Notes:

Quarterly Report 31st December 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 2nd interim dividend of 15 sen per share less 25% tax was paid out on 22nd December 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 31st December 2010 are as follows:

Property, plant and equipment	RM'000
Approved and contracted for	3,420
Approved but not contracted for	8,737

14. Review of Performance

For the quarter under review, the Group registered revenues of RM277.5 million as compared with RM301.3 million for the same period last year. Profit before tax in the current quarter was higher at RM36.0 million compared with RM21.8 million for the same period last year. The decrease in revenues was attributed to lower sales volume offset partially by higher cigarette prices. Profit before tax was higher driven by lower marketing & operating expenditures and higher cigarette prices offset partially by lower sales volume.

For the year under review, the Group achieved revenues of RM 1205.1million and profit before tax of RM178.9 million as compared with revenues of RM1158.2 million and profit before tax of RM143.6 million for the corresponding period last year. The increase in revenues was attributed to higher sales volume and higher cigarette prices. Profit before tax was higher driven by the same factors mentioned above coupled with lower marketing expenditures.

15. Comparison with Preceding Quarter's Result

For the quarter under review, the Group registered revenues of RM277.5 million and a profit before tax of RM36.0 million as compared to the preceding quarter's revenues of RM315.9 million and profit before tax of 47.2 million. The decrease in both revenues and profit before tax was attributed mainly to lower sales volume in the current quarter.

16. Prospects for Next Financial Year

For 2011, JTI Malaysia expects the operating environment to be extremely challenging with illicit cigarettes continuing to be a threat to the legitimate cigarette manufacturers. On 1st October 2010, the Government implemented a hefty increase of 16% on cigarette excise tax, resulting in tobacco manufacturers, including JTI Malaysia, to increase the retail selling price of cigarettes by 70 sen per pack of 20 sticks. This further widened the retail selling price gap between legal and illicit cigarettes. Consumers with lower spending capacity switched to cheaper illicit cigarettes, which are widely available and sold below the Government mandated Minimum Cigarette Price (MCP) of RM7.00 per pack of 20 sticks. This not only exerts negative pressure on total industry volume, it also undermines the Government's revenue and health objectives.

JTI Malaysia, once again, urges the Government to seriously consider adopting a moderate tax increase policy as excessive taxation exacerbates the illicit cigarettes trade. The Government and Law Enforcement Agencies (LEAs) must also develop and implement more holistic and integrated enforcement initiatives to stamp out the illicit cigarettes trade in Malaysia.

Amidst these challenges, JTI Malaysia is committed to maintain its competitiveness and to deliver a satisfactory overall performance for the next financial year through continued effective investment behind its global flagship brands: Winston, Mild Seven and Camel.

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	36,025		178,919	
Statutory tax	9,006	25.00	44,730	25.00
Tax effect on non allowable/(taxable) expenses/(income)	(338)	(0.94)	376	0.21
Effective tax	8,668	24.06	45,106	25.21

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 Liablilities

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 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 does not recommend the payment of a dividend for the financial quarter under review.

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	
	31.12.2010	**31.12.2009**	**31.12.2010**	**31.12.2009**
Profit for the period (RM'000)	27,357	18,579	133,813	108,263
Weighted average number of ordinary shares in issue ('000)	261,534	261,534	261,534	261,534
Basic earnings per share (sen)	10.46	7.10	51.16	41.40

29. Realised and Unrealised Profits/Losses

	As at 31.12.2010 RM'000	As at 30.09.2010 RM'000
Total retained earnings:		
Realised	329,881	327,209
Unrealised	(9,245)	(4,508)
Total retained earnings as per statements of financial position	320,636	322,701

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