JT International Berhad
(9244-D)

Notes

Quarterly Report: 30th September 2013

1. Accounting Policies

The interim financial report has been prepared in accordance with the reporting requirements as set out in the Malaysian Financial Reporting Standard ("MFRS") 134 - Interim Financial Reporting issued by the Malaysian Accounting Standards Board and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group's annual audited financial statements for the year ended 31st December 2012.

The audited financial statements of the Group for the year ended 31st December 2012 were prepared in accordance with MFRS. The significant accounting policies adopted in preparing this interim financial report are consistent with those of the audited financial statements for the year ended 31st December 2012.

2. Qualification of Preceding Annual Financial Statements

The audit report of the most recent annual financial statements for the year ended 31st December 2012 was not qualified.

3. Seasonal or Cyclical Factors

The business operations of the Group were not materially affected by any seasonal or cyclical factors during the quarter under review.

4. Unusual Items

There was no unusual item affecting assets, liabilities, equity, net income, or cash flows during the quarter.

5. Material Changes In Estimates

There were no material changes in estimates from either the prior interim period or prior financial years that have a material effect in the current quarter results.

6. Debts and Equity Securities

There were no issuances, cancellation, repurchases, resale and repayments of debts and equity securities during the quarter under review.

7. Dividend Paid

There was no dividend paid during the financial period under review.

8. Segmental Reporting

No segmental analysis is prepared as the Group is primarily engaged in the manufacturing and sales of tobacco products in Malaysia.

9. Valuation of Property, Plant and Equipment

There were no valuations of property, plant and equipment during the financial period under review or being brought forward from the previous Annual Financial Statements.

10. Material Events Subsequent To The End of The Period

There are no material events subsequent to the end of the period reported which have not been reflected in the financial period.

11. Changes In The Composition of The Group

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

12. Contingent Liabilities and Contingent Assets

There were no changes in contingent liabilities or contingent assets since the last statement of financial position as at 31st December 2012.

13. Capital Commitments

Capital commitments not provided for in the financial statements as at 30th September 2013 are as follows:

Property, plant and equipment	RM'000
Approved and contracted for	75,178
Approved but not contracted for	13,901

14. Review of Performance

For the quarter under review, the Group registered revenues of RM 307.3 million as compared with RM319.2 million for the same period last year. The decrease in revenues was mainly attributed to a 7.7 % decline in sales volume partially offset by higher cigarette prices in the current quarter compared to the same quarter last year. Profit before tax in the current quarter was marginally lower at RM41.3 million compared with RM41.8 million for the same period last year. Profit before tax has decreased, driven by lower sales volume and higher marketing investments, offset by higher net margins and improved product mix.

For the cumulative period to 30th September 2013, the Group achieved revenues of RM942.4 million as compared with revenues of RM944.3 million for the corresponding period last year. The marginal decrease in revenues was attributed to a 4.4% decline in sales volume offset by higher cigarette prices and improved product mix. Profit before tax for the first nine months of 2013 was higher at RM136.2 million as compared with RM132.0 million for the corresponding period last year. Profit before tax was higher driven by increased net margins and improved product mix, offset partially by lower sales volume and higher marketing investments.

For the first nine months of 2013, the Group achieved a market share growth of 0.3 percentage point to 19.7% from 19.4% in the same period last year (*Nielsen Retail Audit Report*). Mild Seven (*which has been renamed Mevius beginning May 2013*) recorded market share growth of 0.1 percentage point, increasing its market share to 4.4% compared with 4.3% in 2012. Winston, the leader in the Value segment, grew its market share to 10.0% from 9.7% in 2012 despite the continued impact of illicit cigarettes and the sales of cigarettes below the government mandated minimum price.

15. Comparison with Preceding Quarter's Result

For the quarter under review, the Group registered revenues of RM307.3 million as compared with revenues of RM325.2 million for the preceding quarter. The decrease in revenues was attributed to lower sales volume in the current quarter compared to the preceding quarter. Profit before tax in the current quarter was marginally lower at RM41.3 million compared with RM41.5 million in the preceding quarter. Profit before tax was lower, mainly driven by lower sales volume offset by higher net margins in the current quarter.

