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 2009.

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 2009, except that the Group has adopted the new/revised standards mandatory for annual periods beginning on or after 1 January 2010 that have an impact on the Group, detailed below:

(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. As the Group's chief operating decision maker, the Group's Board of Directors, relies on internal reports which are similar to those currently disclosed externally, no further segmental information disclosures will be necessary.

(b) FRS 139 Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 January 2010). This standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items and permits hedge accounting only under strict circumstances. In accordance with the requirement of this standard, the Group assessed its derivatives to see if they qualify for hedge accounting, and following that, have designated its derivatives arising from forward foreign exchange contracts as cash flow hedges. The Group recognises the changes in their fair values directly in equity, to the extent that the hedges are effective. As allowed under the transitional provisions of FRS 139, the Group has not applied the standard retrospectively.

(c) FRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2010). This standard requires additional disclosures regarding fair value measurements and liquidity risk in the full year financial statements, and has no effect on reported profit or equity. However, FRS 7 disclosures are not required in the interim financial statements, and hence, no further disclosures have been made in these interim financial statements.

(d) Amendments to FRS 101 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2010). The amendment to FRS 101 requires changes in the format of the financial statements including the amounts directly attributable to shareholders in the primary statements, but does not affect the measurement of reported profit or equity. The Group has elected to show other comprehensive income in a separate statement from the income statement and hence, all owner changes in equity are presented in the consolidated statement of changes in equity, whereas non-owner changes in equity are shown in the consolidated statement of comprehensive income.

(e) Amendments to FRS 117 Leases (effective for annual periods beginning on or after 1 January 2010). The amendments to FRS 117 requires entities with existing leases of land and buildings (combined) to reassess the classification of land as a finance or operating lease. The Group has reclassified the existing leasehold land to property, plant and equipment following this reassessment, with no effect on reported profit or equity. However, as a result of the adoption of the Amendments to FRS 117, comparative balances have been restated as follows:

	As previously reported RM'000	Effects of changes in accounting policy RM'000	As restated RM'000
Property, plant and equipment	431,117	19,952	451,069
Leasehold land	19,952	(19,952)	-

The adoption of other interpretations and revisions to existing standards mandatory for annual periods beginning on or after 1 January 2010 did not result in significant changes in the reported profit or equity or on the disclosures in the financial statements.

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 2009 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 / Financial period ended 31.3.2010 RM'000	3 months / Financial period ended 31.3.2009 RM'000
In respect of current year		
Current tax		
- Malaysian income tax	65,979	66,088
Deferred tax charge	254	754
	66,233	66,842

The average effective tax rate of the Group for the financial year ended 31 March 2010 is 25.7%, which is higher than the statutory tax rate of 25% mainly due to the non-deductibility of interest expense following the Group's move to the single tier tax system. This is in line with the average effective tax rate of the Group for the financial year ended 31 December 2009 of 25.7%.

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 2009. 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 29 June 2009, the Group agreed to dispose the property at Keningau for a consideration of RM1,950,000. This property is currently classified as an Asset Held For Sale and the disposal is expected to be completed in 2010. In 2009, the Group recognised an impairment charge of RM500,000 on the property, representing the difference between its carrying value then and the consideration, hence, no further gains or losses will be recognised upon the completion of the disposal.

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 2010 (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 2010 are as follows:

	RM'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
5-year medium-term notes 2009/2014 with a coupon rate of 4.48% per annum, maturing on 15 August 2014	250,000
	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 2010 (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 2010 are as follows:

	RM'000
Property, plant and equipment:	
Authorised by the Directors and contracted for	373
Authorised by the Directors but not contracted for	2,814
	3,187

15. Financial Instruments

Derivatives

As at 31 March 2010, the foreign currency contracts which have been entered into by the Group to hedge its foreign purchases and sales in foreign currencies are as follows:

Forward Foreign Currency Contracts Designated as Cash Flow Hedges	Contract Value (RM'000)	Fair Value (RM'000)	Difference (RM'000)
US Dollar			
- Less than 1 year	37,336	36,620	(716)
- 1 year to 3 years	-	-	-
- More than 3 years	-	-	-
Euro			
- Less than 1 year	17,914	16,328	(1,586)
- 1 year to 3 years	-	-	-
- More than 3 years	-	-	-
Pound Sterling			
- Less than 1 year	30,990	29,023	(1,967)
- 1 year to 3 years	-	-	-
- More than 3 years	-	-	-
TOTAL	**86,240**	**81,972**	**(4,269)**

Derivative financial assets and liabilities are initially recognised, and subsequently measured at fair value. The fair values of derivatives are determined based on market data (primarily exchange rates) to calculate the present value of all estimated flows associated with each derivative at the balance sheet date. The Group's derivatives are principally in respect of forward foreign currency contracts used to hedge its foreign currency sales and purchases, where cash flow hedging can be obtained.

