

beyond
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accelerate
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progress
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TRANSCENDING

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www.batmalaysia.com

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OUR VISION

We share British American Tobacco p.l.c.'s vision to achieve leadership of the global tobacco industry in order to create long term shareholder value. Leadership is not an end in itself, but a company that leads its industry, is the preferred partner for key stakeholders and is seen to have a sustainable business, will be valued more highly.

We define leadership in both a quantitative and qualitative sense. Quantitatively, we seek volume leadership among our competitors and in the longer term, value leadership.

However the hard, quantitative measures do not in themselves address all the things we must do as a company. We take a long term view, focusing on the quality of our business and how we work. As a result, qualitatively, we seek to be recognised as industry leaders and to be the partner of first choice for our valued stakeholders. We will do this by continuing to demonstrate that we are a responsible tobacco company, with a sustainable business, and outstanding people.

In order to deliver our vision, our strategy for creating shareholder value has four elements around which all our efforts revolve – Growth, Productivity, Responsibility and Winning Organisation.



COVER RATIONALE

This year's cover is a depiction of how British American Tobacco Malaysia has begun a significant transformation beginning with the initial "Progress" in 2006, then speeding up improvements to "Accelerate" the business in 2007 which culminated in the Company transcending boundaries by moving beyond its goals and aspirations for a sustainable business. The subsequent pages in this Annual Report is a comprehensive look from beyond where we began our journey to where we are now at.



The Bahasa Malaysia version of the 2008 Annual Report is also made available to shareholders of the Company. If a copy is required, please write to:

Company Secretary
British American Tobacco (Malaysia) Berhad
 Virginia Park, Jalan Universiti, 46200 Petaling Jaya, Selangor Darul Ehsan. Fax: +60 (3)7491 3772

48th Annual General Meeting (AGM) of British American Tobacco (Malaysia) Berhad

will be held at Kristal Ballroom, Hilton Petaling Jaya,
No. 2, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan
on Monday, 20 April 2009 at 11.00 a.m.

AGM Helpdesk: Ms. Lee Kar Ling
Tel: +60 (3)7491 7313 Fax: +60 (3)7491 3772
Email: Lee_Kar_Ling@bat.com

BOUNDARIES

HIGHLIGHTS OF THE YEAR

		Year ended 31.12.08 RM million	Year ended 31.12.07 RM million	Increase/ (Decrease) %
Revenue		4,135	3,831	8
Profit Before Taxation		1,081	1,003	8
Net Profit for the Financial Year		812	732	11
Shareholders' Funds		407	346	18
Net Returns on Shareholders' Funds	(%)	199.5	211.6	(6)
Net Earnings Per Share	(sen)	284.3	256.3	11
Net Interim and Final Dividend Per Share	(sen)	265.0	256.5	3

- Global Drive Brands continued to escalate upwards to 51.6% market share in 2008
- DUNHILL achieved exceptional growth in market share to 41.5%
- PALL MALL grew market share to 8.3%
- Successful re-launch of KENT for future growth
- Trade Marketing and Distribution achieved new milestones
- Substantial productivity savings of RM44.8 million achieved for 2008
- Profit before taxation increased by 8% vs prior year

CHAIRMAN'S REVIEW

Tan Sri Abu Talib bin Othman

Dear Valued Shareholders

On behalf of the Board of Directors of British American Tobacco Malaysia, I have great pleasure in presenting the Annual Report for the financial year ended 31 December 2008.



FINANCIAL PERFORMANCE

After a commendable performance in the previous year, the current financial year proved to be a better year for the Group. The Group performed commendably despite the challenges and tough environment. I am pleased to share with you the following results:

- turnover increased by 8% to RM4.1 billion over the previous financial year
- net profit registered at RM812 million, an increase of 11% from 2007
- for the year under review, the Board of Directors recommended a final net dividend of 76.00 sen per share which brought the total net dividend for 2008 to 265.00 sen per share, an increase of 3% over 2007

MARKET ENVIRONMENT IN 2008

In a global climate permeated by economic crisis and environmental uncertainties, the Group continued to focus its efforts on maintaining performance as the market leader and delivering long term shareholder value by running its business in a responsible manner.

Industry volumes in 2008 continued to be hampered by the illegal cigarette trade. The high level of illegal cigarette trade was exacerbated by a high 20% excise increase in 2008 which resulted in higher price disparity between legal and illegal cigarettes. According to 2008 statistics, illegal cigarettes stood at an average of 25.6% of the total cigarette market in the country.

With the onset of the economic downturn in the last quarter of 2008, there were early signs of consumers becoming more cautious in their spending. Hence, consumers who choose to continue to smoke may likely down trade and resolve to buying cheaper alternatives such as illegal cigarettes.

LEADING RESPONSIBLY

Today, perhaps more so than ever before due to the nature of the industry we operate in, it is very important for British American Tobacco Malaysia to conduct our business according to high standards of behaviour and integrity. Hence, we continue to demonstrate responsible corporate conduct across all aspects of our operations. Our reputation is as important as our brands and we believe that growth and productivity are not to be achieved at the expense of responsibility.

In 2008, the Group continued to progress its corporate governance and corporate responsibility initiatives, within the framework pillars of workplace, community, environment and marketplace. From records keeping to employee volunteer programmes to illicit trade campaigns, all employees were involved in one way or another in implementing these initiatives.

As a responsible corporate citizen, we are committed to leading responsibly and adding value to the communities in which we operate in. Most notably, the Group's environment efforts through its afforestation programme have gone beyond the previous carbon positive mark of 2015 to be a steadfast carbon positive business until 2024.

Our fervent intent to lead responsibly throughout 2008 was met with external recognition that the Group is justifiably proud of. They include the CSR Asia Business Barometer and the National Annual Corporate Report Awards, to name a few.

THE YEAR AHEAD

With our Growth and Productivity initiatives together with our Responsibility and Winning Organisation strategies, the Group is now better placed to grow its market leadership. Given the economic downturn expected to roll through the rest of the year and the ongoing high level of illegal cigarettes, the year ahead will be a challenging one but yet provides the Group with opportunities to demonstrate more visibly the synergy that is inherent across its business operations – from people, products and services, to its professional management skills and financial expertise. The diversity of resources and talent in the Group is its best strength to overcome new challenges in an increasingly dynamic environment.

There is also a need for the Group to be more prudent and to move forward as a leading force in the industry to achieve our business goals.

For this year we devoted significant attention to reinforce the firm foundation that has been laid through the years. We have today an organisation that has a proven track record of performance and strong credibility given the respect and reputation earned by the Group in the investment community.

The Group's operation and people have stood the test of economic downturn and performed consistently to create value for shareholders. From the strategies implemented and the investments we made to grow this organisation to what it is today, we have seen the result of our combined labour. Given the strength and the dynamism that is in the Group, we can successfully meet the challenges ahead.

KEY LEADERSHIP CHANGES

Mr James Clark, Finance Director and Ms Anna Dolgikh, Human Resources Director, have taken on new roles in April and November 2008 respectively within the British American Tobacco Group.

On behalf of the Group, I would like to thank Mr Clark and Ms Dolgikh for their contributions and wish them well in their new assignments.

I am pleased to welcome Mr Stephen Rush on board as Finance Director. Mr Rush, who is originally from Australia, brings with him significant experience in various British American Tobacco markets and I am confident that he will continue the good work of Mr Clark.

I would also like to welcome Ms Cheryl Wong who has assumed the position of Human Resources Director. Ms Wong, a Malaysian talent who was seconded to other markets for a few years, has returned to take this role to greater heights. I look forward to working closely with Mr Rush and Ms Wong.

NEW APPOINTMENTS

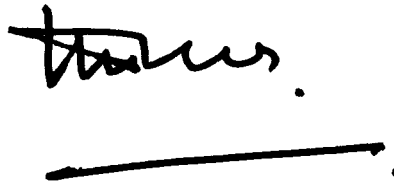
I would like to take this opportunity to welcome the appointment of two new Directors, Dato' Ahmad Johari bin Tun Abdul Razak and Mr William Toh Ah Wah. Dato' Ahmad Johari is a lawyer

by profession and a Director of various companies. Mr Toh is a senior member of the Company. On behalf of the Group, I would like to extend our gratitude to them for accepting the positions.

APPRECIATION

The success of the Group owes much to the skill of the management team led by Managing Director Mr Jack Bowles who has worked hard with much integrity and professionalism. To them, I extend the Group's gratitude for their dedication and contribution.

To our shareholders, valued customers, distributors, investors and business partners my sincere appreciation for your continued support and contribution to our achievements in 2008. I wish also to record my thanks to my fellow Directors for their advice and support.



CHAIRMAN

Tan Sri Abu Talib bin Othman

MANAGING DIRECTOR'S REVIEW

Jack Marie Henry David Bowles

“British American Tobacco Malaysia is committed to building a sustainable business by addressing key business-related social, environmental and economic impacts in a way that builds stakeholder and shareholder value, thereby improving commercial sustainability”

LEADERSHIP BEYOND

Our Annual Report in 2006 was themed “Progress” where the Group’s speedy implementation of best practices harnessed greater levels of efficiency. Progressing into 2007, the Group focused its efforts to “Accelerate” its business by turning challenges into opportunities. In 2008, British American Tobacco Malaysia, once again solidified its position at the helm of the Malaysian tobacco industry, in spite of an increasingly challenging environment, by moving beyond the short term through charting our long term strategy to continue to be a strong sustainable business.

This Annual Report is an account of our achievements and what we have set out to do to take the Company to greater heights through our strategic imperatives of Growth, Productivity, Responsibility and Winning Organisation.

2008 SCORECARD: GROWTH BEYOND

2008 was a year where we witnessed another significant increase of 20% in cigarette excise and a year that showed the continued resilience of illicit trade. Despite the increase in the number of seizures through the ever-increasing efforts undertaken by enforcement agencies, the level of illegal cigarettes remained very high. Today, one out of four cigarettes sold in Malaysia is illegal. This, coupled with the start of the global economic turmoil that has impacted spending power, has led to the continued decline of legal tobacco volumes.

Despite these challenges, through leveraging a focused and intensified portfolio strategy driving brand equity building, our Global Drive Brands DUNHILL, KENT and PALL MALL had a landmark year posting share gains beyond that of 2007.





DUNHILL consolidated its position as the favourite brand in Malaysia with 41.5% of the total cigarette market share and 60.1% share of the premium segment. DUNHILL's Lights and Menthol offerings made significant gains in volume growth of approximately 18%. The Company will continue to focus on investing its resources to grow our No. 1 position of this Global Drive Brand.

2008 saw KENT experience a complete re-launch with the merging of PETER STUYVESANT and the launch of new designs for its Lights and Menthol variants. As a result, KENT increased its market share from 0.9% to 1.4% and would be well positioned for growth.

PALL MALL continued to grow from strength to strength with another outstanding performance to increase its total market share to 8.3%. The merger of PERRILY's into PALL MALL at the end of 2008 would further strengthen PALL MALL's performance in the value for money segment.

Through Trade Marketing and Distribution, the team continued to deliver growth in share of market in the hotels, restaurants and cafes (HoReCa) and convenience organised channels by maintaining its focus in the areas of distribution network, people, processes and systems. The increase in our direct control of distribution, upskilling of sales specialists, Exclusive Distributor Excellence programme, national incentive scheme and continued integration of SWIFT into trade marketing and distribution management have contributed to the Company delivering consistent performance in a dynamic market environment.

PRODUCTIVITY BEYOND

In Operations, British American Tobacco Malaysia continued to make significant progress under its Breakthrough 3 productivity improvement blueprint that began the year before with the aim to ensure leadership in quality, delivery and cost effectiveness.

Over the course of 2008, the Breakthrough 3 programme, through various initiatives, has helped the Company increase export volume by 39%, successfully reduce manufacturing cost per mille by 5% and improve productivity by 30%.

The Continuous Improvement CI-Kaizen programme hit a milestone high of a 100% employee participation at the end of 2008 which saw each employee in Operations contributing and implementing at least one CI-Kaizen initiative bringing it to a total of 2,600 CI-Kaizen initiatives completed since the launch of the programme in 2006.

We also saw the creation of our Order Management Portal called Quatro+ which was set up to enable our business partners to access their order information seamlessly. Within the information technology (IT) area, the Company implemented a new Global Leaf Order and Supply System to enable demand planning, procurement and deployment of tobacco leaf. We also conducted a series of workshops with partners and vendors with the objective of IT service delivery in a changing landscape.

RESPONSIBILITY BEYOND

In a rapidly changing, globalising world, many businesses are having to question their own long held notions of responsibility and are finding that consumers, regulators, shareholders, employees and special interest groups expect something from them in terms

of accountability and contributions to society. If you put this expectation together with the controversial nature of our products - you have a potent mix.

We, however strongly believe that it makes absolute sense for us to operate responsibly to build a sustainable business by addressing key business-related social, environmental and economic impacts in a way that builds stakeholder and shareholder value, thereby improving commercial sustainability.

I am pleased to report that we have launched our 2006-2008 Social Report this year which details the Company's corporate responsibility initiatives for the past two years. Please find this externally audited report in a CD ROM on the back cover of this report. Alternatively, you may also download the whole report via our corporate website www.batmalaysia.com.

In 2008, as you will find in the report, the British American Tobacco Foundation had a busy year of initiatives aimed at alleviating hardship, pain and suffering, and to foster, develop and improve education possibilities. The Foundation continued to provide financial assistance for higher education, to employees, employees' children and to the children of retailers and tobacco farmers. To date the foundation has supported more than 2,000 students above 18 years old. Employees were also involved in volunteering their time and money to contribute to those less fortunate in the community.

The year also saw the launch of a flagship initiative called the Borneo programme where volunteers from the Company were involved in a planting enrichment exercise in Sabah's Malua Forest Reserve.

Also in this report, we will see the Company's effort in continuing to operate its business responsibly through international standards recommendations, Environment, Health and Safety Mentoring Programme, and environmental best practices. The Company also continued to engage with its stakeholders via dialogues on relevant issues within the marketplace and our workplace.

I am pleased to announce that the Company has received a satisfactory rating arising from an internal international audit which is testament to how we run our business responsibly. Externally, we have also received various recognitions for corporate governance such as the Minority Shareholder Watchdog Group and Nottingham University's Business Corporate Governance Survey 2008 awards.

WINNING ORGANISATION BEYOND

Throughout 2008, British American Tobacco Malaysia embarked on a journey aimed at transforming the Company into the Best Employer in the country. This is because we believe that an organisation is only as good as its people and the Company is committed to invest in the recruitment, training and retention of the best talent in Malaysia.

The Your Voice 2007 employee survey showed us that there were more that we could do for our employees and as such, we have put in place innovative initiatives to address them. As a result, the Your

Voice 2008 results which had a 100% participation rate, showed significant improvements with regard to strategic leadership and talent development.

A significant focus for the Company in 2008 was in the area of employee rewards. We implemented strategic programmes to improve rewards based on performance, enhance benefit programmes, and communicate the new reward and benefit structure to all employees. Examples of high performance awards included the Bravo, Everest 3 and Battlefield awards for employees who have demonstrated significant contribution to the Company's business strategy and organisational success.

In terms of talent development, the Company has invested 3.85% of its payroll to learning and development programmes which far exceeds the American Society of Training and Development (ASTD) Best Employer benchmarked companies of 3%. On top of this, two new employee development programmes were launched in 2008 – the Achieve Continuous Excellence Academy and the INSEAD Leadership and Management Academy.

Also in 2008, British American Tobacco Malaysia's Sports Club, continued to organise various events and activities in support of our commitment to provide better work life balance for all employees. We also continued to engage employees through print, online and face-to-face communications

platforms to provide them with a clear line of sight of the Company's strategic direction and to keep employees informed on updates, business issues, challenges and changes.

CONCLUSION AND BEYOND

Despite a year of many hurdles, British American Tobacco Malaysia has managed to emerge stronger due to our commitment to be a growing sustainable business guided by our strategic focus on generating Growth, enhancing Productivity, running our business Responsibly and building a Winning Organisation.

It was a year where we focused on the basics of strengthening our delivery, continued brand building and productivity improvements with strong adherence to proper governance. We have also gone beyond in our responsibility initiatives and employees' benefits acceleration. I would like to thank our employees for their dedication and achievements in 2008.

Moving forward into 2009, the Company anticipates more challenges ahead of us. However, with the underlying health of our drive brands stronger than ever before and an organisation revitalised to address any issue that may pose a challenge to the business, I am confident that British American Tobacco Malaysia will continue to perform beyond these challenges and grow our leadership in the Malaysian tobacco industry.



MANAGING DIRECTOR

Jack Bowles



strong



2,55	3826,10	3676,65	4316,98	2982,1
0,71	722,61	709,43	785,38	638,3
3,31	10853,14	10071,42	12612,38	6655,5
2,07	3756,65	3641,12	3987,34	3060,2
0,08	22426,53	21244,18	25415,64	17528,2
0,93	1697,98	1638,01	1943,07	1356,2
0,36	7679,02	7594,78	8066,10	6276,6
0,07	2494,56	2437,39	2788,31	1991,2
0,11	15963,77	15645,27	17301,79	13814,98
1,79	39285,80	37860,80	47728,50	25478,03
0,87	18953,27	18446,29	20020,23	12891,94
0,13	384,17	372,25	415,68	327,77
0,34	9561,30	9391,16	10320,49	7398,43
0,46	5791,00	5652,00	6132,30	4980,40
0,89	2442,75	2402,67	2842,79	1448,52
0,17	1114,80	1165,60	12083,30	9449,40
0,01	106,00	3570,00	39007,00	31700,00
2,65	4357,38	4299,99	1765,35	671,91
0,27	1127,51	1094,21	11642,65	10215,22
0,34	588,21	577,21	603,82	544,50
0,03	128,21	129,14	1125,71	1176,84
0,11	221,81	2164,74	2170,81	2037,47
2,24	327,13	317,67	357,12	219,41
1,60	5045,00	4893,87	5312,18	4148,47
1,43	1390,30	1328,70	1584,40	1159,40
0,50	9969,44	9793,00	10277,61	9111,05
1,32	38506,21	36412,51	41979,29	24422,91
1,01	1329,22	1295,09	1464,70	970,88
3,44	1684,20	1613,89	1684,20	1011,50
1,05	2445,02	2383,87	2659,65	2191,55
1,86	972,79	937,47	1076,50	787,58
0,51	5069,90	4972,30	5318,20	4136,40
		6846,95	7474,05	5632,97

performance

We have achieved a performance beyond the challenging market dynamics by focusing on Growth, Productivity, Responsibility and Winning Organisation.

FINANCE DIRECTOR'S REVIEW

Stephen James Rush

“2008 has been exceptional for British American Tobacco Malaysia, achieving new milestones with impressive profit after tax growth of 11%”

2008 has been another exceptional year for British American Tobacco Malaysia with the Group achieving new milestones and delivering strong profit growth. Turnover for the year breached the RM4 billion mark and registered a growth of 8% as compared to 2007 and profit after tax grew by an impressive 11% to achieve a new high of RM812 million. The Group maintained its leadership position within the Big 3 cigarette manufacturers and despite a 1.5% decline in the overall industry volumes amongst the Big 3 cigarette manufacturers, the Group managed to achieve volume growth for its Global Drive Brands. This was a result of the exceptional performances of DUNHILL, PALL MALL and KENT, which now comprise 51.6% of the total market.

