



BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE QUARTER ENDED 30 SEPTEMBER 2020**

BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD
Registration No. 196101000326 (4372-M)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

	Note	For the 3 months ended		For the period ended	
		30.9.2020	30.9.2019	30.9.2020	30.9.2019
		RM'000	RM'000	RM'000	RM'000
Revenue		627,518	584,344	1,655,252	1,846,107
Cost of sales		(468,092)	(422,817)	(1,232,808)	(1,320,296)
Gross profit		159,426	161,527	422,444	525,811
Other operating income		121	237	833	5,161
Operating expenses		(71,770)	(49,120)	(181,184)	(191,182)
Profit from operations		87,777	112,644	242,093	339,790
Finance costs		(3,943)	(3,823)	(13,223)	(11,672)
Profit before tax	B2	83,834	108,821	228,870	328,118
Tax expense	B3	(20,092)	(25,690)	(59,751)	(80,122)
Profit after tax		63,742	83,131	169,119	247,996
Profit attributable to the shareholders of the Company		63,742	83,131	169,119	247,996
Effective tax rate		24%	24%	26%	24%
EPS	B10	22.3	29.1	59.2	86.9
<u>Dividends</u>					
- Interim 1		-	-	17	30
- Interim 2		-	-	18	26
- Interim 3		21	29	21	29
		21	29	56	85

The unaudited Condensed Consolidated Income Statement should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2019.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE PERIOD ENDED 30 SEPTEMBER 2020

	For the 3 months ended		For the period ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM'000	RM'000	RM'000	RM'000
Profit after tax	63,742	83,131	169,119	247,996
Other comprehensive income, net of tax				
Items that may be subsequently reclassified to income statement				
- changes in fair value of cash flow hedges	(5,417)	2,196	(168)	2,571
- deferred tax on fair value changes of cash flow hedges	-	(527)	(1,260)	(617)
Total other comprehensive (expense)/ income, net of tax	<u>(5,417)</u>	<u>1,669</u>	<u>(1,428)</u>	<u>1,954</u>
Total comprehensive income	<u>58,325</u>	<u>84,800</u>	<u>167,691</u>	<u>249,950</u>
Profit attributable to:				
Shareholders of the Company	<u>63,742</u>	<u>83,131</u>	<u>169,119</u>	<u>247,996</u>
Total comprehensive income attributable to:				
Shareholders of the Company	<u>58,325</u>	<u>84,800</u>	<u>167,691</u>	<u>249,950</u>

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2019.

BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD
Registration No. 196101000326 (4372-M)

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2020

		As at 30.9.2020	As at 31.12.2019
	Note	RM'000	RM'000
Assets			
Property, plant and equipment		55,696	65,505
Computer software		-	1,429
Goodwill		411,618	411,618
Deferred tax assets		15,050	19,376
Total non-current assets		<u>482,364</u>	<u>497,928</u>
Asset held for sale		-	234
Inventories		232,059	98,251
Tax recoverable		4,323	8,222
Trade and other receivables		373,932	402,947
Derivative financial instruments		436	177
Cash and bank balances		39,397	20,386
Total current assets		<u>650,147</u>	<u>530,217</u>
Total assets		<u><u>1,132,511</u></u>	<u><u>1,028,145</u></u>
Equity			
Share capital		142,765	142,765
Cash flow hedge reserve		(2,939)	(1,511)
Retained earnings		222,277	247,327
Total equity		<u>362,103</u>	<u>388,581</u>
Liabilities			
Lease liabilities		18,832	21,844
Total non-current liabilities		<u>18,832</u>	<u>21,844</u>
Trade and other payables		158,048	170,661
Borrowings	B5	525,000	421,000
Derivative financial instruments		2,708	2,171
Current tax liabilities		61,579	19,531
Lease liabilities		4,241	4,357
Total current liabilities		<u>751,576</u>	<u>617,720</u>
Total liabilities		<u>770,408</u>	<u>639,564</u>
Total equity and liabilities		<u><u>1,132,511</u></u>	<u><u>1,028,145</u></u>
Net assets per share (RM)		1.27	1.36

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 2019.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

