Notes:

Quarterly Report 31st March 2011

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 2010.

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 2010.

2. Qualification of Preceding Annual Financial Statements

The audit report of the most recent annual financial statements for the year ended 31st December 2010 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

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 2010.

13. Capital Commitments

Capital commitments not provided for in the financial statements as at 31st March 2011 are as follows:

Property, plant and equipment	RM'000
Approved and contracted for	1,593
Approved but not contracted for	10,630

14. Review of Performance

For the quarter under review, the Group registered revenues of RM290.7 million as compared with RM313.2 million for the same period last year. Profit before tax in the current quarter was lower at RM46.3 million compared with RM50.7 million for the same period last year. The decrease in revenues was attributed to lower sales volume offset partially by higher cigarette prices. Lower profit before tax was primarily driven by lower sales volume.

15. Comparison with Preceding Quarter's Result

For the quarter under review, the Group registered revenues of RM290.7 million and a profit before tax of RM46.3 million as compared to the preceding quarter's revenues of RM277.5 million and profit before tax of 36.0 million. The increase in revenues was attributed to higher sales volume, better product mix and the absence of price discounting activities in the current quarter. Profit before tax was higher driven by the same factors mentioned above coupled with lower marketing and operating expenditures.

16. Prospects for This Financial Year

Following the large increase in excise taxes in October 2010 which led to the steep increase in cigarette prices, several brands belonging to small manufacturers were sold in the market at a price that blatantly violated the RM7.00 Minimum Cigarette Price (MCP). These brands, priced as low as RM3.50, which is in breach of the Government-mandated MCP, gained strong momentum in the first quarter and to this day, still continues. This illegal practice, which has continued for six months todate, has made the prices of these brands attractive to smokers and accelerated down trading. JT Internatioanl Berhad (JTI Malaysia) has continuously appealed to the highest levels in the Government to take strong action against this practice.

These blatant violations have resulted in a severely negative effect on the volumes of JTI Malaysia. While the overall tobacco industry volume, as measured by the Confederation of Malaysian Tobacco Manufacturers (CMTM) reduced by 7.2% compared with the same period last year, JTI Malaysia's volume contracted 10.3% resulting in its market share declining to 21.9% from 22.7% in the previous year (source: Nielsen Retail Audit Report).

The industry is already grappling with a significantly massive illicit cigarettes problem at 36.3% in 2010. The addition of these blatant MCP violations only adds further pressure on volumes for compliant manufacturers, who are operating on a severely non-level playing field.

Amidst these challenges, JTI Malaysia is committed to maintain its competitiveness through continued effective investment behind its global flagship brands: Winston, Mild Seven and Camel. In parallel, Government must intensify its enforcement to address the issues of MCP violations and the massive illicit cigarettes problem.

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	46,332		46,332	
Statutory tax	11,583	25.00	11,583	25.00
Tax effect on non allowable/(taxable) expenses/(income)	232	0.50	232	0.50
Effective tax	11,815	25.50	11,815	25.50

The effective tax rate of the Group for the financial period 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 March 2011 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 2010.

27. Dividends

The Board of Directors has approved and declared a 1st interim dividend of 15 sen per share less 25% tax in respect of the financial year ending 31st December 2011 (the previous year's corresponding quarter: nil), payable on 10th June 2011. The entitlement date for the said dividend is 1st June 2011.

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 1st June 2011 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**	
	31.03.2011	**31.03.2010**	**31.03.2011**	**31.03.2010**
Profit for the period (RM'000)	34,517	37,758	34,517	37,758
Weighted average number of ordinary shares in issue ('000)	261,534	261,534	261,534	261,534
Basic earnings per share (sen)	13.2	14.4	13.2	14.4

29. Realised and Unrealised Profits/Losses

	As at 31.03.2011 RM'000
Total retained earnings:	
Realised	364,407
Unrealised	(9,254)
Total retained earnings as per statements of financial position	355,153

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