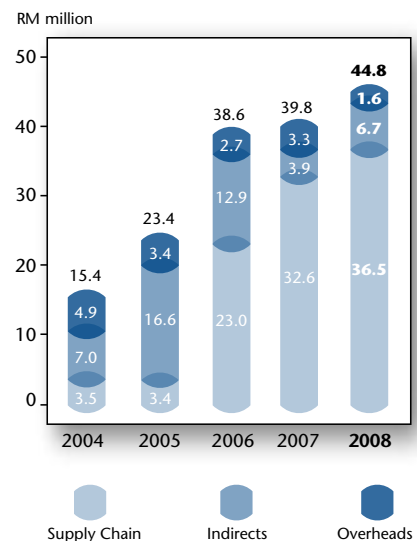
These feats were achieved in an extremely challenging landscape. The first half of 2008 saw a hike in both fuel prices and inflation, putting a dent on consumer disposable income. This was followed closely by a significant excise increase of 20% in September 2008 which resulted in another large

tax-led price increase that further dampened the legal industry cigarette sales and fuelled the growth of illicit trade and the exceptionally low priced cigarettes (ELPC) segment. Based on the survey results of contraband and unauthorised incidence in Malaysia by the Confederation of Malaysian Tobacco Manufacturers, illicit trade has continued to grow, now reaching an average of 25.6% of total cigarette sales, the highest reading in the last decade. In the final quarter of the year, the Group was engaged in intensified trade discounting activities to protect its market leadership position.

Being ever mindful of its unwavering commitment to maximise and deliver long term shareholder value, the Group remained focused on driving growth through continuous investments behind our Global Drive Brands, leveraging on our strong trade marketing and distribution capabilities, creating a winning organisation that would nurture and energise our talent and driving productivity within the entire supply chain. The Group's highly

successful productivity programme “Breakthrough” generated substantial savings which strengthened the Group's competitive advantage. These strategic initiatives have enabled us to generate remarkable results in 2008 and put us in a strong position to face the challenges ahead.

Productivity Savings 2004 to 2008





STRONG FINANCIAL PERFORMANCE IN 2008

CONSOLIDATED INCOME STATEMENT (EXCERPT)

	12 months 2008 RM million	12 months 2007 RM million	Increase/ (Decrease) %
Revenue	4,135	3,831	8
Gross profit	1,670	1,568	7
Operating expenses	(574)	(530)	8
Profit from operations	1,109	1,049	6
Profit from ordinary activities before taxation	1,081	1,003	8
Taxation	(269)	(271)	(1)
Net profit for the financial year	812	732	11
Net earnings per share - basic and diluted (sen)	284.3	256.3	11
Net interim and final dividend per share (sen)	265.0	256.5	3
	%	%	% point
Operating profit margin	27	27	—
Profit before tax / Revenue	26	26	—
Profit after tax / Revenue	20	19	3

The Group continued its momentum and charted yet another year of strong financial performance. Revenue registered an 8% increase over 2007 as a result of higher pricing and sales mix, partly offset by lower domestic volumes.

The 8% increase in operating expenses was a result of:

- increased marketing investments behind our Global Drive Brands primarily due to migration activities to reinforce our Global Drive Brands portfolio and reduce dependencies on tail-end brands;
- implementation costs associated with the rollout of Graphic Health Warnings on all cigarette packs effective 2009;
- higher full year running costs of our expanded Direct Store Sales coverage; and

- higher amortisation costs on property, plant and equipment.

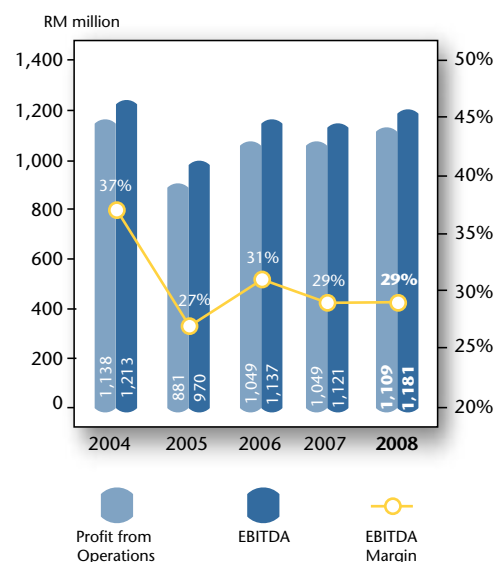
This was partially offset by productivity gains across the organisation.

The Group also benefited from significantly lower financing costs on the RM400 million bonds which were refinanced in 2007, resulting in a pre-tax profit growth of 8% over 2007.

The Group's effective tax rate in 2008 was 25% as compared to 27% in 2007 mainly due to the lower corporate tax rate as well as the reversal of excess prior years' provisions for current and deferred tax.

With this improved performance, earnings per share increased by 11% to 284.3 sen per share in 2008.

Profits 2004 to 2008



CASH FROM OPERATIONS UP BY 6% IN 2008

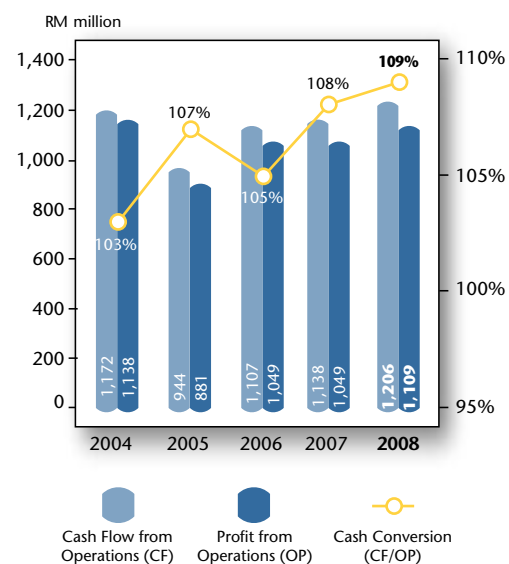
CONSOLIDATED CASH FLOW STATEMENT

	12 months 2008 RM million	12 months 2007 RM million	Favourable/ (Adverse) %
Profit from operations	1,109	1,049	6
Adjustments for:			
Interest income	(8)	(10)	(20)
Property, plant and equipment:			
- Depreciation	81	81	—
- Loss on disposal	1	1	—
- Written off	—	13	100
- Impairment	20	—	(100)
Allowance for doubtful debts	2	5	60
Inventories written off	2	—	(100)
Changes in working capital	(1)	(1)	—
Cash from operations	1,206	1,138	6
Income taxes paid	(251)	(301)	17
Net capital expenditure	(95)	(29)	(228)
Net repayment of commercial papers	(100)	—	(100)
Net proceeds from short term borrowings	—	50	(100)
Net finance costs	(20)	(37)	46
Dividends paid	(751)	(938)	20
Decrease in cash and cash equivalents	(11)	(117)	(91)

The Group continued to consistently deliver exceptional cash flow from operations. Cash generated from operations increased in 2008 by 6% to achieve RM1.2 billion, and as a percentage of profit from operations, increased to 109% from 108% in 2007. The ability to deliver superior cash from operations resulted from continuous improvement in working capital, particularly effective management of stocks. Lower income taxes paid were in line with the lower corporate tax rate and acceleration

of tax payments made in 2007, whilst the increase in net capital expenditure was due to replacement of motor vehicles, factory machinery, merchandising units, IT investments, office renovations and lower disposal proceeds in 2008. The increased cash from operations enabled the Group to repay the matured Commercial Papers (CP) worth RM100 million on 4 January 2008 and finance the Group's capital expenditure and dividends payments during the year 2008.

Cash Flow Management from 2004 to 2008



EXCEPTIONAL GROWTH IN SHAREHOLDER VALUE

The Group is fully committed to the delivery of superior shareholder value. By all measures used to gauge financial performance, the Group has charted impressive improvements in the Group's relentless pursuit in driving sustainable profit growth and enhancing long term shareholder value by consistently delivering high dividend payouts to shareholder, improving the efficiency of its capital structure and improving return on equity.

HIGH DIVIDEND PAYOUT

The Group maintained its high dividend payout policy in 2008, with a proposed total dividend payout of RM756.6 million consisting of:

- a proposed net final dividend of 76 sen per share
- 2nd interim net dividend of 76 sen per share
- 1st interim net dividend of 113 sen per share

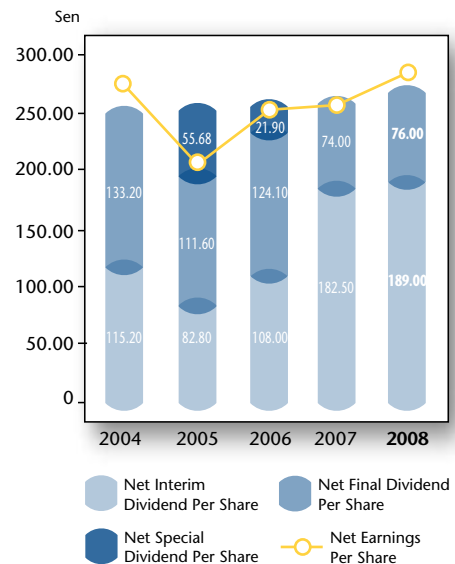
This would result in total net dividends for 2008 of 265.00 sen per share, a 3% increase over 2007's net dividend payment. This would represent 93% of the Group's profit attributable to shareholders in 2008 and is very much in line with our dividend payout policy of returning excess cash to shareholders by paying at least 90% of net profits in dividends, and growing the annual dividend per share payment.

EXCEPTIONAL GROWTH IN RETURN TO SHAREHOLDERS

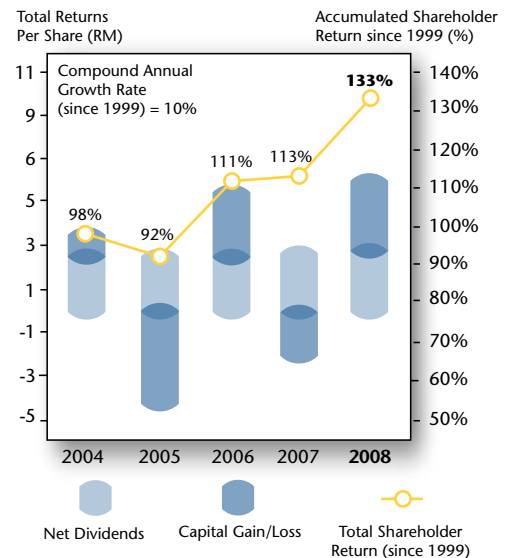
The strong financial performance of the Group, consistent returns to shareholders, solid business performance and undisputed market leadership have resulted in an unbroken track record of stable share prices and high market capitalisation. At a time of uncertainty and stock market volatility, the Group has continued to outperform the KLCI. This performance, especially in the recent year clearly illustrates the superior shareholder value that has been delivered by British American Tobacco Malaysia. The Group's share price has consistently ranked the highest on the Bursa Main Board with market capitalisation well above RM10 billion for the past 7 years.

The total return to shareholders, as measured by the increase in share price during the financial year and the total net dividends declared and proposed for the year, was RM5.90 per share, representing a total return of 14.3% during 2008.

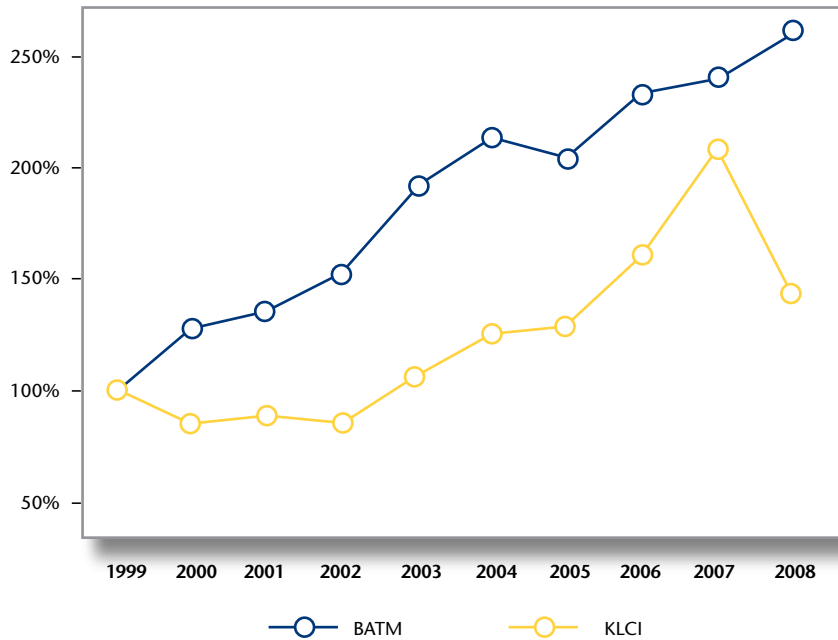
Earnings and Dividends Per Share



Total Shareholders' Return



British American Tobacco Malaysia Total Shareholders' Return vs. KLCI 1999 to 2008



TREASURY OPERATIONS AND EFFICIENT CAPITAL STRUCTURE

The Treasury function is primarily responsible for managing financial risks through proactive management of cash flow, interest rates and currency exposures. There has been no requirement to refinance the maturity of the RM100 million short term commercial papers in January 2008 as a result of efficient cash flow management.

The Group's short and long term ratings of P1 and AAA respectively, for the CPs/MTNs were reaffirmed in September 2008 in view of its solid and consistent corporate performance backed by excellent cash generation

and management. The Group is currently reviewing options in meeting the repayment of its MTNs of RM100 million in May 2009 and another RM150 million in November 2009 and will remain committed to maintaining its excellent investment grade ratings, optimising its capital structure and maximising shareholder value.

FIRM COMMITMENT TO MAXIMISING LONG TERM SHAREHOLDER VALUE

The high levels of illicit trade and exceptionally low priced cigarettes will continue to be key concerns for the Group moving into 2009. Additionally, the global economic crisis will also

impact the consumers' spending power, adding another element in an already challenging environment for the industry.

The Group is however committed to enhancing our leadership position by leveraging on its strong fundamentals and continuing to focus on our Growth, Productivity, Responsibility and Winning Organisation strategic initiatives. We believe that the investments made and initiatives taken in 2008 will allow us to leverage on our strong brand equity and put us in a better position to face the challenges ahead. The Group's resolute commitment to delivering superior shareholder value remains a key focus moving forward.

FINANCE DIRECTOR

Stephen James Rush

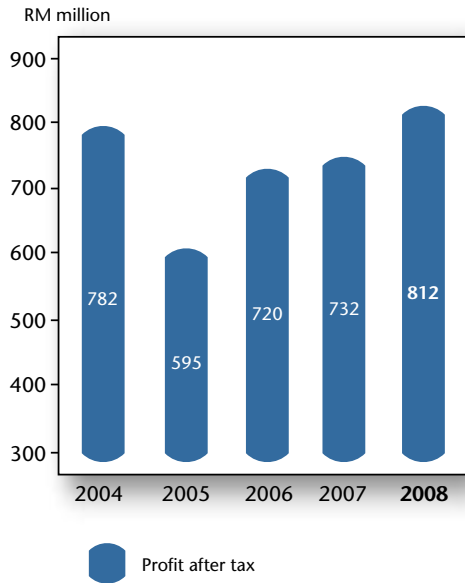
FIVE YEAR FINANCIAL HIGHLIGHTS

	Financial year from 1.1.08 to 31.12.08 RM'000	Financial year from 1.1.07 to 31.12.07 RM'000	Financial year from 1.1.06 to 31.12.06 RM'000	Financial year from 1.1.05 to 31.12.05 RM'000	Financial year from 1.1.04 to 31.12.04 RM'000
Revenue	4,135,220	3,830,869	3,612,482	3,564,215	3,263,725
Profit from operations	1,109,297	1,049,416	1,049,414	881,440	1,138,262
Finance cost	(28,131)	(46,515)	(47,467)	(48,471)	(55,447)
Profit before taxation	1,081,166	1,002,901	1,001,947	832,969	1,082,815
Net profit for the financial year	811,683	731,931	719,678	592,802	782,084
Net annual dividends	756,655	732,384	662,715	555,070	709,257
Net special dividends	—	—	62,531	158,983	—
Share capital	142,765	142,765	142,765	142,765	142,765
Shareholders' funds	406,774	345,912	551,824	618,029	641,849
Property, plant and equipment	438,624	439,959	478,688	517,550	514,059
Investment property	—	—	20,010	44,771	45,660
Leasehold land	20,455	20,826	22,600	22,995	30,127
Trademarks	—	—	—	—	2,067
Computer software	15,232	21,091	14,100	616	—
Goodwill	411,618	411,618	411,618	411,618	433,475
Deferred tax assets	4,978	4,978	4,020	3,300	1,713
Current assets	596,405	548,536	669,175	718,142	720,367
Total assets	1,487,312	1,447,008	1,620,211	1,718,992	1,747,468
Non current liabilities	448,289	713,567	310,690	755,086	760,392
Current liabilities	632,249	387,529	757,697	345,877	345,226
Total liabilities	1,080,538	1,101,096	1,068,387	1,100,963	1,105,618
Net earnings per share (sen)	284.3	256.3	252.0	207.6	273.9
Net dividend per share (sen)	265.0	256.5	254.0	250.1	248.4
Net returns on shareholders' funds (%)	199.5	211.6	130.4	95.9	121.8
Net asset backing per share (RM)	1.42	1.21	1.93	2.16	2.25
Number of employees	1,454	1,326	1,044	1,040	1,066

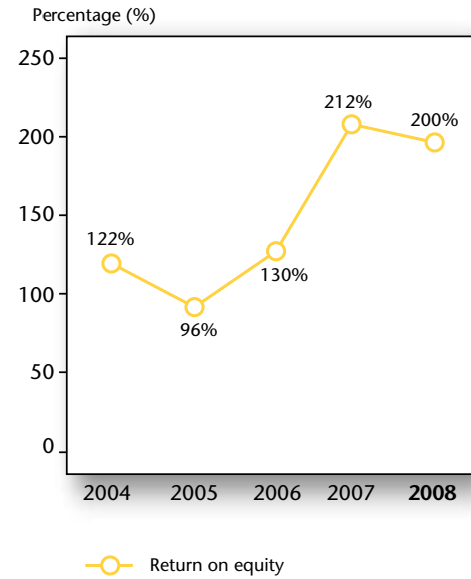
FIVE YEAR GROUP PERFORMANCE

British American Tobacco Malaysia continued its growth momentum and charted another year of strong financial performance, reaffirming its unwavering commitment to maximise and deliver long term shareholder value.

