

Notes:

Quarterly Report 31st December 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 was one month earlier than in the previous year. Part of the pre-budget retail stock purchases were deloaded before the end of the third quarter as compared to the same period the previous year. As a result, this quarter’s sales volume benefited from the partial deloading exercise that took place in the third quarter.

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 second interim dividend of 15 sen per ordinary share was paid out on 15th December 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

The changes in the composition of the Group are as follows:-

i) On 25th July 2006, the Company subscribed 990,000 new ordinary shares of RM1.00 each representing 99% of the enlarged issued and paid-up share capital of JT International Trading Sdn. Bhd. ("JTI Trading") for a total cash consideration of RM990, 000.00 thus transforming JTI Trading from an indirect into a direct subsidiary company of JT International Berhad ("JTI Berhad"). The remaining 1% equity interest of JTI Trading is held by JT International Tobacco Sdn Bhd which is a wholly-owned subsidiary company of JTI Berhad.

ii) The following dormant subsidiaries were placed under members' voluntary winding-up during the year ended 31st December 2006:-

- a) Salem Power Station Sdn. Bhd. on 7th July 2006.
- b) Salem Holidays Sdn. Bhd. on 7th July 2006.
- c) Eagle Collection (M) Sdn. Bhd. on 7th July 2006.
- d) Salem Cool Planet Sdn. Bhd. on 13th October 2006.

On 21st December 2006, the Liquidator of the above four dormant subsidiary companies held the Final Meeting to conclude the members' voluntary winding-up. A Return by Liquidator Relating to Final Meeting was lodged on 22nd December 2006 with the Companies Commission of Malaysia and with the Official Receiver, and on the expiration of three months after the said lodgement date the said dormant subsidiaries shall be dissolved.

There were no material effects arising therefrom.

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. Capital Commitments

Capital commitments not provided for in the financial statements as at 31st December 2006 are as follows:

Property, plant and equipment	RM'000
Approved and contracted for	1,432
Approved but not contracted for	2,863

14. Review of Performance

For the quarter under review, the Group registered revenues of RM 195.1 million as compared with RM 150.6 million in the same period last year. Profit before tax in the current quarter is higher at RM 20.5 million as compared with RM 5.9 million in the same period last year. The increase in revenues is driven by higher sales volume and higher cigarette prices. Profit before tax is higher mainly attributable to the same factors mentioned above, offset partially by higher marketing expenditures.

For the year under review, the Group achieved revenues of RM 807.4 million and profit before tax of RM 123.8 million as compared with revenues of RM 831.0 million and profit before tax of RM 124.6 million for the corresponding period last year.

The decrease in revenues for the year under review was driven by lower sales volume offset partially by cigarette price increases. Profit before tax was marginally lower driven by lower sales volume and higher marketing expenditures, offset partially by cigarette price increases.

15. Comparison With Preceding Quarter's Result

For the quarter under review, the group registered revenues of RM 195.1 million and a profit before tax of RM 20.5 million as compared with the preceding quarter's revenues of RM 224.0 million and profit before tax of RM 43.8 million.

The decrease in both revenues and profit before tax were mainly due to lower sales volume following the pre-2007 Budget trade speculation in the preceding quarter and higher marketing expenditures in the current quarter.

16. Prospects for Next Financial Year

While it is too early to quantify the full impact of the recent September 2006 price increase on industry volume, 2007 is expected to remain challenging. The Group is however, committed to maintain its market competitiveness and as such, is confident that it will be able to deliver a satisfactory overall performance in the coming year.

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	20,454		123,810	
Statutory tax	5,727	28.00	34,667	28.00
(Over provision in previous quarters)/Tax effect on non allowable expenses	(692)	(3.38)	90	0.07
Under provision for previous years	2,251	11.00	2,251	1.82
Effective tax	7,286	35.62	37,008	29.89

The effective tax rate of the Group was higher than the statutory rate due to under provision in prior years and some 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

In line with the internal reorganisation of the Group's structure that was announced on 9th May 2006, the following dormant subsidiaries had 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.

On 21st December 2006, the Liquidator of the above four dormant subsidiary companies held the Final Meeting to conclude the members' voluntary winding up. A Return by Liquidator Relating to Final Meeting was lodged on 22nd December 2006 with the Companies Commission of Malaysia and with the Official Receiver, and on the expiration of three months after the said lodgement date the said dormant subsidiaries shall be dissolved.

22. Group Borrowing and Debt Securities

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

23. Off Balance Sheet Financial Instruments

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

24. Material Litigation

There was no material litigation pending since 31st December 2005.

25. Dividends

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

The total dividend for the current financial year was 30 sen per share less 28% tax which was paid on 12 September 2006 and 15 December 2006. (The total dividend for the financial year 2005 was 30 sen per share less 28% tax)

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	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Profit for the period (RM'000)	13,168	8,784	86,802	92,664
Weighted average number of ordinary shares in issue ('000)	261,534	261,534	261,534	261,534
Basic earnings per share (sen)	5.0	3.4	33.2	35.4

28th February 2007

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