Notes:

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with the requirements of Financial Reporting Standard (FRS) 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad. It should be read in conjunction with the Group's annual audited financial statements for the year ended 31 December 2006.

The accounting policies and methods of computation adopted by the Group in these quarterly financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 31 December 2006, except that the Group has adopted the new/revised standards mandatory for annual periods beginning on or after 1 January 2007, which are as follows:

a) FRS 117 Leases

Prior to 1 January 2007, leasehold land and buildings held were classified as property, plant and equipment and were stated at their 1983 valuation less depreciation as the Directors have applied the transitional provisions of MASB approved Accounting Standards No. 16 (Revised) Property, Plant and Equipment. Accordingly, these valuations have not been updated.

The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land held for own use. Whilst previously classified as part of property, plant and equipment, leasehold land held for own use is now classified as an operating lease and the up-front payment represents prepaid lease payments with the long term portion disclosed as Leasehold land (non-current asset) and the short term portion included in Receivables (current asset) on the face of the balance sheet. There is no impact on the income statements as the prepaid lease payments continue to be amortised on a straight-line basis over the lease term.

The Group has applied the change in accounting policy in respect of leasehold land held for own use in accordance with the transitional provisions of FRS 117. At 1 January 2007, the unamortised revalued amount of leasehold land is retained as the carrying amount of prepaid lease payments as allowed by transitional provisions. The reclassification of leasehold land as prepaid lease payments has also been accounted for prospectively as allowed by transitional provisions.

Leasehold buildings held for own use remain classified in property, plant and equipment as they are finance leases, where substantially all the risks & rewards incidental to their ownership is transferred to the Group. The leasehold buildings continue to be depreciated on a straight line basis, in accordance with the requirements of FRS 116 Property, Plant and Equipment.

b) FRS 124 Related Party Disclosures

This standard affects the identification of related parties, and results in additional related party disclosures presented in the financial statements.

c) Amendments to FRS 119_{2004} Employee Benefits – *Actuarial Gains and Losses, Group Plan and Disclosures*

This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. As the Group does not intend to change the accounting policy adopted for the recognition of actuarial gains and losses, the adoption of this amendment only impacts the format and extent of disclosures presented in the financial statements.

As at the date of this report, the Group has not applied the new standard, FRS 139 Financial Instruments: Recognition and Measurement, which has been issued by the Malaysian Accounting Standards Board, but is not yet effective as the Malaysian Accounting Standards Board has deferred the effective date of FRS 139 from 1 January 2007 to a date to be announced. It is expected that there will be no material impact on the Profit and Loss Statement when the Group applies FRS 139.

2. Audit Report of Preceding Annual Financial Statements

The audit report of the Group's most recent annual audited financial statements for the year ended 31 December 2006 was not qualified.

3. Unusual Items

There were no other unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period under review.

4. Changes in Estimates

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current quarter.

5. Taxation

Taxation comprises:

	3 months ended		**Financial period ended**	
	31.3.2007	**31.3.2006**	**31.3.2007**	**31.3.2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**
In respect of current year				
Current tax				
- Malaysian income tax	72,275	75,692	72,275	75,692
Deferred tax	539	2,757	539	2,757
	72,814	78,449	72,814	78,449

The average effective tax rate of the Group for the 3 months ended 31 March 2007 approximated the statutory tax rate of 27%.

The average effective tax rate of the Group for the three months ended 31 March 2006 approximated the statutory tax rate of 28%.

6. Valuations of Property, Plant and Equipment

The valuations of land and buildings have been brought forward, without amendment, from the most recent annual audited financial statements for the year ended 31 December 2006. The carrying value is based on a valuation carried out in 1983 by independent qualified valuers less depreciation.

7. Sale of Unquoted Investments and/or Properties

On 26 October 2006, the Group entered into a sale and purchase agreement for the disposal of its property at Keningau, Sabah for a consideration of RM130,000. This disposal was completed on 18 January 2007 with no material gains arising.

Except for the above property disposal, there were no other sales of unquoted investments or properties during the financial period under review.

8. Quoted Securities

a) There were no purchases or sales of quoted securities during the financial period under review.

b) There were no investments in quoted securities as at the end of the financial period under review.

9. Changes in Composition of the Group

There were no changes in the composition of the Group during the financial period under review.

10. Corporate Proposals

There were no new corporate proposals announced as at 17 April 2007 (the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report).

11. Changes in Share Capital and Debt

There were no issuances, cancellations, repurchases, resale and repayment of either debt or equity securities for the period under review.

12. Borrowings

The Group's borrowings as at 17 April 2007 are as follows:

	RM'000
Current	
8-year redeemable unsecured bonds 1999/2007 With a coupon rate of 7.90% per annum, maturing on 2 November 2007	450,000
	450,000
Non-current	
4½-year medium-term notes 2004/2009 with a coupon rate of 4.95% per annum, maturing on 4 May 2009	100,000
5-year medium-term notes 2004/2009 with a coupon rate of 4.58% per annum, maturing on 2 November 2009	150,000
	250,000

All borrowings are denominated in Ringgit Malaysia.

In accordance with FRS 101, the Group's borrowings of RM450,000,000 nominal value 8-year redeemable unsecured bonds, maturing on 2 November 2007 was classified as a current liability as the Group had not completed the refinancing for these bonds as at balance sheet date. The refinancing for these bonds is expected to be completed during the financial year.

13. Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets as at 17 April 2007 (the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report).

14. Capital Commitments

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

	RM'000
Property, plant and equipment:	
Authorised by the Directors and contracted for	10,533
Authorised by the Directors but not contracted for	2,623
	13,156

15. Financial Instruments

Forward Foreign Exchange Contracts

As at 17 April 2007 (the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report), the foreign exchange currency contracts which have been entered into by the Group to hedge its foreign purchases are as follows:

Currency	Contract amount in foreign currency '000	Date of contract	Value date of contract	Equivalent amount in RM'000
US Dollar	3,500	21/12/2006 – 9/1/2007	26/6/2007 – 25/9/2007	12,237
Pound Sterling	500	15/2/2007	26/6/2007	3,410

Foreign currency transactions in Group companies are accounted for at exchange rates ruling at the transaction dates. Foreign currency monetary assets and liabilities are translated at exchange rates ruling at the balance sheet date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statement.

There are no cash requirement risks as the Group uses fixed forward foreign currency contracts as its hedging instrument.

Credit Risks

The above financial instruments were executed with creditworthy financial institutions in Malaysia in line with the Group's policy.

16. Material Litigation

There was no material litigation as at 17 April 2007 (the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report).

17. Segment Reporting

No segmental analysis is prepared as the Group is primarily engaged in the manufacture and sale of cigarettes and other tobacco products in Malaysia.

18. Material Changes in the Quarterly Results as Compared with the Preceding Quarter

The Group's turnover was higher in the current quarter as compared with the preceding quarter, as the preceding quarter's sales volumes were impacted by post-budget destocking as well as Ramadhan fasting period in October 2006.

Accordingly, profit before taxation in the current quarter was higher at RM269.7 million compared to the preceding quarter of RM170.4 million.

19. Review of Performance

The overall industry volumes appear to be stabilising after three consecutive years of decline driven by high tax-led price increases, which resulted in lower consumption, high levels of illicit trade as well as the rapid growth of exceptionally low priced cigarettes. BAT Malaysia's volumes were in line with this industry trend.

The Group's market share remained strongly resilient behind the outstanding performance of Dunhill. Dunhill grew strongly to record its highest ever share of the Premium segment of the market. Meanwhile, Kent and Pall Mall market share continued to remain resilient.

For the financial period under review, the Group's turnover was 4% higher at RM937.2 million compared to RM900.9 million in the same period last year, as higher pricing and better sales mix offset the marginally lower sales volumes from the domestic market.

The Group's profit before taxation in the current financial period declined marginally to RM269.7 million from RM278.2 million in the same period last year, the reduction being mainly due marginally lower sales volume from domestic market, higher marketing expenditure and timing of other expenses offset by higher pricing and better sales mix as noted above.

20. Events Subsequent to the End of the Period

There are no material events subsequent to the end of the period under review that have not been reflected in the quarterly financial statements.

21. Seasonal or Cyclical Factors

The business operations of the Group were not materially affected by any seasonal or cyclical factors during the financial period under review.

22. Current Financial Year's Prospects

Based on the latest survey of Contraband and Unauthorized Incidence and the latest industry retail audit surveys, it is anticipated that the industry volumes will continue to be pressured by high levels of illicit trade and the growth of exceptionally low priced cigarettes.

Further, the recent spate of intensified discounting activities in the market, which ultimately led to the Ministry of Health's call to cease these activities, point to an increasingly challenging competitive landscape.

As announced, the Government is expected to enhance existing regulations on tobacco products in the near term. However, with our strong brand portfolio, as well as ongoing benefits from productivity initiatives, and barring any unforeseen circumstances, the Group expects the financial results in 2007 to be satisfactory.

23. Earnings Per Share

	3 months ended		**Financial period ended**	
	31.3.2007	**31.3.2006**	**31.3.2007**	**31.3.2006**
Basic earnings per share				
Profit for the financial year (RM'000)	196,866	199,738	196,866	199,738
Weighted average number of ordinary shares in issue ('000)	285,530	285,530	285,530	285,530
Basic earnings per share (sen)	68.9	70.0	68.9	70.0

The Group does not have in issue any financial instrument or other contract that may entitle its holder to ordinary shares and therefore, dilutive to its basic earnings per share.

24. Dividends

The Board of Directors does not recommend any payment of dividends in respect of the three months ended 31 March 2007.

In respect of the financial year ended 31 December 2006, the Board of Directors recommended the declaration of a final dividend of 170.00 sen gross per share, less tax of 27%, amounting to RM354,342,730, and a special final dividend of 30.00 sen gross per share, less tax of 27%, amounting to RM62,531,070 (for the financial year ended 31 December 2005 – final dividend of 155.00 sen gross per share, less Malaysia tax of 28%, amounting to RM318,651,480; and special dividend of (i) 34.00 sen gross per share, less Malaysia tax of 28%, amounting to RM69,897,744; (ii) 12.00 sen per share, tax exempt, amounting to RM34,263,600; and (iii) 24.00 sen gross per share, less Singapore tax of 20%, amounting to RM54,821,760), which following approval by shareholders at the Annual General Meeting held on 19 April 2007 will be paid on 18 May 2007 to all shareholders whose names appear on the Register of Members and Records of Depositors on 7 May 2007.

By Order of the Board

NG PEI LING
Secretary
24 April 2007