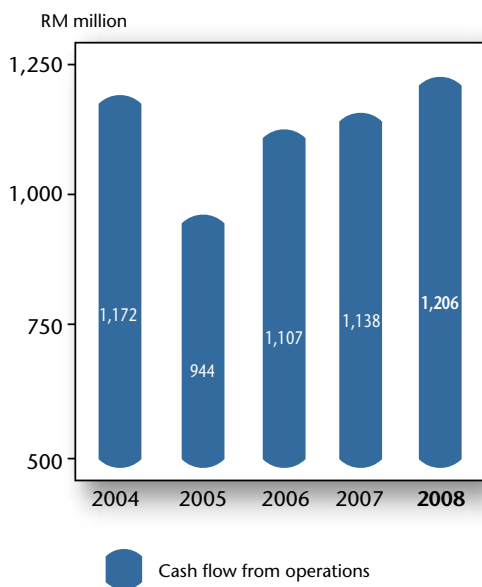
Consistent solid financial performance



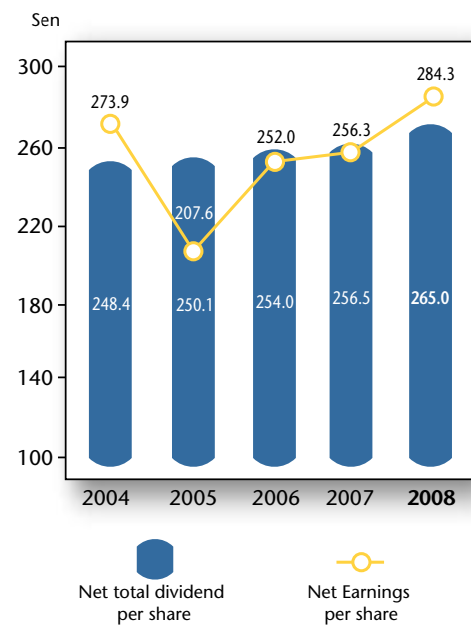
Delivering triple digit shareholder return



Superior cash flow from operations

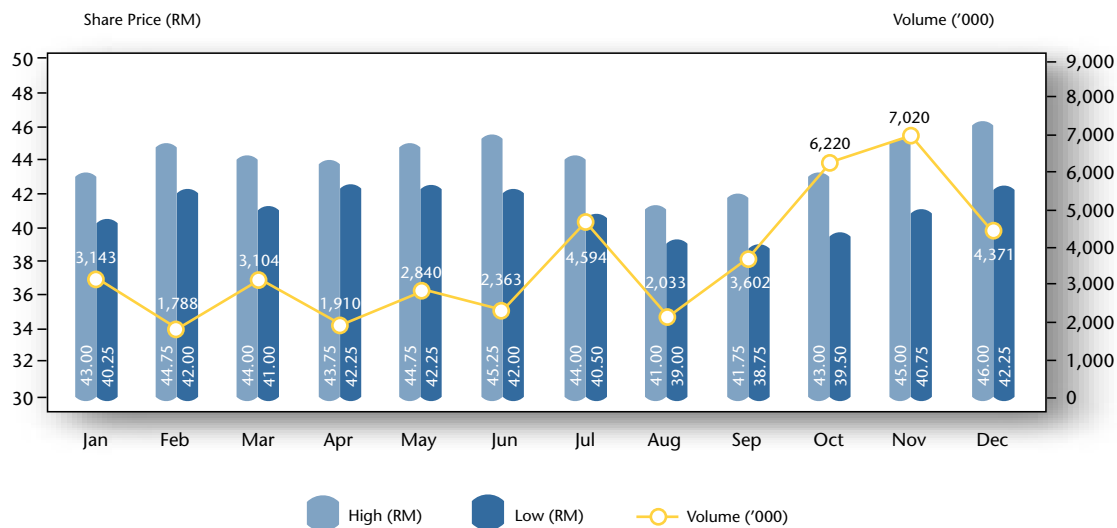


Generous dividend payout



SHARE PERFORMANCE AND FINANCIAL CALENDAR

Share Performance 2008



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
High (RM)	43.00	44.75	44.00	43.75	44.75	45.25	44.00	41.00	41.75	43.00	45.00	46.00
Low (RM)	40.25	42.00	41.00	42.25	42.25	42.00	40.50	39.00	38.75	39.50	40.75	42.25
Volume ('000)	3,143	1,788	3,104	1,910	2,840	2,363	4,594	2,033	3,602	6,220	7,020	4,371

Source: Bloomberg

ANNOUNCEMENT OF RESULTS

Unaudited consolidated results for the 1st quarter ended 31 March 2008

Tuesday, 22 April 2008

Unaudited consolidated results for the 2nd quarter and half-year ended 30 June 2008

Thursday, 17 July 2008

Unaudited consolidated results for the 3rd quarter ended 30 September 2008

Thursday, 23 October 2008

Audited consolidated results for the 4th quarter and year ended 31 December 2008

Thursday, 19 February 2009

DIVIDENDS

First interim dividend of 113.00 sen per share, tax exempt under the single-tier system

- Date of notice of entitlement and payment
- Date of entitlement
- Date of payment

Friday, 18 July 2008

Monday, 4 August 2008

Wednesday, 20 August 2008

Second interim dividend of 76.00 sen per share, tax exempt under the single-tier system

- Date of notice of entitlement and payment
- Date of entitlement
- Date of payment

Friday, 24 October 2008

Thursday, 6 November 2008

Monday, 17 November 2008

Proposed net final dividend of 76.00 sen per share, tax exempt under the single-tier system

- Date of notice of entitlement and payment
- Date of entitlement
- Date of payment

Friday, 20 February 2009

Friday, 24 April 2009

Friday, 8 May 2009

ANNUAL REPORT AND ANNUAL GENERAL MEETING

Date of notice of 48th Annual General Meeting and date of issuance of the 2008 Annual Report

Monday, 23 March 2009

Date of 48th Annual General Meeting

Monday, 20 April 2009

QUARTERLY PERFORMANCE

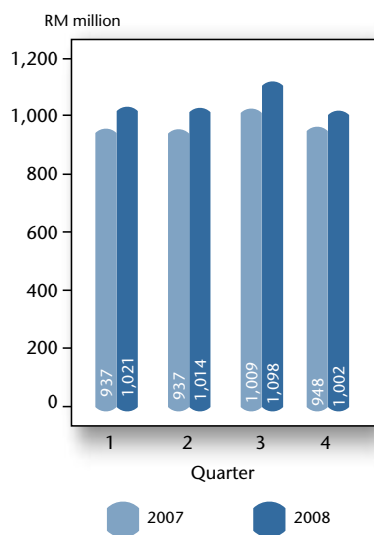
2008

		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Full Year
Revenue	(RM million)	1,021	1,014	1,098	1,002	4,135
Profit from operations	(RM million)	292	272	322	223	1,109
Finance cost	(RM million)	(7)	(7)	(7)	(7)	(28)
Profit before tax	(RM million)	285	264	316	216	1,081
Profit after tax	(RM million)	212	195	232	173	812
Net earnings per share	(sen)	74.0	68.4	81.3	60.6	284.3
Net dividends per share	(sen)	—	113.0	76.0	76.0	265.0

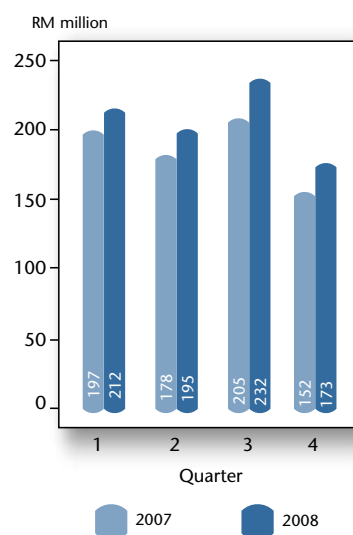
2007

		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Full Year
Revenue	(RM million)	937	937	1,009	948	3,831
Profit from operations	(RM million)	281	256	293	219	1,049
Finance cost	(RM million)	(12)	(12)	(12)	(11)	(47)
Profit before tax	(RM million)	270	244	281	208	1,003
Profit after tax	(RM million)	197	178	205	152	732
Net earnings per share	(sen)	68.9	62.6	71.7	53.1	256.3
Net dividends per share	(sen)	—	109.5	73.0	74.0	256.5

Quarterly Revenue



Quarterly Profit After Tax



CORPORATE PROFILE

British American Tobacco Malaysia arose from the merger of Rothmans of Pall Mall (Malaysia) Berhad and Malaysian Tobacco Company Berhad on 3 November 1999. The merger pooled talent, experience and an unrivalled portfolio of highly successful international brands to create the country's largest tobacco company.

Today, British American Tobacco Malaysia is the clear market leader of the Malaysian cigarette industry, with more than 60% market share, and ranks amongst the top 20 companies on Bursa Malaysia Securities Berhad in terms of market capitalisation. British American Tobacco Malaysia manufactures and markets high quality tobacco products designed to meet diverse consumer preferences. Our portfolio includes well-established international names such as DUNHILL, KENT and PALL MALL.

We have a combined history of over 90 years in Malaysia going back to 1912. The wealth of expertise, coupled

with leading edge technology and efficient systems and processes employed in all aspects of our business activities, position us well to meet the challenges of the future. We employ about 2,000 employees who are involved in the full spectrum of the tobacco industry, from leaf buying and processing to manufacturing, marketing and distribution. Our comprehensive distribution network spans the length and breadth of the country, ensuring that our brands are available everywhere in Malaysia.

We aim to maintain our leadership in the industry through increasing our share of the tobacco business and

satisfying consumer demands better and more profitably than our competitors. In meeting these goals, we ensure that we market responsibly, and in a manner sensitive to our environment. For us, leadership goes beyond just market share, it has to be about qualitative leadership in our eyes, and in the eyes of our stakeholders.

While the tobacco industry can be seen by some as controversial, it is also an important industry which has a role to play in contributing to the growth and development of the community in which it operates in. British American Tobacco Malaysia is committed to fulfilling that role.

BRITISH AMERICAN TOBACCO MALAYSIA IN THE NEWS

Help is at hand

THE British American Tobacco Malaysia Foundation (BAT Malaysia Foundation) recently awarded 21 scholarships to relatives, tobacco leaf growers and career communities, as well as to the company's employees and their children.

"BAT's efforts should be emulated, encouraged and continued as scholarships provide deserving students with the opportunity to pursue higher education," he said.

and technical studies. The selection process for the schol- ships takes into consideration the candidates' financial background, academic results, as well as leadership and communication skills.



BAT profit rises on better sales mix, higher pricing

BRITISH American Tobacco Malaysia (BAT) has posted a 1.7 per cent rise in net profit to RM71.92 million for 2007, due to a 4.5 per cent increase in revenue to RM2.62 billion, an 8.5 per cent increase in operating profit to RM1.12 billion, and a 1.7 per cent increase in net profit to RM71.92 million.



Revenue rose 4.5 per cent compared to 2006. However, BAT Malaysia's volume declined from 2006 as the government will consider the imposition of excise duty and gradual tax increases.



We hope that the government will consider the imposition of moderate and gradual tax increases...

WORKING TOGETHER

BAT takes CR seriously



WORKING TOGETHER
BAT takes CR seriously



Malaysia BAT Fund 回馈社会 分享44万奖学金
A large group photo of people at a community event.

BAT a dependable dividend play

British American Tobacco (BAT) is a dependable dividend play for investors looking for steady returns. The company has a long history of paying dividends and has a strong track record of increasing them over time.

BAT resilient despite market volatility

British American Tobacco (BAT) has shown resilience in the face of market volatility. The company's strong financial position and diversified portfolio have helped it maintain its performance despite fluctuations in the market.

BAT ready for a challenge

British American Tobacco (BAT) is well-prepared to face the challenges ahead. The company's strong financial position and diversified portfolio have helped it maintain its performance despite fluctuations in the market.



BAT Malaysia aiming to be best employer

Backed by initiatives to nurture and retain local talent

BAT aims to become the best employer locally, Malaysia's largest employer among British companies. The company has implemented various initiatives to attract and retain top talent, including training and development programs.



BAT remains upbeat despite challenges

It aims for high single-digit EPS growth and will maintain dividend

APRIL 2008
BAT remains upbeat despite challenges

BAT remains upbeat despite challenges

'We walk the talk when it comes to CSR'

BAT Malaysia aspires to be a benchmark company in that area



CSR is a key component of BAT's business strategy. The company is committed to social responsibility and has implemented various initiatives to support the community and the environment.



AWARDS AND ACHIEVEMENTS



AWARDS AND ACHIEVEMENTS

We are an organisation that believes in placing full commitment in providing the best for our business and our people. Our constant effort in striving to achieve higher standards of business conduct has garnered us numerous external recognition on local and international grounds. The year 2008 has once again seen us set the benchmark in creating commendable shareholder value and demonstrate sound corporate governance practices.

National Annual Corporate Report Awards (NACRA) 2008

- Silver Overall Excellence Award
- Industry Excellence Award for the Main Board, Consumer Products Category

Recognition for excellence in corporate reporting, demonstrating high standards of corporate governance, transparency and accountability

KPMG / The Edge Shareholder Value Award 2007

- Overall Award Winner
- Overall Sector Winner, Consumer Markets Category

Recognition for the Company's exemplary shareholder value by achieving the highest economic profit over its invested capital among all public listed companies in Malaysia

Ranked Top 2 in The Asset Magazine Corporate Governance Ranking

- Best Corporate Governance in Malaysia

Recognition for the Company's corporate governance practices which are benchmarked against international best practices by the financial business magazine, The Asset.

Minority Shareholder Watchdog Group (MSWG) and Nottingham University Business Corporate Governance Survey 2008

- Fourth Overall Excellence Award
- Industry Excellence Award

Recognition for the Company's achievements for sound corporate governance principles and practices

Ranked Top 10 in FinanceAsia's Best Managed Companies

- Best Managed Company
- Best Corporate Governance
- Most Committed to Strong Dividend Payment

Recognition for the Company's overall management, corporate governance, investor relations and commitment to strong dividend payment

Ranked Top 10 in CSR Asia Business Barometer 2008

Recognition for the Company's strong and visible commitment to CSR disclosure

2008 CORPORATE EVENTS

2008 was a year rich with activities across the Company. The activities highlighted below are amongst those that took place to provide a snapshot of 2008.

JANUARY

- Operations team achieved a milestone of 1000 Continuous Improvement CI-Kaizen initiatives ► **01**
- British American Tobacco Malaysia won the British American Tobacco's Environmental Health and Safety Merit Award for achieving Zero Lost Workday Case from 23 January 2007 – 22 January 2008
- Introduced international crest tipping design to the entire PALL MALL range

FEBRUARY

- Conducted financial analysts' briefing on the Group's 2007 financial results
- Organised an activity under the Employee Volunteer Programme to spend time in Caring Old Folks Home, Kajang and donated RM10,000 ► **02**

MARCH

- Published the British American Tobacco Malaysia Annual Report 2007
- Organised Family Day for employees at Sunway Lagoon Theme Park ► **03**

APRIL

- Conducted 47th Annual General Meeting ► **04**
- Conducted financial analysts' briefing on the Group's Q1 2008 financial results
- Announced Your Voice 2007 results. Your Voice is an employee feedback channel to improve working environment, morale and personal satisfaction

MAY

- Awarded Customer Excellence Award 2008 by SAP – Business Objects

JUNE

- Embarked on the expansion and renovation of British American Tobacco Malaysia's head office
- Project Paragon went live with Quatro+, an order management portal for customers and repository
- Merged KENT and PETER STUYVESANT for long term growth

JULY

- Conducted financial analysts' briefing on the Group's Q2 2008 financial results
- Renewed certification of ISO 9001, OHSAS 18001 and ISO 14001 successfully
- Awarded Higher Education Starter Kit to children of the tobacco growing community ► **05**
- Conducted Biz Update briefing sessions to keep employees engaged and informed
- Launched DUNHILL Consumer Hotline 1-800-88-1907 for customer feedback

AUGUST

- Awarded the KPMG Shareholder Value Award 2007 ► **06**
- Ranked Top 10 in FinanceAsia's Best Companies poll
- Matched employee contribution and donated a total of RM10,000 each to Mercy Malaysia and Malaysian Red Crescent Society
- Launched KENT 3TEK and MINTEK
- Rolled out British American Tobacco's Global Management Trainee Programme

SEPTEMBER

- Launched Achieved Continuous Excellence (ACE) Academy for the development of non-management employees
- Launched INSEAD Leadership and Management (ILMA) Academy for executive development

OCTOBER

- Conducted financial analysts' briefing on the Group's Q3 2008 financial results
- Held Quality & Safety Week 2008 to inculcate positive behaviour in employees to sustain an incident - free workplace
- Operations Team achieved a milestone of 2000 Continuous Improvement CI-Kaizen initiatives ► **07**

NOVEMBER

- Organised a study trip with the Dayspring Learning Centre under the Employee Volunteer Programme
- Awarded the National Annual Corporate Report Awards 2008 – Silver Overall Excellence Award, Industry Excellence Award - Main Board, Consumer Products ► **08**
- Clinched two awards from Minority Shareholder Watchdog Group (MSWG) and Nottingham University Business Corporate Governance Survey 2008: – Fourth Overall Excellence Award, Industry Excellence Award
- British American Tobacco Malaysia Foundation awarded scholarships to deserving scholars pursuing higher education ► **09**
- Long Service Awards were held to honour long-serving employees
- Merged PALL MALL and PERILLY'S for long term growth

DECEMBER

- Won two awards for British American Tobacco's Environmental Health and Safety Excellence Award 2008 – All Categories, Waste Management
- Ranked Top 10 in CSR Asia Business Barometer 2008
- Ranked Top 2 in The Asset Magazine under Corporate Governance in Malaysia ► **10**

01



02



03



04



05



06



07



08

09



10

strategic

instrumental





leadership

Leadership is measured beyond impressive financials. It is about standout leadership on all fronts, especially that of people leadership.

