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 2007.

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 2007, except that the Group has adopted the new/revised standards mandatory for annual periods beginning on or after 1 January 2008, which are as follows:

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
g) Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
h) IC Interpretation 8 Scope of FRS2

The adoption of these new/revised standards and interpretation does not result in significant changes in accounting policies of the Group.

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 yet to determine the effective date. It is expected that there will be no material impact on the financial statements when the Group applies this new standard.

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 2007 was not qualified.

3. Unusual Items

There were no 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	
	31.3.2008	**31.3.2007**	**31.3.2008**	**31.3.2007**
	RM'000	**RM'000**	**RM'000**	**RM'000**
In respect of current year				
Current tax				
- Malaysian income tax	73,176	72,275	73,176	72,275
Deferred tax	562	539	562	539
	73,738	72,814	73,738	72,814

The average effective tax rate of the Group for the financial period ended 31 March 2008 approximated the statutory tax rate of 26%.

The average effective tax rate of the Group for the financial year ended 31 December 2007 approximated the statutory tax rate of 27%.

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 2007. 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 8 October 2007, the Group entered into a sale and purchase agreement for the disposal of the final part of its property at Sungai Besi, Kuala Lumpur for a consideration of RM21,000,000. This disposal is expected to be completed in the current financial year with no material gains or losses arising. The asset is currently classified as an Asset Held For Sale.

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 15 April 2008 (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 31 March 2008 are as follows:

	RM'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 15 April 2008 (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 2008 are as follows:

	RM'000
Property, plant and equipment:	
Authorised by the Directors and contracted for	17,624
Authorised by the Directors but not contracted for	1,518
	19,142

15. Financial Instruments

Forward Foreign Currency Contracts

As at 15 April 2008 (the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report), the foreign 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**
Pound Sterling	1,988	14/9/2007 – 15/1/2008	28/5/2008 – 26/11/2008	13,027
US Dollar	620	9/4/2008	15/5/2008 - 14/8/2008	1,976

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 15 April 2008 (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 Ramadhan fasting period in October 2007.

Accordingly, profit before taxation in the current quarter was higher at RM285 million compared to the preceding quarter of RM208 million.

19. Review of Performance

Industry volumes, as measured by the Confederation of Malaysian Tobacco Manufacturers' sales, continue to register decline of 6.8%, driven by high tax-led price increases in July 2007, which resulted in lower consumption, high levels of illicit trade as well as the continued growth of exceptionally low priced cigarettes.

The Group's market share remained strongly resilient behind the exceptional performance of its Global Drive Brands, namely Dunhill and Pall Mall. Dunhill continued to grow strongly to record its highest market share since September 2003 while Pall Mall continued to lead the Value-for-Money segment of the market after achieving leadership position in Quarter 4, 2007.

For the financial period under review, the Group's turnover was 9% higher at RM1,021 million compared to RM937 million in the same period last year, as lower sales volumes from the domestic market were offset by higher pricing and better sales mix .

The Group's profit before taxation in the current financial period improved to RM285 million from RM270 million in the same period last year, driven by better sales mix attributable to the exceptional performance of Dunhill as well as continued productivity savings but was offset partially by the lower sales volumes from the domestic market.

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

Based on the survey of Contraband and Unauthorized Incidence in Malaysia, illicit trade incidence in 2007 grew to a historic high of 23.8% (in other words, 1 in 4 packs), driven by the high tax-led price increase in July 2007. This is 70% higher than the level recorded in 2004. Furthermore, the survey indicated an increase of 32% for illicit trade incidence in Peninsular Malaysia where majority of the legal white cigarettes are sold. Illegal cigarette trade not only impacts the legal industry and its demand for domestic leaf but deprives the Government of taxation revenue estimated at RM1.2bn annually, promotes criminality and undermines the Government's health agenda.

Given the challenge posed by the illegal cigarette trade, we hope that the Government will seriously consider the imposition of moderate and gradual tax increases complemented by strong continuous enforcement efforts and higher penalties to counter high levels of illicit trade incidence.

In addition, enhanced regulations may be introduced by the Government (for example graphic health warnings) in the near term. We hope that the Government will provide sufficient time for the implementation of graphic health warnings and based on experience of other countries that have implemented it, the time frame taken ranges from 12 to 24 months.

In light of the above, the Group expects 2008 to be another challenging year. However, with the strong foundation that we have created for the business centred on delivering shareholder value through our strategic imperatives on generating Growth, enhancing Productivity and running our business responsibly with a Winning Organisation, we are cautiously optimistic that the 2008 results will be satisfactory.

23. Earnings Per Share

	3 months ended		Financial period ended	
	31.3.2008	**31.3.2007**	**31.3.2008**	**31.3.2007**
Basic earnings per share				
Profit for the financial period (RM'000)	211,404	196,866	211,404	196,866
Weighted average number of ordinary shares in issue ('000)	285,530	285,530	285,530	285,530
Basic earnings per share (sen)	74.0	68.9	74.0	68.9

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 2008.

By Order of the Board

NG PEI LING
Secretary
22 April 2008