

Notes:

Quarterly Report 30th June 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

A 1st interim dividend of 15 sen per share less 25% tax was paid out on 10th June 2011.

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 30th June 2011 are as follows:

Property, plant and equipment	RM'000
Approved and contracted for	2,708
Approved but not contracted for	7,280

14. Review of Performance

For the quarter under review, the Group registered revenues of RM306.6 million as compared with RM298.5 million for the same period last year. Profit before tax in the current quarter was lower at RM40.9 million compared with RM45.1 million for the same period last year. The marginal increase in revenues was attributed to higher cigarette prices offset partially by lower sales volume. Profit before tax was lower primarily driven by higher marketing and operating expenditures.

For the cumulative period to 30th June 2011, the Group achieved revenues of RM597.4 million as compared with revenues of RM611.7 million for the corresponding period last year. Profit before tax for the first half-year of 2011 was lower at RM87.2 million as compared with RM95.7 million for the corresponding period last year. The decrease in revenues and profit before tax were attributed to lower sales volume offset partially by higher cigarette prices.

15. Comparison with Preceding Quarter's Result

For the quarter under review, the Group registered revenues of RM306.6 million and a profit before tax of RM40.9 million as compared to the preceding quarter's revenues of RM290.7 million and profit before tax of 46.3 million. The increase in revenues was attributed to higher sales volume in the current quarter. Profit before tax was lower driven by significant marketing investment in new line extensions in this quarter.

16. Prospects for This Financial Year

In the first half-year of 2011, the tobacco industry volume as measured by the Confederation of Malaysian Tobacco Manufacturers, recorded a contraction of 4.8%, compared with the previous year's moderate decline of 1.1%. This accelerated reduction further highlights the increasing pressures facing legitimate tobacco industry volume due to illicit cigarettes, which accounted for a massive incidence of 36.3% (Source: *Illicit Cigarettes Study 2010* by TNS-RI) of the total volume in 2010.

JTI Malaysia strongly believes that excessive taxation remains the main factor in spearheading the intense growth of illicit cigarettes. JTI Malaysia is extremely concerned that the incidence of illicit cigarettes will severely worsen if the Government imposes yet another large tax increase, similar to the rate imposed in October 2010. As such, JTI Malaysia continues to appeal to the Government for a more balanced and comprehensive approach in battling the illicit trade of cigarettes including the imposition of a moderate tax increase policy.

Amidst this challenging environment, JTI Malaysia is committed to maintain its longer term competitiveness through continued effective investment behind its key brands: Winston, Mild Seven and Camel. However, it is very likely that JTI Malaysia will not be able to maintain last year's 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	40,900		87,232	
Statutory tax	10,225	25.00	21,808	25.00
Tax effect on non allowable/(taxable) expenses/(income)	204	0.50	436	0.50
Effective tax	10,429	25.50	22,244	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 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 June 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 2nd 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: 15 sen per share less 25% tax), payable on 20th September 2011. The entitlement date for the said dividend is 7th September 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 7th September 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	
	30.06.2011	30.06.2010	30.06.2011	30.06.2010
Profit for the period (RM'000)	30,471	33,565	64,988	71,323
Weighted average number of ordinary shares in issue ('000)	261,534	261,534	261,534	261,534
Basic earnings per share (sen)	11.7	12.8	24.8	27.3

29. Realised and Unrealised Profits/Losses

	As at 30.06.2011 RM'000
Total retained earnings:	
Realised	365,299
Unrealised	<u>(9,098)</u>
Total retained earnings as per statements of financial position	<u>356,201</u>

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