than Malaysia.

Segment analysis has not been prepared as the Group operates a single product business primarily engaged in the manufacture, importation and sale of cigarettes and other tobacco products and this forms the focus of the Group's internal reporting systems. While the Group has clearly differentiated brands, segmentation within a wide portfolio of brands is not part of the regular internally reported financial information to the chief operational decision maker and it is not possible to segment the Group results by brand without a high degree of estimation.

**A9. EVENT AFTER THE REPORTING YEAR**

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

**A10. CHANGES IN COMPOSITION OF GROUP**

There were no changes in the composition of the Group during the current quarter and financial year ended 31 December 2019.

**A11. CONTINGENT ASSETS AND LIABILITIES**

There were no other contingent liabilities or contingent assets as at 13 February 2020 (the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report).

**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**A12. CAPITAL COMMITMENTS**

Capital commitments of the Group as at year ended are as follows:

	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Property, plant and equipment:		
Contracted but not provided for	15	41

**A13. SIGNIFICANT RELATED PARTY TRANSACTIONS**

For the purposes of these financial statements, 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 other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group.

The Group has related party relationships with its holding company, subsidiaries and key management personnel.

Significant related party transactions are as follows:

	<b>3 months ended</b>		<b>Financial year ended</b>	
	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Purchase of leaf, cigarette packaging, wrapping materials and tobacco products from:				
PT Bentoel Internasional Investama, Tbk	32,776	46,386	157,546	204,299
Royalties paid/payable to:				
British-American Tobacco (Holdings) Ltd.	23,027	24,511	85,116	93,858
Technical and advisory support services fee (receivable from)/payable to:				
British American Tobacco Investments Ltd.	(447)	9,829	18,343	23,990

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET  
LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B1. AUDITORS' REPORT ON PRECEEDING ANNUAL FINANCIAL STATEMENTS**

The auditors' report on the annual financial statements of the Group for the year ended 31 December 2018 was unqualified.

**B2. PROFIT BEFORE TAX**

	<b>3 months ended</b>		<b>Financial period ended</b>	
	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Profit before tax is arrived at after charging:</b>				
Property, plant and equipment:				
- depreciation	1,912	2,197	7,501	6,953
- depreciation of right-of-use assets	1,676	-	6,732	-
- loss on disposal	265	531	26	549
- write-off	10	429	10	429
Computer software:				
- amortisation	-	22	-	95
Net loss on impairment of financial assets at amortised cost	-	37	18	31
Rental of land, buildings and equipment	465	2,189	1,900	11,265
Inventories written down	6,346	986	11,478	5,633
Finance costs:				
- lease liabilities	259	-	1,114	-
- revolving credit	4,032	-	14,849	13,529
Restructuring expenses	15,420	-	15,420	-
	<u>15,420</u>	<u>-</u>	<u>15,420</u>	<u>-</u>
<b>and after crediting:</b>				
Gain on disposal of assets held for sale	-	-	1,031	1,601
Reversal on impairment of financial assets at amortised cost	32	-	-	-
Reversal of impairment loss for prepaid tax stamp	-	19,300	-	19,300
Net foreign exchange gain	640	147	1,050	70
Interest income on deposits	258	362	1,163	1,288
	<u>258</u>	<u>362</u>	<u>1,163</u>	<u>1,288</u>

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET  
LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B3. TAX EXPENSE**

	3 months ended		Financial period ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
<b>Current tax expense</b>				
- current tax	17,903	38,528	101,989	153,523
- under/(over) provision in prior year	<u>18,530</u>	<u>4,058</u>	<u>2,036</u>	<u>(4,710)</u>
	36,433	42,586	104,025	148,813
<b>Deferred tax expense</b>				
- reversal and origination of temporary differences	-	-	14,658	7,535
- over provision in prior year	<u>-</u>	<u>-</u>	<u>(2,128)</u>	<u>(1,870)</u>
	<u>-</u>	<u>-</u>	<u>12,530</u>	<u>5,665</u>
	<u>36,433</u>	<u>42,586</u>	<u>116,555</u>	<u>154,478</u>

The average effective tax rates of the Group for the fourth quarter of 2019 and financial year ended 2019 were 27% (2018: 27%) and 25% (2018: 25%) respectively.

