

Notes:

Quarterly Report 30th September 2008

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 2007.

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 2007 except for the adoption of the following new/revised FRS effective for financial periods beginning on or after 1 January 2008:

- a) FRS 107 Cash Flow Statements
- b) FRS 112 Income Taxes
- c) FRS 118 Revenue
- d) FRS 134 Interim Financial Reporting
- e) FRS 137 Provisions, Contingent Liabilities and Contingent Assets

The adoption of the above FRSs does not result in significant changes in accounting policies of 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 2007 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 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 31st December 2007.

13. Capital Commitments

Capital commitments not provided for in the financial statements as at 30th September 2008 are as follows:

Property, plant and equipment	RM'000
Approved and contracted for	10,011
Approved but not contracted for	8,921

14. Review of Performance

For the quarter under review, the Group registered revenues of RM271.3 million compared with RM234.6 million for the same period last year. Profit before tax in the current quarter was higher at RM40.1 million compared with RM37.7 million for the same period last year. The increase in revenues was attributed to improved sales volume and higher cigarette prices. Profit before tax was higher, driven by the same factors mentioned above, offset partially by higher marketing and operating expenditures.

For the cumulative period to 30th September 2008, the Group achieved revenues of RM 785.3 million and profit before tax of RM121.9 million as compared with revenues of RM647.5 million and profit before tax of RM105.4 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 RM271.3 million and a profit before tax of RM40.1 million as compared to the preceding quarter's revenues of RM262.7 million and profit before tax of RM39.6 million. The increase in revenues was attributed to higher sales volume and higher cigarette prices as a result of the excise driven price increase in September 2008. Profit before tax was marginally higher despite higher marketing and operating expenditures in the current quarter.

16. Prospects for This Financial Year

Going forward, while the Group registered strong performance in the first nine months of 2008, the Group remains concerned that current market conditions could have a negative impact on sales volume for the remainder of the financial year. The industry experienced a larger than anticipated 20% increase in excise taxes during the Federal Budget announcement on August 29th. This led to another tax-driven price increase which is expected to result in a further contraction in sales volume, as price sensitive consumers switch to exceptionally low priced cigarettes or illegal cigarettes. In addition, the increasingly uncertain economic outlook is expected to have a further dampening effect on consumer demand.

Nevertheless, the Group is committed to maintain its competitiveness and to deliver a satisfactory overall performance for the current financial year through continued effective investment behind its global flagship brands, Winston, Mild Seven, Camel and Salem.

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	40,135		121,878	
Statutory tax	10,435	26.00	31,688	26.00
Tax effect on non allowable expenses	581	1.45	1,399	1.15
Effective tax	11,016	27.45	33,087	27.15

The effective tax rate of the Group was higher than the statutory rate due to 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 at the date of this report except for the following:

On 15 October 2008, the shareholders of the Company approved and passed the special resolution for a proposed capital repayment on the basis of RM0.75 cash for every one (1) existing share of RM1.00 each in the Company via a reduction of the share capital of the Company pursuant to Section 64 of the Companies Act 1965. This proposal is pending court approval.

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 2007.

25. Dividends

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

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	
	30.09.2008	30.09.2007	30.09.2008	30.09.2007
Profit for the period (RM'000)	29,119	29,126	88,791	78,206
Weighted average number of ordinary shares in issue ('000)	261,534	261,534	261,534	261,534
Basic earnings per share (sen)	11.1	11.1	34.0	29.9

By Order of the Board
BALRAJ RAMANATHAN
 Company Secretary