	Issued and fully paid ordinary shares		Non-distributable		Distributable	Total Equity
	Number of shares	Nominal value	Cash flow hedge reserve	Share-based payment reserve	Retained earnings	
	'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2020	285,530	142,765	(1,511)	-	247,327	388,581
Profit after tax	-	-	-	-	169,119	169,119
Other comprehensive expense:						
- changes in fair value of cash flow hedges	-	-	(168)	-	-	(168)
- deferred tax on fair value changes on cash flow hedges	-	-	(1,260)	-	-	(1,260)
Total comprehensive income	-	-	(1,428)	-	169,119	167,691
Transaction with shareholders:						
Dividend for financial year ended 31 December 2019						
- fourth interim	-	-	-	-	(94,225)	(94,225)
Dividend for financial year ended 31 December 2020						
- first interim	-	-	-	-	(48,540)	(48,540)
- second interim	-	-	-	-	(51,404)	(51,404)
Total transactions with shareholders of the Company	-	-	-	-	(194,169)	(194,169)
At 30 September 2020	285,530	142,765	(2,939)	-	222,277	362,103
At 1 January 2019	285,530	142,765	374	-	278,528	421,667
Profit after tax	-	-	-	-	247,996	247,996
Other comprehensive income:						
- changes in fair value of cash flow hedges	-	-	2,571	-	-	2,571
- deferred tax on fair value changes on cash flow hedges	-	-	(617)	-	-	(617)
Total comprehensive income	-	-	1,954	-	247,996	249,950
Transaction with shareholders:						
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)
Total transactions with shareholders of the Company	-	-	-	-	(294,096)	(294,096)
At 30 September 2019	285,530	142,765	2,328	-	232,428	377,521

The unaudited 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 2019.

BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD
Registration No. 196101000326 (4372-M)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOWS STATEMENT
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

	For the 9 months ended	
	30.9.2020	30.9.2019
	RM'000	RM'000
Operating activities		
Cash receipts from customers and fellow subsidiaries	1,774,620	1,959,424
Cash paid to suppliers, employees and fellow subsidiaries	(1,638,574)	(1,606,875)
Cash from operations	136,046	352,549
Income taxes paid	(10,738)	(115,019)
Net cash flow from operating activities	125,308	237,530
Investing activities		
Purchase of property, plant and equipment	(1,352)	(2,572)
Proceeds from disposals of property, plant and equipment	1,029	2,719
Proceeds from disposal of assets held for sale	620	680
Interest received	653	670
Net cash flow from investing activities	950	1,497
Financing activities		
Dividends paid to shareholders	(194,169)	(294,096)
Interest expense paid	(12,506)	(10,817)
Net drawdown from revolving credit	104,000	21,000
Payment on lease liabilities	(3,855)	(4,251)
Interest paid in relation to lease liabilities	(717)	(855)
Net cash flow used in financing activities	(107,247)	(289,019)
Increase/(Decrease) in cash and cash equivalents	19,011	(49,992)
Cash and cash equivalents as at 1 January	20,386	78,627
Cash and cash equivalents as at 30 September	39,397	28,635

The unaudited Condensed Consolidated Cash Flows Statement should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 December 2019.

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 2019. 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 2019.

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 2019. 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:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)
- Amendments to MFRS 3, Business Combinations – Reference to the Conceptual Framework
- Amendments to MFRS 9, Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)
- Amendments to Illustrative Examples accompanying MFRS 16, Leases (Annual Improvements to MFRS Standards 2018–2020)
- Amendments to MFRS 116, Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to MFRS 141, Agriculture (Annual Improvements to MFRS Standards 2018–2020)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17 Insurance Contracts
- Amendments to MFRS 101, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current

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.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- from the annual period beginning on 1 January 2022 for those accounting standards, interpretations and amendments that are effective for annual periods beginning on or after 1 January 2022; and
- from the annual period beginning on 1 January 2023 for those accounting standards, interpretations and amendments that are effective for annual periods beginning on or after 1 January 2023.

The Group does not plan to apply MFRS 17, Insurance Contracts that is effective for annual period beginning on 1 January 2023 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.