**B4. CORPORATE PROPOSAL**

There were no new corporate proposals announced as at 13 February 2020 (the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report).

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET  
LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B5. BORROWINGS**

The Group's borrowings as at year ended are as follows:

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Current		
Revolving credit – unsecured	<u>421,000</u>	<u>410,000</u>

The Group's borrowings relate to revolving credits maturing between one week to three months. The Group's borrowings are denominated in Ringgit Malaysia.

Reconciliation of movement of liabilities to cash flow arising from financing activities is as follows:

	<b>Net changes from financing cash flows</b>			
	<b>2018</b>	<b>Drawdown</b>	<b>Repayment</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>				
Revolving credit – unsecured	<u>410,000</u>	<u>1,215,000</u>	<u>(1,204,000)</u>	<u>421,000</u>

	<b>Net changes from financing cash flows</b>			
	<b>2017</b>	<b>Drawdown</b>	<b>Repayment</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>				
Revolving credit – unsecured	<u>378,000</u>	<u>447,000</u>	<u>(415,000)</u>	<u>410,000</u>

**B6. MATERIAL LITIGATION**

On 14 November 2019, Commercial Marketers and Distributors (CMD), one of the subsidiaries of the Company, filed an application for judicial review proceedings against the decisions of the Ministry of Health (MOH) in recategorising its non-cigarette tobacco product, Dunhill HTL Cigarillo, as a cigarette and revoking its approval granted on 12 July 2018 for CMD to sell Dunhill HTL Cigarillo ("MOH Decisions"). In its application, CMD is asking for the MOH Decisions to be nullified and damages to be assessed by the Court.

On 8 January 2020, CMD managed to obtain leave from the Court to commence judicial review proceedings against the MOH and the hearing is expected to take place in April 2020. There is no estimated potential liability to BATM group arising at this point in time.

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET  
LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B7. MATERIAL CHANGES IN THE QUARTERLY RESULTS AS COMPARED WITH THE PRECEDING QUARTER**

Profit from operations was RM138 million in the current quarter versus RM113 million for the immediate preceding quarter, registering an increase of 22.9% (RM25 million). The improved profit from operations was mainly driven by higher volume in the fourth quarter of 2019 due to seasonal consumer demand and on-going cost optimisation.

Legal cigarette industry volume increased by 8% in the fourth quarter of 2019 as compared to the preceding quarter. The Group's volume increased by 14% in quarter 4 of 2019 following the industry trend. This is due to seasonal volume trends and focused brand support activities in the quarter.

The Group's market share declined marginally by 0.7ppt, registered at 53.7%. This is mainly driven by Premium and Aspirational Premium (AP) segment decline from the continuous downtrading as a result of consumer affordability pressure; partly offset by Rothmans' solid growth of 0.7ppt quarter on quarter.

The improvement in volume translated to an increase of revenue by 13.4% (RM78 million) and gross profit of 18.8% (RM30 million).

Operating expenses decreased in the current quarter by 21.7% (RM11 million), excluding restructuring expenses of RM15 million (refer to note A5) when compared to the preceding quarter. Therefore, with higher volumes coupled with lower operating cost in the fourth quarter of 2019, profit from operations improved by 22.9% (RM25 million) versus quarter 3, 2019.

**B8. REVIEW OF PERFORMANCE FULL YEAR 2019 VS FULL YEAR 2018**

Profit from operations was RM478 million for 2019 versus RM637 million for the 2018 financial year, representing a decline of 24.9% (RM159 million). This decline was mainly attributed to lower volume as a result of significant legal market contraction, market downtrading as well as the absence of one-off factors reported in the same period last year such as GST removal one-off benefit and tax stamps refunds.

Total legal industry volume declined by 10% when compared to same period last year largely attributed to rapid growth of illegal vaping products and continued high level of illegal cigarette incidence at 63% (Source: Illicit Cigarettes Study). Despite increased enforcement actions from enforcement agencies, the result was insufficient to translate to legal cigarette volumes recovery. The Group continues to see the legal market contraction as well as illegal vaping negatively impacting the tobacco market landscape.