CORPORATE INFORMATION

BOARD OF DIRECTORS

- **Tan Sri Abu Talib bin Othman**
PMN, PSM, SIMP, SSSA, DGSM, DPMS,
DMPN, DCSM, JSM, KMN, PPT
Independent Non-Executive Director
(Chairman)
- **Jack Marie Henry David Bowles**
Non-Independent Executive Director
(Managing Director)
- **Datuk Oh Chong Peng**
PJN, JSM
Independent Non-Executive Director
- **James Richard Suttie**
Non-Independent Non-Executive Director
- **Stephen James Rush**
Non-Independent Executive Director
- **Dato' Chan Choon Ngai**
DSNS
Non-Independent Executive Director
- **Dato' Ahmad Johari bin
Tun Abdul Razak**
DPCM, DSIS, DSAP
Independent Non-Executive Director
(Appointed on 5 March 2009)
- **William Toh Ah Wah**
Non-Independent Non-Executive Director
(Appointed on 5 March 2009)

SECRETARY

Ng Pei Ling
(LS 09111)
Tel : +60 (3)7491 7130
Fax : +60 (3)7491 3772
E-mail : Pei_Ling_Ng@bat.com

REGISTERED OFFICE

Virginia Park, Jalan Universiti
46200 Petaling Jaya
Selangor Darul Ehsan
Tel : +60 (3)7956 6899
Fax : +60 (3)7955 8416
E-mail : bat_malaysia@bat.com

COMPANY WEBSITE

www.batmalaysia.com

SHARE REGISTRAR

Tenaga Koperat Sdn Bhd
(Company No. 118401-V)
Level 17
The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : +60 (3)2264 3883
Fax : +60 (3)2282 1886
E-mail : lay.kiow.lim@my.tricorglobal.com

AUDITORS

PricewaterhouseCoopers
(AF 1146)
Level 10, 1 Sentral Jalan Travers
Kuala Lumpur Sentral
P.O. Box 10192
50706 Kuala Lumpur
Tel : +60 (3)2173 1188
Fax : +60 (3)2173 1288

PRINCIPAL BANKERS

Citibank Berhad
(Company No. 297089-M)

**HSBC Bank Malaysia
Berhad**
(Company No. 127776-V)

Malayan Banking Berhad
(Company No. 3813-K)

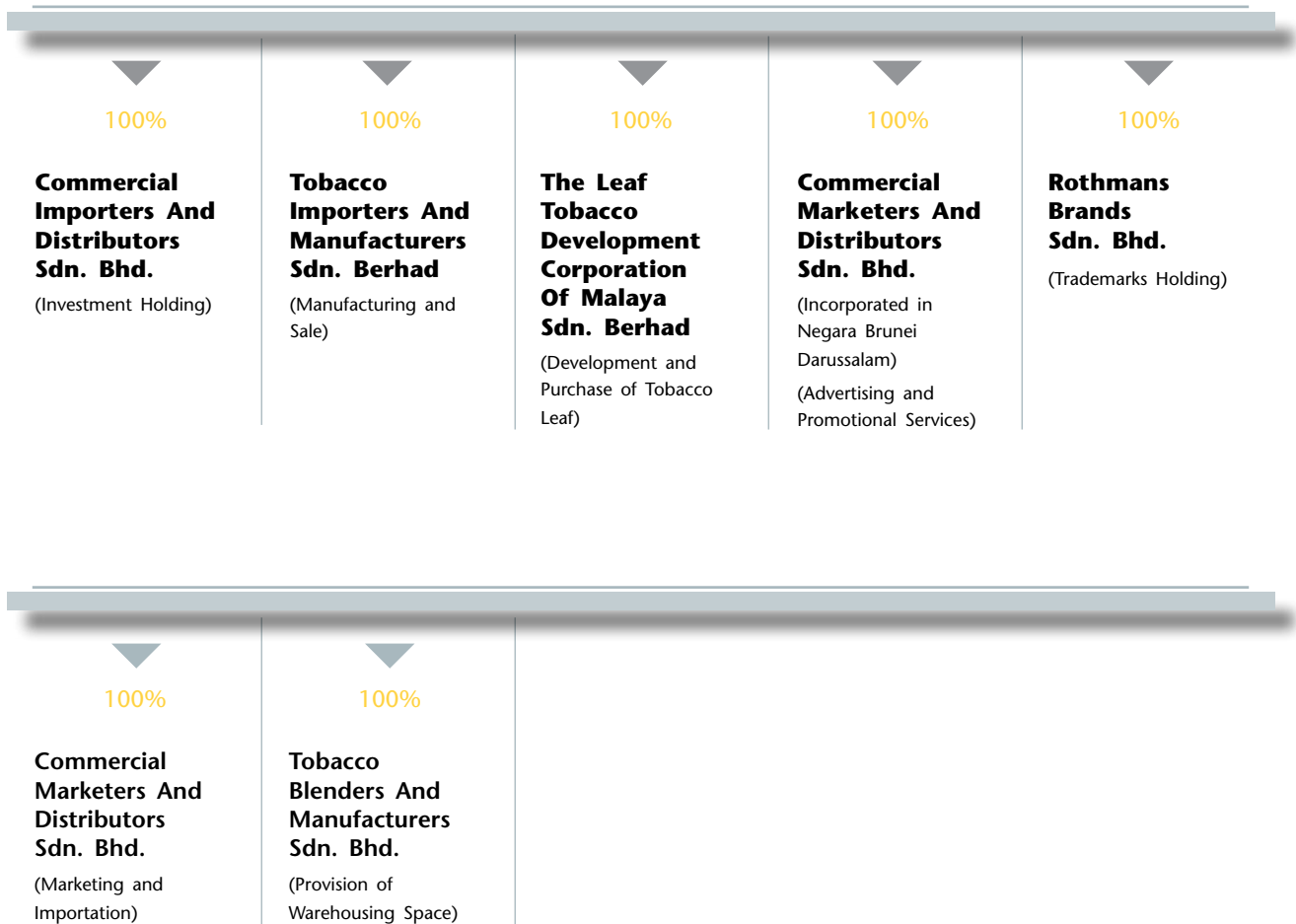
STOCK EXCHANGE LISTING

Main Board of
**Bursa Malaysia Securities
Berhad**
(Company No. 635998-W)
Listed Since : 27 October 1961
Stock Code : 4162
Stock Name : BAT

CORPORATE STRUCTURE



**BRITISH AMERICAN
TOBACCO**
MALAYSIA



PROFILE OF DIRECTORS

From left to right

- **James Richard Suttie** Non-Independent Non-Executive Director
- **William Toh Ah Wah** Non-Independent Non-Executive Director
- **Dato' Ahmad Johari bin Tun Abdul Razak** Independent Non-Executive Director
- **Tan Sri Abu Talib bin Othman** Independent Non-Executive Director (*Chairman*)



From left to right

- **Stephen James Rush** Non-Independent Executive Director (*Finance Director*)
- **Datuk Oh Chong Peng** Independent Non-Executive Director
- **Jack Marie Henry David Bowles** Non-Independent Executive Director (*Managing Director*)
- **Dato' Chan Choon Ngai** Non-Independent Executive Director (*Operations Director*)





Tan Sri Abu Talib bin Othman

PMN, PSM, SIMP, SSSA, DGSM, DPMS, DMPN, DCSM, JSM, KMN, PPT
Independent Non-Executive Director
(Chairman)
Malaysian, Age 70 years

Tan Sri Abu Talib bin Othman was appointed Chairman of the then Rothmans of Pall Mall (Malaysia) Berhad in 1994, now British American Tobacco (Malaysia) Berhad.

He qualified as a barrister-at-law from Lincoln's Inn, United Kingdom. Tan Sri Abu Talib had a distinguished career as a member of the Judicial and Legal Service of the Government from 1962 to 1993, serving in various capacities including as Malaysia's Attorney-General from 1980 to his retirement in October 1993.

Tan Sri Abu Talib is presently a Director of IGB Corporation Berhad, CYL Corporation Berhad, MUI Continental Insurance Berhad and Alliance Investment Management Berhad. He is currently the Chairman of Suruhanjaya Hak Asasi Manusia (Suhakam).

He is the Chairman of the Remuneration Committee and Nomination Committee of the Company and a member of the Audit Committee of the Company.

Tan Sri Abu Talib attended all of the four (4) Board Meetings which were held in the financial year ended 31 December 2008.

Tan Sri Abu Talib does not have any family relationship with any Director and/or major shareholder of British American Tobacco (Malaysia) Berhad, nor any conflict of interest in any business arrangement involving the Company. He has had no convictions for any offences within the past ten (10) years.



Jack Marie Henry David Bowles

Non-Independent Executive Director
(Managing Director)
French, Age 45 years

Jack Marie Henry David Bowles, a French national aged 45, was appointed Director of British American Tobacco (Malaysia) Berhad on 1 May 2007. Prior to his appointment in Malaysia, he was the President of British American Tobacco France. Jack Bowles has twenty (20) years of experience in the tobacco industry and has previously worked for blue-chip fast moving consumer goods (FMCG) companies across Europe and

Asia. He holds a Diploma of Business Management from French Business School in Paris. His academic experience includes INSEAD (France) and IMEDE (Switzerland).

He is a member of Remuneration Committee of the Company.

Jack Bowles attended all of the four (4) Board Meetings which were held in the financial year ended 31 December 2008.

Jack Bowles does not have any family relationship with any Director and/or major shareholder of British American Tobacco (Malaysia) Berhad, nor any conflict of interest in any business arrangement involving the Company. He has had no convictions for any offences within the past ten (10) years.



Datuk Oh Chong Peng

PJN, JSM
Independent Non-Executive Director
Malaysian, Age 64 years

Datuk Oh Chong Peng was appointed a Non-Executive Director of the then Rothmans of Pall Mall (Malaysia) Berhad in January 1998, now British American Tobacco (Malaysia) Berhad.

He undertook his accountancy training in London and qualified as a Chartered Accountant in 1969. He is a Fellow of the Institute of Chartered Accountants, England and Wales (ICAEW) as well as a member of the Malaysian Institute of Certified Public Accountants (MICPA) and the Malaysian Institute of Accountants (MIA).

Datuk Oh joined Coopers & Lybrand (now known as PricewaterhouseCoopers) in London in 1969 and in Malaysia in 1971. He had serviced clients of Coopers & Lybrand throughout Malaysia and ASEAN, which covered a broad range of industries including financial services, construction, real estate, manufacturing, hospitality and services. He was a partner of Coopers & Lybrand, Malaysia from 1974 and retired as a senior partner of Coopers & Lybrand in 1997.

Datuk Oh currently sits as the Chairman of Alliance Financial Group Berhad. He is also a Non-Executive Director of several public companies, such as IJM Corporation Berhad, IJM Plantations Berhad, Kumpulan Europlus Berhad, Malayan Flour Mills Berhad, Dialog Group Berhad and several other private companies.

Datuk Oh is a Government appointed member of the Labuan Offshore Financial Services Authority (1996) and the Malaysian Accounting Standards Board (MASB) (2003). He is also a trustee of the Huaren Education Foundation (1993) and the UTAR Education Foundation (2002) and a council member of University Tunku Abdul Rahman. He is a member of the Listing Committee of Bursa Malaysia.

His past appointments include being a Government appointed Committee Member of the Kuala Lumpur Stock Exchange (1990-1996), a Council member (1981-2002) and a past President (1994-1996) of the Malaysian Institute of Certified Public Accountants (MICPA), a Chairman of the Land & General Berhad (1999-2007), a Director of Powertek Berhad (1997-2003), Rashid Hussain Berhad Group of Companies (1998-2003), Renong Berhad (2001-2003), Nanyang Press Holdings Berhad (2001-2005), Rohas-Euco Industries Berhad (2007-2008) and Star Publications (M) Berhad (1987-2009).

Datuk Oh is the Chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee of the Company.

Datuk Oh attended all of the four (4) Board Meetings which were held in the financial year ended 31 December 2008.

Datuk Oh does not have any family relationship with any Director and/or major shareholder of British American Tobacco (Malaysia) Berhad, nor any conflict of interest in any business arrangement involving the Company. He has had no convictions for any offences within the past ten (10) years.



James Richard Suttie
Non-Independent Non-Executive Director
British, Age 62 years

James Richard Suttie was appointed a Director of British American Tobacco (Malaysia) Berhad in May 2002. He is a member of the Institute of Chartered Accountants of Scotland and an Associate of the Chartered Institute of Taxation. He joined Rothmans International p.l.c. as a Commercial Accountant/Manager in 1972 and became the Finance Director of Carreras of Jamaica Limited in 1982, Rothmans International Europe in 1984 and Rothmans of Pall Mall (Malaysia) Berhad in 1992. In 1997, he was appointed the Regional Finance Controller for Rothmans International in Asia. In 1999, he was appointed the Regional Finance Controller, Africa and in 2002 as Regional Finance Controller, Asia Pacific, of British American Tobacco p.l.c. until his retirement from British American Tobacco p.l.c. on 31 December 2006.

He is a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

James Suttie attended three (3) out of four (4) Board Meetings which were held in the financial year ended 31 December 2008.

James Suttie does not have any family relationship with any Director and/or major shareholder of British American Tobacco (Malaysia) Berhad, nor any conflict of interest in any business arrangement involving the Company. He has had no convictions for any offences within the past ten (10) years.



Stephen James Rush

Non-Independent Executive Director
(Finance Director)
Australian, Age 41 years

Stephen James Rush was appointed a Director of British American Tobacco (Malaysia) Berhad in March 2008. He holds a Bachelor of Business from the University of Technology, Sydney. Stephen Rush first joined the British American Tobacco Group as an Internal Auditor for British American Tobacco Australia in 1995 before taking on the roles of Operations Finance Manager and Marketing Finance Manager from 1997 to 2001. In April 2001, he was appointed the Finance Director of British American Tobacco Cambodia before moving on to assume the post of Finance Director of British American Tobacco Poland.

Prior to his appointment with British American Tobacco (Malaysia) Berhad as Finance Director, Stephen Rush joined the European Regional Team as the Deputy Regional Finance Controller for British American Tobacco p.l.c in 2004. In his role, Stephen Rush was primarily responsible for the financial performance of Central and Eastern Europe.

Since his appointment to the Board of Directors of British American Tobacco (Malaysia) Berhad, Stephen Rush attended three (3) Board Meetings in the financial year ended 31 December 2008.

Stephen Rush does not have any family relationship with any Director and/or major shareholder of British American Tobacco (Malaysia) Berhad, nor any conflict of interest in any business arrangement involving the Company. He has had no convictions for any offences within the past ten (10) years.



Dato' Chan Choon Ngai

DSNS
Non-Independent Executive Director
(Operations Director)
Malaysian, Age 53 years

Dato' Chan Choon Ngai was appointed a Director of the then Rothmans of Pall Mall (Malaysia) Berhad, now British American Tobacco (Malaysia) Berhad in October 1995. He holds a Bachelor of Science in Mechanical Engineering degree from the University of Birmingham, United Kingdom. He joined Rothmans of Pall Mall (Malaysia) Berhad in 1979 and held various significant positions in the production division namely, Production Director and Factory Manager. Effective July 2000, Dato' Chan was appointed as the Operations Director of British American Tobacco (Malaysia) Berhad. He was a director of Tien Wah Press Holdings Berhad from May 1997 to June 2003.

Dato' Chan attended all of the four (4) Board Meetings which were held in the financial year ended 31 December 2008.

Dato' Chan does not have any family relationship with any Director and/or major shareholder of British American Tobacco (Malaysia) Berhad, nor any conflict of interest in any business arrangement involving the Company. He has had no convictions for any offences within the past ten (10) years.



Dato' Ahmad Johari bin Tun Abdul Razak

DPCM, DSIS, DSAP
Independent Non-Executive Director
Malaysian, Age 54 years

Dato' Ahmad Johari bin Tun Abdul Razak was appointed a Director of British American Tobacco (Malaysia) Berhad in 5 March 2009. Dato' Ahmad Johari holds a Bachelor of Laws degree from the University of Kent, United Kingdom. He was called to the Bar of England and Wales at Lincoln's Inn in 1976 and was admitted as an Advocate and Solicitor of the High Court of Malaya in 1977. He practised law with a legal firm from 1979 and was a partner from 1981 to 1994. He re-joined the legal firm as a partner on 1 August 2007.

Dato' Ahmad Johari is currently the Chairman of Ancom Berhad, Courts Mammoth Sdn Bhd and Daiman Development Berhad and a Director of Hong Leong Industries Berhad, Nylex (Malaysia) Berhad, Daiman Golf Berhad and Deutsche Bank (Malaysia) Berhad. He is also a member of other Board Committees in Hong Leong Industries Berhad and Ancom Berhad. In the academic field, he is presently an Adjunct Professor at University of Technology MARA, Law Faculty.

Dato' Ahmad Johari is a member of the Nomination Committee and Audit Committee of the Company.

Dato' Ahmad Johari does not have any family relationship with any Director and/or major shareholder of British American Tobacco (Malaysia) Berhad, nor any conflict of interest in any business arrangement involving the Company. He has had no convictions for any offences within the past ten (10) years.



William Toh Ah Wah

Non-Independent Non-Executive Director
Malaysian, Age 51 years

William Toh Ah Wah was appointed a Director of British American Tobacco (Malaysia) Berhad on 5 March 2009.

William Toh holds a Bachelor of Commerce from the Concordia University, Montreal, Canada. He joined Rothmans of Pall Mall (Malaysia) Berhad in 1981 as a management trainee and held various marketing roles including Area Manager and Marketing Manager. He was seconded to China in 1991 and during his tenure overseas has held various positions including General Manager for Shandong Rothmans

Tobacco Company Limited, China (1991-1994), Sales & Marketing Director China/Hong Kong for Rothmans (Far East) Limited (1994-1996), General Manager Taiwan of Rothmans (Far East) Taiwan Limited (1996-1997), General Manager China/Hong Kong of Rothmans (Far East) Limited (1997-1998) and Managing Director Greater China of Rothmans (Far East) Limited (1998-1999).

He joined British American Tobacco (Malaysia) Berhad in 1999 and thereafter held various positions including Business Development Director China for British American Tobacco Asia Pacific North (1999-2003), Managing Director of British American Tobacco New Zealand Limited (2003-2005), Managing Director of Pakistan Tobacco Company Limited (2005-2008) and double-hatted as the Area Director of British American Tobacco South Asia Area (2007-2008).

William Toh is currently (since November 2008) the Area Director of the Indonesian Cluster (covering the markets of Indonesia, Thailand and Philippines) and the Regional Project Manager of British American Tobacco Asia Pacific Region Limited and is based in Hong Kong.

William Toh does not have any family relationship with any Director and/or major shareholder of British American Tobacco (Malaysia) Berhad, nor any conflict of interest in any business arrangement involving the Company. He has had no convictions for any offences within the past ten (10) years.

PROFILE OF TOP TEAM MEMBERS

From left to right

- **Rashed Ahmed** Marketing Director • **Cheryl Ann Wong Wai Leng** Human Resources Director
- **Allen Lim Hun Chye** Business Development Services Director • **Christine Lee Oi Kuan** Corporate and Legal Affairs Director
- **Stephen James Rush** Finance Director • **Jack Marie Henry David Bowles** Managing Director
- **Dato' Chan Choon Ngai** Operations Director







Jack Marie Henry David Bowles

Managing Director
French, Age 45 years

Jack Marie Henry David Bowles has twenty (20) years of experience in the tobacco industry and has previously worked for blue-chip fast moving consumer goods (FMCG) companies across Europe and Asia. He holds a Diploma of Business Management from French Business School in Paris. His academic experience includes INSEAD (France) and IMEDE (Switzerland).

Jack Bowles is a member of the Board of Directors and is also a member of the Remuneration Committee of the Company.

Details of Jack Bowles's profile are set out on page 34 of this Annual Report.



Dato' Chan Choon Ngai

DSNS
Operations Director
Malaysian, Age 53 years

Dato' Chan Choon Ngai holds a Bachelor of Science in Mechanical Engineering degree from the University of Birmingham, United Kingdom. He has been with the Group since 1979. He held various significant positions in the Company's production division namely, Production Director and Factory Manager.

Dato' Chan is a member of the Board of Directors and is also a member of the Board of Directors for several subsidiaries in the Group.

Details of Dato' Chan's profile are set out on page 36 of this Annual Report.



Cheryl Ann Wong Wai Leng

Human Resources Director
Malaysian, Age 41 years

Cheryl Ann Wong Wai Leng joined British American Tobacco (Malaysia) Berhad in 2004 as a Talent Development Manager and assumed the role as Head of Marketing Human Resources in 2005. She was seconded to British American Tobacco Vietnam in 2007 as the Human Resources Director. In 2007, she was also the Area Head of Human Resources, British American Tobacco East Asia Area. In this role, Cheryl Wong spearheaded the Area Talent Programme to focus on effectively filling the talent pipeline at junior and mid-career levels in the context of challenging emerging markets, provided high-impact development opportunities for local talent and started creating a workplace

where employees could perform at their best and enjoy their work, thereby preparing the organisation for the challenges ahead.

She holds an honours degree in Economics, majoring in Business Administration from the University of Malaya and a Masters in Business Administration from the Heriot-Watt University, Edinburgh.

Cheryl Wong was appointed as the Human Resources Director of British American Tobacco (Malaysia) Berhad in November 2008.

Cheryl Wong is also a Director of the Board for several subsidiaries in the Group.



Stephen James Rush

Finance Director
Australian, Age 41 years

An accountant by profession, Stephen James Rush joined the British American Tobacco Group in 1995. He held several portfolios over the years including Finance Director of British American Tobacco Cambodia, Finance Director of British American Tobacco Poland and Deputy Regional Finance Controller for British American Tobacco p.l.c.

Stephen Rush is a member of the Board of Directors and is also a member of the Board of Directors for several subsidiaries in the Group.

Details of Stephen Rush's profile are set out on page 36 of this Annual Report.



Christine Lee Oi Kuan

Corporate and Legal Affairs Director
Malaysian, Age 50 years

Christine Lee Oi Kuan was appointed to the Top Team of British American Tobacco (Malaysia) Berhad on 1 January 2006 and assumed the role of Corporate and Legal Affairs Director of British American Tobacco (Malaysia) Berhad on 1 September 2006. She has been with British American Tobacco (Malaysia) Berhad since 2001.

Christine Lee began her career in British American Tobacco (Malaysia) Berhad as Head of Legal and Company Secretary. She was previously the Legal Manager and Company Secretary of two (2) public listed companies, Hong Leong Industries Berhad and Malaysia Pacific Industries Berhad.

