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. As 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) FRS 119 Employee Benefits

This standard 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 following six new/revised standards which have been issued by the Malaysian Accounting Standards Board, but are not yet effective:

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
f) FRS 139 Financial Instruments: Recognition and Measurement

The Group will apply FRS 107, FRS 112, FRS 118, FRS 134 and FRS 137 in the annual period commencing 1 January 2008, when they become effective. 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 financial statements when the Group applies these new/revised standards.

2. <u>Audit Report of Preceding Annual Financial Statements</u>

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

3. <u>Unusual Items</u>

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

4. <u>Changes in Estimates</u>

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		9 months ended	
	30.9.2007	**30.9.2006**	**30.9.2007**	**30.9.2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**
In respect of current year				
Current tax				
- Malaysian income tax	78,290	82,327	213,748	227,381
Deferred tax	(2,526)	2,005	841	7,115
	75,764	84,332	214,589	234,496

The average effective tax rate of the Group for the nine months ended 30 September 2007 approximated the statutory tax rate of 27%.

The average effective tax rate of the Group for the nine months ended 30 September 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 RM800,000. This disposal was completed on 7 June 2007 with no material gains or losses arising.

On 15 December 2006, the Group entered into a sale and purchase agreement for the disposal of part of its property at Sungai Besi, Kuala Lumpur for a consideration of RM24,600,000. This disposal was completed on 29 May 2007 with no material gains or losses arising.

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

On 10 September 2007, the Group received notice on the exercise of the option to purchase its property at Jalan Sungai Besi, Kuala Lumpur for a consideration of RM21,000,000. The formal sale and purchase agreement was signed on 8 October 2007 and the disposal is expected to be completed in the next financial year with no material gains or losses arising. In terms of presentation on the Balance Sheet, a reclassification from Investment Property to Asset Held for Sale was made in line with FRS5 in the current quarter as a result of the exercise of the option.

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 October 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 30 September 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
5-year medium-term notes 2007/2012 with a coupon rate of 4.05% per annum, maturing on 21 September 2012	400,000
	650,000

All borrowings are denominated in Ringgit Malaysia.

13. Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets as at 17 October 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 30 September 2007 are as follows:

	RM'000
Property, plant and equipment:	
Authorised by the Directors and contracted for	72,843
Authorised by the Directors but not contracted for	3,256
	76,099

15. Financial Instruments

Forward Foreign Exchange Contracts

As at 17 October 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**
Euro	531	13/8/2007 – 14/9/2007	30/11/2007 – 27/12/2007	2,538
Pound Sterling	1,562	13/8/2007 – 15/9/2007	26/6/2007	10,890
US Dollar	3,000	25/9/2007	27/12/2007	10,265

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 October 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

Despite lower volumes, the Group's turnover in the current quarter was marginally higher by 7.3% as compared with the preceding quarter as higher pricing predominantly due to the increase in excise, and better sales mix offset lower sales volumes from the domestic market.

However, profit before taxation for the current quarter improved to RM280.6 million from RM244.5 million in the preceding quarter mainly due to the absence of price-related activities incurred in the preceding quarter.

19. Review of Performance

The overall industry volumes, already significantly pressured by the high levels of illicit trade and growth of exceptionally low priced cigarettes, contracted further by 8%, driven by the large tax-led price increase in July and lower levels of pre-budget trade speculation.

The Group's volumes declined less than overall industry as brand building activities mitigated the impact of the issues noted above. Despite the difficult environment, Dunhill posted market share gains compared to the same period last year, while Pall Mall market share remained resilient.

For the financial period under review, the Group's turnover was 2.4% higher at RM2,882.6 million compared to RM2,815.3 million in the same period last year due to the large tax-led price increase and better sales mix offset lower sales volumes from the domestic market.

The Group's profit before taxation in the current financial period declined to RM794.8 from RM831.5 million in the same period last year mainly due to the impact of higher levels of illicit trade and exceptionally low priced cigarettes, the large tax-led price increase in July as well as price-related brand support activities during the earlier part of Quarter 2.

20. Events Subsequent to the End of the Period

There are no material events subsequent to the end of the financial 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

Legal industry volumes continue to be depressed since the large tax-led price increase in July 2007 as higher cigarette prices further encourage consumers to down-trade to illegal cigarettes thereby exacerbating the already very high levels of illicit trade. Meanwhile, the exceptionally low priced cigarettes segment continues to grow in both market share and volumes, again due to consumers down-trading to cheaper cigarettes given tax-led price increases.

The Government's decision not to impose any further excise tax increase in its September fiscal budget provides some respite to the legal industry as any further increase would undoubtedly have accelerated yet further the growth of illicit trade, thereby undermining the legitimate tobacco industry, the Government's excise revenue collection and its health agenda. Given the Government's ratification of the Framework Convention on Tobacco Control, the industry will also continue to face more regulatory constraints.

Though faced with a demanding environment, the Group's drive brands, most notably Dunhill and Pall Mall, continue to demonstrate their strength and resilience and are performing commendably.

Barring unforeseen circumstances, we maintain our expectation that achieving satisfactory financial results for the current financial year will be challenging. However, the Group will continue to protect and enhance its leadership of the Malaysian tobacco market by remaining focused on reinforcing its drive brands, running its business responsibly and enhancing productivity.

23. Earnings Per Share

	3 months ended		9 months ended	
	30.9.2007	**30.9.2006**	**30.9.2007**	**30.9.2006**
Basic earnings per share				
Profit for the financial year (RM'000)	204,843	214,717	580,185	597,050
Weighted average number of ordinary shares in issue ('000)	285,530	285,530	285,530	285,530
Basic earnings per share (sen)	71.7	75.2	203.2	209.1

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 has declared a second interim dividend of 100.00 sen gross per share, less tax of 27% amounting to RM208,436,900 (for the financial year ended 31 December 2006 - NIL) in respect of the financial year ending 31 December 2007, payable on **30 November 2007**, to all shareholders whose names appear on the Register of Members and Record of Depositors on **19 November 2007**.

NOTICE IS HEREBY GIVEN that the Register of Members will be closed from **19 November 2007** to **22 November 2007** (both dates inclusive) for the purpose of determining members' entitlement to the dividend.

A Depositor shall qualify for entitlement only in respect of:

(a) securities deposited into the Depositor's Securities Account before 12.30 p.m. on 15 November 2007 (in respect of shares which are exempted from mandatory deposit);

(b) securities transferred to the Depositor's Securities Account before 4.00 p.m. on 19 November 2007, in respect of ordinary transfers; and

(c) securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

NG PEI LING (LS 09111)
Secretary
Petaling Jaya
24 October 2007