

Notes:

Quarterly Report 31st March 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 31st 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 31st 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 31st 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

There was no dividend paid during the financial period under review.

8. Segmental Reporting

No segmental analysis was 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 were 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

Following the lodgement of a 'Return By Liquidator Relating To Final Meeting' with the Companies Commission of Malaysia and with the Official Receiver on 22nd December 2006, the following dormant subsidiaries which had been placed under members' voluntary winding-up during the financial year ended 31st December 2006 had been dissolved during the quarter under review:-

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

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 2006.

13. Capital Commitments

Capital commitments not provided for in the financial statements as at 31st March 2007 are as follows:

Property, plant and equipment	RM'000
Approved and contracted for	3,861
Approved but not contracted for	4,665

14. Review of Performance

For the quarter under review, the Group registered revenues of RM 207.9 million as compared with RM 188.6 million in the same period last year. Profit before tax in the current quarter was higher at RM 38.2 million as compared with RM 32.1 million in the same period last year. The increase in revenues was driven by higher cigarette prices and improved sales volume. Sales volume was partially inflated as a result of trade inventory build-up of the new Camel Filters that was introduced in January. Profit before tax was higher mainly attributable to the same factors mentioned above, offset partially by higher marketing expenditures.

15. Comparison With Preceding Quarter's Result

For the quarter under review, the Group registered revenues of RM 207.9 million and a profit before tax of RM 38.2 million as compared to the preceding quarter's revenues of RM 195.1 million and profit before tax of RM20.5 million.

The increase in both revenues and profit before tax was mainly due to higher sales volume and lower marketing expenditures in the current quarter as compared to the traditionally depressed post-budget quarter.

16. Prospects for This Financial Year

2007 is expected to be another challenging year for the Group. Overall industry sales volume appears to show initial signs of stabilization after three consecutive years of decline due to tax driven price increases. Nevertheless, industry sales volume will continue to be under intense competitive pressure from both the growing illicit trade and exceptionally low priced cigarettes from the smaller domestic manufacturers. 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 for the current financial 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	38,203		38,203	
Statutory tax	10,315	27.00	10,315	27.00
Tax effect on non allowable expenses	114	0.30	114	0.30
Effective tax	10,429	27.30	10,429	27.30

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 pending since 31st December 2006.

25. Dividends

The Board of Directors has declared a 1st interim dividend of 15 sen per share less 27% tax (the previous corresponding period: Nil) in respect of the financial year ending 31st December 2007, payable on 8th June 2007. The entitlement date for the said dividend is 28th May 2007.

A depositor shall qualify for entitlement only in respect of:

- a) Shares transferred into the Depositor's Securities Account before 4:00 p.m. on 28th May 2007 in respect of transfers; and
- b) Shares 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.

	3 months ended		Year To Date	
	31.03.2007	31.03.2006	31.03.2007	31.03.2006
Profit for the period (RM'000)	27,774	22,933	27,774	22,933
Weighted average number of ordinary shares in issue ('000)	261,534	261,534	261,534	261,534
Basic earnings per share (sen)	10.6	8.8	10.6	8.8

9th May 2007

By Order of the Board
YIEW WEE CHONG
 Company Secretary