

Notes:

Quarterly Report 30th September 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 31st 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 31st 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 31st 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 other than the normal annual pre-budget trade speculation. The recent 2007 Budget announcement fell on September 1, 2006, which is one month earlier than last year. As a result of this, some of the pre-budget retail stock purchases would be deloaded before the end of the current quarter as compared to the same period last year.

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

A first interim dividend of 15 sen per ordinary share was paid out on 12th September 2006.

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

On 9th May 2006, the Company ("JTI Berhad") announced its proposal to undertake an internal reorganisation of its group structure which involves the following:-

- (i) Subscription by the Company of 990,000 ordinary shares representing 99% of the enlarged issued and paid up share capital of JT International Trading Sdn. Bhd ("JTI Trading"). JTI Trading was then a wholly-owned subsidiary company of JT International Tobacco Sdn. Bhd ("JTI Tobacco"), which in turn was a wholly-owned subsidiary company of JTI Berhad.
- (ii) Members' voluntary winding-up of the following dormant subsidiary companies:-
 - (a) Salem Power Station Sdn. Bhd.
 - (b) Salem Holidays Sdn. Bhd.
 - (c) Eagle Collection (M) Sdn. Bhd.
 - (d) Salem Cool Planet Sdn. Bhd.

Consequently, JTI Trading became a 99%-owned subsidiary company of JTI Berhad on 25th July 2006. The remaining 1% equity interest of JTI Trading is held by JTI Tobacco.

The following subsidiaries were placed under members' voluntary liquidation during the quarter under review:-

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

There were no material effects arising from the above internal reorganisation of group structure.

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 2005.

13. Review of Performance

For the quarter under review, the Group registered revenues of RM 224.0 million as compared with RM 273.1 million in the same period last year. Profit before tax in the current quarter is lower at RM 43.8 million as compared with RM 54.3 million in the same period last year.

The decrease in revenues is driven by lower sales volumes, offset partially by higher cigarette prices. Profit before tax is lower mainly due to the lower sales volumes, offset by lower operating expenditures and higher cigarette prices.

For the cumulative year to date 30th September 2006, the Group achieved revenues of RM 612.3 million and profit before tax of RM 103.4 million as compared with revenues of RM 678.3 million and profit before tax of RM 118.6 million.

The decrease in revenues and profit before tax were mainly attributable to the same factors mentioned above.

14. Comparison With Preceding Quarter's Result

For the quarter under review, the group registered revenues of RM 224.0 million and a profit before tax of RM 43.8 million as compared with the preceding quarter's revenues of RM 199.7 million and profit before tax of RM 27.5 million.

The increase in both revenues and profit before tax were mainly driven by higher sales volumes as a result of the pre-2007 Budget trade speculation in this quarter.

15. Prospects for This Financial Year

The consecutive tax-led price increases over the past three years, coupled with the current weak consumer sentiment have resulted in consumers becoming more price-sensitive. These factors have led to the significant growth of exceptionally low priced cigarettes and the continued increase in the proliferation of illegal cigarettes. Cognisant of the latter, the Government announced during the 2007 Federal Budget session that it would be imposing more stringent penalties and increasing the number of enforcement officers to tackle the illicit cigarette trade, an initiative that JTI fully supports. JTI will continue to work closely with Government to address this significant issue.

Moving forward, whilst the market conditions are expected to remain challenging, the Group is committed to maintaining its competitiveness and further enhancing its operational efficiencies. As such, JTI is confident that it will be able 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	43,801		103,356	
Statutory tax	12,264	28.00	28,940	28.00
Tax effect on non allowable expenses	438	1.00	782	0.76
Effective tax	12,702	29.00	29,722	28.76

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 9th May 2006, the following dormant subsidiaries have been placed under members' voluntary winding-up:

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

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 31st December 2005.

24. Dividends

The Board of Directors has declared a 2nd 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 31st December 2006, payable on 15th December 2006. The entitlement date for the said dividend is 30th November 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 30th November 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.

	3 months ended		Year To Date	
	30.9.2006	30.9.2005	30.9.2006	30.9.2005
Profit for the period (RM'000)	31,099	38,818	73,634	83,880
Weighted average number of ordinary shares in issue ('000)	261,534	261,534	261,534	261,534
Basic earnings per share (sen)	11.9	14.8	28.2	32.1

26. Capital Commitments

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

Property, plant and equipment	RM'000
Approved and contracted for	4,684
Approved but not contracted for	4,025

9th November 2006

By Order of the Board
YIEW WEE CHONG
Company Secretary