JT International Berhad
(9244-D)

Notes

Quarterly Report : 31st December 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.

The Group adopted new and revised FRSs and IC Interpretations that are effective for financial period beginning on or after 1 January 2011. The adoption of the standards and interpretations does not have significant impact on the financial statements of the Group.

On 19 November 2011, the MASB issued new approved accounting framework, the Malaysian Financial Reporting Standards Framework (MFRS Framework) which is a fully IFRS-compliance framework. The Group will be required to adopt it in the financial statements for the financial year ending 31 December 2012. The Group is currently assessing the impact of the adoption on the financial statements and expects to be in a position to fully comply with the requirements of MFRS Framework for the financial year ending 31 December 2012.

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 statement of financial position as at 31st December 2010.

13. Capital Commitments

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

Property, plant and equipment	RM'000
Approved and contracted for	21,072
Approved but not contracted for	7,705

14. Review of Performance

For the quarter under review, the Group registered revenues of RM265.6 million as compared with RM277.5 million for the same period last year. Profit before tax in the current quarter was lower at RM23.7 million compared with RM36.0 million for the same period last year. The decrease in revenues was attributed to lower sales volume. Profit before tax was lower due to lower sales volume and higher marketing expenditures.

For the year under review, the Group achieved revenues of RM1197.8 million as compared with revenues of RM1205.1 million for the corresponding period last year. Profit before tax was lower at RM164.3 million as compared with RM178.9 million for the corresponding period last year. The decrease in revenues was mainly attributed to lower sales volume of Winston, offset partially by higher cigarette prices. Winston's volume was severely impacted by several sub-value brands selling below the mandatory Minimum Cigarette Price and the prevailing high incidence of illicit cigarette trade. Profit before tax was lower driven by lower sales volume offset partially by higher net margins and lower marketing expenditures.

In 2011, the overall tobacco industry volume, as reported by the Confederation of Malaysian Tobacco Manufacturers (CMTM), saw a decline of 2.3% from 2010. Whilst the decline was moderate compared to prior years, the incidence of illicit cigarettes remained very high for the full year, estimated at 36.1% compared with 36.3% in 2010 (Source: Illicit Cigarettes Study commissioned by CMTM).

Despite the significant external challenges, JTI Malaysia managed to maintain its market share at 19.8% compared to prior year (source: Nielsen Retail Audit Report). Winston, the leader in the Value segment, as mentioned above, suffered significantly, resulting in a decline in its share of market from 10.6% in 2010 to 10.0% in 2011. On a positive note, Mild Seven continued its growth momentum, increasing its market share from 3.5% in 2010 to 4.1% in 2011.

15. Comparison with Preceding Quarter's Result

For the quarter under review, the Group registered revenues of RM265.6 million and a profit before tax of RM23.7 million as compared to the preceding quarter's revenues of RM334.9 million and profit before tax of 53.4 million. The decrease in revenues and profit before tax were mainly attributed to lower sales volume in the current quarter as the trade normalized its inventory post the trade budget speculation in the preceding quarter.

16. Prospects for Next Financial Year

For 2012, JTI Malaysia expects the operating environment to remain extremely challenging with illegal cigarettes continuing to be a threat to the legitimate cigarette manufacturers. The Government acknowledged the severity of this issue and did not impose a cigarette excise increase in the 2012 Federal Budget. Following this move, the final wave of the Illicit Cigarettes Survey for the period between October – December 2011 showed a decline of 1.5% points from the previous wave for the period between June – August 2011.

JTI Malaysia strongly supports the Government's pragmatic approach which calls for a moderate level of cigarette taxation, coupled with intensified and persistent enforcement by Government Agencies (including apprehension and conviction of illegal traders), to combat the illegal cigarettes trade in Malaysia.

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	23,694		164,285	
Statutory tax	5,924	25.00	41,071	25.00
Tax effect on non-deductible expenses	511	2.16	1,215	0.74
Overprovision in prior years	(812)	(3.43)	(812)	(0.49)
Effective tax	5,623	23.73	41,474	25.25

The effective tax rate of the Group for the financial period was lower than the statutory rate due to overprovision in prior years which offset the tax effect of non-deductible expenses.

The effective tax rate of the Group for the financial year was higher than the statutory rate mainly due to the tax effect of non-deductible expenses, offset partially by overprovision in prior years.

19. Notes to the Statement of Comprehensive Income

	3 months ended		Year to Date	
	31.12.2011	**31.12.2010**	**31.12.2011**	**31.12.2010**
	RM'000	RM'000	RM'000	RM'000
(Reversal of)/Allowance for doubtful receivables and bad receivables written off	(1,770)	152	(1,770)	152
Inventories written off	736	335	736	445
(Gain) on disposal of disposal of property, plant and equipment	(48)	(633)	(180)	(1,017)
Loss on foreign exchange	599	544	1,736	1,678

There was no interest expense, impairment of assets, gain or loss on derivatives and exceptional items for the financial quarter and financial year to date.

20. 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.

21. Group Borrowing and Debt Securities

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

22. Disclosure of Derivatives

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

23. 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 31st December 2011 approximate their fair values because of the immediate or short maturity terms of these financial instruments.

24. Material Litigation

There was no material litigation pending since 31st December 2010.

25. Dividends

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

26. 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	
	31.12.2011	**31.12.2010**	**31.12.2011**	**31.12.2010**
Profit for the period (RM'000)	18,071	27,357	122,811	133,813
Weighted average number of ordinary shares in issue ('000)	261,534	261,534	261,534	261,534
Basic earnings per share (sen)	6.91	10.46	46.96	51.16

27. Realised and Unrealised Profits/Losses

	As at 31.12.2011 RM'000	As at 31.12.2010 RM'000
Total retained earnings:		
Realised	393,578	329,881
Unrealised	(8,976)	(9,245)
Total retained earnings as per statements of financial position	384,602	320,636

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