Holder of a degree in law from the University of Malaya, Christine Lee served at the Attorney General's Chambers, Malaysia from 1983-1993 in the Prosecution and Advisory and International Law Divisions.

In her current role as the Corporate and Legal Affairs Director, Christine Lee is responsible for corporate and regulatory affairs and legal matters of the Group.

Christine Lee is also a Director of the Board for several subsidiaries in the Group.



Allen Lim Hun Chye

Business Development Services Director
Malaysian, Age 52 years

Allen Lim Hun Chye joined as a Commercial Accountant of the then Rothmans of Pall Mall (Malaysia) Berhad in 1990, now British American Tobacco (Malaysia) Berhad. He holds a degree in Commerce from the University of Melbourne and a Masters in Business Administration from Monash University, Australia. He is a member of both The Institute of Chartered Accountants in Australia and the Malaysian Institute of Accountants. In addition, he is also a member of the Malaysian Association of the Institute of Chartered Secretaries and Administrators (MAICSA).

He worked in various operational roles spanning both the Information Technology and Finance functions. Post the announcement of the merger between Rothmans of Pall Mall and Malaysian Tobacco Company Berhad in 1999, Allen Lim was appointed the Integration Manager. He then took on the role of Corporate Finance Manager for two (2) years before becoming Head of Brand Marketing Finance in 2004 and subsequently the Head of Marketing Finance in 2005. In April 2006, Allen Lim assumed the role of Head of Strategic Business Development and in September 2006, he was appointed as the Business Development Director.

Allen Lim has assumed the role of Business Development Services Director

which is an expansion of his current portfolio to include Anti Illicit Trade, Information Technology, Strategy and Planning, Business Information, Programme Management Office and Business Security.

Allen Lim is also a Director of the Board for several subsidiaries in the Group.



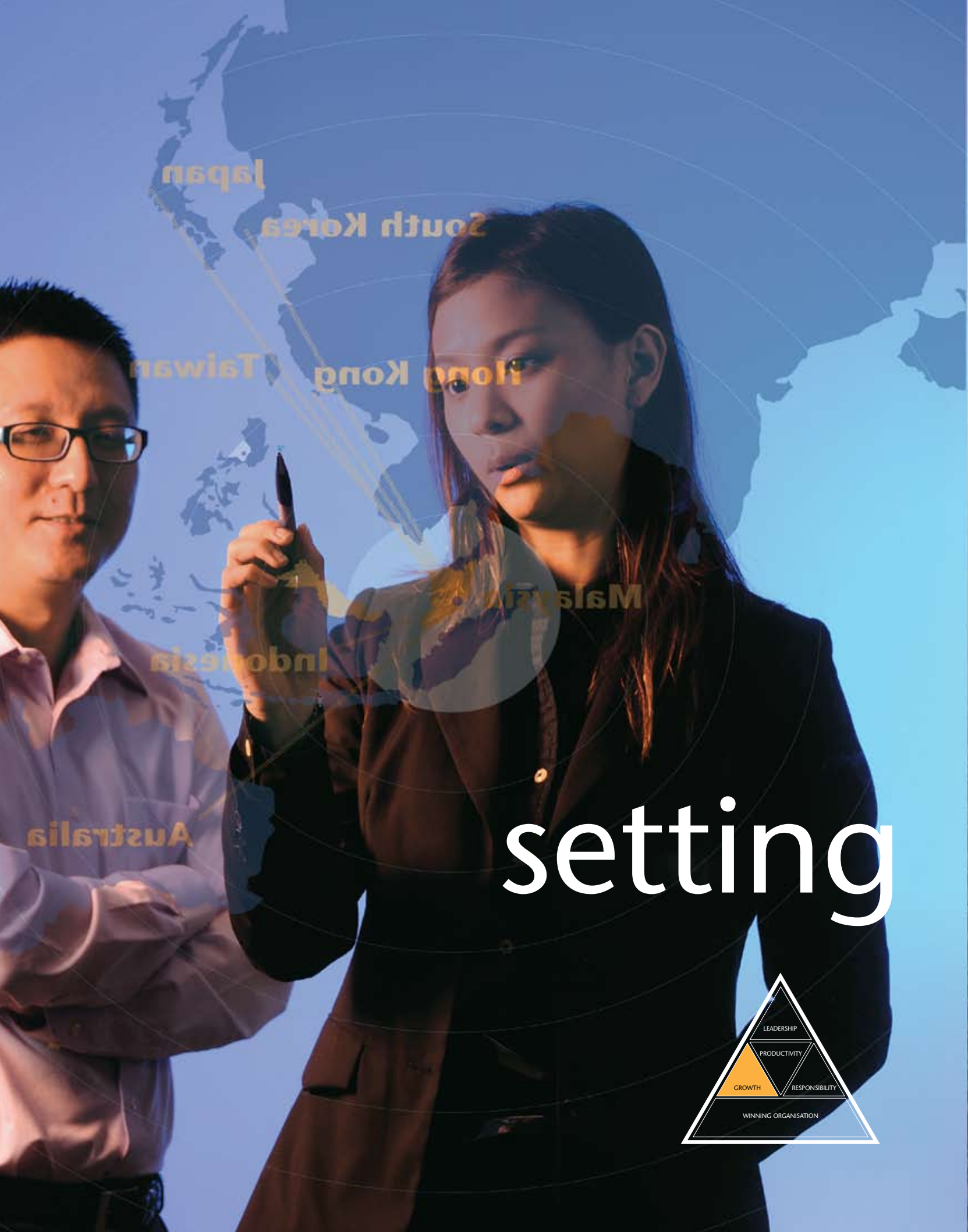
Rashed Ahmed

Marketing Director
Bangladesh, Age 41 years

Rashed Ahmed, was appointed Marketing Director of British American Tobacco (Malaysia) Berhad in May 2007. He holds a degree in Business Administration from the International Islamic University, Malaysia.

He joined British American Tobacco Bangladesh in 1995 and held various positions from 1995 to 1998. Rashed Ahmed was the Head of International Brands for British American Tobacco Poland from 2000 to 2002. Thereafter, he was Head of Marketing for British American Tobacco Bangladesh from 2003 to 2007. Prior to Rashed Ahmed joining the British American Tobacco Group, he was a Brand Manager in Unilever Bangladesh Limited.

Rashed Ahmed is also a Director of the Board for several subsidiaries in the Group.



Japan

South Korea

Taiwan

Hong Kong

Malaysia

Indonesia

Australia

setting





growth

Our Global Drive Brands continue to be the Company's cornerstones of growth which have been further enhanced with effective trade marketing and distribution beyond expectations.

TAKING THE SUCCESS OF GLOBAL DRIVE BRANDS BEYOND

We made major investments in 2008 on our Brands as well as Trade Marketing and Distribution capabilities in order to offer our consumers – adult smokers the best smoking experience that they can have as compared to competing brands in the market. We believe these investments will provide the sustainability to our growing leadership in the tobacco industry in Malaysia for many years to come.



Rashed Ahmed
Marketing Director

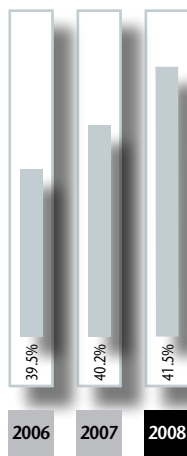
Through the combined efforts of our Global Drive Brands, 2008 proved to be another exciting and successful year. Leadership at all levels was evidently the flavour of the year, as DUNHILL continued to consolidate its

position as the favourite brand in Malaysia. KENT kick started its journey to achieve leadership in the Premium Lights and Premium Menthol segments, whilst PALL MALL took a step further in line with our vision to become No.1

in the value for money (VFM) segment. The introduction of VOGUE in global travel retail also marked our commitment to lead in new segments.

DUNHILL

SHARE GROWTH FOR THREE CONSECUTIVE YEARS

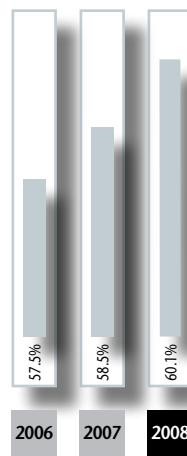


DUNHILL Share of Market

Source: Nielsen, Retail Audit

For three consecutive years, DUNHILL had grown its share of market despite challenging industry dynamics. 2008 marked another milestone for the brand which saw its market share further improved by 1.3% to 41.5%.

DUNHILL: UNDISPUTED LEADER IN PREMIUM SEGMENT



DUNHILL Share of Premium Segment

Source: Nielsen, Retail Audit

DUNHILL also continued to scale new heights in 2008, exceeding 60% in its share of premium segment driven by strong brand programmes that focused on delivering superior offerings spearheaded by its 'Perfectionists in Tobacco' positioning.

DELIVERING ON OUR PROMISE OF PERFECTION

2008 sees DUNHILL taking on a bold approach in strengthening its market leadership.

Key to DUNHILL's success is translating the focus behind 'Perfectionists in Tobacco' attribute and its strong heritage (Since 1907) into initiatives that were both effective and credible.

2008 DUNHILL HIGHLIGHTS



LAUNCH OF SUPERIOR OFFERINGS

The hallmark of perfection. Exclusive limited edition pack for King Size 20s.



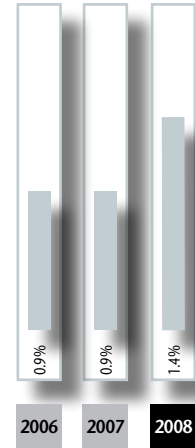
Perfectionist in tobacco expertise coupled with Lights and Menthol offerings resulted in 18% volume growth in 2008 for the DUNHILL range of products.

Prestigious and superior exclusive limited edition series from DUNHILL further consolidated the brand's position at the top.





KENT



KENT Share of Market

Source: Nielsen, Retail Audit

LEADING THE WAY WITH INNOVATIONS

2008 was a big year for KENT, with a total re-launch that saw it merging with PETER STUYVESANT, creating a new variant - KENT Red. This was then followed by the launch of the new designs for its Lights and Menthol variants.

WELL POSITIONED FOR GROWTH

KENT is off to a great start with its re-launch, growing market share from 0.9% to 1.4%, and is poised for future growth.

PS2K (PETER STUYVESANT TO KENT)

The KENT and PETER STUYVESANT merger was initiated in-order to give the brand a strong foundation to pave the way for future brand building activities. This merger gave birth to the new KENT PETER STUYVESANT Original Taste, also known as KENT Red.

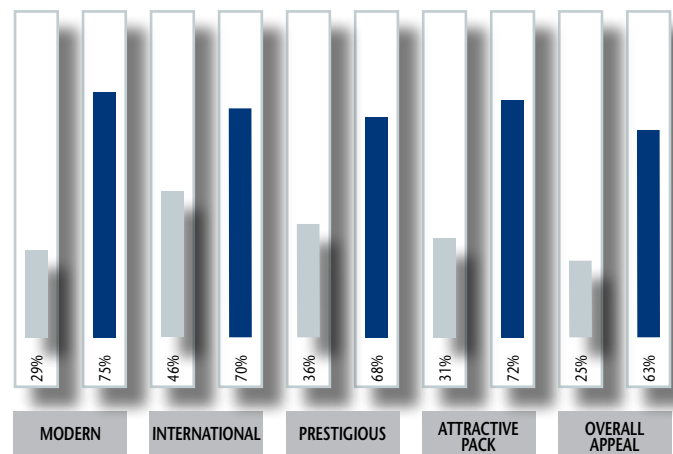
LIGHTS AND MENTHOL RANGE LAUNCH

The dual 3TEK and MINTEK launch was the first step in establishing KENT as "The Modern Way To Smoke". Both 3TEK and MINTEK embody KENT's philosophy of delivering better taste through technology and innovation - Taste Transmission Technologies.

ESTABLISHING TASTE TRANSMISSION TECHNOLOGIES

The total KENT launch accorded the brand the authority to challenge key competitors in the premium lights and menthol segments. With a solid product innovation pipeline already in place, the future promises to be even more exciting, as KENT continues its journey to establish leadership in the premium lights and menthol segment.

Brand appeal improved significantly indicating strong growth potential



Legends: ■ Pre Launch ■ Post Launch

Source: Nielsen, Retail Audit

PALL MALL

REALISING OUR VISION TO BE NO.1 IN THE VALUE FOR MONEY (VFM) SEGMENT

2008 proved to be another great year for PALL MALL, as the brand once again performed better against previous years in terms of market share and volume. This outstanding performance was achieved vis-à-vis a backdrop of aggressive competitive activities.



PALL MALL Share of Market

Source: Nielsen, Retail Audit



1ST BRAND IN MALAYSIA WITH CREST TIPPING

The year started with the introduction of crest tipping for PALL MALL, enhancing cues of modernity, prestige and internationalism.

NATURALLY SUN RIPENED FOR MORE TASTE

Further reinforcement of the PALL MALL product story was successful in delivering retailer advocacy as PALL MALL provides credibility in the move to become the No.1 VFM choice in Malaysia.

NEW LOOK, SAME GREAT TASTE

PALL MALL injected further enhancement into the brand with a new pack design, promising to be more premium looking, modern, high quality and unique. In true leadership spirit, PALL MALL has successfully "Moved Up and Improved" through enhanced availability, visibility and communication.



BEST OF BOTH WORLDS

PERILLY's joined forces with PALL MALL and PALL MALL PERILLY's Original Taste came to fruition. Combining the modernity, internationalism and equity of PALL MALL with the established quality of PERILLY's, the family has just become bigger.



VOGUE IN MALAYSIA

LEADING THE WAY IN NEW SEGMENTS

Inspired by the freedom and the sophistication of modern consumers, VOGUE, a superslim premium cigarette brand was introduced.

VOGUE was launched in end September 2008 with VOGUE Signature, the core range in the VOGUE portfolio. A premium brand, VOGUE is currently available at Kuala Lumpur International Airport and Low Cost Carrier Terminal duty free areas.

TRADE MARKETING AND DISTRIBUTION

PUSHING BEYOND LIMITS TO DELIVER SUSTAINABLE AND SIGNIFICANT ADVANTAGES IN TRADE MARKETING AND DISTRIBUTION (TMDX)

Continuing our acceleration efforts undertaken in 2007 for TMDX, the three main focus areas of distribution network, people, processes and systems were further amplified in 2008, enabling our people to further stretch their capabilities and deliver consistent performance beyond the challenges faced in this dynamic market environment.



Delivering effective and consistent high service standards to our valued customers



Sales Specialist equipped to have instant access to accurate information

DISTRIBUTION NETWORK

A foundation for growth in Direct Store Sales (DSS) and building sustainable long term business partnerships with Exclusive Distributor Excellence (EDx) programme.

CEMENTING FOUNDATION FOR GROWTH IN DSS

The thrust of DSS is that we maintain and deliver effective and consistent high service standards to our valued customers and at the same time building and delivering a sustainable and significant TMDX competitive advantage. One of the critical success factors lies in our frontliners, the Sales Specialists who are the key people to enabling and delivering the best service to our trade partners nationwide.

In line with driving high performance and winning culture, we are committed to and have invested in upskilling our Sales Specialists through a robust programme known as the Take CHARGE Programme in 2008, aimed at developing our Sales Specialist force into a modern, progressive and sustainable frontline workforce. The programme included cultivating positive mindset, confidence and motivation.

BUILDING SUSTAINABLE BUSINESS PARTNERSHIPS WITH EDX

Apart from DSS, the distribution network was further complemented by our EDx programme, which would ensure that we maintain and deliver excellent service standards to the full retail trade. The aim of the EDx programme was to pursue and encourage chosen business partners to build long term sustainable partnerships aligned to our business objectives.

Our first EDx was piloted in quarter 4 of 2008 and has been successfully assimilated into our distribution network. EDx has forged stronger and better working relationships, aligned key performance indicators and measurement, and clarity of expectations for better business performance.

This new way of working encompassed the following areas:

- Business review process
- Target setting and progress monitoring
- Performance related incentives
- Improved working environment for our people

PEOPLE - INSTITUTIONALISING A WINNING NATIONAL INCENTIVE SCHEME

In order to support the overall marketing initiatives by the Company, a comprehensive scheme was introduced in 2008 with the objective to drive better business results through a performance reward mechanism. This scheme has clearly differentiated and emphasised an individual's contribution and yet promoted teamwork performance. The scheme has set performance indicators which included sales volume, consistency of performance and quality of execution and recognition of best practice behaviours.

PROCESSES AND SYSTEMS – HARNESSING THE POWER OF INFORMATION FOR TRADE EFFECTIVENESS

With the successful integration of SWIFT (an integrated management and execution system) in 2007 into TMDX management, we have been better equipped and able to harness the information to target effectively, invest efficiently and impact the market for improved business performance across the country.

All our Sales Specialists and Field Marketing Executives have been equipped with handheld Personal Digital Assistant (PDAs) to allow instant access to accurate information to achieve Point-of-Purchase objectives. Notable improvements included:

- accurate and timely volume plans set by our Exclusive Distributors
- effective communication to our trade partners (retailers) on their purchase decisions
- improved flexibility and speed by our TMDX team to respond to and impact required changes in the dynamic market environment.



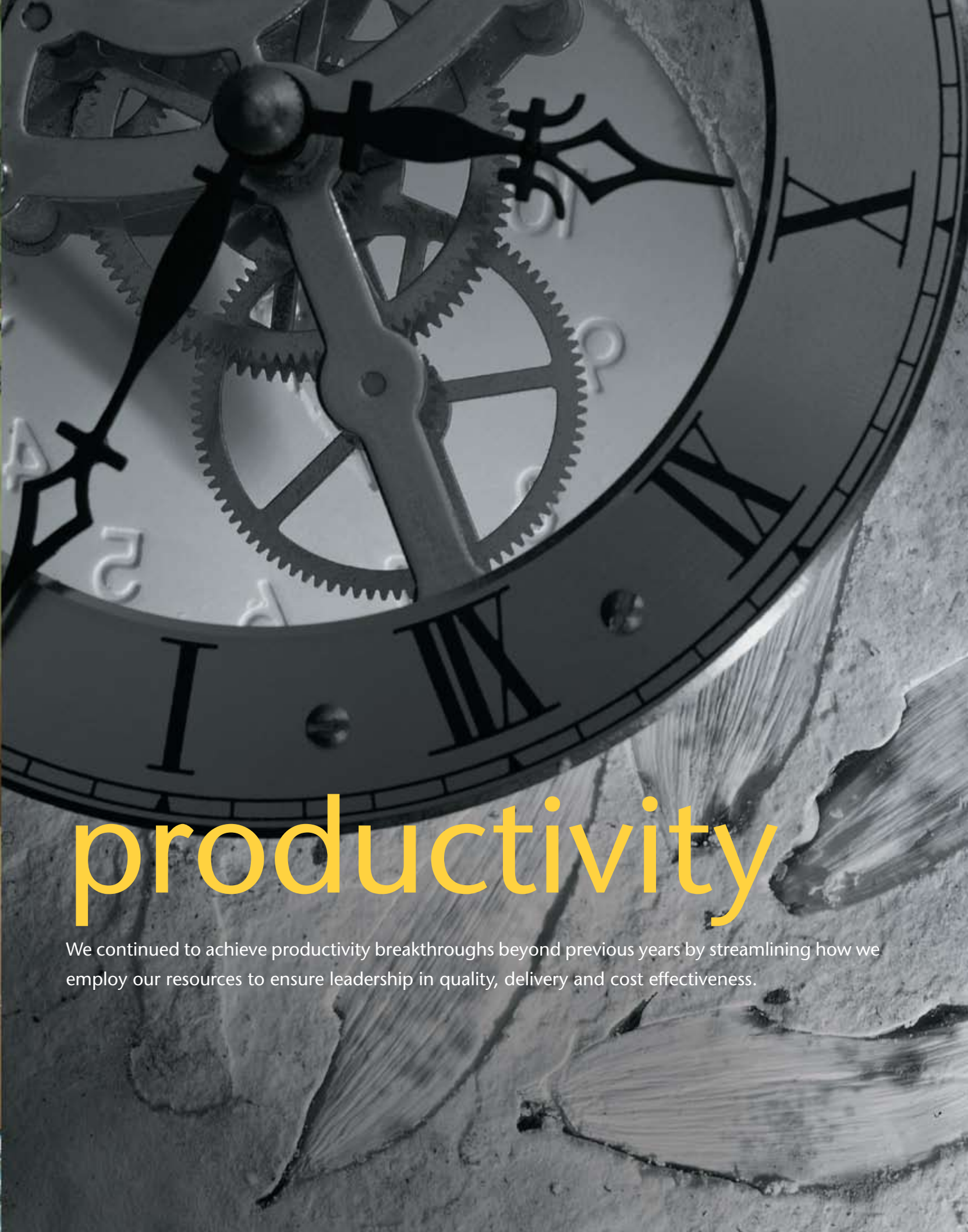
10 Pcs
10 305
1413
MOTIVATION
The best way to...

