ILLICIT CIGARETTES STUDY (ICS) IN MALAYSIA NOV 2020 REPORT

Report Commissioned by CMTM member companies

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ILLEGAL CIGARETTES CRITERIA FOR VERIFICATION

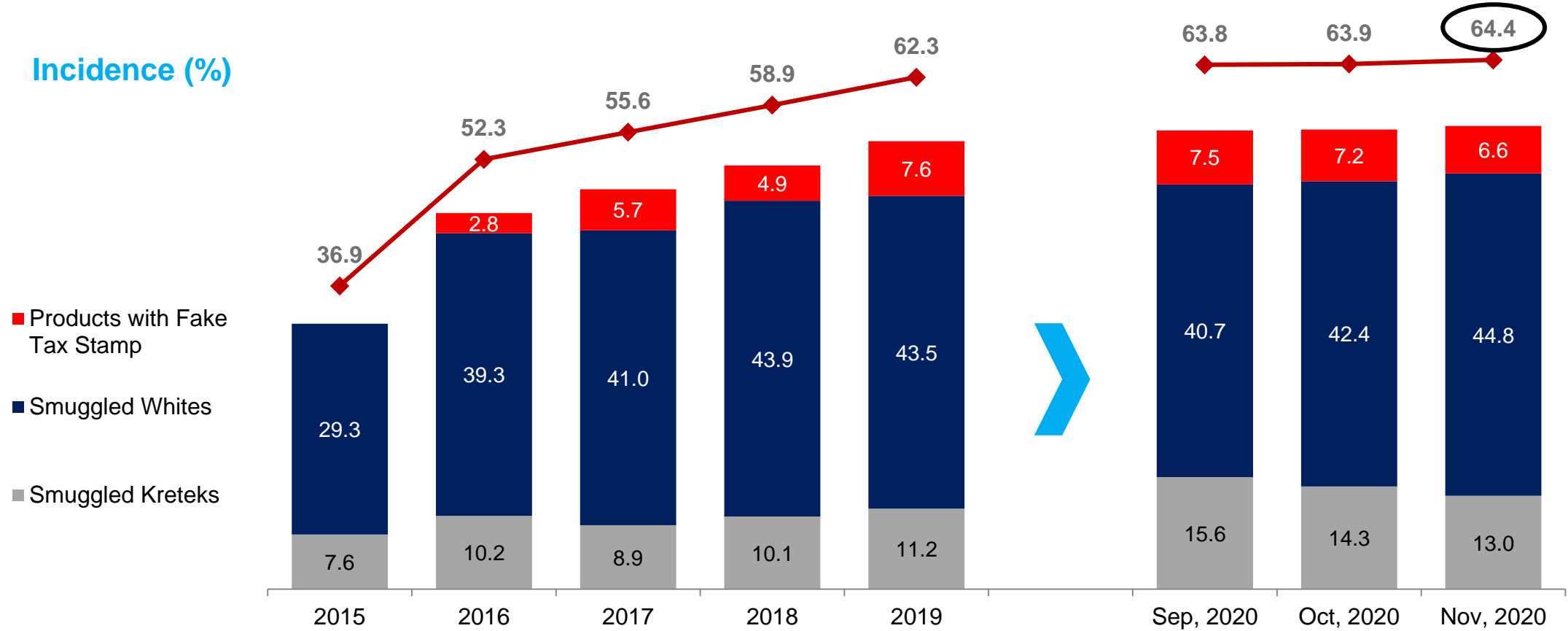Packs with at least one (1) of the following features:

1. Absence of Registered Importers

2. Unregistered Importers*

3. Absence of Registered Manufacturers

4. Unregistered Manufacturers*

5. Packs with counterfeit (fake) Malaysian tax stamp**

6. Packs without Malaysian tax stamp

7. Packs with non-Malaysian tax stamp

8. Unregistered Brand*

9. Non Compliance to Ministry of Health's Control of Tobacco Product Regulations (CTPR) 2004
   I. Absence or Non Compliance of Pictorial Health Warning Requirements
   I. Pack Size other than 20 sticks
   II. Absence or Non Compliance of mandated labeling requirements

*   Not registered with the Royal Malaysian Customs
**   Verified by Lembah Sari Sdn Bhd (LSSB) – Government appointed sole vendor for tax stamp

ILLEGAL CIGARETTES INCIDENCE AT NATIONAL LEVEL:

Overall increased by 0.5 ppt. vs. Oct, 2020

Incidence (%)

Legend:
- 🟥 Products with Fake Tax Stamp
- 🟦 Smuggled Whites
- ⬜ Smuggled Kreteks

	2015	2016	2017	2018	2019		Sep, 2020	Oct, 2020	Nov, 2020
Products with Fake Tax Stamp		2.8	5.7	4.9	7.6		7.5	7.2	6.6
Smuggled Whites	29.3	39.3	41.0	43.9	43.5		40.7	42.4	44.8
Smuggled Kreteks	7.6	10.2	8.9	10.1	11.2		15.6	14.3	13.0
Incidence line	36.9	52.3	55.6	58.9	62.3		63.8	63.9	64.4

Volume (Billions sticks)									
Illegal Cigarettes	7.1	10.1	11.1	12.0	12.2		1.1	1.0	1.0
Estimated Total industry	19.2	19.3	20.0	20.4	19.5		1.7	1.6	1.5
Incidence	*36.9%*	*52.3%*	*55.6%*	*58.9%*	*62.3%*		*63.8%*	*63.9%*	*64.4%*

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TOP 10 ILLEGAL CIGARETTES BRANDS*

They account for approximately 83% of illegal cigarettes volume

	Illegal Brand	Nov, 2020 SOM (%)	Oct, 2020 SOM (%)	2019 SOM (%)
1.	John	14.8	14.1	14.2
2.	U2	9.5	8.3	5.3
3.	Gudang Garam	8.1	7.2	6.0
4.	Canyon	4.8	6.3	4.5
5.	Saat	4.0	3.5	4.9
6.	LA	3.2	5.2	3.6
7.	Era	3.1	4.0	4.4
8.	Luffman	2.9	2.2	1.3
9.	Premium	1.7	1.7	1.5
10.	Zon King	1.5	0.5	2.2
	Total 10 Total	**53.6**	**53.0**	**47.9**

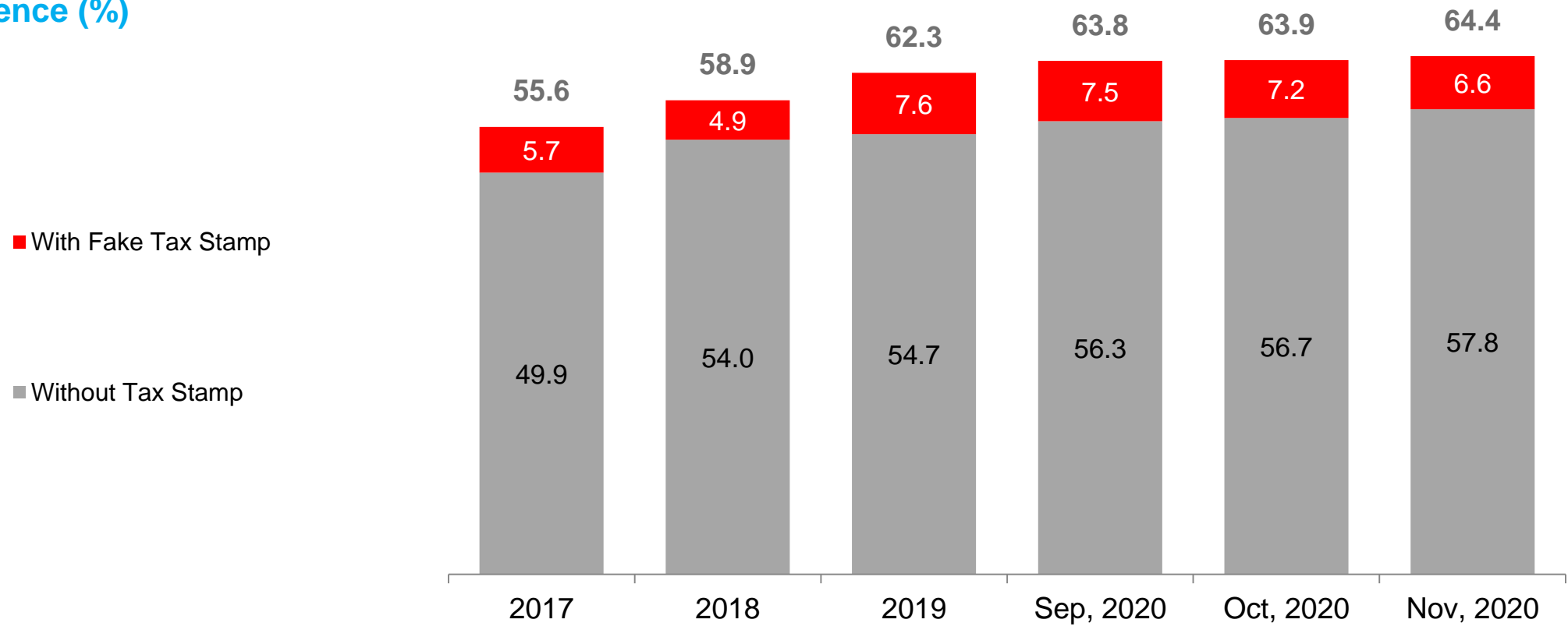|	Nov, 2020	Oct, 2020	2019
Other Illegal	*10.8*	*10.9*	*14.4*
Total Illegal %	**64.4**	**63.9**	**62.3**
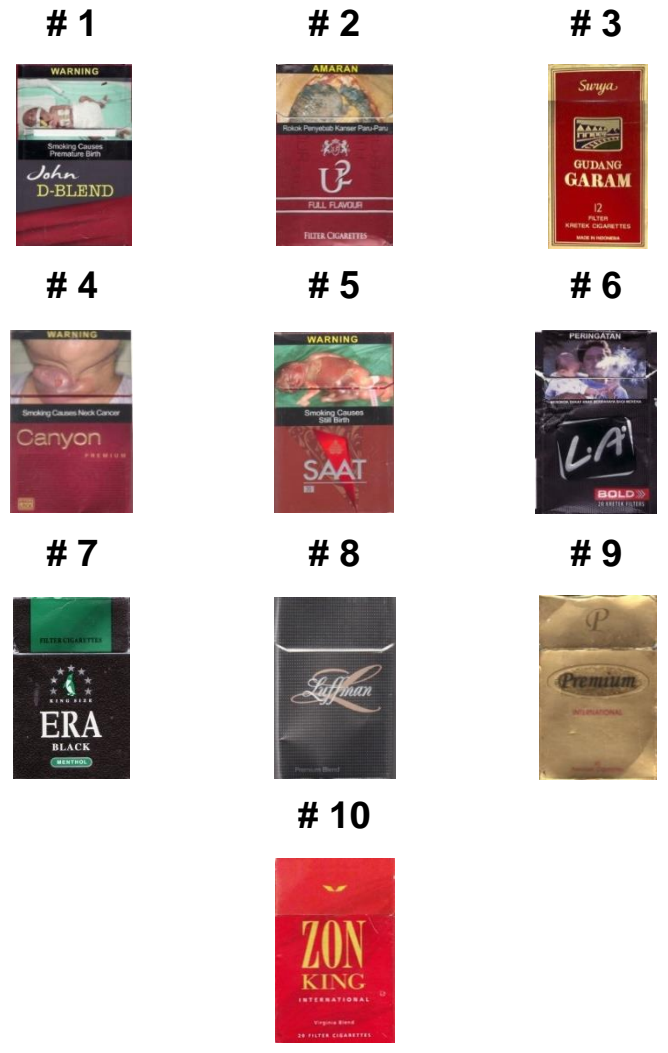
relates to incidence of empty packs collected that meet any of illegal cigarettes criteria in page 3, regardless whether they are a legal brand or otherwise
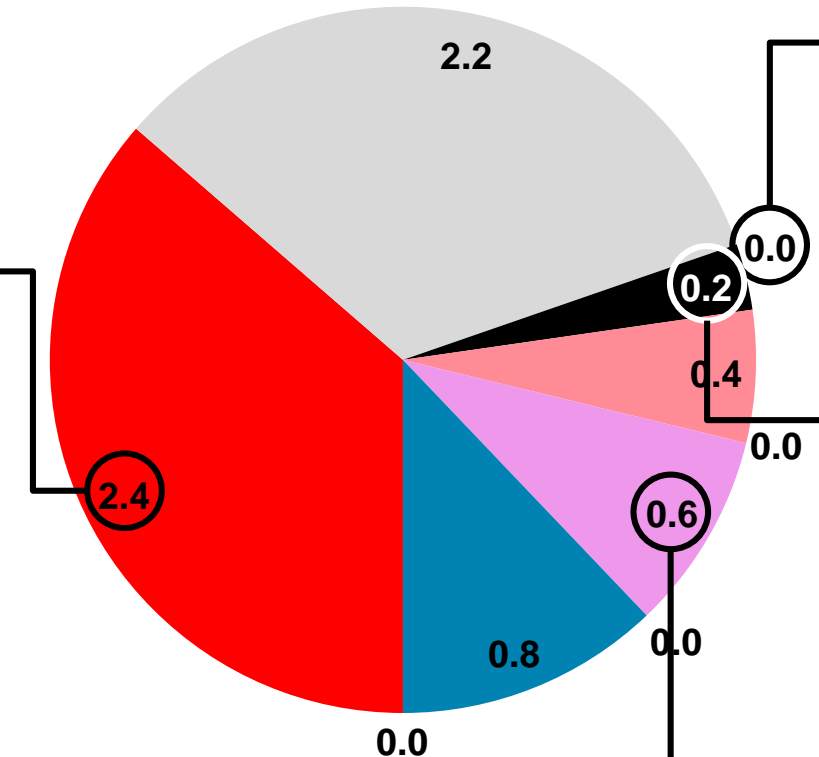
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FAKE TAX STAMP BREAKDOWN BY MANUFACTURERS / IMPORTERS:

Illegal cigarettes with fake tax stamp for brands imported by Legasi Jutawan and P.U. Gemilang have increased in Nov

Global Tobacco Manufacturer :

| Incidence (%) | 0.7 | 0.7 | 0.3 |

| Incidence (%) | 0.2 | 0.4 | 0.1 |

Five Sun Trading :

Incidence (%)   0.0**

P.U. Gemilang :

Incidence (%)   0.2

Legasi Jutawan Venture :

Incidence (%)   0.5   0.1

Pie chart values: 2.2, 0.0, 0.2, 0.4, 0.0, 0.6, 0.0, 0.8, 0.0, 2.4

Legend:
- 🟥 Global Tobacco Manufacturers
- ⬜ Zeno DFSC
- 🟩 Five Sun Trading
- ⬛ P.U Gemilang
- 🟥 VTI Marketing
- 🟨 Urus Cepat
- 🟪 Legasi Jutawan Venture
- 🟪 Bintang Ori Mkt
- 🟦 Azion Trade
- 🟫 LY Ocean Management

*0.0%** Incidence is less than 0.1%; figure is too small to feature.*
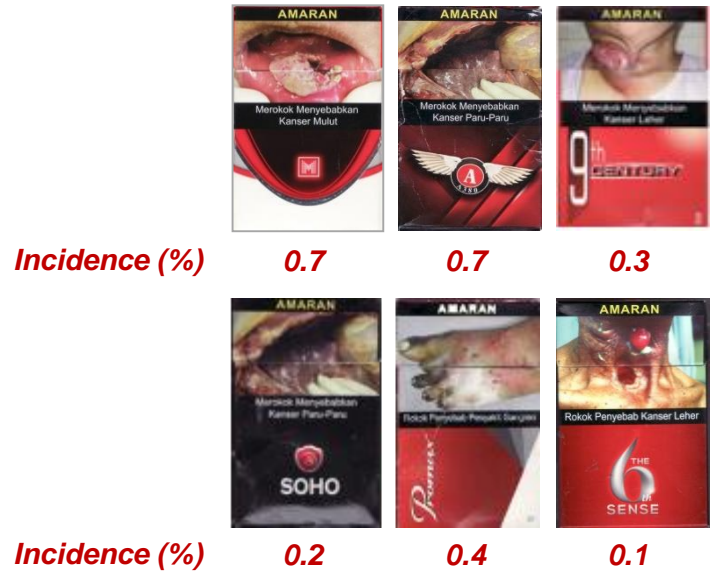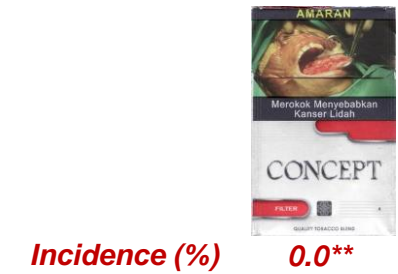
FAKE TAX STAMP BREAKDOWN BY MANUFACTURERS / IMPORTERS:

Illegal cigarettes with fake tax stamp for brands imported by Legasi Jutawan and P.U. Gemilang have increased in Nov

Zeno DFSC :

Incidence (%)   *0.0***   *1.0*   *0.5*

Incidence (%)   *0.6*   *0.0***

VTI Marketing :

Incidence (%)   *0.3*   *0.0***   *0.0***

Pie chart values: 2.2, 0.0, 0.2, 0.4, 0.0, 0.6, 0.0, 0.8, 2.4

Azion Trade :

Incidence (%)   *0.8*
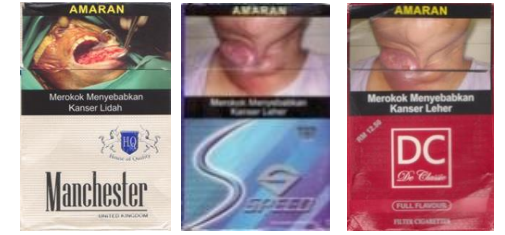
Bintang Ori Mkt :

Incidence (%)   *0.0***
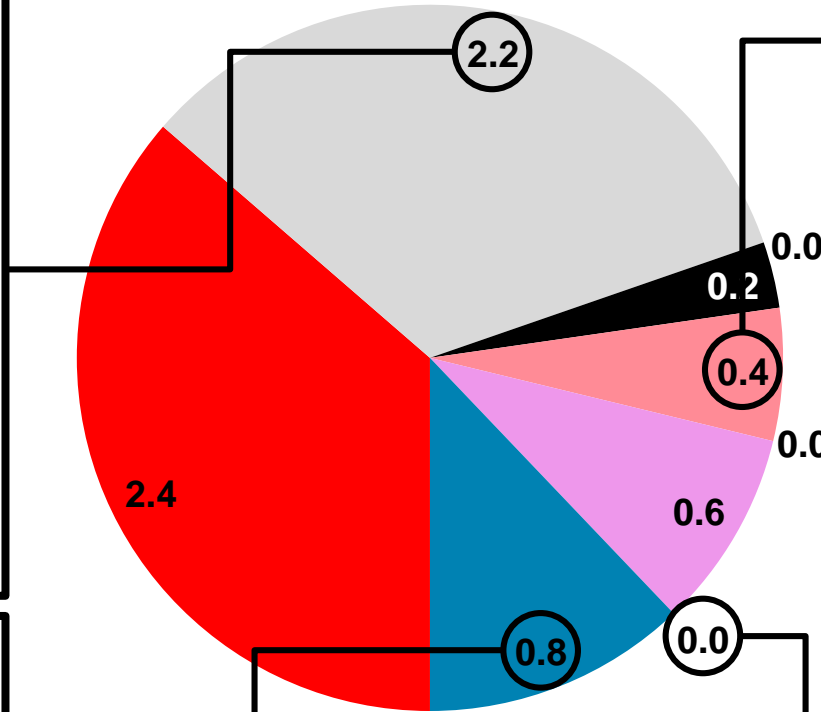
Legend:
- 🟥 Global Tobacco Manufacturers
- ⬜ Zeno DFSC
- 🟩 Five Sun Trading
- ⬛ P.U Gemilang
- 🟧 VTI Marketing
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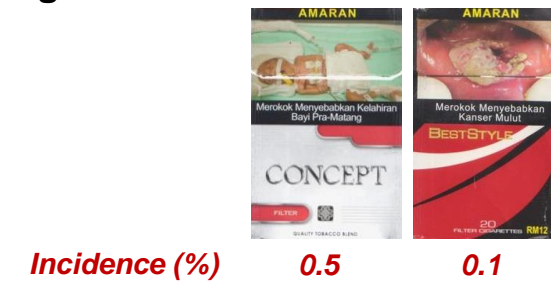- 🟦 Azion Trade
- 🟫 LY Ocean Management

0.0%** Incidence is less than 0.1%; figure is too small to feature.

ILLEGAL CIGARETTES INCIDENCE BY STATES:

9 States recording an increase vs. Oct 2020

| | A | | | | B | | | | A minus B | | | | Volume Contribution |
| | Nov, 2020 | | | | Oct, 2020 | | | | Variance (Nov'2020 vs. Oct'2020) | | | | |
	Total Illegal	Fake Tax Stamp	Smuggled Whites	Smuggled Kretek	Total Illegal	Fake Tax Stamp	Smuggled Whites	Smuggled Kretek	Total Illegal	Fake Tax Stamp	Smuggled Whites	Smuggled Kretek	%
Sabah	84.8	0.1	81.5	3.2	85.9	0.0	81.5	4.4	-1.1	+0.1	0.0	-1.2	7%
Sarawak	84.7	0.1	74.1	10.5	82.5	0.0	70.9	11.6	+2.2	+0.1	+3.2	-1.1	3%
Terengganu	79.7	3.1	71.5	5.1	76.8	1.4	71.2	4.2	+2.9	+1.7	+0.3	+0.9	4%
Pahang	74.7	3.5	51.3	19.9	75.8	6.3	47.0	22.5	-1.1	-2.8	+4.3	-2.6	7%
Kelantan	73.1	1.1	70.0	2.0	69.5	1.0	66.7	1.8	+3.6	+0.1	+3.3	+0.2	5%
Kedah	69.6	15.7	47.3	6.6	67.9	15.3	42.7	9.9	+1.7	+0.4	+4.6	-3.3	5%
WP KL	68.6	1.6	44.6	22.4	68.1	3.2	42.5	22.4	+0.5	-1.6	+2.1	0.0	17%
Selangor	64.4	3.3	42.1	19.0	65.0	5.5	38.2	21.3	-0.6	-2.2	+3.9	-2.3	31%
Melaka	59.3	22.2	34.2	2.9	55.7	18.7	33.9	3.1	+3.6	+3.5	+0.3	-0.2	4%
Penang	59.1	13.3	36.7	9.1	53.0	10.7	35.5	6.8	+6.1	+2.6	+1.2	+2.3	5%
Perlis	50.7	2.9	37.3	10.5	56.2	4.1	40.0	12.1	-5.5	-1.2	-2.7	-1.6	0%
N.Sembilan	46.6	14.1	25.2	7.3	51.4	15.7	28.2	7.5	-4.8	-1.6	-3.0	-0.2	2%
Johor	46.3	13.6	28.6	4.1	45.6	12.5	28.4	4.7	+0.7	+1.1	+0.2	-0.6	8%
Perak	38.7	18.6	17.9	2.2	37.3	18.6	16.4	2.3	+1.4	0.0	+1.5	-0.1	2%
National Incidence	**64.4**	**6.6**	**44.8**	**13.0**	**63.9**	**7.2**	**42.4**	**14.3**	**+0.5**	**-0.6**	**+2.4**	**-1.3**	**100%**

0%* Incidence is less than 0.5%; figure is too small to feature.