In the legal market, Value for Money (VFM) segment grew by 5.8ppt versus 2018 due to affordability stretch on consumers. The Group's VFM brand Rothmans, registered a market share growth of 2.0ppt versus 2018, closing with a total market share of 6.7% in the legal segment. The performance of Rothmans is very encouraging.

The combination of legal market contraction and downtrading led to a decline of 11.7% in the Group's volume and a decline of 11.1% in the Group's revenue (RM314 million) when compared to same period last year.

The Group continued the cost reduction exercise further, rationalising its cost base significantly, leading to lower operating expenses of 12.7% (RM36 million) versus same period last year. Given the pressure in the tobacco landscape, the Group had started its internal reorganisation with the aim to aggressively optimise the cost base and set a new foundation for sustainable cost structure in the future. With this, a provision for redundancies of RM15 million was incurred in the last quarter of 2019. This restructuring exercise will continue into first half of 2020. Ultimately, it will reduce approximately 20% of the workforce of the Group. All the measures mentioned above are to ensure future sustainability and to protect the earnings of the Group.

Due to the lower revenue from market contraction and downtrading, partially offset by the benefit of cost rationalisation that the Group has undertaken, the profit from operations registered a decline of 24.9% (RM159 million) versus 2018.

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET  
LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B9. CURRENT YEAR PROSPECTS**

The outlook of the tobacco industry continues to be challenged by a persistently high level of illegal cigarette trade and rapidly growing unregulated illegal nicotine vaping market. The high level of illegal cigarette market is largely due to the affordability stretch on consumers. The enforcement actions against the illegal cigarette trade despite increasing, have not been swift, radical and deterrent enough to counter its growth. The Group's growth strategy will be very much dependent on the recovery of the legal cigarette market, a regulated nicotine landscape, sensible fiscal policies and resolution of the affordability issues affecting consumers.

The Group will continue to streamline its cost base and complete the restructuring exercise in 2020 to deliver a leaner and stronger organisation.

**B10. EARNINGS PER SHARE**

	<b>3 months ended</b>		<b>Financial year ended</b>	
	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
<b>Basic earnings per share</b>				
Profit for the financial period (RM'000)	<u>97,703</u>	<u>116,366</u>	<u>345,699</u>	<u>468,531</u>
Weighted average number of ordinary shares in issue ('000)	<u>285,530</u>	<u>285,530</u>	<u>285,530</u>	<u>285,530</u>
Basic earnings per share (sen)	<u>34.2</u>	<u>40.8</u>	<u>121.1</u>	<u>164.1</u>

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET  
LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B11. DIVIDENDS**

Dividends paid or declared in respect of the financial year are as follows:

	<b>Sen per share RM</b>	<b>Total amount RM'000</b>
<b>2019</b>		
Fourth interim dividend 2018	47.0	134,199
First interim dividend 2019	30.0	85,659
Second interim dividend 2019	26.0	74,238
Third interim dividend 2019	29.0	82,804
Total amount	<u>132.0</u>	<u>376,900</u>
<b>2018</b>		
Fourth interim dividend 2017	43.0	122,778
First interim dividend 2018	33.0	94,225
Second interim dividend 2018	35.0	99,936
Third interim dividend 2018	40.0	114,212
Total amount	<u>151.0</u>	<u>431,151</u>

The first, second and third interim dividends are paid and accounted for in shareholders' equity as an appropriation of retained earnings in the financial year they are declared.

The Directors declared a fourth interim ordinary dividend of 33.0 sen per ordinary share at the Board of Directors' meeting on 20 February 2020 amounting to RM 94,224,900 in respect of the financial year ended 31 December 2019 which will be paid on 18 March 2020 to shareholders registered in the Company's Register of Members at the close of business on 6 March 2020. This Condensed Report does not reflect the fourth interim ordinary dividend which will be accounted for in the financial year ending 31 December 2020.

A Depositor shall qualify for entitlement only in respect of:

- (a) Securities transferred to the Depositor's Securities Account before 4.30 p.m. on 6 March 2020, in respect of ordinary transfers; and
- (b) Securities bought on Bursa Malaysia Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Berhad.