Notes:

Quarterly Report 31st December 2008

1. Accounting Policies

The interim financial report has been prepared in accordance with the reporting requirements as set out in the Financial Reporting Standards ("FRS") No. 134 – "Interim Financial Reporting" 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 2007.

The significant accounting policies and methods of computation adopted in the interim financial statements are consistent with those of the annual financial statements for the year ended 31st December 2007 except for the adoption of the following new/revised FRS effective for financial periods beginning on or after 1 January 2008:

a) FRS 107 Cash Flow Statements
b) FRS 112 Income Taxes
c) FRS 118 Revenue
d) FRS 134 Interim Financial Reporting
e) FRS 137 Provisions, Contingent Liabilities and Contingent Assets

The adoption of the above FRSs does not result in significant changes in accounting policies of the Group.

2. Qualification of Preceding Annual Financial Statements

The audit report of the most recent annual financial statements for the year ended 31st December 2007 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 financial period 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 annual balance sheet as at 31st December 2007.

13. Capital Commitments

Capital commitments not provided for in the financial statements as at 31st December 2008 are as follows:

Property, plant and equipment	RM'000
Approved and contracted for	14,023
Approved but not contracted for	1,938

14. Review of Performance

For the quarter under review, the Group registered revenues of RM253.2 million compared with RM 217.1 million for the same period last year. Profit before tax in the current quarter was higher at RM 12.2 million compared with RM 8.7 million for the same period last year. The increase in revenues was attributed to improved sales volume and higher cigarette prices offset partially by competitive price discounting activities. Profit before tax was higher, driven by the same factors mentioned above, offset partially by higher operating expenditures.

For the year under review, the Group achieved revenues of RM 1,038.5 million and profit before tax of RM134.1 million as compared with revenues of RM 862.1 million and profit before tax of RM 114.1 million for the corresponding period last year. The increase in both revenues and profit before tax was mainly driven by improved sales volume and higher cigarette prices offset partially by higher marketing and operating expenditures.

15. Comparison with Preceding Quarter's Result

For the quarter under review, the Group registered revenues of RM 253.2 million and a profit before tax of RM 12.2 million as compared to the preceding quarter's revenues of RM271.3 million and profit before tax of RM40.1 million. The decreases in both revenues and profit before tax were mainly due to lower sales volume following the pre-2009 Budget trade speculation in the preceding quarter and the adverse impact of the excise driven price increase in September 2008.

16. Prospects for Next Financial Year

The year 2008 proved to be another challenging year for the industry, which experienced further decline in sales volume, albeit at a slower rate compared to the previous year. However, despite the external challenges, JTI Malaysia successfully grew its corporate market share to 17.7% from 17.4% in the previous year *(based on AC Nielsen's retail audit).*

Late September 2008 also saw the introduction of further anti-tobacco regulations, placing increased restrictions on cigarette manufacturers. These include the imposition of Graphic or Pictorial Health Warnings (PHWs) as well as limitations on the use of certain descriptive terms on cigarette packaging, and will be fully implemented in the retail trade by June 1, 2009. It is anticipated that further restrictions will be introduced during 2009 and as such, the operating environment for the tobacco industry is expected to be no less challenging.

As the economic environment enters into a difficult phase, JTI Malaysia expects the number of price-sensitive consumers to increase. This is envisaged to result in increased switching to extremely low priced cigarettes or even illegal cigarettes. JTI Malaysia will continue to work closely with all Government agencies to address the significant issue of illegal cigarettes, whilst also acknowledging the increased efforts made by the Government's enforcement agencies in curbing this menace.

Despite the anticipated challenges, JTI Malaysia is committed to strengthening its position within the market place and will continue to invest resources behind its Global Flagship Brands to minimise the impact from low priced, low quality cigarettes. JTI Malaysia remains confident that the successful execution of planned business strategies and initiatives will ensure that the Group is well-positioned to meet its 2009 overall objectives and deliver another credible performance.

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	12,176		134,054	
Statutory tax	3,166	26.00	34,854	26.00
Over provision in prior years	(1,054)	(8.66)	(1,054)	(0.78)
Tax effect on non allowable expenses	695	5.71	2,094	1.56
Effective tax	2,807	23.05	35,894	26.78

The effective tax rate of the Group for year 2008 was higher than the statutory rate due to non allowable expenses

19. Unquoted Investments and / (or) Properties

There were no sales of unquoted investments or properties during the financial period under review.

20. Quoted Securities and Investments

There were no purchases or disposals of quoted securities during the financial period under review and there were no investments in quoted shares as at the end of the reporting period.

21. Status of Corporate Proposals Announced But Not Completed

There were no corporate proposals announced but not completed at the date of this report except for the following:

On 15 October 2008, the shareholders of the Company approved and passed the special resolution for a proposed capital repayment on the basis of RM0.75 cash for every one (1) existing share of RM1.00 each held in the Company via a reduction of the share capital of the Company pursuant to Section 64 of the Companies Act 1965 ("Capital Repayment"). On 18th February 2009, the High Court of Malaya had made an order confirming the special resolution for the reduction of the Company's capital pursuant to the Capital Repayment ("Order"). The Company is presently awaiting the extraction of the said Order from the High Court and remains on track for completion in early 2009.

22. Group Borrowing and Debt Securities

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

23. Off Balance Sheet Financial Instruments

No off balance sheet financial instruments were utilised for the current financial period to date.

24. Material Litigation

There was no material litigation pending since 31st December 2007.

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**	
	31.12.2008	**31.12.2007**	**31.12.2008**	**31.12.2007**
Profit for the period (RM'000)	9,369	2,850	98,160	81,056
Weighted average number of ordinary shares in issue ('000)	261,534	261,534	261,534	261,534
Basic earnings per share (sen)	3.6	1.1	37.5	31.0

By Order of the Board
BALRAJ RAMANATHAN
Company Secretary