ILLEGAL CIGARETTES INCIDENCE BY STATES:

9 States recording an increase vs. 2019

| | A | | | | B | | | | A minus B | | | | Volume Contribution |
| | Nov, 2020 | | | | 2019 | | | | Variance (Oct'2020 vs. 2019) | | | | |
	Total Illegal	Fake Tax Stamp	Smuggled Whites	Smuggled Kretek	Total Illegal	Fake Tax Stamp	Smuggled Whites	Smuggled Kretek	Total Illegal	Fake Tax Stamp	Smuggled Whites	Smuggled Kretek	%
Sabah	84.8	0.1	81.5	3.2	81.0	0.0	75.0	6.0	+3.8	+0.1	+6.5	-2.8	7%
Sarawak	84.7	0.1	74.1	10.5	86.1	0.0	72.2	13.9	-1.4	+0.1	+1.9	-3.4	3%
Terengganu	79.7	3.1	71.5	5.1	77.8	5.4	62.7	9.7	+1.9	-2.3	+8.8	-4.6	4%
Pahang	74.7	3.5	51.3	19.9	78.7	3.5	70.5	4.7	-4.0	0.0	-19.2	+15.2	7%
Kelantan	73.1	1.1	70.0	2.0	76.2	1.7	69.1	5.4	-3.1	-0.6	+0.9	-3.4	5%
Kedah	69.6	15.7	47.3	6.6	59.6	13.0	38.7	7.9	+10.0	+2.7	+8.6	-1.3	5%
WP KL	68.6	1.6	44.6	22.4	62.0	4.4	40.3	17.3	+6.6	-2.8	+4.3	+5.1	17%
Selangor	64.4	3.3	42.1	19.0	63.8	6.5	38.1	19.2	+0.6	-3.2	+4.0	-0.2	31%
Melaka	59.3	22.2	34.2	2.9	41.1	13.6	23.4	4.1	+18.2	+8.6	+10.8	-1.2	4%
Penang	59.1	13.3	36.7	9.1	55.3	15.0	34.9	5.4	+3.8	-1.7	+1.8	+3.7	5%
Perlis	50.7	2.9	37.3	10.5	42.8	7.1	28.6	7.1	+7.9	-4.2	+8.7	+3.4	0%
N.Sembilan	46.6	14.1	25.2	7.3	48.4	14.3	26.9	7.2	-1.8	-0.2	-1.7	+0.1	2%
Johor	46.3	13.6	28.6	4.1	37.6	12.6	23.4	1.6	+8.7	+1.0	+5.2	+2.5	8%
Perak	38.7	18.6	17.9	2.2	50.4	16.0	31.1	3.3	-11.7	+2.6	-13.2	-1.1	2%
National Incidence	**64.4**	**6.6**	**44.8**	**13.0**	**62.3**	**7.6**	**43.5**	**11.2**	**+2.1**	**-1.0**	**+1.3**	**+1.8**	**100%**

0% Incidence is less than 0.5%; figure is too small to feature.*

TOP 10 ILLEGAL CIGARETTES BRANDS FOR PERLIS

Volume contribution to National = 0%* *(0%* Incidence is less than 0.5%; figure is too small to feature.)*

	Illegal Brand	Nov, 2020 SOM (%)	Oct, 2020 SOM (%)	2019 SOM (%)
1.	John	35.0	38.7	24.8
2.	Gudang Garam	10.5	12.1	7.0
3.	M*	2.6	2.5	0.2
4.	Zon King	0.8	-	0.1
5.	Tiara	0.4	-	0.0**
6.	Canyon	0.4	1.1	0.2
7.	A380*	0.3	0.7	3.6
8.	Bingo	0.2	0.1	0.0**
9.	D&J	0.2	-	0.2
10.	Luffman	0.1	-	0.4
	Total 10 Total	**50.5**	**55.2**	**36.5**

	Other Illegal	0.2	1.0	6.3
	Total Illegal %	**50.7**	**56.2**	**42.8**

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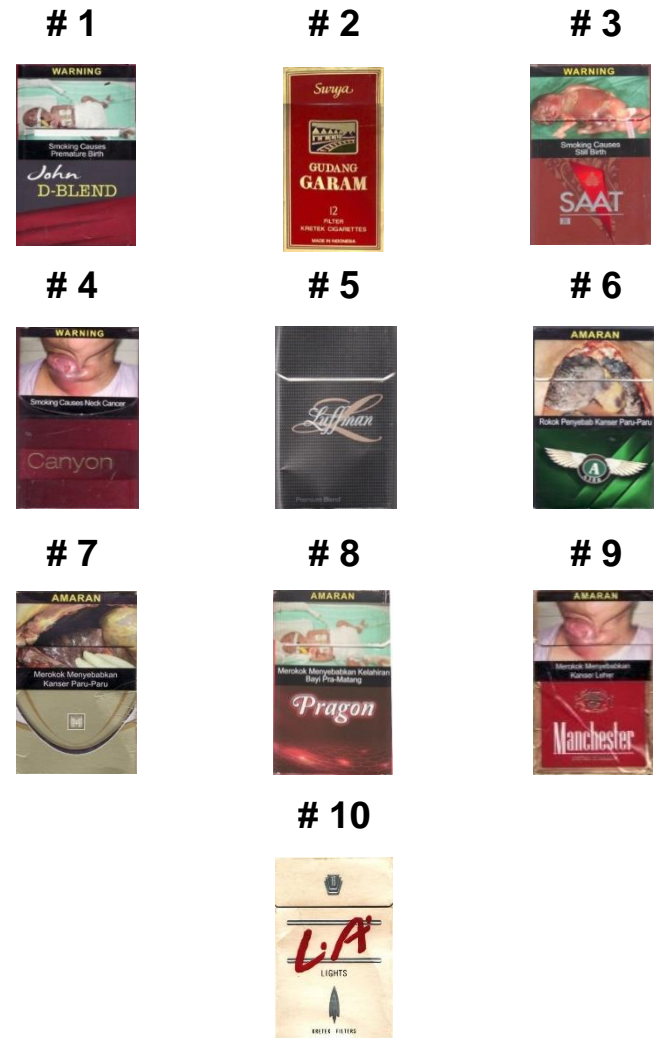| # 4	# 5	# 6

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*relates to incidence of empty packs collected that meet any of illegal cigarettes criteria in page 3, regardless whether they are a legal brand or otherwise
0.0%** Incidence is less than 0.1%; figure is too small to feature.

TOP 10 ILLEGAL CIGARETTES BRANDS FOR KEDAH
Volume contribution to National = 5%

	Illegal Brand	Nov, 2020 SOM (%)	Oct, 2020 SOM (%)	2019 SOM (%)
1.	John	42.7	34.9	33.1
2.	M*	8.2	7.1	1.8
3.	Gudang Garam	6.5	9.3	7.3
4.	Concept*	2.3	2.2	2.1
5.	Bosston*	2.0	0.2	0.2
6.	Luffman	1.6	2.4	0.9
7.	A380*	1.3	2.1	2.5
8.	D&J	0.7	1.4	0.2
9.	Tiara	0.6	-	0.0**
10.	Fisher	0.6	0.8	0.3
	Total 10 Total	**66.5**	**60.4**	**48.4**

	Nov, 2020	Oct, 2020	2019
Other Illegal	*3.1*	*7.5*	*11.2*
Total Illegal %	**69.6**	**67.9**	**59.6**

relates to incidence of empty packs collected that meet any of illegal cigarettes criteria in page 3, regardless whether they are a legal brand or otherwise

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TOP 10 ILLEGAL CIGARETTES BRANDS FOR PENANG

Volume contribution to National = 5%

| Illegal Brand		Nov, 2020 SOM (%)	Oct, 2020 SOM (%)	2019 SOM (%)
1.	John	19.4	27.7	25.7
2.	Gudang Garam	7.6	6.1	4.6
3.	Saat	7.1	2.7	3.3
4.	Canyon	4.1	2.3	0.6
5.	Luffman	3.7	0.7	0.7
6.	A380*	3.5	3.0	4.2
7.	M*	3.5	2.3	3.3
8.	Pragon*	2.0	0.7	-
9.	Manchester*	1.7	1.1	2.5
10.	L.A.	1.0	0.3	0.5
Total 10 Total		**53.6**	**46.9**	**45.4**
Other Illegal		*5.5*	*6.1*	*9.9*
Total Illegal %		**59.1**	**53.0**	**55.3**

*relates to incidence of empty packs collected that meet any of illegal cigarettes criteria in page 3, regardless whether they are a legal brand or otherwise

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TOP 10 ILLEGAL CIGARETTES BRANDS FOR PERAK

Volume contribution to National = 2%

| Illegal Brand		Nov, 2020 SOM (%)	Oct, 2020 SOM (%)	2019 SOM (%)
1.	John	9.6	7.1	10.3
2.	Concept*	4.1	3.4	2.8
3.	Vson*	2.8	2.4	0.3
4.	Canyon	2.6	3.7	3.3
5.	Pragon*	2.5	2.6	-
6.	D&J	2.4	2.6	3.1
7.	9th Century*	2.2	2.5	1.8
8.	A380*	2.0	2.5	1.6
9.	Gudang Garam	1.7	1.9	1.4
10.	Bosston*	1.5	1.6	0.3
Total 10 Total		**31.4**	**30.3**	**24.9**
Other Illegal		*7.3*	*7.0*	*12.7*
Total Illegal %		**38.7**	**37.3**	**37.6**

relates to incidence of empty packs collected that meet any of illegal cigarettes criteria in page 3, regardless whether they are a legal brand or otherwise

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TOP 10 ILLEGAL CIGARETTES BRANDS FOR SELANGOR

Volume contribution to National = 31%

	Illegal Brand	Nov, 2020 SOM (%)	Oct, 2020 SOM (%)	2019 SOM (%)
1.	U2	14.5	11.4	5.6
2.	John	13.6	11.2	14.4
3.	Gudang Garam	12.7	11.0	9.8
4.	L.A.	5.2	9.3	7.0
5.	Luffman	5.1	4.2	2.7
6.	Canyon	4.3	8.2	4.8
7.	Zon King	2.9	0.9	5.0
8.	Misto*	0.8	1.0	-
9.	Sampoerna	0.6	0.4	1.4
10.	Saat	0.6	0.6	1.4
	Total 10 Total	**60.3**	**58.2**	**52.1**

	Nov, 2020	Oct, 2020	2019
Other Illegal	*4.1*	*6.8*	*11.7*
Total Illegal %	**64.4**	**65.0**	**63.8**
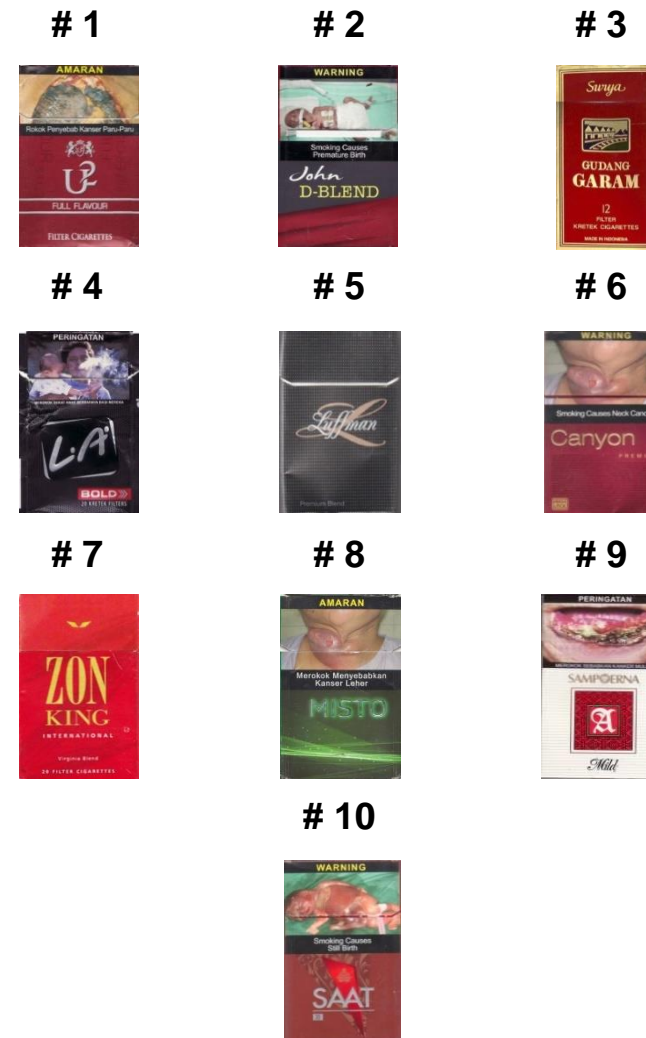
*relates to incidence of empty packs collected that meet any of illegal cigarettes criteria in page 3, regardless whether they are a legal brand or otherwise

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TOP 10 ILLEGAL CIGARETTES BRANDS FOR WP KL

Volume contribution to National = 17%

Illegal Brand		Nov, 2020 SOM (%)	Oct, 2020 SOM (%)	2019 SOM (%)
1.	U2	15.7	13.9	5.6
2.	John	13.7	14.1	15.5
3.	Gudang Garam	13.4	10.4	8.2
4.	L.A.	8.0	11.0	6.9
5.	Luffman	5.7	3.2	2.8
6.	Canyon	4.2	8.4	5.0
7.	Zon King	3.4	0.9	6.0
8.	Saat	0.7	0.4	1.8
9.	Sampoerna	0.7	0.7	1.4
10.	Pragon*	0.5	1.0	-
	Total 10 Total	**66.0**	**64.0**	**53.2**

