

Notes:

Quarterly Report 30th September 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 2nd interim dividend of 15 sen per share less 25% tax was paid out on 20th September 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 September 2011 are as follows:

Property, plant and equipment	RM'000
Approved and contracted for	2,471
Approved but not contracted for	3,558

14. Review of Performance

For the quarter under review, the Group registered revenues of RM334.9 million as compared with RM315.9 million for the same period last year. Profit before tax in the current quarter was higher at RM53.4 million compared with RM47.2 million for the same period last year. The increase in revenues was attributed to higher cigarette prices offset partially by lower sales volume. Profit before tax was higher primarily driven by lower marketing expenditures.

For the cumulative period to 30th September 2011, the Group achieved revenues of RM932.2 million as compared with revenues of RM927.6 million for the corresponding period last year. Profit before tax was marginally lower at RM140.6 million as compared with RM142.9 million for the corresponding period last year. The increase in revenues was attributed to higher cigarette prices offset partially by lower sales volume. Profit before tax was lower primarily driven by lower sales volume offset partially by higher net margins and lower marketing expenditures.

15. Comparison with Preceding Quarter's Result

For the quarter under review, the Group registered revenues of RM334.9 million and a profit before tax of RM53.4 million as compared to the preceding quarter's revenues of RM306.6 million and profit before tax of 40.9 million. The increase in revenues and profit before tax were attributed to higher sales volume in the current quarter.

16. Prospects for This Financial Year

JTI Malaysia is encouraged by the Government's prudent approach of not increasing cigarette excise tax in the 2012 Budget in the light of the significant size and growth of the illegal cigarettes trade in Malaysia. Whilst the legal tobacco industry volume, as measured by the Confederation of Malaysian Tobacco Manufacturers (CMTM), fell 3.0% in the first nine-months of 2011, the illegal trade of cigarettes continues to grow. The Illicit Cigarettes Survey, commissioned by the CMTM, revealed that the illegal cigarettes trade in Malaysia increased to 37.3% in March-May 2011 compared with the annualised 36.3% in 2010.

JTI Malaysia strongly believes that the Government's pragmatic approach to cigarette taxation, coupled with strong and persistent enforcement efforts by Government Agencies and enhanced implementation of deterrent penalties against offenders will be an effective strategy to combat the high illicit cigarettes trade in Malaysia.

Amidst the challenging environment, JTI Malaysia managed to maintain its market share at 19.8% in the first nine-months of 2011, compared to 19.7% during the same period last year. (Source: Nielsen Retail Audit Report). JTI Malaysia is committed to maintain its competitiveness through continued effective investment behind its Global Flagship Brands: Winston, Mild Seven and Camel. However, it is very unlikely that JTI Malaysia will be able to maintain last year's strong 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	53,359		140,591	
Statutory tax	13,340	25.00	35,148	25.00
Tax effect on non-allowable/(taxable) expenses/(income)	267	0.50	703	0.50
Effective tax	13,607	25.50	35,851	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 September 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 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	
	30.09.2011	30.09.2010	30.09.2011	30.09.2010
Profit for the period (RM'000)	39,752	35,133	104,740	106,456
Weighted average number of ordinary shares in issue ('000)	261,534	261,534	261,534	261,534
Basic earnings per share (sen)	15.20	13.43	40.05	40.70

29. Realised and Unrealised Profits/Losses

	As at 30.09.2011 RM'000
Total retained earnings:	
Realised	376,105
Unrealised	<u>(9,574)</u>
Total retained earnings as per statements of financial position	366,531 =====

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