Choice



seamless





productivity

We continued to achieve productivity breakthroughs beyond previous years by streamlining how we employ our resources to ensure leadership in quality, delivery and cost effectiveness.

TAKING PRODUCTIVITY BEYOND

British American Tobacco Malaysia has established an integrated approach that is constantly evolving to attain breakthrough performance and sustainability in this dynamic and ever changing marketplace. We aim to lower cost base, whilst improving the quality of products, the speed they get to the market and as well as the effectiveness of our overall operations to achieve our vision to be the No.1 choice Supply Chain in Asia Pacific.

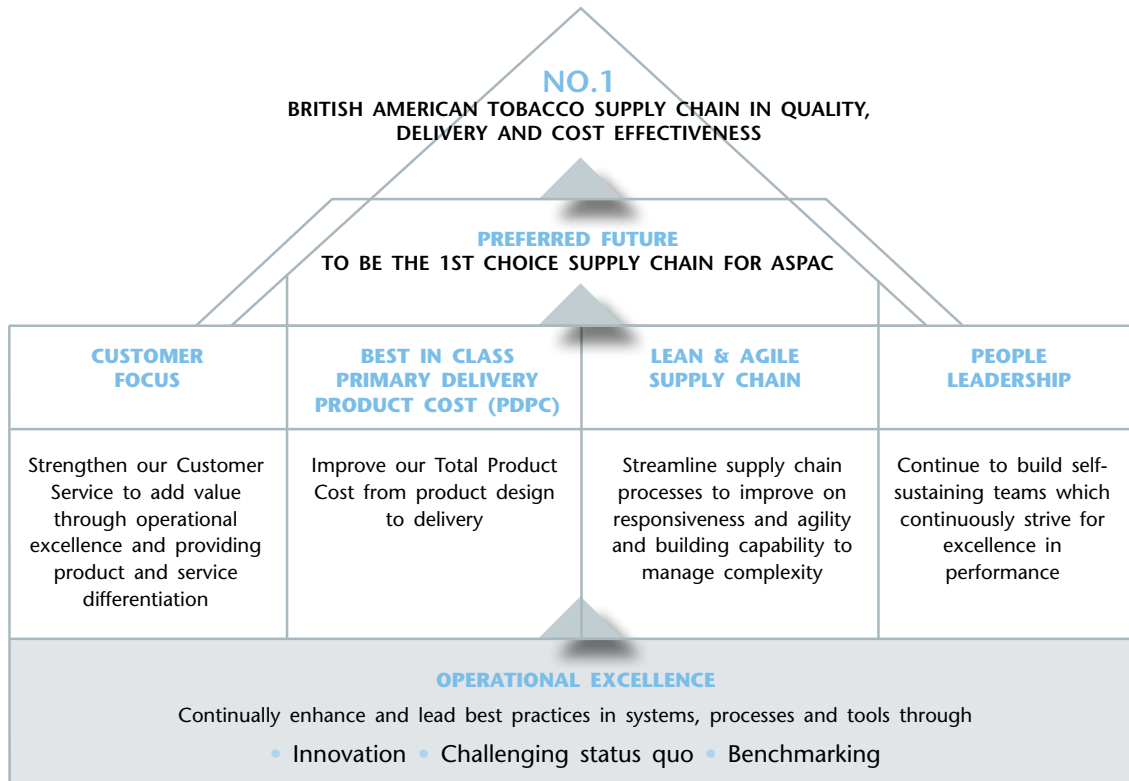


Dato' Chan Choon Ngai
Operations Director

BREAKTHROUGH 3

Breakthrough 3 (BT3) was the third phase of British American Tobacco Malaysia's Breakthrough journey which started in 2002 and a continuation of the Breakthrough 1 programme (2002-2004) which focused on factory performance improvements and Breakthrough 2+ (2005-2006) which focused on Customer focused end-to-end Supply Chain.

Our BT3 aims are captured in the diagram below:



The BT3 programme which took form in 2007 has achieved benefits for the Company beyond the targets set over a 2-year period (2007-2008) as follows:

- export volume increased by 39%
- PDPC cost savings exceeded target by 5%
- manufacturing cost per mille reduced by 5%
- productivity (cigarette per man hour) improved by 30%
- supply chain lead time improved by 50%
- 100% employees participation in Continuous Improvement activities

BT3 programme was a huge success despite increase in business complexity and the adverse global economic situation. In July 2008, recognising that

the only constant was change, the Company embarked on the process of developing the next change programme - Breakthrough 4 with the objective to

identify opportunities to continuously optimise total product cost and improve productivity.

CONTINUOUS IMPROVEMENT

The Operations function has achieved a major milestone at the end of 2008 with 100% employee participation in the Company's Continuous Improvement CI-Kaizen programme whereby each Operations employee has suggested and completed at least one CI-Kaizen initiative.

The completed initiatives were focused on work simplification, improving our productivity and quality, reducing

unnecessary waste and making our working environment safer, comfortable, cleaner and tidier. These CI-Kaizen initiatives have boosted productivity in the Operations function.

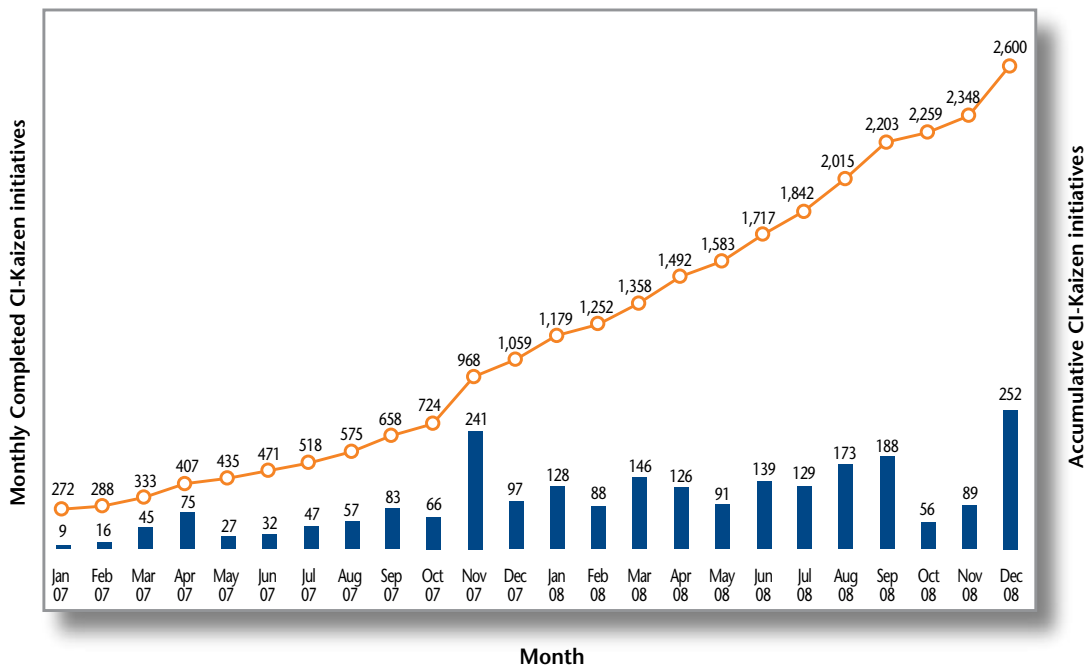
A total of 2,600 CI-Kaizen initiatives were completed since the launch of the programme in October 2006. With participation at a bare minimum rate when the programme was first

launched, the Company managed to register more than 2,000 CI-Kaizen initiatives over the next 2 years surpassing the projected rate of participation in 2008 by more than double.

This significant achievement in 2008 clearly indicated a culture and positive mindset change within employees to bring continuous improvement.

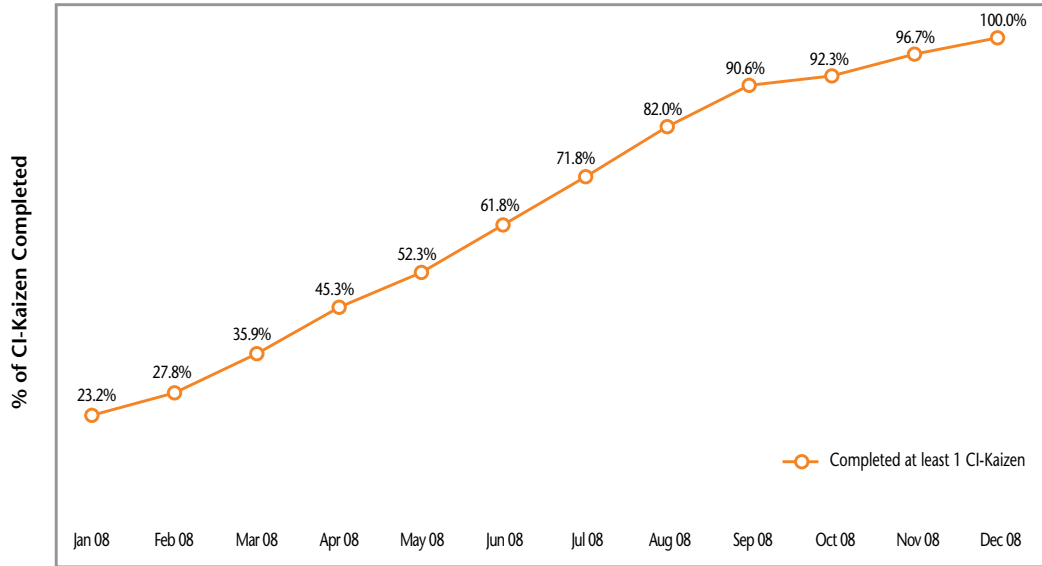
BREAKDOWN OF COMPLETED CI-KAIZEN INITIATIVES

MILESTONE
NUMBER OF COMPLETED CI-KAIZEN INITIATIVES

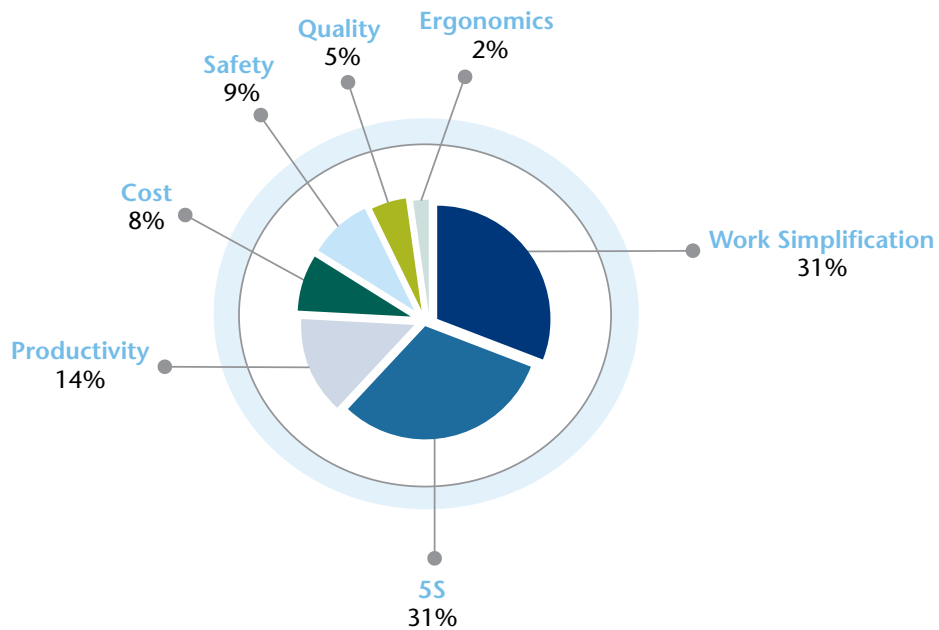


EMPLOYEES' PARTICIPATION RATE SURPASSED BEYOND PROJECTED RATE OF PARTICIPATION

**TOTAL CI-KAIZEN PERFORMANCE
COMPLETED AT LEAST ONE CI-KAIZEN AS AT DECEMBER 2008**

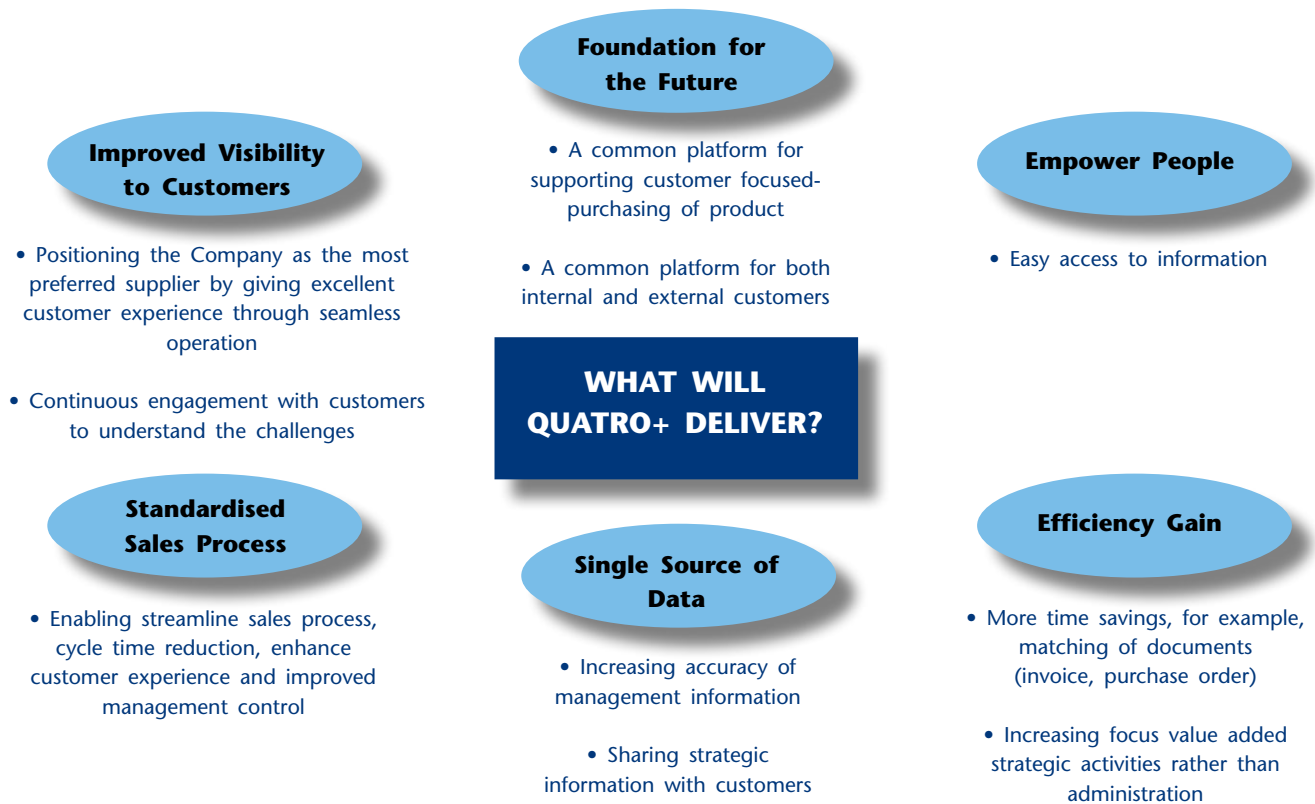


BREAKDOWN OF CI-KAIZEN BENEFITS BY CATEGORIES AS AT DECEMBER 2008



BRIDGING THE GAP THROUGH QUATRO+

To enable our business partners to place orders and have a repository to share strategic information for better decision making process and planning, the Company created an efficient Order Management Portal called Quatro+.



Quatro+ allows users to view all the orders from key accounts and export markets with scheduled delivery information. For key accounts business partners, their orders are inserted into our Trade team’s PDAs where the process and details are promptly transmitted to the SAP system. For export markets, users will be able to access the order information, stocks and quantity online. Various reports can also be generated for effective reconciliation of e-Purchase Orders and e-Invoices.

Since Quatro+ went live in June 2008, there has been significant reduction of 90% manual work in processing orders. This first and key initiative by the Company in engaging with our key account and export markets business partners has helped to

position the Company as the most preferred supplier by providing excellent customer experience through seamless operation.

SUCCESSFUL ROLL OUT OF GLOBAL LEAF ORDER AND SUPPLY SYSTEM

The Company implemented a new Global Leaf Order and Supply System (GLOSS) in September 2008, a system that enables integrated demand planning, procurement and deployment of all internationally traded tobacco in British American Tobacco Group companies. GLOSS was built using SAP’s Advanced Planner and Optimiser capability which helps to support and improve the processes involved.

In October 2008, a technology refresh of PDAs, portable Bluetooth printers and accessories supporting eDaun, an IT system enabling local leaf operations, crop planning and management was also completed.