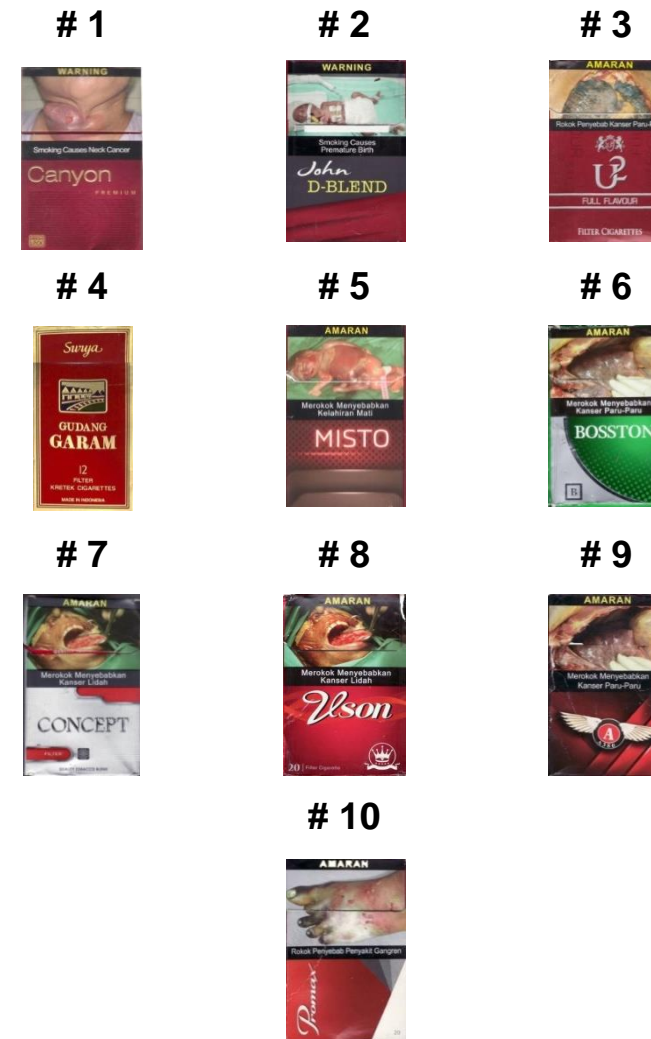|		Nov, 2020	Oct, 2020	2019
	Other Illegal	*2.6*	*4.1*	*8.8*
	Total Illegal %	**68.6**	**68.1**	**62.0**
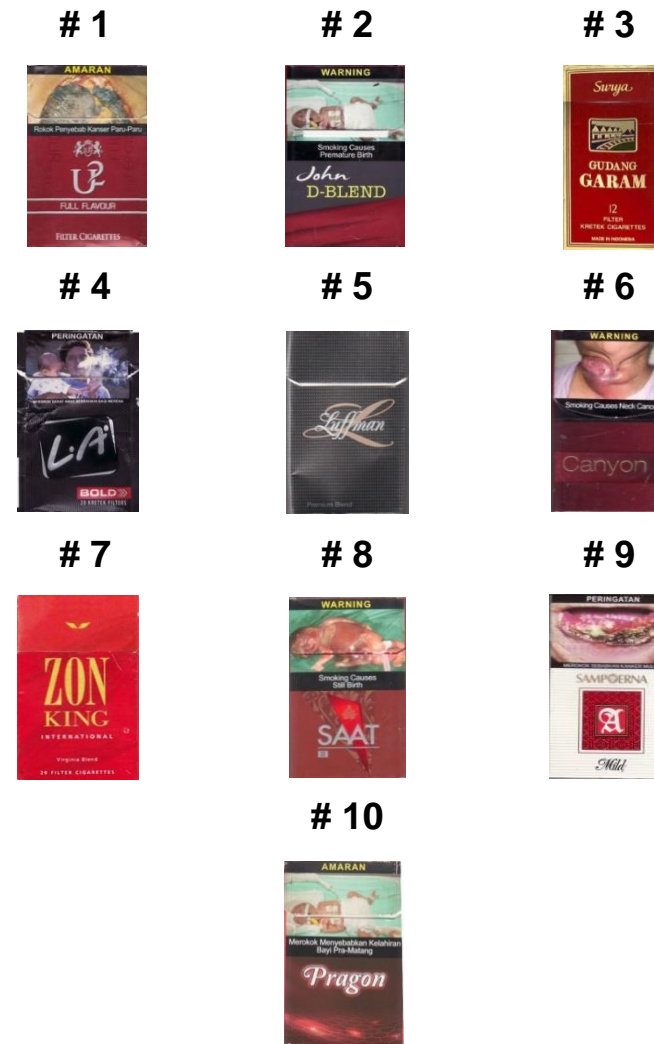
relates to incidence of empty packs collected that meet any of illegal cigarettes criteria in page 3, regardless whether they are a legal brand or otherwise

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TOP 10 ILLEGAL CIGARETTES BRANDS FOR N.SEMBILAN

Volume contribution to National = 2%

	Illegal Brand	Nov, 2020 SOM (%)	Oct, 2020 SOM (%)	2019 SOM (%)
1.	John	8.8	9.8	8.7
2.	Canyon	8.4	6.9	5.6
3.	Gudang Garam	6.2	5.3	6.1
4.	U2	6.0	9.3	3.2
5.	Vson*	3.7	1.3	0.3
6.	Misto*	3.4	5.4	-
7.	A380*	2.4	4.2	2.7
8.	Bosston*	1.6	1.1	0.2
9.	Pragon*	1.2	0.8	-
10.	League	0.9	0.3	5.6
	Total 10 Total	**42.6**	**44.4**	**32.4**

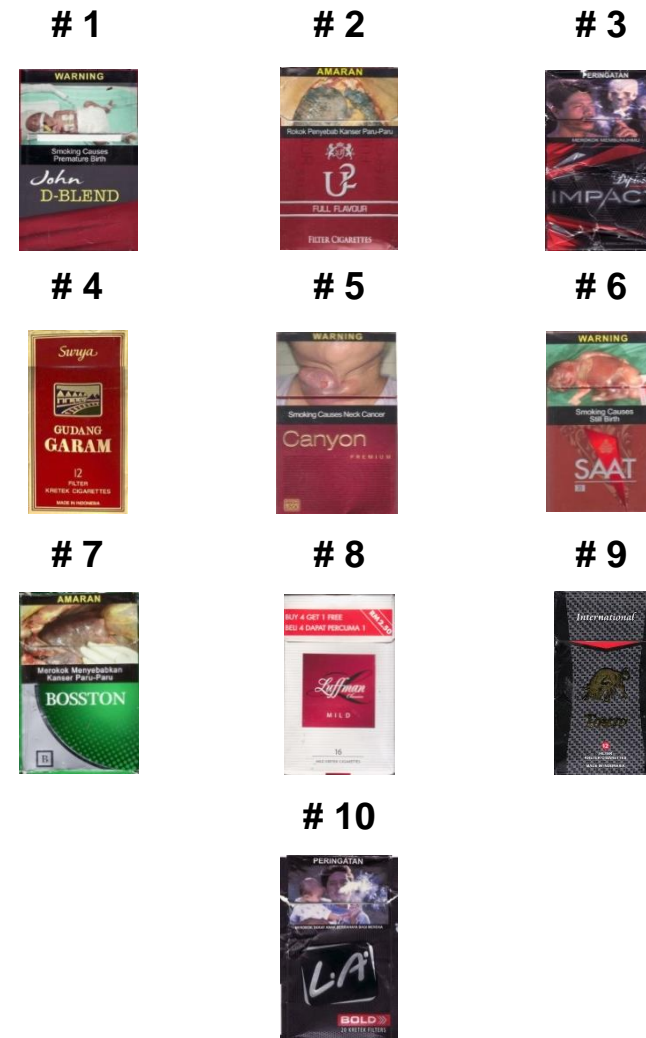|				
	Other Illegal	*4.0*	*7.0*	*16.0*
	Total Illegal %	**46.6**	**51.4**	**48.4**
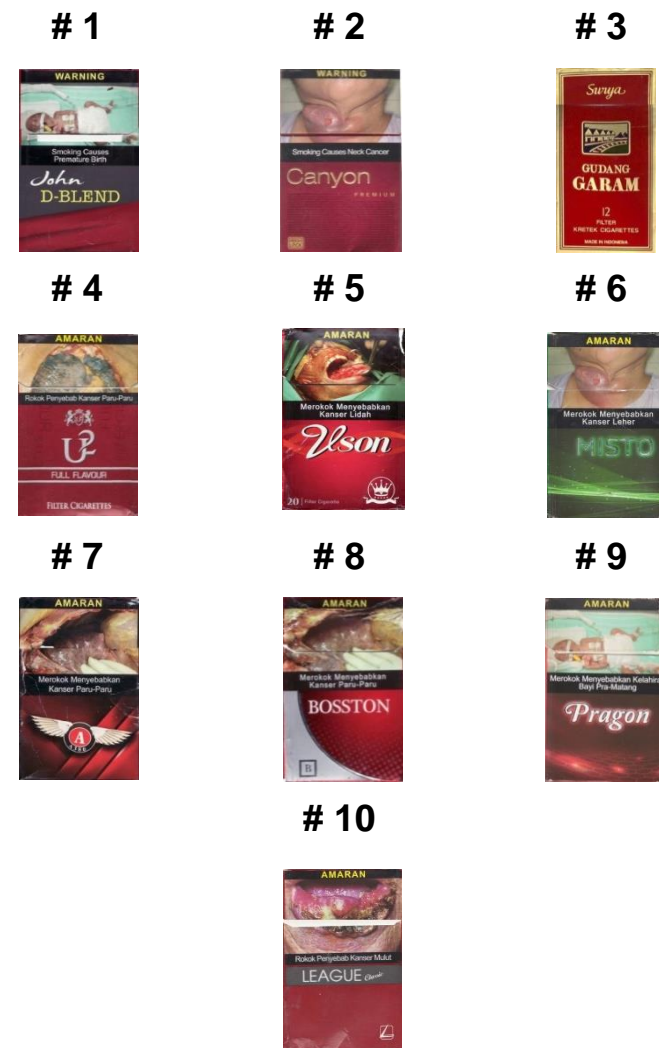
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*0.0%** Incidence is less than 0.1%; figure is too small to feature.*

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TOP 10 ILLEGAL CIGARETTES BRANDS FOR MELAKA

Volume contribution to National = 4%

| Illegal Brand		Nov, 2020 SOM (%)	Oct, 2020 SOM (%)	2019 SOM (%)
1.	John	19.6	23.9	18.1
2.	Canyon	12.7	7.2	9.3
3.	Bosston*	6.2	6.1	2.0
4.	Promax*	3.6	3.2	2.1
5.	9th Century*	2.4	0.6	4.8
6.	Misto*	2.3	2.1	-
7.	Manchester*	2.0	0.8	0.9
8.	Gudang Garam	1.8	2.0	2.1
9.	Vson*	1.5	0.7	0.7
10.	Pragon*	1.1	1.6	-
Total 10 Total		**53.2**	**48.2**	**40.0**
Other Illegal		*6.1*	*7.5*	*10.4*
Total Illegal %		**59.3**	**55.7**	**50.4**

relates to incidence of empty packs collected that meet any of illegal cigarettes criteria in page 3, regardless whether they are a legal brand or otherwise

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TOP 10 ILLEGAL CIGARETTES BRANDS FOR JOHOR
Volume contribution to National = 8%

	Illegal Brand	Nov, 2020 SOM (%)	Oct, 2020 SOM (%)	2019 SOM (%)
1.	Canyon	10.8	9.0	6.5
2.	John	9.6	10.2	6.8
3.	U2	7.3	7.4	7.2
4.	Gudang Garam	3.1	3.3	3.0
5.	Misto*	2.9	2.6	-
6.	Bosston*	2.6	2.9	2.0
7.	Concept*	1.7	1.6	1.2
8.	Vson*	1.0	0.4	0.4
9.	A380*	1.0	1.0	2.2
10.	Promax*	0.9	1.4	2.0
	Total 10 Total	**40.9**	**39.8**	**31.3**