A3. 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.

A4. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no significant unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial period ended 30 September 2020, other than the exercise to restructure the business operations of the Group.

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 was completed in this quarter.

The financial impact arising from the abovementioned restructuring of business operations is set out below:

	3 months ended		Financial period ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM'000	RM'000	RM'000	RM'000
Provision for restructuring	3,152	-	13,962	-

A5. SIGNIFICANT CHANGES IN ESTIMATE

There were no significant changes in estimates that have had a material effect during the current quarter and financial period ended 30 September 2020.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A6. DEBT AND EQUITY SECURITIES

There were no issuances, repurchases and repayments of debt and equity securities during the current quarter and financial period ended 30 September 2020.

A7. SEGMENT REPORTING

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

	3 months ended		Financial period ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM'000	RM'000	RM'000	RM'000
Sale of semi-finished goods, cigarettes, pipe tobaccos, cigars and other tobacco products	<u>627,518</u>	<u>584,344</u>	<u>1,655,252</u>	<u>1,846,107</u>

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.

A8. EVENTS AFTER THE REPORTING PERIOD

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

A9. CHANGES IN COMPOSITION OF GROUP

There were no changes in the composition of the Group during the current quarter and financial period ended 30 September 2020.

A10. CONTINGENT ASSETS AND LIABILITIES

There were no other contingent liabilities or contingent assets as at 21 October 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

A11. CAPITAL COMMITMENTS

Capital commitments of the Group as at the end of the financial period are as follows:

	As at 30.9.2020 RM'000	As at 31.12.2019 RM'000
Property, plant and equipment:		
Approved and contracted for	57	15
Approved but not contracted for	1,707	-
	<u>1,764</u>	<u>15</u>

A12. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of this quarterly report, 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:

	3 months ended		Financial period ended	
	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000
Purchase of leaf, cigarette packaging, wrapping materials and tobacco products from:				
PT Bentoel Prima	41,134	-	120,778	-
PT Bentoel Internasional Investama, Tbk	-	31,103	-	124,770
Royalties paid/payable to:				
British-American Tobacco (Holdings) Ltd.	20,130	19,074	53,338	62,089
Technical and advisory support services fee payable to:				
British American Tobacco Investments Ltd.	4,570	6,115	14,569	18,790

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

B1. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the annual financial statements of the Group for the year ended 31 December 2019 was unqualified.

B2. PROFIT BEFORE TAX

	3 months ended		Financial period ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after charging:				
Finance costs:				
- lease liabilities	228	271	717	855
- borrowings	3,715	3,552	12,506	10,817
Property, plant and equipment:				
- depreciation	1,870	1,793	5,708	5,589
- depreciation of right-of-use assets	1,578	1,691	4,941	5,056
- loss on disposal	-	-	206	-
- write-off	-	-	4	-
Computer software:				
- amortisation	-	-	3	-
- write-off	1,426	-	1,426	-
Net loss on impairment of financial assets at amortised cost	-	-	22	50
Inventories written down	7,553	2,252	9,964	5,132
Net foreign exchange loss	-	-	1,216	-
Loss on derivatives	2	-	-	-
Restructuring expenses	3,152	-	13,962	-
	<u>3,152</u>	<u>-</u>	<u>13,962</u>	<u>-</u>
and after crediting:				
Interest income on deposits	90	235	653	905
Property, plant and equipment:				
- gain on disposal	31	2	-	239
Gain on disposal of assets held for sale	-	-	386	566
Reversal on impairment of financial assets at amortised cost	5	20	-	-
Net foreign exchange gain	75	10	-	410
Gain on derivatives	-	183	929	22
	<u>-</u>	<u>183</u>	<u>929</u>	<u>22</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	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
- current tax	19,643	22,847	56,685	84,086
- under provision in prior year	-	2,036	-	2,036
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Deferred tax expense				
- additional / (reversal) of temporary differences	449	807	3,066	(6,000)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>20,092</u>	<u>25,690</u>	<u>59,751</u>	<u>80,122</u>

The average effective tax rate of the Group for the third quarter 2020 and financial period ended 30 September 2020 were 24.0% (2019: 23.6%) and 26.1 % (2019: 24.4%) respectively.