16. Prospects for This Financial Year

For the remainder of 2013, JTI Malaysia expects the operating environment to remain extremely challenging, driven by the recent 14% excise-driven cigarette price increase in October and the continued high prevalence of illegal cigarettes.

The Group is pleased to hear that the Ministry of Health will be making possession of illegal cigarettes an offence under their regulations. Coupled with the continued intensified enforcement efforts by the Malaysian law enforcement agencies, the Group remains confident that the incidence of illegal cigarettes can be further reduced.

Despite this challenging operating environment, the Group is committed to maintain its competitiveness through continued effective investment behind its Global Flagship Brands: Mevius (formerly Mild seven) and Winston.

17. Profit Forecast or Guarantee

There was no profit forecast or profit guarantee made during the financial period under review.

18. Taxation

	Current Quarter		Year To Date	
	RM'000	%	RM'000	%
Profit before taxation	41,327		136,209	
Statutory tax	10,332	25.00	34,052	25.00
Tax effect of non-deductible expenses	206	0.50	681	0.50
Effective tax	10,538	25.50	34,733	25.50

The effective tax rates of the Group for the financial period was higher than the statutory rate due to the tax effect of non-deductible expenses.

19. Notes to the Statement of Comprehensive Income

	3 months ended		Year to Date	
	30.09.2013	**30.09.2012**	**30.09.2013**	**30.09.2012**
	RM'000	RM'000	RM'000	RM'000
Inventories written off	15	3	37	3
(Gain) on disposal of disposal of property, plant and equipment	(37)	(80)	(1,065)	(1,482)
Loss on foreign exchange	607	914	1,584	2,768

There was no interest expense, gain or loss on derivatives, impairment of assets, allowance for doubtful receivables and bad receivables written off and exceptional items for the financial quarter and financial year to date.

20. Status of Corporate Proposals Announced But Not Completed

There was no corporate proposal announced which was not completed as at the date of this report.

21. Group Borrowing and Debt Securities

There were no borrowings and debt securities as at the end of the reporting period.

22. Disclosure of Derivatives

There were no derivatives entered into by the Group as at the end of the reporting period.

23. Gain/Losses Arising From Fair Value Changes of Financial Liabilities

Financial liabilities of the Group include trade and other payables and intercompany payables. The carrying amounts of the financial liabilities as reported in the statements of financial position as of 30th September 2013 approximate their fair values because of the immediate or short maturity terms of these financial instruments.

24. Material Litigation

There was no material litigation pending since 31st December 2012.

25. Dividends

The Board of Directors has approved and declared an interim dividend of 11 sen per share, tax exempt under the single-tier system in respect of the financial year ending 31st December 2013 (the previous year's corresponding quarter: single-tier tax exempt dividend of 11 sen per share), payable on 20th December 2013. The entitlement date for the said dividend is 9th December 2013.

A depositor shall qualify for entitlement only in respect of:

a) Securities transferred into the Depositor's Securities Account before 4:00 p.m. on 9th December 2013 in respect of transfers; and

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

26. Earnings Per Share

Earnings per share have been computed based on profit for the period divided by the weighted average number of ordinary shares in issue during the period.

	3 months ended		Year to Date	
	30.09.2013	**30.09.2012**	**30.09.2013**	**30.09.2012**
Profit for the period (RM'000)	30,789	31,159	101,476	98,318
Weighted average number of ordinary shares in issue ('000)	261,534	261,534	261,534	261,534
Basic earnings per share (sen)	11.77	11.91	38.80	37.59

27. Realised and Unrealised Profits/Losses

	As at 30.09.2013 RM'000	As at 31.12.2012 RM'000
Total retained earnings:		
Realised	306,882	292,315
Unrealised	(7,180)	(10,398)
Total retained earnings as per statements of financial position	299,702	281,917

By Order of the Board
YONG LAI CHIN
WONG KWAI YIN
Company Secretary