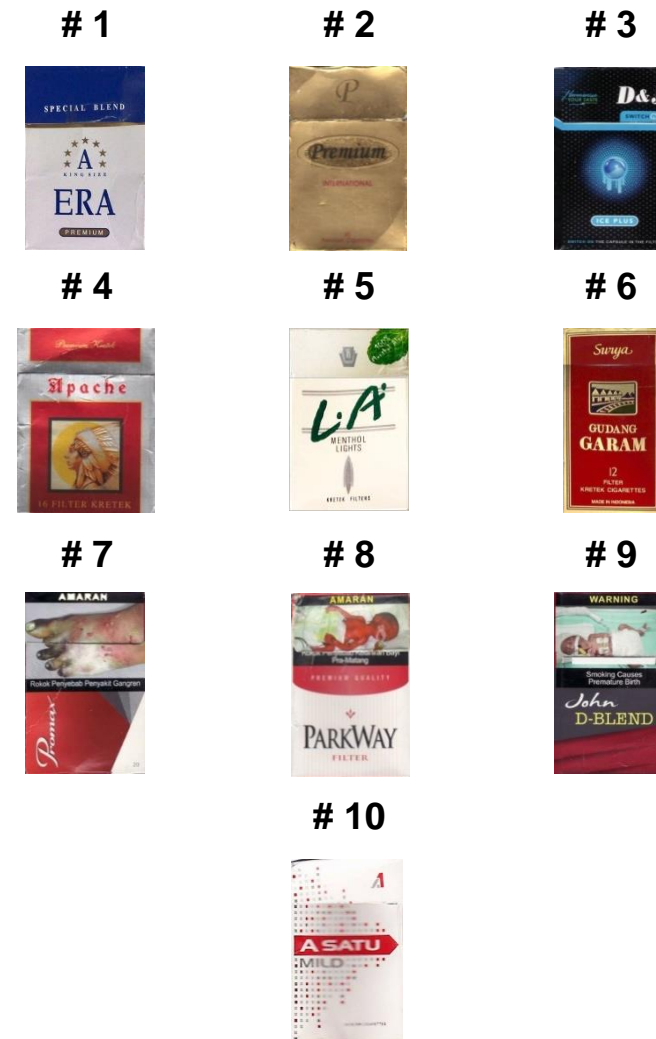|			
Other Illegal	*5.4*	*5.8*	*9.8*
Total Illegal %	**46.3**	**45.6**	**41.1**

*relates to incidence of empty packs collected that meet any of illegal cigarettes criteria in page 3, regardless whether they are a legal brand or otherwise

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TOP 10 ILLEGAL CIGARETTES BRANDS FOR PAHANG

Volume contribution to National = 7%

	Illegal Brand	Nov, 2020 SOM (%)	Oct, 2020 SOM (%)	2019 SOM (%)
1.	John	23.4	21.0	24.2
2.	U2	18.9	15.4	21.2
3.	Diplomat	8.8	11.0	0.1
4.	Gudang Garam	8.0	7.0	3.9
5.	Canyon	5.5	7.2	6.0
6.	Saat	2.3	2.6	1.4
7.	Bosston*	2.0	3.5	0.5
8.	Luffman	1.4	1.5	0.4
9.	Touro	0.8	0.8	0.4
10.	L.A.	0.6	1.7	1.0
	Total 10 Total	**71.7**	**71.7**	**59.1**

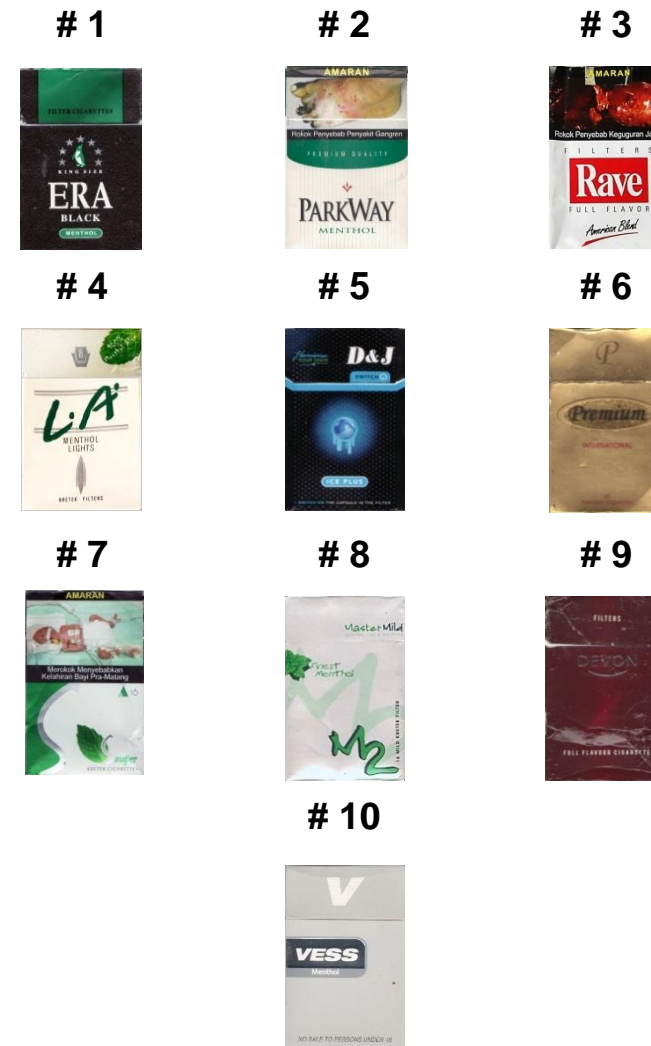|	Other Illegal	3.0	4.1	18.7
	Total Illegal %	**74.7**	**75.8**	**77.8**

*relates to incidence of empty packs collected that meet any of illegal cigarettes criteria in page 3, regardless whether they are a legal brand or otherwise

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TOP 10 ILLEGAL CIGARETTES BRANDS FOR TERENGGANU

Volume contribution to National = 4%

Illegal Brand		Nov, 2020 SOM (%)	Oct, 2020 SOM (%)	2019 SOM (%)
1.	John	29.3	33.6	31.7
2.	Saat	26.2	27.9	27.1
3.	U2	10.7	5.9	5.8
4.	Gudang Garam	3.7	3.5	4.0
5.	Canyon	3.2	1.0	1.9
6.	Promax*	1.3	0.2	0.4
7.	A380*	0.9	0.6	1.7
8.	Diplomat	0.8	-	0.0**
9.	Tex	0.7	0.5	0.0**
10.	Barokah	0.5	0.6	0.3
	Total 10 Total	**77.3**	**73.8**	**72.9**

	Other Illegal	2.4	3.0	5.8
	Total Illegal %	**79.7**	**76.8**	**78.7**
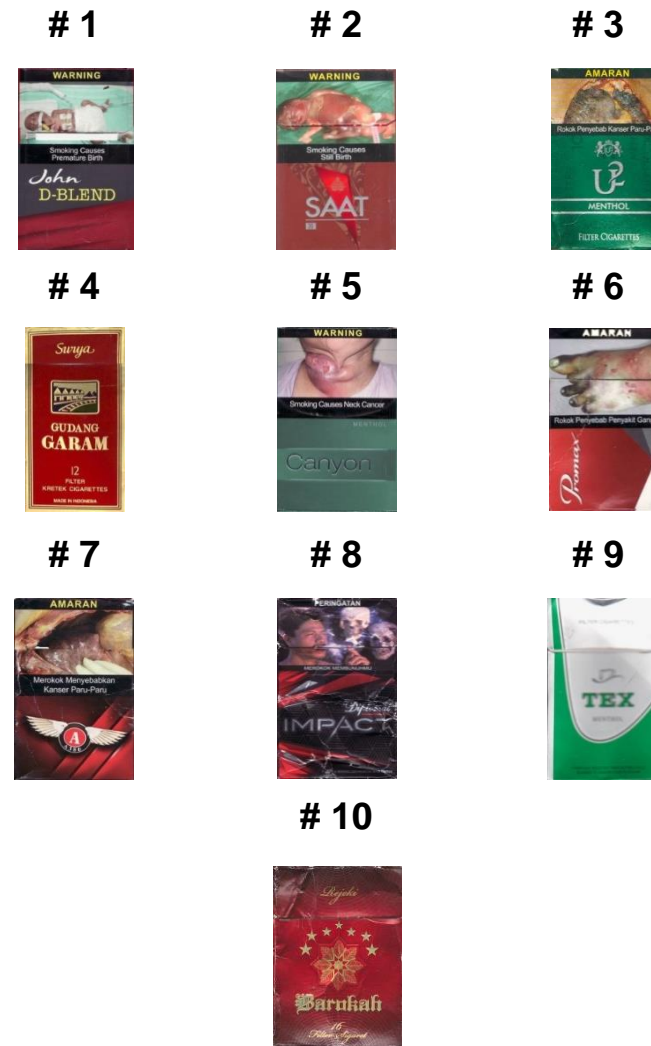
*relates to incidence of empty packs collected that meet any of illegal cigarettes criteria in page 3, regardless whether they are a legal brand or otherwise
0.0%** Incidence is less than 0.1%; figure is too small to feature.

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TOP 10 ILLEGAL CIGARETTES BRANDS FOR KELANTAN

Volume contribution to National = 5%

Illegal Brand		Nov, 2020 SOM (%)	Oct, 2020 SOM (%)	2019 SOM (%)
1.	Saat	52.9	52.5	61.6
2.	John	12.1	9.6	4.4
3.	Tex	4.6	4.0	0.1
4.	Gudang Garam	2.0	1.5	4.7
5.	Promax*	0.7	0.1	0.1
6.	Concept*	0.2	0.6	0.7
7.	U2	0.2	0.1	0.0**
8.	Premium	0.1	-	1.9
9.	Znos	0.1	-	-
10.	Misto*	0.1	0.1	-
Total 10 Total		**73.0**	**68.5**	**73.5**

	Nov, 2020	Oct, 2020	2019
Other Illegal	*0.1*	*1.0*	*2.7*
Total Illegal %	**73.1**	**69.5**	**76.2**
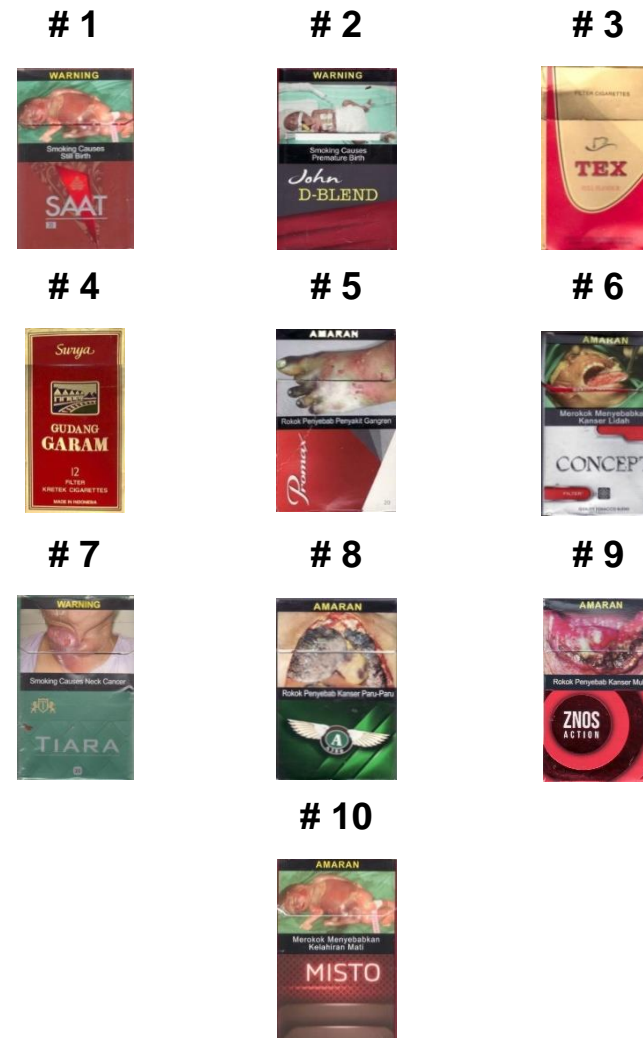
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relates to incidence of empty packs collected that meet any of illegal cigarettes criteria in page 3, regardless whether they are a legal brand or otherwise
0.0%** Incidence is less than 0.1%; figure is too small to feature.