The average effective tax rate in the financial period ended 30 September 2020 was higher than the corporate tax rate mainly attributed to non-deductible expenses.

B4. CORPORATE PROPOSAL

Tobacco Importers and Manufacturers Sdn. Berhad ("TIM"), a wholly-owned subsidiary of the Company had undertaken a selective capital reduction pursuant to Section 116(7) of the Companies Act 2016 to cancel 250,000,000 ordinary shares in TIM resulting in TIM's paid up capital being reduced from 310,998,952 ordinary shares to 60,988,952 ordinary shares and the credit of RM250,000,000 arising from the cancellation of 250,000,000 ordinary shares in TIM held by the Company had been distributed in cash to the Company.

On 4th February 2020, TIM effected the capital repayment of RM250,000,000 to the Company. The cancellation does not have any financial and/or operational impact on the Group for the period ended 30 September 2020.

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

B5. BORROWINGS

The Group's borrowings as at the end of the financial period are as follows:

	As at 30.9.2020 RM'000	As at 31.12.2019 RM'000
Current		
Borrowings – unsecured	525,000	421,000

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

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 MOH with hearing conducted on 27 August 2020, 24 September 2020 and subsequently adjourned to 17 November 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

Although the Group saw quarter on quarter growth, this is tempered by the increasing black market tobacco crisis.

The legal Domestic industry volume increased by 7% in the third quarter of 2020 as compared to the preceding quarter mainly driven by volume recovery post the Movement Control Order (MCO) and the normalisation of consumer sales and trade inventories in the market. The Group's volume achievement has outperformed the legal Domestic industry with a growth of 14% as compared to previous quarter. This is mainly due to the Group's market leadership position in Dunhill coupled with the launch of KYO, our new brand in the value for money (VFM) segment.

The Group's Duty-Free business operations remained impacted by COVID19 travel restrictions that continued in quarter 3.

In line with the volume results, the Group registered a 52.5% share of market during the quarter, a 1.0ppt increase as compared to the second quarter. This encouraging result was mainly due to the introduction of KYO, with 2.7% share of market within the third month of launch. KYO combined with Rothmans had achieved 35.8% share of the value segment, an increase of 5.6ppt when compared to quarter 2. Dunhill remains strong and continues to strengthen its market leadership position in the premium segment with 64.0% share of segment, stable versus previous quarter⁽¹⁾.

The overall volume performance translated to the Group's revenue increase of 15% (RM81 million) and gross profit increase of 14% (RM19 million). In the quarter, the Group continued its cost optimisation initiatives, resource allocation and invested in its premium and VFM brands to deliver its growth objectives. This resulted in 6% increase in profit from operations of RM88 million in the third quarter versus RM83 million for the immediate preceding quarter. It should also be noted that the management continued to closely monitor liquidity and working capital via a tight review of cash flows in the current quarter.

Of growing concern, the tobacco black market also increased over the past quarter, from 60.5% to 64.5%⁽²⁾ share of the total market. This growth of 4ppt represents roughly RM80 million loss in Government revenue for the quarter. Enforcement efforts are not able to effectively stem this crisis. At the beginning of quarter 3, the Group launched a campaign - "STOP THE BLACK MARKET" to drive urgent policy change to address this issue. The Group sees the only possible approach being one that is holistic, requiring significant enforcement and structural excise reform.

B8. REVIEW OF PERFORMANCE YEAR-TO-DATE 2020 VS YEAR-TO-DATE 2019

Year-to-date performance is overshadowed by the growth of the tobacco and vaping black market which grew from 69% to 70%⁽²⁾. The crisis is underscored by Euromonitor International stating in October that Malaysia had the highest illegal tobacco incidence in the world. The Group firmly believes that significant enforcement and structural excise reform are needed now.

Despite quarter on quarter improvement, when compared to the same period of last year, the results registered a decline. Profit from operations was RM242 million year-to-date versus RM340 million in the same period of last year, decreased by RM98 million (29%). The decline was mainly attributed to legal market contraction as a result of high illicit cigarette volume, growth of illicit vaping, market downtrading and lower Duty-Free sales as a result of the COVID19-related regional and international travel restrictions. This was partially offset by the benefit of cost rationalisation that the Group has undertaken.

