

Notes:**Quarterly Report 30th September 2010****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 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 2009.

The significant accounting policies and methods of computation adopted in the interim financial statements are consistent with those of the annual audited financial statements for the year ended 31st December 2009 except for the adoption of the following new/revised FRS effective for financial periods beginning on or after 1 January 2010:

- | | | |
|-----|---------|--|
| (a) | FRS 7 | Financial Instruments: Disclosures |
| (b) | FRS 101 | Presentation of Financial Statements |
| (c) | FRS 139 | Financial Instruments: Recognition and Measurement |

The adoption of the above FRSs does not have significant impact on the financial statements for 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 2009 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

A 1st interim dividend of 15 sen per share less 25% tax was paid out on 8th September 2010.

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 2009.

13. Capital Commitments

Capital commitments not provided for in the financial statements as at 30th September 2010 are as follows:

Property, plant and equipment	RM'000
Approved and contracted for	5,146
Approved but not contracted for	5,534

14. Review of Performance

For the quarter under review, the Group registered revenues of RM315.9 million as compared with RM276.5 million for the same period last year. Profit before tax in the current quarter was higher at RM47.2 million compared with RM36.1 million for the same period last year. The increase in revenues was attributed to higher sales volume and higher cigarette prices. Profit before tax was higher, driven by higher sales volume & higher cigarette prices offset partially by higher marketing and operating expenditures.

For the cumulative period to 30th September 2010, the Group achieved revenues of RM927.6 million and profit before tax of RM142.9 million as compared with revenues of RM856.9 million and profit before tax of RM121.8 million for the corresponding period last year. The increase in both revenues and profit before tax was mainly driven by the same factors mentioned above.

15. Comparison with Preceding Quarter's Result

For the quarter under review, the Group registered revenues of RM315.9 million and a profit before tax of RM47.2 million as compared to the preceding quarter's revenues of RM298.5 million and profit before tax of RM45.1 million. The increase in revenues was attributed to higher sales volume in the current quarter. Profit before tax was higher, driven by higher sales volume offset partially by higher marketing expenditure.

16. Prospects for This Financial Year

JTI Malaysia expects the operating environment for the remainder of the year to be extremely challenging as illicit cigarettes continue to capture the market. These illicit cigarettes, which are selling at extremely low prices and below the Government-mandated Minimum Cigarette Price of RM7.00 per 20 sticks, are easily available nationwide. The Illicit Cigarettes Study which is commissioned by the Confederation of Malaysian Tobacco Manufacturers revealed that the incidence of illicit cigarettes further increased to 39.7% during the period March-May 2010. This means that four out of every 10 packs of cigarettes consumed in Malaysia, are illicit. In addition, JTI Malaysia is concerned that the Government's imposition of a hefty 16% or 3 sen per stick increase in cigarette excise tax on 1st October 2010 will further fuel the growth of the illicit cigarettes trade, unless significant enforcement efforts are made.

In this regard, enforcement efforts have been undertaken by various Government law enforcement agencies. JTI Malaysia commends the Royal Malaysian Customs (RMC) for its successful enforcement activities to date, and supports the RMC's continued efforts to prosecute those involved in the illicit cigarettes trade. This is in line with the recent action by the Ministry of Health which successfully prosecuted retailers caught selling illicit cigarettes.

Amidst these challenges, JTI Malaysia will continue to maintain its competitiveness and to deliver a satisfactory overall performance for the current financial year.

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	47,158		142,894	
Statutory tax	11,790	25.00	35,724	25.00
Tax effect on non allowable expenses	235	0.50	714	0.50
Effective tax	12,025	25.50	36,438	25.50

The effective tax rate of the Group for the year was higher than the statutory rate mainly 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 was no corporate proposal announced which was not completed as at the date of this report.

22. Group Borrowing and Debt Securities

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

23. Disclosure of Derivatives

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

24. 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 2010 approximate their fair values because of the immediate or short maturity terms of these financial instruments.

25. Off Balance Sheet Financial Instruments

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

26. Material Litigation

There was no material litigation pending since 31st December 2009.

27. Dividends

The Board of Directors has approved and declared a second interim dividend of 15 sen per share less 25% tax in respect of the financial year ending 31st December 2010 (the previous year's corresponding quarter: 15 sen per share less 25% tax), payable on 22nd December 2010. The entitlement date for the said dividend is 6th December 2010.

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 6th December 2010 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.

28. 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	
	30.09.2010	30.09.2009	30.09.2010	30.09.2009
Profit for the period (RM'000)	35,133	26,717	106,456	89,684
Weighted average number of ordinary shares in issue ('000)	261,534	261,534	261,534	261,534
Basic earnings per share (sen)	13.43	10.22	40.70	34.29

By Order of the Board
TAN TEOH HOOI
WONG KWAI YIN
 Company Secretaries