TOP 10 ILLEGAL CIGARETTES BRANDS FOR SABAH

Volume contribution to National = 7%

	Illegal Brand	Nov, 2020 SOM (%)	Oct, 2020 SOM (%)	2019 SOM (%)
1.	Era	46.4	60.3	50.6
2.	Premium	32.3	16.6	18.6
3.	D&J	2.6	4.1	3.1
4.	Apache	2.1	2.8	1.7
5.	L.A.	0.6	0.6	3.5
6.	Gudang Garam	0.4	0.9	0.5
7.	Promax*	0.1	-	-
8.	Parkway	0.1	-	-
9.	John	0.1	0.1	0.2
10.	A Satu Mild	0.1	0.1	0.3
	Total 10 Total	**73.0**	**68.5**	**73.5**
	Other Illegal	*0.1*	*1.0*	*2.7*
	Total Illegal %	**84.8**	**85.9**	**81.0**

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*relates to incidence of empty packs collected that meet any of illegal cigarettes criteria in page 3, regardless whether they are a legal brand or otherwise
0.0%** Incidence is less than 0.1%; figure is too small to feature.*

TOP 10 ILLEGAL CIGARETTES BRANDS FOR SARAWAK

Volume contribution to National = 3%

	Illegal Brand	Nov, 2020 SOM (%)	Oct, 2020 SOM (%)	2019 SOM (%)
1.	Era	29.2	30.6	28.2
2.	Parkway	24.1	18.9	17.1
3.	Rave	9.9	9.5	7.9
4.	L.A.	5.8	5.9	9.7
5.	D&J	4.1	3.8	3.6
6.	Premium	2.8	1.9	2.4
7.	S Super	2.1	1.4	1.5
8.	Master Mild M2	1.4	1.5	0.7
9.	Devon	1.0	1.5	0.3
10.	Vess	0.4	0.4	2.9
	Total 10 Total	**80.8**	**75.4**	**74.3**

		Nov, 2020	Oct, 2020	2019
	Other Illegal	*3.9*	*7.1*	*11.8*
	Total Illegal %	**84.7**	**82.5**	**86.1**

*relates to incidence of empty packs collected that meet any of illegal cigarettes criteria in page 3, regardless whether they are a legal brand or otherwise

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APPENDIX: NIELSEN'S ICS RESEARCH OBJECTIVE & METHODOLOGY

RESEARCH OBJECTIVES

1 **Identify the incidence & trend of illegal cigarettes in Malaysia & at State Level**

2 **Identify the illegal brands available in Malaysia and at State Level**

3 **Identify the level of compliance vs. non-compliance on cigarette packs**

  I.   Security features (Tax Stamps)

  II.   Brands of Local Manufacturers and Importers registered with Royal Malaysian Customs

  III. Mandated Labeling Requirements (under Control of Tobacco Product Regulations, Trade Description Act, Price Control & Anti Profiteering Act)

OVERVIEW OF STUDY FRAMEWORK

METHODOLOGY

- Method: **Litter collection of cigarette packs.**
- Frequency**: 7 waves** in a year.
- Geographical coverage: Nationwide (Pen. M'sia and Sabah & Sarawak)
- Sample size: Nationwide **20,400 packs per wave** (Pen M'sia = A minimum of 1,200 packs per State, Sabah & Sarawak = 1,600 packs each)

PROCESS

Packs collection ► Coding of packs ► Verification of security features by government appointed vendor – Lembah Sari Sdn Bhd ► Verification of security features by member companies ► Analysis & Reporting
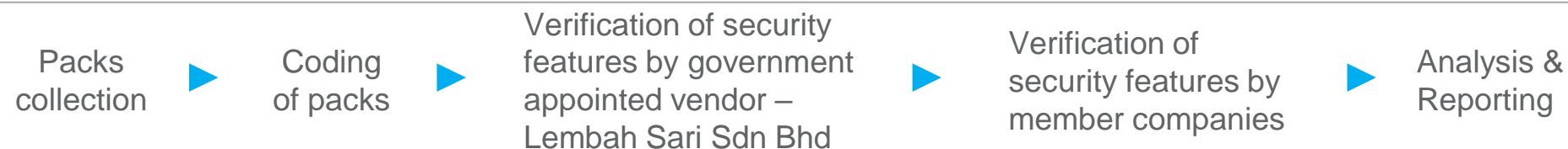
SAMPLING ERROR

0.6% at national level and minimum 2.8% at state level

RELIABILITY

Packs Collection ► *Compared with*

Excise figures from:
- British American Tobacco (M) Berhad
- JT International Berhad
- Philip Morris (M) Sdn Bhd

A correlation of **0.99** consecutively since 1993 to 2020 were achieved indicating that the Litter Survey is reliable.

- Results are presented as ratio or percentages of sticks collected.

ICS RESEARCH METHODOLOGY AND DESIGN

i. **ICS Universe, Sample Size**

ii. Sampling Coverage Of ICS and Fieldwork

iii. Coding Processes

iv. Data Processing

v. Weighting The Survey Data

WHY SAMPLE SIZE OF 51,000 PACKS?

Sample Size (n=)	Sampling Error @ 95% Confidence
n=50	14.9%
n=100	9.9%
n=250	5.9%
n=500	4.1%
n=1,000	2.8%
n=2,000	2.0%
n=3,000	1.6%
n=4,000	1.4%
n=10,000	0.8%
n=20,000	**0.6%**
n=50,000	0.4%

- The data accuracy for a sample size is dependent on the sample size of a study; **Sampling error declines** as **sample size** for a study is **increased**

- To ensure minimal sampling error at **National level**, **sample size of n=20,000** was chosen

- At State level, a minimum sample size of n=1,200 was chosen to optimize data accuracy without impacting the efficiency of fieldwork turnaround time.

GEOGRAPHICAL COVERAGE & SAMPLE SIZE FOR EACH STATE

- State in Pen Malaysia, minimum sample size n=1,200
- State in East Malaysia, sample size n=1,600
- **These sample size are robust** taking into consideration geographical landscape, different cigarettes volume pattern and efficient turnaround of fieldwork
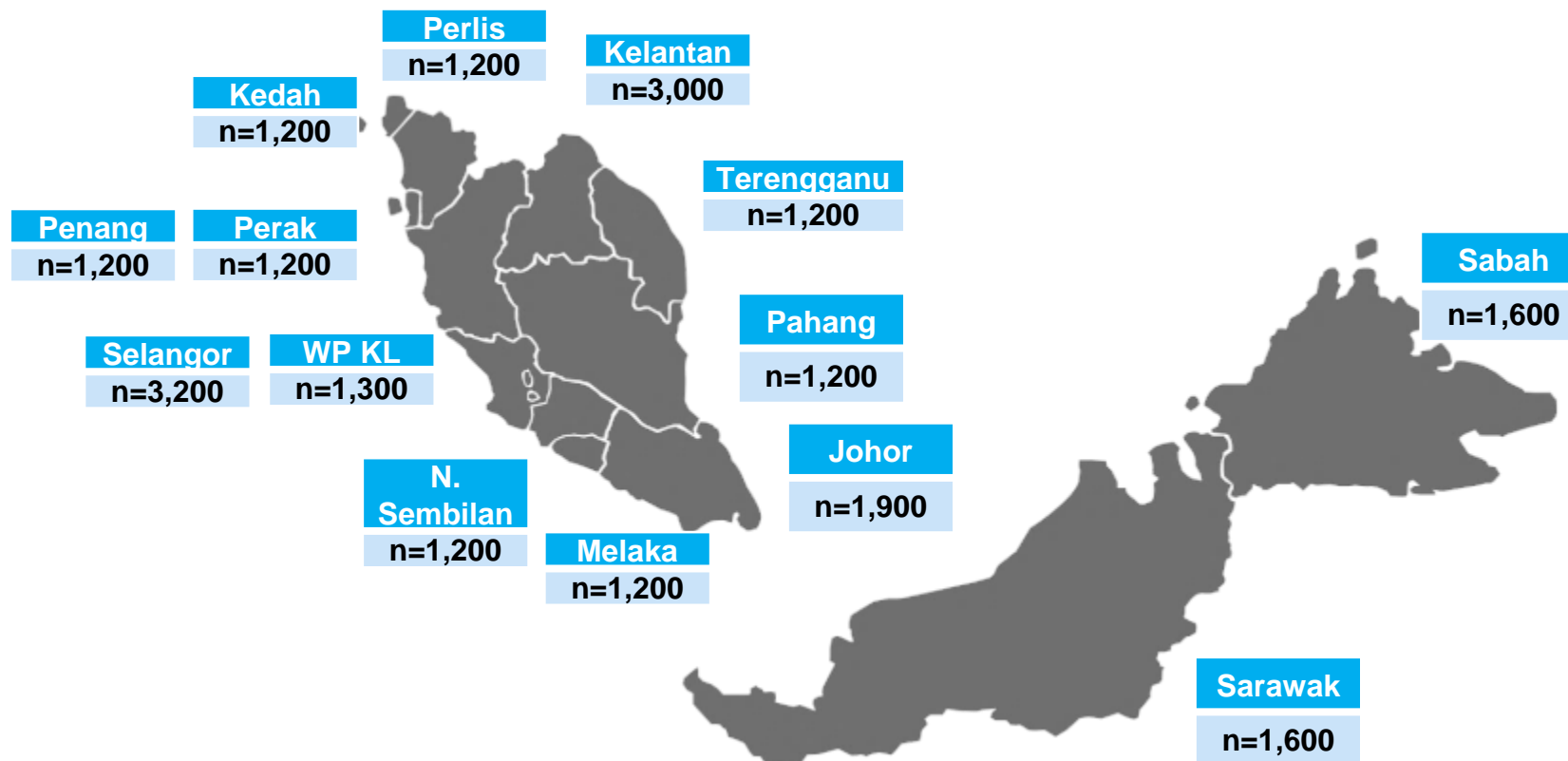
Perlis n=1,200

Kelantan n=3,000

Kedah n=1,200

Terengganu n=1,200

Penang n=1,200

Perak n=1,200

Sabah n=1,600

Pahang n=1,200

Selangor n=3,200

WP KL n=1,300

Johor n=1,900

N. Sembilan n=1,200

Melaka n=1,200

Sarawak n=1,600

ICS RESEARCH METHODOLOGY AND DESIGN

i.   ICS Universe, Sample Size

ii.   **Sampling Coverage Of ICS and Fieldwork**

iii.   Coding Processes

iv.   Data Processing

v.   Weighting The Survey Data

SAMPLING COVERAGE OF ICS

STATE	DISTRICT COVERED		
Perlis	Kangar		
Kedah	Kuala Muda	Kota Setar	Kulim
	Kubang Pasu	Baling	Pendang
Penang	Timur Laut	Seberang Perai Tengah	Seberang Perai Utara
Perak	Kinta	Larut & Matang	Manjung
	Hilir Perak	Kerian	
Selangor	Petaling	Ulu Langat	Klang
	Gombak	Kuala Langat	
WP KL	Spread across KL		
N. Sembilan	Seremban	Jempol	Port Dickson
	Tampin		
Melaka	Melaka	Alor Gajah	
Johor	Johor Bahru	Batu Pahat	Kluang
	Kulai Jaya	Muar	Kota Tinggi
Pahang	Kuantan	Temerloh	Bentong
	Maran	Rompin	Pekan
Terengganu	Kuala Terengganu	Kemaman	Dungun
	Besut		
Kelantan	Kota Bharu	Pasir Mas	Tumpat
	Bachok	Tanah Merah	
Sabah	Kota Kinabau	Tawau	Sandakan
	Lahad Datu	Keningau	Semporna
	Papar	Penampang	Beluran
	Tuaran	Ranau	Kota Belud
Sarawak	Kuching	Miri	Sibu
	Bintulu	Serian	Samarahan
	Sri Aman	Sarikei	Kapit
	Bau	Limbang	Saratok

- Nationwide

- All 13 states in Peninsular and East Malaysia and KL Federal Territory

- Covers each state's **top 50% most populous** districts

- The sampling approach ensure **both Urban & Rural** coverage reflects data released by Malaysia Department of Statistic (Census 2010)

FLOW CHART FOR PRE-FIELDWORK AND FIELDWORK

Establish starting point of collection

▼

Collect 25 packs from the street each week

▼

Attach label to bag: Standard label with the following:
- *State*
- *Location collected*
- *Area type*
- *Date of collection*

▼

Packs will then be delivered to Nielsen's Head Office at KL for coding
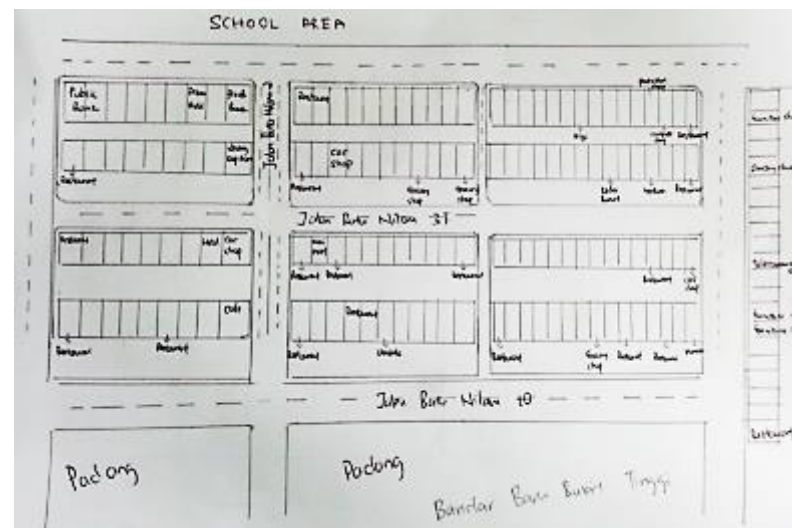
GUIDELINES FOR PACK COLLECTION