Changes in fair values for derivatives that are designated as cash flow hedges are recognised directly in equity, to the extent that they are effective, with the ineffective portion being recognised in the income statement. Where the hedged item results in a non-financial asset, the accumulated gains and losses, previously recognised in equity, are included in the initial carrying value of the asset. Where the underlying transaction does not result in such an asset, the accumulated gains and losses are recognised in the income statement in the same periods as the hedged item. For derivatives that do not qualify for hedge accounting or are not designated as hedges, the changes in their fair values are recognised in the income statement in the period in which they arise.

In order to qualify for hedge accounting, the Group is required to document prospectively the relationship between the item being hedged and the hedging instrument. The Group is also required to demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an ongoing basis. This effectiveness testing is reperformed periodically to ensure that the hedge has remained, and is expected to remain, highly effective.

Credit Risks

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

Cash Requirements

The Group will fund the cash requirements of these derivatives from its net cash flow from operating activities when the payments fall due.

Unrealised unappropriated profits

The unrealised portion within unappropriated profits (retained earnings) as at 31 March 2010 relate to net fair values movements of the Group's derivatives that are designated as cash flow hedges as at 31 March 2010.

16. Material Litigation

There was no material litigation as at 15 April 2010 (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 volumes registered a marginal decline in the current quarter as compared to the last quarter.

Consequently, the Group's Revenue in the current period was lower by 0.2% versus the previous period.

Profit before taxation in the current quarter was higher at RM258.1 million compared to the preceding quarter of RM227.9 million, primarily due to the absence of marketing expenditure for the launch of the new Dunhill pack, machinery impairments and one off costs for the right sizing exercise in the previous quarter.

19. Review of Performance

The Group's volumes have declined by 2.9% in comparison to the same period last year impacted by consumers down trading and high levels of illicit trade.

The Group has however improved its market share for year to date February by 0.2 percentage points, as compared to the same period last year to record a year to date market share of 60% driven by its Global Drive Brands. Subsequent to the realignment of the Group's portfolio of brands into the Global Drive Brands in 2008, the Group's Global Drive Brands continued to deliver strong performance growing by 0.5 percentage points for the year to date compared to the same period last year. This growth came through Kent and Pall Mall which had grown by 0.2 and 0.3 percentage points respectively. Despite consumers down trading from the premium segment, Dunhill has remained resilient and maintained its market share for the year to date February in comparison to the same period last year. Within the premium segment, Dunhill has grown its market share by 0.7 percentage points.

For the financial period under review, the Group's revenue was 1.3% higher at RM1,018.8 million compared to RM1,005.6 million in 2009, as higher excise led pricing and improved product mix was only partially offset by lower sales volumes. Profit from operations declined by 5.2% in comparison to the same period last year from higher costs of Dunhill Reloc packs and, timing of marketing and overhead expenditure. These additional costs were however partially offset by productivity and cost management initiatives implemented by the Group.

Profit after tax declined by 6.8% to RM191.9 million from RM205.9 million in 2009 from movements in operating profit, marginally higher finance costs and higher effective tax rate.

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

Despite the stabilisation of industry volumes in the first quarter, the industry landscape remains challenging with continued high levels of illicit trade and implementation of regulation requiring withdrawal of packs less than 20 sticks in June, reducing industry margins.

The Government's ongoing efforts to address illicit trade through moderate and gradual excise increases complemented by strong enforcement efforts and stiffer penalties are vital to contain the threat of illicit trade.

In light of these challenges, the financial results for the year will be satisfactory at best.

Although operating in an extremely challenging environment the Group remains committed to enhancing its leadership position within the industry. This will be supported by the Group's strategic initiatives on Growth, Productivity, Responsibility and Winning Organisation.

23. Earnings Per Share

	3 months / Financial period ended	
	31.3.2010	**31.3.2009**
Basic earnings per share		
Profit for the financial period (RM'000)	191,894	205,941
Weighted average number of ordinary shares in issue ('000)	285,530	285,530
Basic earnings per share (sen)	67.2	72.1

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 does not recommend any payment of dividends in respect of the three months ended 31 March 2010.

By Order of the Board

CHAN MEI MAE (LS0009460)
Company Secretary
Petaling Jaya
22 April 2010