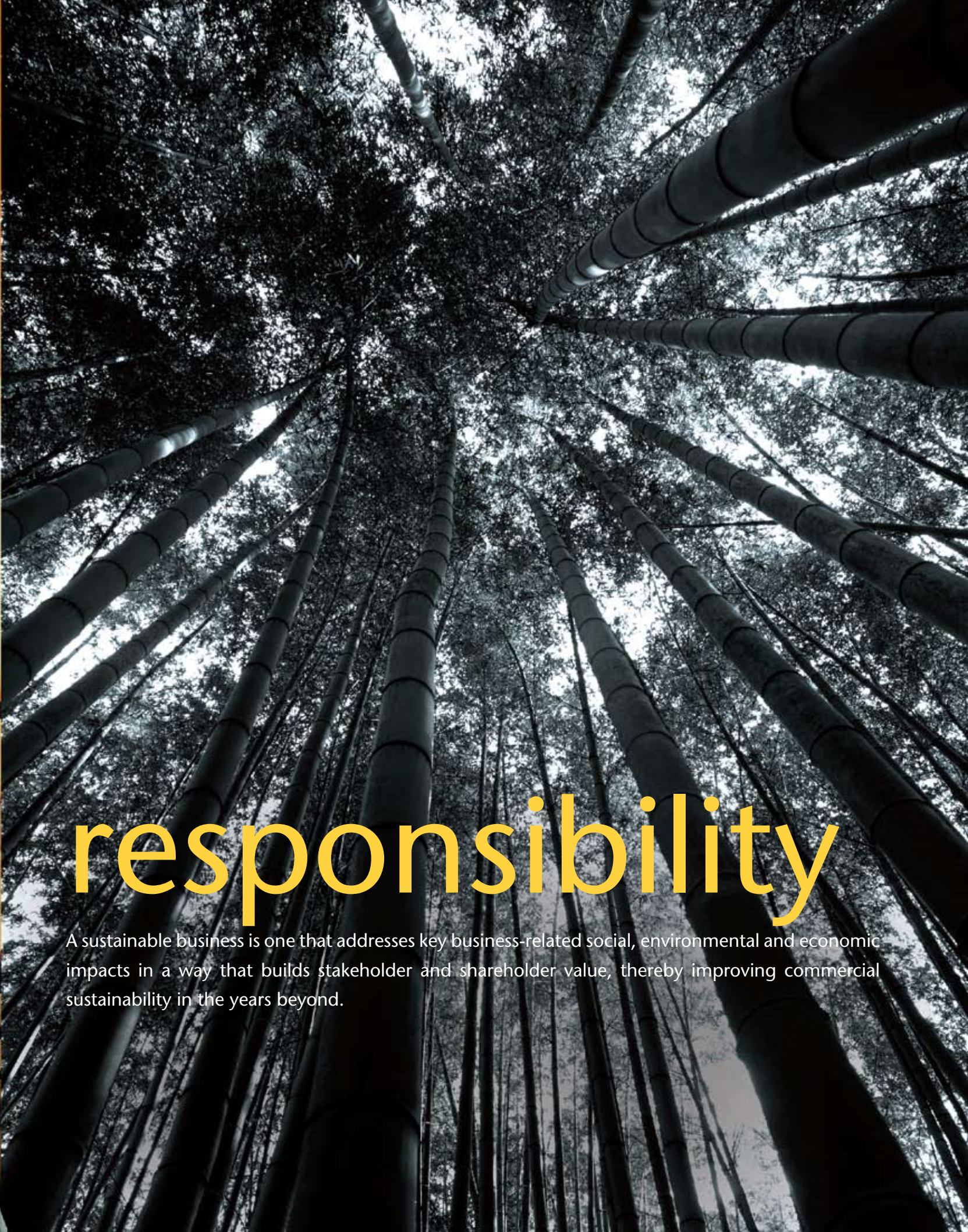
ONE IT

British American Tobacco Malaysia ran a series of workshops to drive and improve working relationship with our partners and vendors with the objective to improve on IT delivery services in a changing landscape. The primary focus was on improving communications, strengthening working relationship and improving role clarity. This resulted in improved project delivery, better quality support, improved communications and creating a better working environment and culture.



exemplifying





responsibility

A sustainable business is one that addresses key business-related social, environmental and economic impacts in a way that builds stakeholder and shareholder value, thereby improving commercial sustainability in the years beyond.

ADVOCATING RESPONSIBILITY BEYOND TRADITIONAL BOUNDARIES

Our four pillars of commitment is the foundation of our Corporate Responsibility Framework and continues to demonstrate our sincerity and dedication in contributing to society and listening to our stakeholders.



Christine Lee Oi Kuan
Corporate and Legal Affairs Director

The Securities Commission Chairman Datuk Seri Zarinah Anwar described corporate responsibility (CR) as in “not about cheques and sponsorships although that is important. It is about doing the right things” when she launched “Rising to the challenge”, a coffee-table book.

We fully subscribed to that line of CR. To us at British American Tobacco Malaysia, CR is beyond how we spend our money. It is how we earn our money.

Responsibility is a key pillar of British American Tobacco Malaysia’s business strategy, and as the leader in the Malaysian tobacco industry we demonstrate responsible corporate conduct across all aspects of our operations. Our reputation is as important as our brands, and we believe that growth and productivity

are not to be achieved at the expense of responsibility. Elements of CR have run in the veins of our Company for decades. Today, perhaps more so than before, the Company recognises that there is a need to evolve to CR as we move towards strengthening responsible behaviour in all our corporate, social and environmental endeavours.

BRITISH AMERICAN TOBACCO MALAYSIA’S CR FRAMEWORK

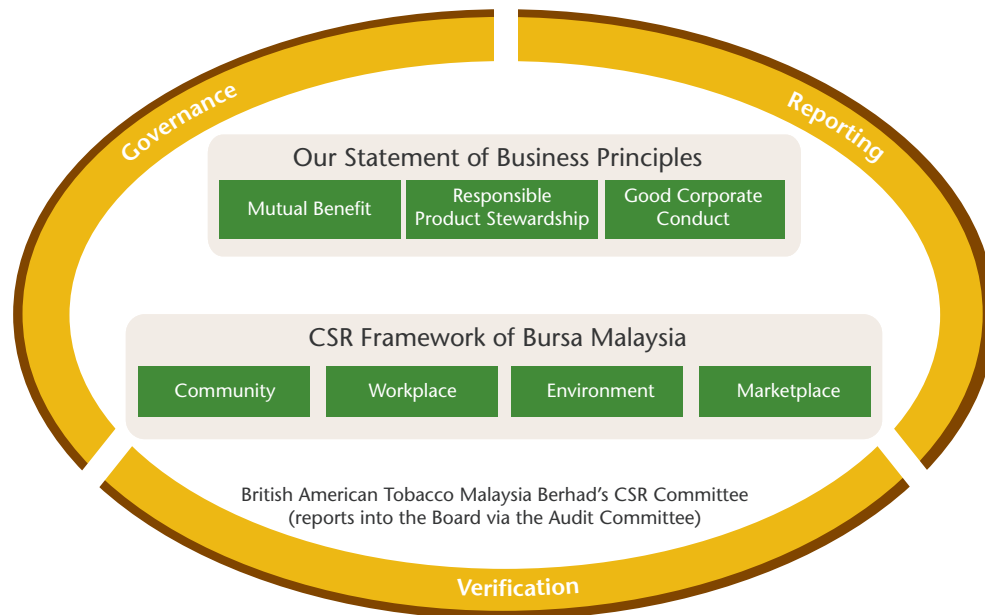
The Company’s CR Framework is aligned to the Bursa Malaysia CSR framework which was launched in 2007 as a guideline for public listed companies in Malaysia. In this accord, we are pleased to state that we stand amongst the 4.5% of leading public listed companies in Malaysia in leading responsibly (according to Bursa Malaysia’s CSR Survey 2008).

A dedicated CSR team is tasked to manage day-to-day operations and CR activities, all of which are governed by a CSR Committee that comprises the Company’s Top Team and chaired by the Managing Director. This committee in turn reports to the Board of Directors via the Audit Committee. It also reports into the British American Tobacco Regional CSR Committee, which relays reports to the British American Tobacco Global CSR Committee.

The following pages provide some highlights of our CR efforts. To understand more, please refer to our 2006-2008 Social Report in the CD ROM enclosed at the end of this Annual Report.

CORPORATE RESPONSIBILITY IN OUR VEINS

BRITISH AMERICAN TOBACCO MALAYSIA CR FRAMEWORK



TRANSPARENCY IN OUR REPORTING

We believe we have a role to play in shaping the responsibility agenda in Malaysia and hence, our social report follows international best practice standards AA1000 Assurance Standard which guides stakeholder engagements and Global Reporting Initiative (GRI) that forms the blueprint for the Company's triple bottom line reporting.

The Company places importance on transparency to provide stakeholders with a comprehensive view of the Company's economic, environmental and social performance.

For details on our GRI-G3 (version 3.0) economic, environmental and social performance, please refer to our 2006-2008 Social Report in the CD ROM enclosed at the end of this Annual Report.

COMMUNITY

As a responsible corporate citizen with a rich history in Malaysia, British American Tobacco Malaysia believes in leading responsibly and adding value to the communities in which it operates.

This is demonstrated by our commitment in supporting society in areas ranging from education to social welfare through the British American Tobacco Malaysia Foundation which aims to:

- alleviate hardship, pain and suffering of the aged, the disabled, the sick or the less privileged and
- foster, develop and improve education opportunities

The British American Tobacco Malaysia Foundation is identifiable through its

higher education scholarship programme and Higher Education Starter Kit (HESK), both of which emphasise and recognise the importance of education in enabling endless possibilities for aspiring individuals.

INSPIRING SUCCESS THROUGH EDUCATION

The British American Tobacco Malaysia Foundation's scholarship programme reaches out to deserving employees, children of employees, retailers, tobacco leaf growers and leaf curers.

Recipients are also given the opportunity to join British American Tobacco Malaysia as interns should their courses allow or require it. Once they have graduated, they will also have an opportunity to apply for the Company's Management Trainee Programme.

In 2008, the British American Tobacco Malaysia Foundation granted RM439,500 to 21 deserving scholars for the duration of their courses in pursuing their higher education.

HIGHER EDUCATION STARTER KIT (HESK)

HESK is a collaborative effort between British American Tobacco Malaysia Foundation and the National Tobacco Board since 2002 and aims to assist children of the tobacco growing and curing community to meet the initial costs involved in entering institutions of higher education.

In 2008, a total of 339 scholars were awarded RM201,100, whereby British American Tobacco Malaysia Foundation and the National Tobacco Board contributed in equal amounts.

TOUCHING PEOPLE’S LIVES

An Employee Volunteer Programme (EVP) was introduced in 2007 to promote the spirit of volunteerism among employees in contributing to the less fortunate in the community.

In 2008, our employees visited Caring Old Folks Home and spruced up the premises with cleaning, scrubbing and painting activities whilst spending time with the residents. Later in the year, some 25 volunteers took mentally challenged students from Dayspring Learning Centre out to Banghurus Homestay, Sepang to experience an educational tour of traditional Malay village lifestyle.

RESPONDING TO NATURAL DISASTERS

As part of the Company’s Corporate Social Investment (CSI) initiatives, we believe in supporting communities devastated by natural catastrophes both locally and regionally to alleviate the burden of those affected.

Our practice since 2007 is to match every Ringgit that an employee contributes to a Company-approved natural disaster. Since then, the Company has extended RM801,000 to communities that suffered losses such as those affected by floods in Johor and Malacca, Cyclone Nargis in Myanmar and the Sichuan Earthquake in China.



Deputy Minister of Higher Education, Datuk Ir. Idris Haron (left) and British American Tobacco Malaysia’s Managing Director, Jack Bowles at the 2008 Scholarship Awards Ceremony.



Deputy Minister of Plantation Industries and Commodities, YB Senator A Kohilan Pillay presenting children of the tobacco growing and curing community their HESK awards.



Shamilla Thiru, former Head of Corporate and Regulatory Affairs, presenting the Company’s contribution to Mona Hanim Sheikh Mahmud, General Manager of Mercy Malaysia for the Cyclone Nargis disaster in Myanmar.



British American Tobacco Malaysia employees and Dayspring Learning Centre special students enjoying themselves during the trip to Banghuris Homestay



Employee of British American Tobacco Malaysia spending time with residents of Caring Old Folks Home

WORKPLACE

British American Tobacco Malaysia's greatest resource is its people and it endeavours to provide them with a challenging and rewarding career in an excellent working environment.

We strongly believe in open two way communication with our employees. We engage our employees through various communications such as the Biz Update briefing sessions, internal newsletters and daily updates in the internal employee portal to ensure a clear line of sight on Company's directions and achievements to both management and non-management employees.

To ensure the sustainability of its talent pipeline, the Company has made efforts to improve on all areas of its compelling proposition to employees.

These areas revolved around reaching a first rate reward structure, greater career development opportunities, a superb working environment, considerate work-life balance, clearer practices and robust people development processes. We are confident that with these improvements, employees and external stakeholders alike will see British American Tobacco Malaysia as a Best Employer.

An elaboration of these activities can be found in our Winning Organisation section of this Annual Report.



Biz Update sessions to keep employees updated and informed



ENVIRONMENT

The responsibility of working to reduce the environmental impact of our operations is one that we take very seriously. We recognise that our operations have an impact on the environment and are committed to following high standards of environmental protection and adhering to the principles of sustainable development and protecting biodiversity. This reinforces our belief in our Statement of Business Principles in achieving world-class standards of environmental performance.

CARBON POSITIVE BUSINESS

An afforestation programme was initiated in 2002 in line with British American Tobacco Malaysia's commitment to ensure it sequesters more carbon dioxide (CO₂) than the amount generated by its operations in achieving carbon neutrality. The programme continues until today and is located in Forest Management Unit (FMU) No. 4, in Ulu Tungud, Sabah. To date, a total of 5,009 hectares of trees have been planted (the equivalent of 6,862 football fields) and we are pleased to announce that British American Tobacco Malaysia will remain a carbon positive business until 2024, based on current business projections.

ENGAGING EMPLOYEES IN BIODIVERSITY

A flagship initiative called the Borneo Programme was launched in 2008 by the British American Tobacco Biodiversity Partnership to address the maintenance of forest ecosystem services in South East Asia. Heeding this call, three employees from British American Tobacco Malaysia were selected as pilot participants to embark on the programme from 27th October – 9th November, 2008 in Malua Forest Reserve, Sabah.

We believed that our participation would help play a small part in helping restore the biodiversity of Sabah, which have been over-logged over the years.

Participants were provided with a hands-on experience in forest restoration achieved through a rigorous 'planting enrichment' exercise in the Malua Forest Reserve under the 500-hectare Sabah Biodiversity Experiment.

MANAGING OUR OPERATIONS RESPONSIBLY

An external audit was conducted in June and July 2008 on the integrated management system developed and implemented by our fully owned manufacturing subsidiary, Tobacco Importers and Manufacturers Sdn. Bhd. The system was formulated to achieve higher productivity and quality standards among employees whilst minimising environment health and safety risks. External auditors, Lloyd's Register Quality Assurance, have recommended the Company for continued certification on the following international standards:

- ISO 9001 : 2000 for Quality Management System
- ISO 14001 : 2004 for Environment Management System
- OHSAS 18001: 2007 for Occupational Health and Safety Management System



British American Tobacco Malaysia employee in the midst of planting enrichment task during the Borneo Programme.

In addition, the Company was also awarded the British American Tobacco Environment, Health and Safety (EHS) Excellence Award by our parent company, British American Tobacco p.l.c. in 2 categories:

- excellent performance and significant improvement in all the environmental categories of energy, water, waste and recycling
- significant waste reduction and improved waste ratio through introduction of various employees' recycling practices.

ENVIRONMENT HEALTH AND SAFETY (EHS) MENTORING PROGRAMME

The EHS Mentoring Programme is a three-year programme that was developed with the objective of benchmarking our key business partners' EHS standards against ours and to work with them in upgrading their standards and practices. Following the completion of the first phase of the programme from 2003 to 2005 with Tien Wah Press and Leigh Mardon, the Company extended the programme in 2008 to another two key business partners - MISC Logistics and AMB Packaging. Baseline audits of these two key business partners were conducted in December and this will be used to benchmark continuous improvement in future annual audits.

WORLD-CLASS ENVIRONMENTAL BEST PRACTICES

British American Tobacco Malaysia remains steadfast in its on-going efforts to achieve world-class standards in environmental performance. A demonstration of this included continuous improvements in the treatment of the Company's process emissions through two bio-filter plants in Virginia Park, Petaling Jaya. Complementing this initiative was the installation of a special Tundra peat bed imported from Europe which acts to biologically break down emission smells.

British American Tobacco Malaysia is also in the midst of upgrading its in-house Effluent Treatment Plant (ETP) currently in compliance with Standard B of the Department of Environment (DOE) requirements to a more stringent corporate standard requirement. We are currently installing additional equipment for the ETP upgrade which is scheduled to be completed by end of March 2009.



Carbon positive business through afforestation programme



Boilers



Natural Gas Station

To further reduce its carbon footprint, the Company has ensured that all boilers and dryers use natural gas instead of diesel. This has been our practice since 2005 in an effort to lower carbon dioxide emissions.

TOTAL WASTE FOR 2006, 2007 AND 2008

Year	Hazardous Waste	Non-hazardous waste	Total Waste
2006	20 tonnes	4,206 tonnes	4,226 tonnes
2007	25 tonnes	2,273 tonnes	2,298 tonnes
2008	32 tonnes	1,925 tonnes	1,957 tonnes
		% reduction in total waste	53.60 %

RESPONSIBLE WASTE DISPOSAL FOR 2006, 2007 AND 2008

Year	Non-hazardous waste		Hazardous waste
	Recycle	Licensed landfills	Scheduled waste treatment facility
2006	2,868 tonnes	1,338 tonnes	20 tonnes
2007	2,222 tonnes	51 tonnes	25 tonnes
2008	1,887 tonnes	38 tonnes	32 tonnes

MARKETPLACE

We are committed to work hand in hand with our stakeholders to proactively and effectively address the issue of illegal cigarettes in Malaysia.



Allen Lim Hun Chye
Business Development
Services Director

Illegal cigarettes continue to be a key concern to both the tobacco industry and the Government as it now stands at an average of 25.6% of the total cigarette market based on the illicit cigarettes survey commissioned by the Confederation of Malaysian Tobacco Manufacturers (CMTM).

Illicit tobacco trade not only increases criminality and social ills in Malaysia but also affects legal businesses and results in huge annual tax revenue losses to the Government which could have been spent on public services. Illicit tobacco trade also affects the livelihood of Malaysian tobacco farmers and dupes consumers into buying products of dubious quality as illicit cigarettes do not comply with regulatory requirements.

To address this, British American Tobacco Malaysia continually engages with its stakeholders via dialogues and undertakes various initiatives to highlight the severity of the problem and work with stakeholders to combat the issue.



COMBATING ILLEGAL CIGARETTES IN THE MARKET

British American Tobacco Malaysia together with the CMTM undertook various activities to raise awareness of this problem among relevant stakeholders in a bid to stem the rise of illegal cigarettes in Malaysia throughout 2008.

Numerous roadshows were organised by CMTM in collaboration with the Royal Malaysian Customs (RMC) and Lembah Sari Sdn. Bhd. (the supplier of security ink and tax stamps) to engage with some 287 shop owners in the Federal Land Development Authority (FELDA) schemes in Terengganu, Johor and Perak. These roadshows sought to educate shop owners on the various security features found on legal cigarette packs and to highlight the laws and penalties of selling illicit cigarettes.

RMC also partnered with CMTM to launch a nationwide Anti Illicit Trade (AIT) in Tobacco 2008 campaign themed: "JANGAN BELI DAN JANGAN JUAL ROKOK TIDAK SAH!" as part of an awareness campaign to educate approximately 90,000 retailers and the public on the risks they take when selling and buying illegal cigarettes. Five large associations representing various retailers and restaurants across Malaysia pledged their commitment to the AIT in Tobacco 2008 campaign.

British American Tobacco Malaysia also proactively engaged various law enforcement agencies which includes Ministry of Domestic Trade and Consumer Affairs, the Royal Malaysian Police and the Malaysian Maritime Enforcement Agency through workshops in order to create a platform for exchanging ideas to effectively combat illicit trade.



SAYING “NO” TO YOUTH SMOKING

We believe that smoking is strictly for adults who have made an informed choice knowing the health risks associated with smoking. We hold steadfast to the principle that children should not smoke and fully support regulations that prohibit under 18 year olds from purchasing and consuming tobacco products.

Since 1996, British American Tobacco Malaysia via the CMTM has supported the move to reduce underage smoking and in 2008, replenished 7,200 of ‘No Sale to under 18s’ signages to retail outlets nationwide.

REGULATORY DEVELOPMENTS IN 2008

British American Tobacco Malaysia acknowledged that tobacco consumption poses risks to health. We agree that tobacco products should be regulated in appropriate ways and we support balanced tobacco regulation.