- All Packs collected from the collection points must be in decent condition. If not Lembah Sari Sdn. Bhd. will not be able to validate the authenticity of a pack if the packs are so badly damaged that certain key elements are missing
- Instruction to collectors is to collect pack in decent condition.
- No instruction on brand restriction is issued (hence, **rejection of packs in poor condition applies to all** brands)
- As such, collectors will have no preference on the packs being collected as long as it is in decent condition
- Remuneration for packs collected are standard across all pack type / brand

Visual Examples of Unacceptable Packs

ICS RESEARCH METHODOLOGY AND DESIGN

i.   ICS Universe, Sample Size

ii. Sampling Coverage Of ICS and Fieldwork

iii. Coding Processes

iv. Data Processing

v.   Weighting The Survey Data

A ROBUST SOP FOR PACK VERIFICATION & CODING PROCESS

The following diagram illustrates the pack verification & coding process

1 Pack Collection
Weekly

2 Data Entry
Weekly

3 Quality Control
Weekly 10%

4 Data Cleaning & Processing
Weekly

5 Data Checking/ Reporting
Weekly

6 Pack Sorting & Warehouse Storage
Weekly

7 Preparation for Lembah Sari Review
Wave End

8 Lembah Sari Review
Wave End

9 Check Lembah Sari Verifications
Wave End

10 Preparation for CMTM verification
Wave End

11 Packs & Excel Sheet to CMTM to Verify
Wave End

12 Compile Lembah Sari & CMTM's Feedback
End of Wave

13 Data Change Instructions to DP
Wave End

14 Final Tabulation
Wave End

15 Final Reporting
Wave End

16 Pack Disposal & Wave Gaps

CODING AND STORAGE PROCESS AT NIELSEN HQ

1. Packs which arrive at Nielsen HQ are assigned a unique pack ID number
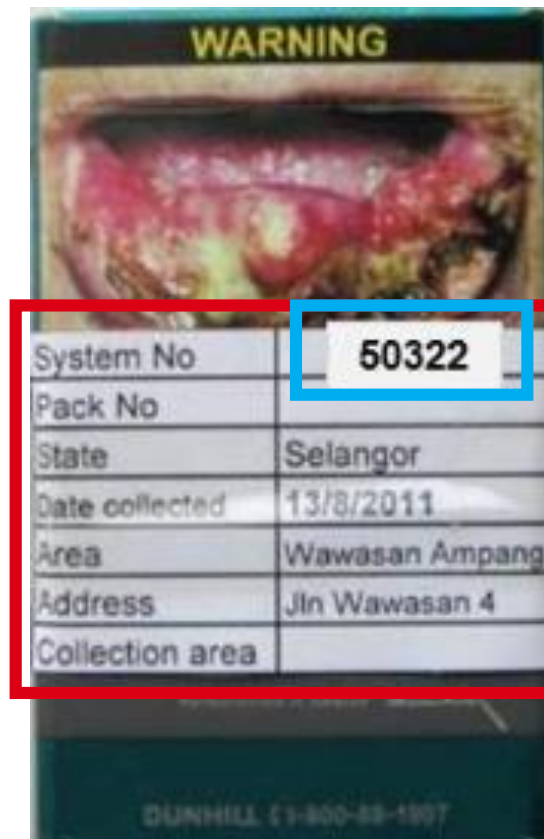
Pack Sample

A unique ID is assigned to each pack when it reach Nielsen HQ

Each cigarettes pack which arrive will have a sticker with details on when and where it is collected

CODING AND STORAGE PROCESS AT NIELSEN HQ
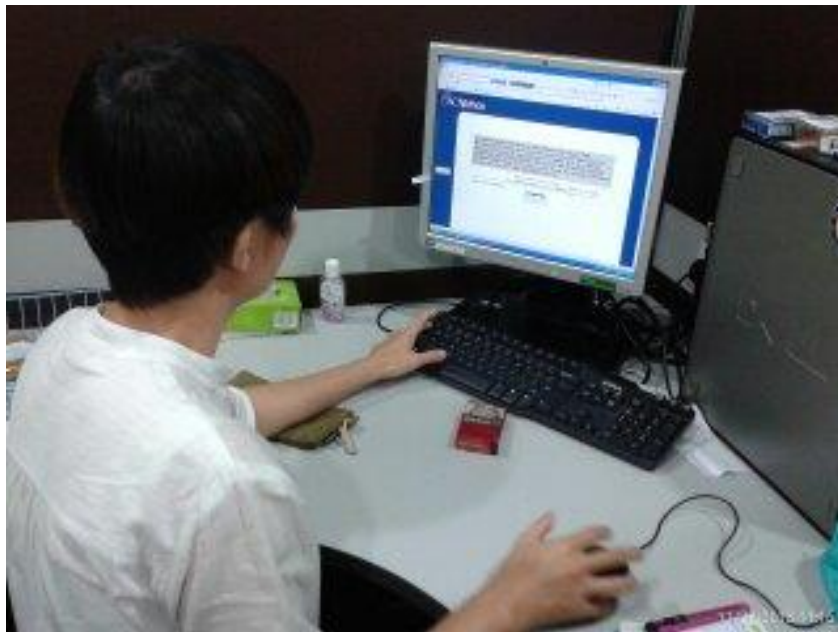
2. Once the pack ID number is assigned, data entry process will begins. All information on the pack will be captured

3. When data entry is completed, the packs are sorted by brands and types

CODING AND STORAGE PROCESS AT NIELSEN HQ

4. Once the sorting is complete, the cigarettes packs are stored on shelves with labeling for easy retrieval when required

ILLEGAL CIGARETTES CRITERIA FOR VERIFICATION

Packs with at least one (1) of the following features:

1. Absence of Registered Importers

2. Unregistered Importers*

3. Absence of Registered Manufacturers

4. Unregistered Manufacturers*

5. Packs with counterfeit (fake) Malaysian tax stamp**

6. Packs without Malaysian tax stamp

7. Packs with non-Malaysian tax stamp

8. Unregistered Brand*

9. Non Compliance to Ministry of Health's Control of Tobacco Product Regulations (CTPR) 2004
   I. Absence or Non Compliance of Pictorial Health Warning Requirements
   I. Pack Size other than 20 sticks
   II. Absence or Non Compliance of mandated labeling requirements

*   Not registered with the Royal Malaysian Customs
** Verified by Lembah Sari Sdn Bhd (LSSB) – Government appointed sole vendor for tax stamp

REGULATIONS SET BY THE MALAYSIA GOVERNMENT

- All locally manufactured cigarettes and imported cigarettes are required to meet the following criteria:
  - **Registered brand** with Customs
  - **Registered manufacturer** with Customs
  - **Registered importer** with Customs (if it is an imported pack)
  - **Malaysian labeling requirements** i.e. pictorial health warning clause, textual health warning clause, "no sales to under 18" clause, manufacturing date, name and address on manufacturer/importer
  - **Pack size** of not less than 20 sticks

- Additional security features for imported / manufactured packs for **domestic** consumption:
  - Blue tax stamp

- Additional security features for imported / manufactured packs for **duty free** consumption:
  - Pink tax stamp

VISIBLE ELEMENTS CAPTURED IN ICS

The following visible elements is **checked & coded / captured** for *each* of the collected packs by Nielsen Malaysia

Brand, Variant, Pack size & type

Presence of Health Warning Clause

Malaysian or Non-Malaysian

Presence of Security Feature; Tax Stamp

- Blue Tax Stamp
- Pink Tax Stamp
- Non-Malaysian banderol
- Other Tax Stamp

Other information

- Duty Free packs
  - Malaysian Duty Not Paid clause
- State/Town/District/Location
- *Pictorial Health Warning Clause (2009)*
- Etc., etc.

Manufacturer/ Importer

- Company Name
- Address

Information on registered brands, registered manufacturers/ Importers is provided by CMTM

VERIFICATION OF SECURITY TAX STAMP

- **Tax Stamps** are verified by Lembah Sari using the special reader/tool
- Verification outcome: **sign off by Lembah Sari** & Nielsen as witness

VERIFICATION OF SECURITY TAX STAMP

Blue Tax Stamp
(Domestic Market)

OR

Pink Tax Stamp
(Duty Free Market)

VERIFICATION OF NON-VISIBLE ELEMENTS

- Only applicable to CMTM members' brands
- **Verification** by the respective member companies' **technical experts**
- Pack **IDs of identified Counterfeit packs** are given to Nielsen Malaysia
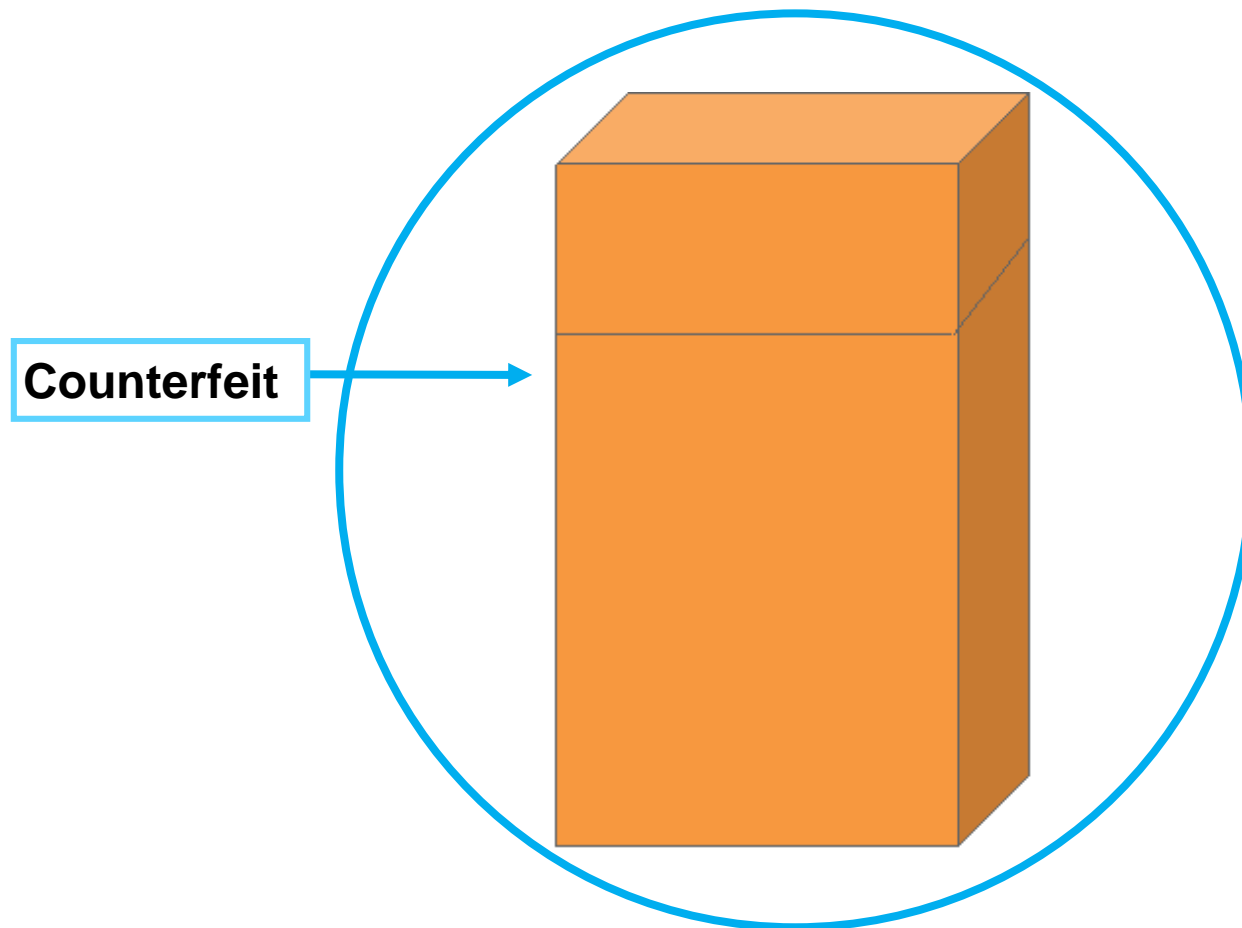
Counterfeit

ICS RESEARCH METHODOLOGY AND DESIGN

i. ICS Universe, Sample Size

ii. Sampling Coverage Of ICS and Fieldwork

iii. Coding Processes

iv. Data Processing

v. Weighting The Survey Data

DATA PROCESSING (DATA CLEANING & MERGING)

