

**Notes:**

**Quarterly Report 30th June 2006**

**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” 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 31<sup>st</sup> December 2005.

The significant accounting policies and methods of computation adopted in the interim financial statements are consistent with those of the annual financial statements for the year ended 31<sup>st</sup> December 2005 except for the adoption of the new/revised FRS effective for financial period beginning 1 January 2006. The adoption of the new/revised FRS does not have significant financial impact on the Group.

**2. Qualification of Preceding Annual Financial Statements**

The audit report of the most recent annual financial statements for the year ended 31<sup>st</sup> December 2005 was not qualified.

**3. Seasonal or Cyclical Factors**

The business operations of the Group were not materially affected by any seasonal or cyclical factors.

**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 financial period 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 financial period 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 31<sup>st</sup> December 2005.

**13. Review of Performance**

For the quarter under review, the Group registered revenues of RM 199.7 million as compared with RM 198.7 million in the same period last year. Profit before tax in the current quarter is marginally lower at RM 27.5 million as compared with RM 28.2 million in the same period last year.

The increase in revenues is driven mainly by the cigarette price increase in October 2005, offset partially by lower sales volume. Profit before tax is lower mainly due to the lower sales volume, offset by lower operating expenditures and higher cigarette prices.

For the cumulative year to date 30th June 2006, the Group achieved revenues of RM 388.4 million and profit before tax of RM 59.6 million as compared with revenues of RM 405.1 million and profit before tax of RM 64.4 million for the corresponding period last year.

The decrease in revenues and profit before tax were mainly driven by lower sales volume, offset partially by higher cigarette prices.

**14. Comparison With Preceding Quarter's Result**

For the quarter under review, the group registered revenues of RM 199.7 million and a profit before tax of RM 27.5 million as compared with the preceding quarter's revenues of RM 188.6 million and profit before tax of RM 32.1 million.

The increase in revenues is driven by higher sales volumes. Profit before tax is lower mainly due to higher marketing expenditures in the current quarter.

**15. Prospects for This Financial Year**

Market conditions will remain challenging for the rest of the year. JTI expects that the prevailing weak consumer sentiment coupled with the uncertainty of further tax increases in the upcoming budget will continue to impact both the industry and the Group's sales volume.

Going forward, the Group is committed to increase its competitiveness through continued effective investment behind its Global Flagship Brands (GFBs) and the realization of further gains in operational efficiencies, thereby enabling the Group to deliver a satisfactory overall performance for the current financial year.

**16. Profit Forecast or Guarantee**

There was no profit forecast or profit guarantee made during the financial period under review.

**17. Taxation**

	Current Quarter		Year To Date	
	RM'000	%	RM'000	%
Profit before taxation	27,481		59,555	
Statutory tax	7,695	28.00	16,675	28.00
Tax effect on non allowable expenses	184	0.67	345	0.58
Effective tax	7,879	28.67	17,020	28.58

The effective tax rate of the Group was higher than the statutory rate due to some non-allowable expenses.

**18. Unquoted Investments and / (or) Properties**

There were no sales of unquoted investments or properties during the financial period under review.

**19. 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.

**20. Status of Corporate Proposals Announced But Not Completed**

As part of the internal reorganisation of the Group's structure that was announced on 9<sup>th</sup> May 2006, members' voluntary winding-up of the following dormant subsidiaries had commenced on 7<sup>th</sup> July 2006:

- a) Salem Power Station Sdn. Bhd.
- b) Salem Holidays Sdn. Bhd.
- c) Eagle Collection (M) Sdn. Bhd.

Salem Cool Planet Sdn. Bhd. will be placed under members' voluntary winding-up in due course.

**21. Group Borrowing and Debt Securities**

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

**22. Off Balance Sheet Financial Instruments**

No off balance sheet financial instruments were utilised for the current financial period to date.

**23. Material Litigation**

There was no material litigation pending since 31<sup>st</sup> December 2005.

**24. Dividends**

The Board of Directors has declared a 1<sup>st</sup> interim dividend of 15 sen per share less 28% tax (the previous corresponding period: 15 sen per share less 28% tax) in respect of the financial year ending 31<sup>st</sup> December 2006, payable on 12<sup>th</sup> September 2006. The entitlement date for the said dividend is 29<sup>th</sup> August 2006.

A depositor shall qualify for the entitlement only in respect of:

- a) Securities transferred into the Depositor's Securities Account before 4:00 p.m. on 29<sup>th</sup> August 2006 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

**25. 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.

	<b>3 months ended</b>		<b>Year To Date</b>	
	<b>30.6.2006</b>	<b>30.6.2005</b>	<b>30.6.2006</b>	<b>30.6.2005</b>
Profit for the period (RM'000)	19,602	19,942	42,535	45,062
Weighted average number of ordinary shares in issue ('000)	261,534	261,534	261,534	261,534
Basic earnings per share (sen)	7.5	7.6	16.3	17.2

**26. Capital Commitments**

Capital commitments not provided for in the financial statements as at 30th June 2006 are as follows:

Property, plant and equipment	RM'000
Approved and contracted for	4,258
Approved but not contracted for	2,886

9<sup>th</sup> August 2006

**By Order of the Board**  
**YIEW WEE CHONG**  
Company Secretary