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

B8. REVIEW OF PERFORMANCE YEAR-TO-DATE 2020 VS YEAR-TO-DATE 2019 (CONTINUED)

The Group's total market share improved by 0.9ppt versus the same period last year reaching 51.5% given the strength of our flagship brand Dunhill and robust VFM portfolio, Rothmans and KYO. The Group's VFM portfolio grew by 5.1ppt versus same period of last year, capturing 32.0% share of segment post the Group's launch of KYO ⁽¹⁾.

The combination of high illegal cigarette volume, illicit vaping growth, downtrading and reduced Duty-Free sales led to a decline of 9% in the Group's volume (decline of 5% excluding COVID-19 Duty-Free impact) and a decline of 10% in the Group's revenue (RM191 million) when compared to the same period of last year.

The Group embarked on a journey to achieve operational efficiencies towards the end of 2019 which has led to a streamlined cost base to deliver long-term sustainability goals for 2020 and beyond. The operating expenses as compared to the same period of last year were lower by 5% (RM10 million), after incorporating the strategic investment behind our growing brands - Dunhill, KYO and Rothmans.

B9. CURRENT YEAR PROSPECTS

The Group is encouraged by its quarter on quarter growth; however, the tobacco and vaping black market continues to be a significant threat. Given the economic slowdown coupled with the expected subsidies and loan moratorium removal later in the year, consumer affordability will be further stretched. The Group has positioned a robust portfolio in the VFM segment to capture its fair share of down traders. However, the Group is unable to effectively compete against the black market without significant enforcement and excise reform.

The Group's Domestic volume remains resilient despite the MCO and Conditional Movement Control Order (CMCO). However, the COVID-19 pandemic continues to impact the Group's Duty-Free volume as the Regional and International travel restrictions are still being imposed.

Sources:

1. Ipsos Retail Audit
2. Illegal Cigarettes Study, Kantar Consumer Track

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

B10. EARNINGS PER SHARE

	3 months ended		Financial period ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
Basic earnings per share				
Profit for the financial period (RM'000)	<u>63,742</u>	<u>83,131</u>	<u>169,119</u>	<u>247,996</u>
Weighted average number of ordinary shares in issue ('000)	285,530	285,530	285,530	285,530
Basic earnings per share (sen)	<u>22</u>	<u>29</u>	<u>59</u>	<u>87</u>

The Group does not have in issue any financial instrument or other contract that may entitle its holders to ordinary shares and therefore, diluted earnings per share is not disclosed.

B11. DIVIDENDS

Dividends paid or declared in respect of the quarter and financial period ended 30 September are as follows:

	Sen per share	Total amount RM'000
2020		
Fourth interim dividend 2019	33.0	94,225
First interim dividend 2020	17.0	48,540
Second interim dividend 2020	<u>18.0</u>	<u>51,404</u>
Total amount	<u>68.0</u>	<u>194,169</u>
2019		
Fourth interim dividend 2018	47.0	134,199
First interim dividend 2019	30.0	85,659
Second interim dividend 2019	<u>26.0</u>	<u>74,238</u>
Total amount	<u>103.0</u>	<u>294,096</u>

The Board of Directors declared a third interim ordinary dividend of 21.0 sen per ordinary share (tax exempted under single-tier tax system) at the Board of Directors' meeting on 28 October 2020 amounting to RM59,961,300 in respect of the financial year ending 31 December 2020 which will be paid on 25 November 2020 to shareholders registered in the Company's Register of Members at the close of business on 13 November 2020. This equates to a 94% payout on Q3 2020 earnings per share and with dividend yield of 9%* based on the share price as at 30 September 2020.

* Based on last 3 quarters dividend paid out and third interim dividend 2020 declared

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

B11. DIVIDENDS (CONTINUED)

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 13 November 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.

B12. AUTHORISED FOR ISSUE

The quarterly report was authorised for issue by the Board in accordance with a resolution of the Directors on 28 October 2020.