- Software program to ensure data accuracy
- Logic checks on brand and manufacturers
- Security feature verification results merged into data file
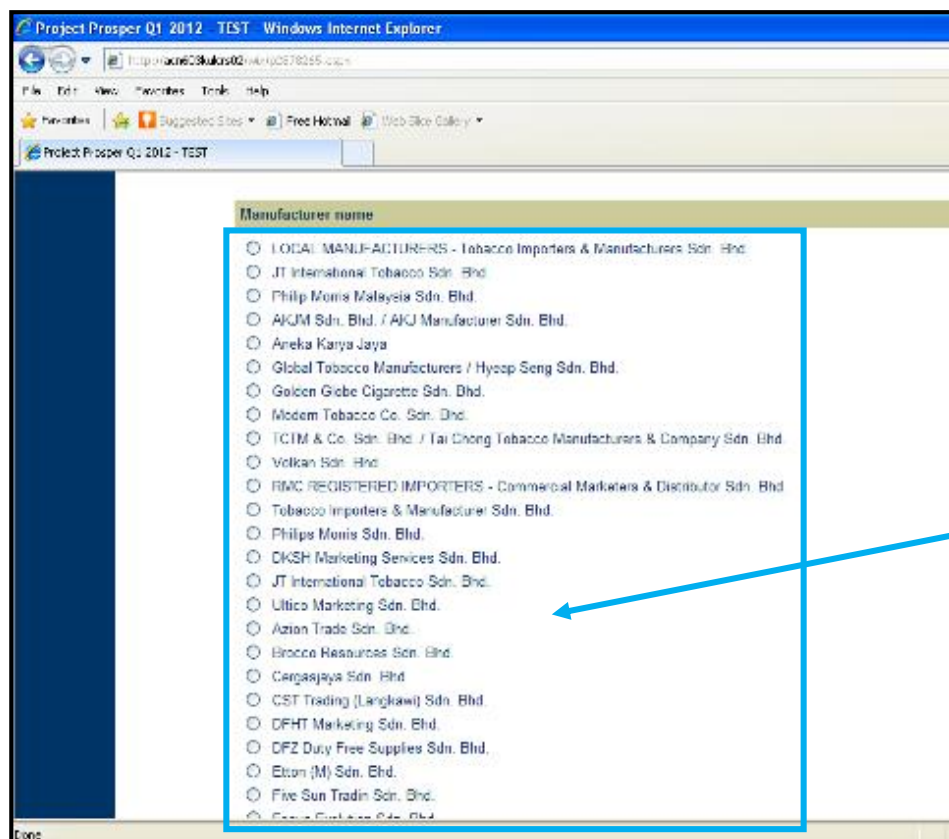
Control of Response List by Researchers

- Data entry **can only input data as per the response list provided**

- **Any new information** to be added to the response list is **subject to** Research Team **approval**

- Research Team will **review and validate the new details** before adding in any new response into the system

DATA PROCESSING (QUALITY CONTROL)

10% of data entered into the database will be cross-check by a QC personnel to ensure data accuracy and coders are capturing the data correctly

QC personnel will randomly select 10% of packs which has been keyed into the system, cross-compare to ensure pack features is similar to what has been recorded in the system and rectify the data

Besides completing a 10% physical QC check, the database is reviewed to check for data discrepancy against known facts

- *E.g. Dunhill belongs to BAT M'sia ,*
- *Legal packs comes only in pack size of 20s*

If any data discrepancies are detected, the affected pack will be extracted and a physical validation process will be undergone

ICS RESEARCH METHODOLOGY AND DESIGN

i.   ICS Universe, Sample Size

ii.   Sampling Coverage Of ICS and Fieldwork

iii. Coding Processes

iv.   Data Processing

v.   Weighting The Survey Data

Why apply Weighting to Survey Data?

- A weighting process is used to determine the total estimated cigarettes volume pattern of an individual state

- If weighting is not done, then:

  - **All states** in Peninsular are assumed to have **equal volumes** of total cigarettes volume

    - Perlis with a smaller population will be **over represented** and Selangor, with a bigger population will be **under represented**

    - Sabah and Sarawak, combined would represent about 16% (8,000 of 51,000 packs) of total cigarettes volume in Malaysia, which in reality is less than 10%.

HOW DOES NIELSEN WEIGHT THE DATA?

Step 1: Establish the Estimated Legal Industry Volume

- The **estimated legal industry volume** is established based on the following information:
  - **In-market sales** as provided independently by British American Tobacco Malaysia (BATM), Philip Morris Malaysia (PMM) and Japan Tobacco International (JTI)
  - Local manufacturers' **volume** from **Nielsen's Retail Audit**
  - **Malaysian Duty Free** volume from Illicit Cigarettes Study **(ICS)**

	Nov, 2020
	('000 sticks)
CMTM Member Companies (BATM, PMM, JTI)	526,200
Other Local manufacturers	0
Malaysian Duty Free	15,961
Total Legal Cigarettes Sales	**542,161**

Derive from actual in-market sales as provided by CMTM member companies

ICS volume estimation is used as substitute since actual data is not available

Unit of measurement : thousand sticks

HOW DOES NIELSEN WEIGHT THE DATA?

Step 2: Establish the Legal Industry Volume contribution by State

- Using Nielsen Retail Audit as a guideline, **establish each states' legal volume contribution** towards the national volume of 542,161,000 sticks

	NIELSEN RETAIL AUDIT	STATE'S LEGAL VOLUME CONTRIBUTION
PERLIS	1,594	0.4%
KEDAH	16,120	3.6%
PENANG	27,344	6.1%
PERAK	26,549	5.9%
SELANGOR	137,596	30.7%
WP KL	62,782	14.0%
N.SEMBILAN	19,352	4.3%
MELAKA	21,823	4.9%
JOHOR	77,461	17.3%
PAHANG	20,307	4.5%
TERENGGANU	8,534	1.9%
KELANTAN	14,890	3.3%
SABAH	9,580	2.1%
SARAWAK	4,921	1.1%
NATIONAL	**448,853**	

Step 2a. **(Using Retail Audit)**

State Legal Volume Contribution = State's Retail Audit Volume / National Volume

(e.g. 137,596 / 448,853 = 30.7%)

	NIELSEN RETAIL AUDIT	STATE'S LEGAL VOLUME CONTRIBUTION	PROJECTED/ESTIMATED STATE LEGAL VOLUME
SELANGOR	137,596	30.7%	166,199
NATIONAL	**448,853**		**542,161**

Step 2b.
Projected States Legal Volume
= State Legal Volume Contribution **X** National Legal Volume
(derived from Retail Audit) (obtained from Step 1)

(e.g. 30.7% x 542,161 = 166,199)

HOW DOES NIELSEN WEIGHT THE DATA?

Step 2: Key Output

	NIELSEN RETAIL AUDIT	STATE'S LEGAL VOLUME CONTRIBUTION	PROJECTED/ESTIMATED STATE LEGAL VOLUME
PERLIS	1,594	0.4%	1,926
KEDAH	16,120	3.6%	19,471
PENANG	27,344	6.1%	33,028
PERAK	26,549	5.9%	32,068
SELANGOR	137,596	30.7%	166,199
WP KL	62,782	14.0%	75,833
N.SEMBILAN	19,352	4.3%	23,375
MELAKA	21,823	4.9%	26,359
JOHOR	77,461	17.3%	93,564
PAHANG	20,307	4.5%	24,529
TERENGGANU	8,534	1.9%	10,308
KELANTAN	14,890	3.3%	17,985
SABAH	9,580	2.1%	11,571
SARAWAK	4,921	1.1%	5,944
NATIONAL	**448,853**		**542,161**

HOW DOES NIELSEN WEIGHT THE DATA?

Step 3: Establish the Incidence for Legal / Illegal Cigarettes

- Convert the data from **"packs collected "** to **"sticks"** (based on pack size)
- The **study's unit of measurement** is based on consumption in **sticks**
    - Though CTPR prohibits the sales of cigarettes below the pack sizes of 20 sticks**, illegal cigarettes** (primarily for illegal kretek) could still be found **in pack sizes below 20 sticks**
    - The **calculation based on number of packs collected** will **create a false inflation** on illegal volume due to the presence of packs sizes below 20 sticks

State	Total packs collected (Nov'20)	Number of legal packs collected	(Unweighted) Volume of legal packs collected	Number of illegal packs collected	(Unweighted) Volume of illegal packs collected	Total volume (Legal + Illegal)	Incidence of legal cigarettes	Incidence of illegal cigarettes
			A		B	C = A + B	D = A / C	E = B / C
SELANGOR	3,200	1,073	21,460	2,127	38,806	60,266	35.6%	64.4%

Step 3a.
Sum up the number of sticks per pack for all legal packs collected to establish the estimated legal volume in sticks

Step 3b.
Repeat Step 3a to establish the estimated illegal volume in sticks

Step 3c.
Sum up the total consumption for both legal and illegal to establish The estimated total cigarette volume at state level

Step 3d.
Calculate the ratio of estimated legal vs. illegal volume

HOW DOES NIELSEN WEIGHT THE DATA?

Step 3: Incidence for Legal / Illegal Cigarettes Key Output

- Establish the level of legal vs. illegal cigarettes ratio in each respective state

State	Total packs collected (Nov'20)	Number of legal packs collected	(Unweighted) Volume of legal packs collected	Number of illegal packs collected	(Unweighted) Volume of illegal packs collected	Total volume (Legal + Illegal)	Incidence of legal cigarettes	Incidence of illegal cigarettes
			A		B	C = A + B	D = A / C	E = B / C
PERLIS	1,200	553	11,060	647	11,374	22,434	49.3%	50.7%
KEDAH	1,200	350	7,000	850	16,018	23,018	30.4%	69.6%
PENANG	1,200	467	9,340	733	13,516	22,856	40.9%	59.1%
PERAK	1,200	726	14,520	474	9,153	23,673	61.3%	38.7%
SELANGOR	3,200	1,073	21,460	2,127	38,806	60,266	35.6%	64.4%
WP KL	1,300	384	7,680	916	16,784	24,464	31.4%	68.6%
N.SEMBILAN	1,200	617	12,340	583	10,777	23,117	53.4%	46.6%
MELAKA	1,200	485	9,700	715	14,127	23,827	40.7%	59.3%
JOHOR	1,900	1,009	20,180	891	17,419	37,599	53.7%	46.3%
PAHANG	1,200	281	5,620	919	16,576	22,196	25.3%	74.7%
T'GANU	1,200	237	4,740	963	18,585	23,325	20.3%	79.7%
KELANTAN	1,200	319	6,380	881	17,294	23,674	26.9%	73.1%
SABAH	1,600	241	4,820	1,359	26,904	31,724	15.2%	84.8%
SARAWAK	1,600	238	4,760	1,362	26,448	31,208	15.3%	84.7%

HOW DOES NIELSEN WEIGHT THE DATA?

Step 4: Project Total Market Volume

- Once each states' estimated legal volume and legal incidence have been established, the numbers will be used to project total industry volume for each state

	STATE LEGAL VOLUME	LEGAL INCIDENCE	TOTAL MARKET VOLUME	STATE ILLEGAL VOLUME
	A	B	C = A / B	D = C - A
SELANGOR	166,199	35.6%	466,736	300,537

Step 4a.
Based on the incidence for legal cigarettes of 42.1% in Selangor, project the total volume for the state
(e.g. 166,199 divide by 35.6% = 466,736)

Step 4b.
Illegal volume is established by subtracting the projected total state's volume with the legal volume
(e.g. 466,736 – 166,199 = 300,537)

HOW DOES NIELSEN WEIGHT THE DATA?

Step 4: Key Output - Illegal Cigarettes Incidence @ National level

- Repeat the same process in Step 4 for all States

	STATE LEGAL VOLUME	LEGAL INCIDENCE	TOTAL MARKET VOLUME	STATE ILLEGAL VOLUME
PERLIS	1,926	49.3%	3,906	1,980
KEDAH	19,471	30.4%	64,026	44,555
PENANG	33,028	40.9%	80,824	47,796
PERAK	32,068	61.3%	52,282	20,214
SELANGOR	166,199	35.6%	466,736	300,537
WP KL	75,833	31.4%	241,559	165,726
N.SEMBILAN	23,375	53.4%	43,790	20,415
MELAKA	26,359	40.7%	64,749	38,390
JOHOR	93,564	53.7%	174,327	80,763
PAHANG	24,529	25.3%	96,876	72,347
TERENGGANU	10,308	20.3%	50,725	40,417
KELANTAN	17,985	26.9%	66,738	48,752
SABAH	11,571	15.2%	76,158	64,587
SARAWAK	5,944	15.3%	38,973	33,029
NATIONAL	542,161		1,521,669	979,508

Divide **National Illegal Volume 979,508** with **National Total Market Volume 1,521,669** **64.4%**