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 2008.

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 2008.

As at the date of this report, the Group has not applied the following new standards which have been issued by the Malaysian Accounting Standards Board, but are not yet effective:

(a) FRS 8 Operating Segments (effective for annual periods beginning on or after 1 July 2009). FRS 8 replaces FRS 114_{2004} Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply this standard from financial periods beginning on 1 January 2010.

(b) IC Interpretation 9 Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 January 2010). IC Interpretation 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Group will apply this standard from financial periods beginning on 1 January 2010.

(c) IC Interpretation 10 Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 January 2010). IC Interpretation 10 prohibits the impairment losses recognized in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply this standard from financial periods beginning on 1 January 2010.

(d) FRS 139 Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 January 2010). This new standard establishes principles for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group will apply this standard from financial periods beginning on 1 January 2010. As allowed under the transitional provisions of FRS 139, the Group is exempted from having to disclose the possible impact on the application of this standard on the financial statements of the Group in the year of initial application.

(e) FRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2010). This standard only impacts the extent of disclosures in the financial statements, hence it is expected that there will be no material impact on the financial statements when the Group applies this standard. The Group will apply this standard from financial periods beginning on 1 January 2010.

(f) FRS 123 Borrowing Costs (effective for annual periods beginning on or after 1 January 2010). This standard requires borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset to form part of that asset, while other borrowing costs are recognised as an expense. The Group will apply this standard from financial periods beginning on 1 January 2010.

(g) IC Interpretation 11 FRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 January 2010). This interpretation establishes principles on whether share based payments are equity settled or cash settled, and offers guidance on how to account for share based payment arrangements where a parent grants rights to its equity instruments direct to the employees of it subsidiary or where a subsidiary grants rights to the equity instruments of its parent to its employees. The Group will apply this standard from financial periods beginning on 1 January 2010.

(h) IC Interpretation 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 1 January 2010). This interpretation addresses accounting by the entity that grants award credits to its customers. The Group will apply this standard from financial periods beginning on 1 January 2010.

(i) IC Interpretation 14 FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2010). This interpretation addresses when refunds or reductions should be regarded as available, how a minimum funding requirement might affect the availability of reductions in future contributions and when a minimum funding requirement might give rise to a liability. The Group will apply this standard from financial periods beginning on 1 January 2010.

(j) Amendments to FRS 2: Share-based Payment: Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2010). This amendment clarifies that vesting conditions are service conditions and performance conditions only and do not include other features of a share-based payment; also the amendments clarify that cancellations by parties other than the entity are to be treated in the same way as cancellations by the entity. The Group will apply this amendment from financial periods beginning on 1 January 2010.

(k) Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective for annual periods beginning on or after 1 January 2010). The amendment to FRS 1 allows first time adopters of FRS to measure the initial cost of investments in subsidiaries, jointly controlled entities (JCE) and associates either at fair value or the previous carrying amount. This amendment has no impact on the Group. FRS 127 has been amended to deal with situations where a parent reorganises its group by establishing a new entity as its parent. The Group will apply these amendments from financial periods beginning on 1 January 2010.

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 2008 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		**6 months ended**	
	30.6.2009	**30.6.2008**	**30.6.2009**	**30.6.2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
In respect of current year				
Current tax				
- Malaysian income tax	68,812	69,228	134,900	142,404
Deferred tax	75	187	829	749
	68,887	69,415	135,729	143,153

   The average effective tax rate of the Group for the financial period ended 31 March 2009 approximated the statutory tax rate of 25%.

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

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 2008. 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 was completed on 23 January 2009 with no material gains or losses arising.

On 29 June 2009, the Group offered to dispose the property at Keningau for a consideration of RM1,950,000, which was accepted by the purchaser. This disposal is expected to be completed by the end of 2009 with no material gains or losses arising. This property is currently classified as an Asset Held For Sale.

Except for the above property disposals, 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 16 July 2009 (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 June 2009 are as follows:

	RM'000
Current	
5-year medium-term notes 2004/2009 with a coupon rate of 4.58% per annum, maturing on 2 November 2009	150,000
Non-current	
5-year medium-term notes 2007/2012 with a coupon rate of 4.05% per annum, maturing on 21 September 2012	400,000
	550,000

All borrowings are denominated in Ringgit Malaysia.

13. Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets as at 16 July 2009 (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 June 2009 are as follows:

	RM'000
Property, plant and equipment:	
Authorised by the Directors and contracted for	90,046
Authorised by the Directors but not contracted for	1,650
	91,696

15. Financial Instruments

Forward Foreign Currency Contracts

As at 16 July 2009 (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	6,100	29/10/2008 – 6/5/2009	14/8/2009 – 18/5/2010	32,484
Euro	13,750	30/9/2008 – 13/11/2008	3/8/2009 – 1/9/2009	62,358
US Dollar	2,900	6/5/2009	15/10/2009 – 17/2/2010	10,316

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 16 July 2009 (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

Industry volumes, as measured by the Confederation of Malaysian Tobacco Manufacturers' members' declined by 1.6% as compared to the previous quarter driven mainly by the continued economic slowdown impacting consumer spending power and higher levels of illicit trade. BAT Malaysia's volumes registered a decline in the current quarter as compared to the last quarter in line with the industry decline.

Consequently, the Group's Turnover in the current period was lower by 2.8% versus the previous period.

Profit before taxation in the current quarter was only lower by 1% at RM270.1 million compared to the preceding quarter of RM272.8 million due to improved product mix and implementation of a variety of productivity and cost management initiatives.

19. Review of Performance

The overall industry volumes in 2009, as measured by the Confederation of Malaysian Tobacco Manufacturers members' sales, declined by 11% versus the same period last year due again to the impact on consumer spending power from the economic slowdown and significantly higher levels of illicit trade.

Despite these challenges and decline in the Group's volumes, BAT Malaysia had successfully maintained its first half profit after tax for 2009 in comparison to the same period last year. Although the Group's turnover was 2.5% lower at RM1,983 million compared to RM2,035 million in 2008 from lower sales volumes, the Group registered a positive growth in earning per share versus the same period last year. This was achieved through improved product mix driven by the strong performances of its Global Drive Brands which recorded a market share of 54.7% year to date, up 3.1 percentage points versus the same period last year, higher net pricing and savings from a variety of productivity and cost management initiatives. The Global Drive Brands behind this achievement were Dunhill and Kent which grew by an impressive 2.3 percentage points and 1.8 percentage points respectively as compared to the same period last year.

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

The industry landscape continues to be extremely challenging with industry volumes contracting by 11% for the year to date 2009 versus the same period last year. This contraction was caused by deteriorating economic conditions and significantly higher growth of illicit trade.

Despite the challenges faced, particularly the increase in illicit trade, the Group remains committed to strengthening its leadership position within the tobacco industry through initiatives to enhance the brand equity of the Group's portfolio and from productivity savings. The Group expects its financial results for the year to be satisfactory at best.

23. Earnings Per Share

	3 months ended		**6 months ended**	
	30.6.2009	**30.6.2008**	**30.6.2009**	**30.6.2008**
Basic earnings per share				
Profit for the financial period (RM'000)	201,244	195,188	407,185	406,592
Weighted average number of ordinary shares in issue ('000)	285,530	285,530	285,530	285,530
Basic earnings per share (sen)	70.5	68.4	142.6	142.4

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 first interim dividend of 113.00 sen per share, tax exempt under the single tier tax system amounting to RM322,648,900 (for the financial year ended 31 December 2008 – 113.00 sen per share, tax exempt under the single tier tax system amounting to RM322,648,900) in respect of the financial year ending 31 December 2009, payable on 20 August 2009, to all shareholders whose names appear on the Register of Members and Record of Depositors on 13 August 2009.

NOTICE IS HEREBY GIVEN that the Register of Members will be closed from 13 August 2009 to 14 August 2009 (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 11 August 2009, in respect of securities exempted from mandatory deposit;

b) Securities transferred to the Depositor's Securities Account before 4.00 p.m. on 13 August 2009, 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

STEPHEN JAMES RUSH
Finance Director
Petaling Jaya
23 July 2009