JT International Berhad
(9244-D)

Notes

Quarterly Report: 31st December 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.

During the financial period the Group has applied MFRS 119 Employee Benefits (revised) on a retrospective basis. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net retirement benefit asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. The interest cost and expected return on plan assets under the previous version of MFRS are replaced with a net interest amount, which is calculated by applying the discount rate to the net defined benefit asset or liability. The profit and loss and other comprehensive income in prior year have been restated to reflect these changes.

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

An interim dividend of 11 sen per share, tax exempt under the single-tier system was paid on 20th December 2013.

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 31st December 2013 are as follows:

Property, plant and equipment	RM'000
Approved and contracted for	67,044
Approved but not contracted for	19,881

14. Review of Performance

For the quarter under review, the Group registered revenues of RM 330.8 million as compared with RM290.0 million for the same period last year. The increase in revenues was mainly attributed to higher cigarette prices offset partially by a 4.7 % decline in sales volume in the current quarter compared to the same quarter last year. Profit before tax in the current quarter was higher at RM28.1 million compared with RM9.6 million for the same period last year. Profit before tax was higher, driven by higher net margins and better product mix, offset partially by lower sales volume and higher marketing investments. In addition, there was a one-time restructuring charge of RM12.2 million in the same period last year driven by the impact of the closure of the Group's tobacco leaf and stemmery operations.

For the year under review, the Group achieved revenues of RM1273.3 million as compared with revenues of RM1234.3 million for the corresponding period last year. The marginal increase in revenues was attributed to higher cigarette prices and better product mix, offset partially by a 4.4% decline in sales volume and higher marketing investments. Profit before tax was higher at RM164.3 million as compared with RM141.5 million for the corresponding period last year, driven by the same factors mentioned above.

Despite facing significant external challenges, the Group achieved a market share growth of 0.2 percentage point to 19.6% from 19.4% in the same period last year (*Nielsen Retail Audit Report*). Mevius, premium brand, recorded a market share growth of 0.1 percentage point, increasing its market share to 4.4% compared with 4.3% in 2012. Winston, leader in the sub-premium 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 cigarette price.

15. Comparison with Preceding Quarter's Result

For the quarter under review, the Group registered revenues of RM330.8 million as compared with revenues of RM307.3 million for the preceding quarter. The increase in revenues was attributed to higher cigarette prices, partially offset by a 6.3% decline in sales volume in the current quarter compared to the preceding quarter. Profit before tax in the current quarter was lower at RM28.1 million compared with RM41.3 million in the preceding quarter. Profit before tax was lower mainly driven by lower sales volume, significantly higher marketing investments, product line discontinuation and rationalization costs, offset by higher net margins in the current quarter.

16. Prospects for Next Financial Year

For 2014, JTI Malaysia expects the operating environment to remain extremely challenging, primarily due to the 14% excise increase in October 2013 and the continued high prevalence of illegal cigarettes at 35.7% of the market (*Source: Wave 1 to Wave 3, 2013, Illicit Cigarette Survey (ICS) commissioned by Confederation of Malaysian Tobacco Manufacturers*). In addition, consumption is expected to be impacted by continued inflationary pressures and weak consumer sentiment.

Despite this challenging operating environment, the Group is committed to maintain its competitiveness through continued effective investment behind its Global Flagship Brands: Mevius 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	28,131		164,340	
Statutory tax	7,033	25.00	41,085	25.00
Tax effect of non-deductible expenses	945	3.36	1,626	0.99
Effective tax	7,978	28.36	42,711	25.99

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 Profit and Loss and Other Comprehensive Income

	3 months ended		Year to Date	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**
	RM'000	RM'000	RM'000	RM'000
(Reversal of)/Inventories written off	(20)	(3)	17	-
Allowance for doubtful receivables and bad receivables written off	156	36	156	36
Impairment of assets	1,408	3,806	1,408	3,806
Gain on disposal of property, plant and equipment	(85)	(1,172)	(1,150)	(2,654)
Loss on foreign exchange	581	697	2,165	3,465

There was no interest expense, gain or loss on disposal of quoted or unquoted investments, derivatives 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 31st December 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 does not recommend the payment of a dividend for the financial quarter under review.

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	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**
Profit for the period (RM'000)	20,153	2,994	121,629	101,312
Weighted average number of ordinary shares in issue ('000)	261,534	261,534	261,534	261,534
Basic earnings per share (sen)	7.71	1.14	46.51	38.74

27. Realised and Unrealised Profits/Losses

	As at 31.12.2013 RM'000	As at 31.12.2012 RM'000
Total retained earnings:		
Realised	295,638	289,848
Unrealised	(7,978)	(10,398)
Total retained earnings as per statements of financial position	287,660	279,450

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