

**Notes:**

**Quarterly Report 30th June 2007**

**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 2006.

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 2006 except for the adoption of the new/revised FRS effective for financial period beginning 1 January 2007:

**FRS 117 Leases**

Prior to 1 Jan 2007, leasehold land was classified as property, plant and equipment and was stated at cost less accumulated depreciation. The adoption of FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land which is now classified as an operating lease. The up-front payments made for the leasehold land represents prepaid lease payments and continue to be amortised on a straight-line basis over the lease term. The reclassification of leasehold land as prepaid lease payments has no impact on the income statements.

**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 2006 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 financial period under review.

**7. Dividend Paid**

A first interim dividend of 15 sen per share less 27% tax was paid out on 8th June 2007.

**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 31<sup>st</sup> December 2006.

**13. Capital Commitments**

Capital commitments not provided for in the financial statements as at 30th June 2007 are as follows:

Property, plant and equipment	RM'000
Approved and contracted for	3,486
Approved but not contracted for	4,165

**14. Review of Performance**

For the quarter under review, the Group registered revenues of RM 205.0 million as compared with RM 199.7 million in the same period last year. Profit before tax in the current quarter was higher at RM 29.5 million as compared with RM 27.5 million in the same period last year. The increase in revenues was driven by higher cigarette prices offset partially by lower sales volume. Profit before tax was higher mainly attributable to the same factors mentioned above, despite higher marketing and operating expenditures.

For the cumulative period to 30th June 2007, the Group achieved revenues of RM 412.9 million as compared with revenues of RM 388.4 for the corresponding period last year. Profit before tax for the first half-year of 2007 was higher at RM 67.7 million as compared with RM 59.6 million for the corresponding period last year. The increase in both revenues and profit before tax was mainly driven by the same factors mentioned above.

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

For the quarter under review, the Group registered revenues of RM 205.0 million and a profit before tax of RM 29.5 million as compared to the preceding quarter's revenues of RM 207.9 million and profit before tax of RM 38.2 million. The decrease in revenues was attributed to lower sales volume. Profit before tax was lower mainly due to higher marketing and operating expenditures in the current quarter.

**16. Prospects for This Financial Year**

Overall industry sales volume declined moderately in first half of the year due to the continued growth of exceptionally low priced and illegal cigarettes.

The unexpected and unprecedented 25% excise tax increase on July 2, 2007 which resulted in another round of tax-driven price increase will inevitably lead to a further contraction of industry sales volume, as more consumers switch to exceptionally low priced and illegal cigarettes.

JTI envisages a very challenging second half of 2007. However, despite the challenges anticipated, the Company is committed to maintaining its competitiveness within the industry.

**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	29,482		67,685	
Statutory tax	7,960	27.00	18,275	27.00
Tax effect on non allowable expenses	216	0.73	330	0.49
Effective tax	8,176	27.73	18,605	27.49

The effective tax rate of the Group was higher than the statutory rate due to 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**

There were no corporate proposals announced but 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. 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 against the company.

**25. Dividends**

The Board of Directors has approved and declared a 2<sup>nd</sup> interim dividend of 15 sen per share less 27% tax (the previous year's corresponding quarter: 15 sen per share less 28% tax) and a special tax exempt dividend of 15 sen per share (the previous year's corresponding quarter: nil) in respect of the financial year ending 31<sup>st</sup> December 2007, both payable on 11<sup>th</sup> September 07. The entitlement date for the said dividends is 28<sup>th</sup> August 2007.

A depositor shall qualify for entitlement only in respect of:

- a) Securities transferred into the Depositor's Securities Account before 4:00 p.m. on 28<sup>th</sup> August 2007 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.

**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.

	<b>3 months ended</b>		<b>Year To Date</b>	
	<b>30.06.2007</b>	<b>30.06.2006</b>	<b>30.06.2007</b>	<b>30.06.2006</b>
Profit for the period (RM'000)	21,306	19,602	49,080	42,535
Weighted average number of ordinary shares in issue ('000)	261,534	261,534	261,534	261,534
Basic earnings per share (sen)	8.1	7.5	18.8	16.3

8<sup>th</sup> August 2007

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