In 2008, the Government introduced enhanced regulations on tobacco products. The Control of Tobacco Product (Amendment) Regulations 2008 which was gazetted on 15 September 2008 was an amendment to the existing Control of Tobacco Product Regulations 2004 that had imposed restrictions on labelling, advertising and promotion of tobacco products in Malaysia.

The amended regulations included several key requirements:

- **Pictorial health warnings on cigarette packs**

The new regulations required pictorial health warnings to be printed on 40% of the front of a pack or carton and 60% of the back of a pack or carton.

Six sets of pictures were chosen by the Government to be used as pictorial health warnings.

The new warnings which will be fully implemented in the marketplace by 1 June 2009 replaced the existing textual warning of “AMARAN OLEH KERAJAAN MALAYSIA – MEROKOK MEMBAHAYAKAN KESIHATAN” which was required under the Control of Tobacco Product Regulations 2004.

- **Additional labelling requirements on pack**

Further textual warnings are required on the side panel of cigarette packs such as “Produk ini mengandungi lebih 4000 bahan kimia termasuk tar, nikotina dan karbon monoksida yang membahayakan kesihatan.” This textual warning replaced the previous “TIDAK MELEBIHI 20mg TAR 1.5mg NIKOTINA”.

- **Restrictions on the use of descriptors on cigarette packs**

Descriptors such as “light”, “ultra light”, “mild”, “cool”, “extra” and “low-tar” will no longer be permitted on cigarette packs.

The restriction is extended to any words, terms or descriptors that has similar meanings to the above which creates a false impression that a particular tobacco product is less harmful than the other tobacco products.

- **Smoking is not allowed in National Service Training Camps.**

While the new regulations come into effect immediately, the requirements on pictorial health warnings, descriptors and additional labelling requirements comes into effect in stages from 1 January 2009, as these requirements involve changes to the cigarette packs.

STANDARDS OF BUSINESS CONDUCT

Our Group's employees comply with the Standards of Business Conduct ('Standards') which form an integral part of our Group's corporate governance. Together with the Statement of Business Principles, it continues to underpin our commitment to high standards of corporate responsibility.

The Standards require all employees to be committed to operate in accordance with high standards of business integrity, comply with laws and regulations. Employees must exercise honesty, objectivity and diligence in doing their work and must ensure that our Standards are never compromised for the sake of results.

The Standards are an integral part of the Group's principles of corporate governance and are designed to:

- (a) ensure that decisions and judgements made by employees are lawful and comply with high ethical standards;
- (b) set a tone and culture for the organisation which will enable it to be regarded as a good corporate citizen;
- (c) help employees who are faced with making difficult judgements in the course of doing their work; and
- (d) give reassurance to the Group's stakeholders with whom the Group comes into business contact.

The areas covered by the Standards are:

- Conflicts of Interest
- Inside Information and Corporate Opportunity
- Interest in Competing Businesses
- Insider Dealing and Market Abuse
- Bribery and Corruption
- Political Contributions
- Charitable Contributions
- Competition Law
- Price Sensitive Information
- Trade in the Group's Products
- Money Laundering
- Sanctions
- Whistleblowing
- Confidentiality and Information Security
- Entertainment and Gifts
- General Export Guidelines
- Commission Payments
- External Activities
- Protection of Corporate Assets and Misuse of Resources
- Accurate Accounting and Record Keeping

Compliance with the Standards is monitored regularly by the Board of Directors and Audit Committee of the Company. The Head of Internal Audit, in consultation with the Head of Legal/ Company Secretary of the Group is charged with the responsibility of reporting to the Board of Directors on an annual basis the compliance of these Standards by the Group and its employees.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors is committed to maintaining high standards of corporate governance throughout the Group as a fundamental part of its responsibilities in managing the business and affairs of the Group.

Recognising the importance of building long term shareholder value and by demonstrating high standards of corporate conduct, the Board is guided by the Group's Statement of Business Principles (Business Principles) which forms the basis on which the Group expects the business to be conducted in terms of responsibility. The Business Principles cover key issues that underpin Corporate Social Responsibility (CSR) for a multinational business and more particularly, for the unique characteristics of a tobacco business. The three (3) Business Principles are Mutual Benefit, Responsible Product Stewardship and Good Corporate Conduct each of which is supported by core beliefs which explains and supports the Business Principles.

Details of the Business Principles are available from the Group's corporate website at www.batmalaysia.com.

The Company's corporate governance framework is directed towards achieving the Company's key business objectives in a manner which is responsible and in accordance with high standards of honesty, transparency and accountability.

These principles are reflected in our Standards of Business Conduct (Standards) which are reviewed from

time to time to ensure that they remain at the forefront of best business practices. Examples of provisions in the Standards are, avoiding situations where there are conflicts of interest, prohibition on use of inside information, corporate opportunities, insider dealing and no corrupt activities.

The Group and every employee including Directors are expected to live up to the Standards. To facilitate this, the Standards can be conveniently be located by our employees and Directors via the employee portal. The Standards is also available from the Company Secretary and through our website at www.batmalaysia.com.

In driving high standards of corporate governance, the Board of Directors is also guided by the Company's Code of Corporate Governance (BATM Code), which is formulated based on the principles and best practices set out in the Malaysian Code on Corporate Governance (Revised 2007) (Malaysian Code) and developments of globally recognised best governance practices. These principles and best practices are practised throughout the Group as the underlying principle in discharging the Board of Director's responsibility and to ensure transparency and corporate accountability. The BATM Code is

reviewed from time to time to ensure new facts and circumstances and evolving corporate governance issues are addressed and best practices are incorporated.

At the 2008 Annual General Meeting, the shareholders approved the amendments to the Company's Articles of Association (Articles) to streamline the Company's Articles with the Bursa Malaysia Listing Requirements (Listing Requirements) and the Companies Act 1965, to ensure clarity and consistency throughout the Articles and to enhance the administration of the Company's internal dealings.

The Company's strong commitment to excellence in all aspects of its business has garnered it numerous awards particularly in the areas of corporate governance.

In 2008, the Company received the Silver Overall Excellence Award in the National Annual Corporate Report Awards (NACRA) 2008 for the first (1st) time, a recognition for being one of the most outstanding Annual Reports of the year amongst the Malaysian public listed companies in the NACRA and the Company continued to win the NACRA in the Consumer Products category for the seventh (7th) consecutive year.

The NACRA is Malaysia's most esteemed award in recognition of excellence in annual corporate reporting. Organised annually with the joint commitment of the four organising bodies, Bursa Malaysia Berhad, Malaysian Institute of Management, Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants, the NACRA has become the benchmark for excellence in corporate reporting.

In 2008, the Company was ranked fourth (4th) in the Overall Excellence Award for the 2008 Corporate Governance Survey conducted by the Minority Shareholder Watchdog Group (MSWG) in collaboration with the Nottingham University Business School. The Company also received the Industry Excellence Award in the Consumer Products category from MSWG which recognises achievements of listed companies by industries. The survey was carried out to highlight the level of compliance of 960 companies listed on Bursa Malaysia Securities Berhad with the Malaysian Code principles and international best practices.

The Company attained an overall corporate governance score (CGS) of 80% for both Basic Compliance Score and International Best Practices, which had been an improved performance compared to the CGS of 72% in the 2007 Corporate Governance Survey. With the improved levels of compliance, the Company had elevated itself to fourth (4th) place from previously being in ninth (9th) place in the 2007 Corporate Governance Survey.

The Company had for the fifth (5th) time in seven (7) years, been named as one (1) of the three (3) companies with best corporate governance

practices amongst Malaysian companies by The Asset Corporate Governance Awards 2008. The Asset is a financial business magazine for financial industry in Asia with a high circulation rate within the community of leading corporate and financial decision makers in Asia.

During the year, the Company was ranked ninth (9th) for being the Best Managed Company, fifth (5th) for being the Best Corporate Governance and second (2nd) for being the Most Committed to Strong Dividend Payment by FinanceAsia. The Company marked its eighth (8th) consecutive year in the prestigious top ten (10) list for FinanceAsia's Best Companies Poll in 2008. FinanceAsia assessed Asian companies on their overall management, corporate governance, investor relations and their commitment to strong dividend payments.

The Company also received the High Performance Private Company Award from the Royal Malaysian Customs during the 27th World Customs Day. The Company was conferred this award for high revenue contribution and its compliance with Royal Malaysian Customs' law and regulations.

Winning the awards stated above is testimony of the Group's commitment to manage its business responsibly amidst a challenging environment for the tobacco industry. It reflects the Group's commitment to achieving sustainable progress guided by its values of transparency, accountability, integrity and good corporate governance, whilst maintaining long term shareholder value.

The principal corporate governance rules which apply to Malaysian companies listed on Bursa Malaysia

Securities Berhad are contained in the Malaysian Code and Listing Requirements. The Company has complied with the BATM Code, Malaysian Code, Listing Requirements and the applicable laws and regulations and the Board therefore considers that the Company has satisfied its obligations under the BATM Code, Malaysian Code and Listing Requirements.

As required under the Listing Requirements, this Statement of Corporate Governance (Statement) reports on how the BATM Code, Malaysian Code and Listing Requirements are applied by the Company and sets out the Company's formal report on compliance with the BATM Code, Malaysian Code and Listing Requirements throughout the twelve (12) months ended 31 December 2008.

BOARD OF DIRECTORS

The Board

The Board believes that its commitment to its fiduciary duties and responsibility is critical to its goal of driving long term shareholder value.

The Board is responsible to the shareholders for the success of the Group and for its overall strategic direction, its values and governance. In discharging this responsibility, the Board is guided by the Standards and the Business Principles. The Group's Standards sets out high standards of honesty, responsibility, transparency and accountability. The Board ensures that compliance with the Group's Standards is monitored through a process where declarations are obtained from all Directors and management on their compliance and this includes disclosure of any conflict of interest situations.

The Board provides the leadership necessary to enable the Group's business objectives to be met within the framework of internal controls as described in this Statement, while ensuring that the Company's obligations to its shareholders and stakeholders are met.

As at 31 December 2008, the members of the Board of Directors are as follows:

Tan Sri Abu Talib bin Othman

Independent Non-Executive Director (Chairman)

Datuk Oh Chong Peng

Independent Non-Executive Director

James Richard Suttie

Non-Independent Non-Executive Director

Jack Marie Henry David Bowles

Executive Director (Managing Director)

Stephen James Rush

Executive Director (Finance Director)

Dato' Chan Choon Ngai

Executive Director (Operations Director)

The details of the members of the Board of Directors appear on pages 34 to 37 of this Annual Report.

Board Structure and Procedure

The Board structure is consistent with the requirements mandated by the Listing Requirements and as prescribed by the principles and best practices of the Malaysian Code. As at the date of this Statement, the size and composition of the Board is well balanced in its currently constituted state. The Board is committed to discharge its responsibilities effectively.

As at 31 December 2008, the Board has six (6) members, comprising three (3) Non-Executive Directors (including the Chairman) and three (3) Executive Directors. From the three (3) Non-Executive Directors, two (2) Directors are independent. The two (2) Independent Directors meet the criteria of Independent Directors as set out in the Listing Requirements. Applying the criteria on Independent Director as set out in the Listing Requirements, the Board confirmed that there had been no transactions, relationship or arrangements that would have impaired the independence or any judgment made by the Board.

The Board on 5 March 2009 has appointed Dato' Ahmad Johari bin Tun Abdul Razak as an Independent Non-Executive Director of the Company. Dato' Ahmad Johari bin Tun Abdul Razak holds a Bachelor of Laws degree from the University of Kent, United Kingdom. He was called to the Bar of England and Wales at Lincoln's Inn in 1976 and was admitted as an Advocate and Solicitor of the High Court of Malaya in 1977. Dato' Ahmad Johari bin Tun Abdul Razak is a lawyer by profession and a Director of several companies. He has more than twenty (20) years of experience as an Advocate and Solicitor in the areas of corporate and commercial law.

On 5 March 2009, the Board also appointed William Toh Ah Wah to the Board as Non-Independent Non-Executive Director of the Company. William Toh Ah Wah holds a Bachelor of Commerce degree from Concordia University, Montreal, Canada. William Toh Ah Wah joined Rothmans of Pall

Mall (Malaysia) Berhad in 1981 as a management trainee and was seconded to China in 1991. During his tenure overseas, he held various positions including the positions of Business Development Director China for British American Tobacco Asia Pacific North, Managing Director of British American Tobacco New Zealand Limited, Managing Director of Pakistan Tobacco Company Limited and double-hatted as the Area Director of British American Tobacco South Asia Area.

The detailed profiles of Dato' Ahmad Johari bin Tun Abdul Razak and William Toh Ah Wah are set out in Profile of the Board of Directors on page 37 of this Annual Report.

Duties of the Board

Amongst key legal and statutory responsibilities for which the Board is responsible are, reviewing and adopting strategic plans for the Group, identifying principal risks and ensuring implementation of appropriate systems to manage these risks, reviewing the adequacy and integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board of Directors has collective responsibility for the success of the Group. The Executive Directors have direct responsibility for business operations and the Non-Executive Directors are responsible for bringing independent judgement and scrutiny to decisions taken by the Board, providing objective challenge to the management.

The Board is responsible for declaring dividends and approving the financial statements and accounting policies of the Group. Other duties of the Board are to consider succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management. Additionally, the Board is responsible for developing and implementing an investor relations programme or shareholder communications policy for the Group.

The Board is responsible for establishing Board committees such as the Audit Committee, Nomination Committee, Remuneration Committee, Corporate Social Responsibility Committee and Executive Compensation Committee and determine the duties and responsibilities for the respective committees of the Board. Each committee has its terms of reference approved by the Board which are updated periodically to reflect corporate governance best practices.

The Board receives and reviews reports from the Board Committees and on matters reserved by the Board for approval, the Board reviews the recommendations made by the Board Committees and grants approvals, when required.

Membership of the Directors and members of senior management (Top Team) in the Board Committees as at 31 December 2008 are as follows:

Audit Committee	Nomination Committee	Remuneration Committee	Executive Compensation Committee	Corporate Social Responsibility Committee
1. Datuk Oh Chong Peng (Chairman) 2. Tan Sri Abu Talib bin Othman 3. James Richard Suttie	1. Tan Sri Abu Talib bin Othman (Chairman) 2. Datuk Oh Chong Peng 3. James Richard Suttie	1. Tan Sri Abu Talib bin Othman (Chairman) 2. Datuk Oh Chong Peng 3. James Richard Suttie 4. Jack Marie Henry David Bowles	1. Jack Marie Henry David Bowles (Chairman) 2. *Stephen James Rush 3. Rashed Ahmed 4. Dato' Chan Choon Ngai 5. #Cheryl Ann Wong Wai Leng 6. Christine Lee Oi Kuan 7. Allen Lim Hun Chye	1. Jack Marie Henry David Bowles (Chairman) 2. *Stephen James Rush 3. Rashed Ahmed 4. Dato' Chan Choon Ngai 5. #Cheryl Ann Wong Wai Leng 6. Christine Lee Oi Kuan 7. Allen Lim Hun Chye

* joined the Committee on 20 March 2008

joined the Committee on 18 November 2008

The authorities and responsibilities for the Board Committees can be found on pages 79 to 84 of this Statement.

The Company's Statement of Delegated Authorities supports good corporate governance, prudent control of risks

and investment management and local management responsibility.

In the Company's Statement of Delegated Authorities, the Board has specifically reserved matters such as establishment of new businesses or

factories, annual strategic plan, approval of major capital expenditure, acquisition and disposal of businesses or equity, borrowings and any corporate restructuring, for its decision.

Top Team

It is important to the Board that the duties of the Board and Top Team complement each other and that responsibilities of the Top Team are clearly defined. The Top Team is charged with the responsibility of implementing the policies and decisions of the Board, overseeing the operations as well as developing, co-ordinating and implementing business and corporate strategies.

Members of the Top Team comprise the Managing Director, Finance Director, Marketing Director, Operations Director, Human Resources Director, Corporate and Legal Affairs Director and the Business Development Services Director.

From time to time, when the Board requires relevant information or updates from any members of the Top Team, the relevant member of the Top Team will be invited to attend meetings of the Board to provide the Board with any such relevant information or updates.

Operational management matters of the Group and the relevant levels of authority are accorded to the Top Team in the established and approved Corporate Authority Limits, which is read in conjunction with the Company's Statement of Delegated Authorities.

The details of each Top Team member appear on pages 40 to 41 of this Annual Report.

Chairman and the Managing Director

The roles of Chairman and Managing Director are separately held, and the division of their responsibilities is clearly established, with each having distinct and clearly defined authority and

responsibilities, set out in writing and agreed by the Board. This division of roles and responsibilities ensures that there is a balance of power and authority, such that there is no excessive concentration of power in the Chairman or the Managing Director.

The Chairman is responsible for leadership of the Board, ensuring its effectiveness, setting the agenda, and ensuring that a clear business and financial strategy for the Group is formulated for recommendation to the Board. Once objectives and strategies have been reviewed and adopted by the Board as a whole, the Managing Director's responsibility is to ensure delivery of the strategic and financial objectives within the authorities delegated by the Board. The Managing Director is responsible for the stewardship of the Group's assets and the day to day management of the Company. The duties and responsibilities of the Chairman and the Managing Director are clearly outlined in the BATM Code.

It is the duty of the Managing Director, working together with the other senior management of the Group, to manage the business of the Group in the manner consistent with the Standards and in accordance with any specific plans, instructions and directions of the Board.

The Chairman of the Board, Tan Sri Abu Talib bin Othman, is an Independent Non-Executive Director and has always been an Independent Non-Executive Director.

The Company's Managing Director, Jack Marie Henry David Bowles, is an Executive Director appointed to the Board on 1 May 2007.

Board balance

The Board is made up of a mixture of Executive and Non-Executive Directors from diverse professional backgrounds with a wealth of experience, skills and expertise. A list of the individual Directors, their profile and details of their respective membership are provided on pages 34 to 37 of this Annual Report.

The current structure of the Board and integrity of the individual Directors ensure that no single individual or group dominates the decision making process.

The Executive Directors are professionals who contribute to the Board their in-depth knowledge and experience of the tobacco business including in particular matters on marketing, finance and operations. The Non-Executive Directors who are persons of high calibre and professionals in their own right bring to the Board their in-depth knowledge in their respective fields which include law, finance and marketing.

The responsibilities of the Non-Executive Directors include monitoring and contributing effectively to the strategy and performance of the management and influencing the conduct of the Board as a whole. The Non-Executive Directors do not participate in the day to day management of the Company and do not engage in any business dealing or other relationship with the Company to ensure that they are capable of exercising judgement objectively and act in the best interest of the Company.

The presence of Independent Non-Executive Directors ensure the impartiality of debate and bring unbiased and independent views,

advice and judgement to the decision making of the Board taking into account the interest of the Group and its stakeholders. The Independent Non-Executive Directors in effect represent minority shareholders' interest in the Company and they proactively engage with management and auditors.

The composition of the Board as at the date of this Statement is in compliance with the Independent Director criteria set out under the Listing Requirements.

APPOINTMENTS TO THE BOARD

Appointment process

The Board appoints its members through a formal process which is consistent with the Articles of Association of the Company. The Board has established the Nomination Committee to make recommendations on suitable candidates for appointment

to the Board. Candidates recommended must be approved and appointed by the Board. The Nomination Committee is responsible to ensure that the procedures for appointing new Directors are transparent and rigorous and that appointments are made on merit and against objective criteria for the purpose. This process also applies to Directors who seek re-election or re-appointment at the Company's Annual General Meeting.

The Company does not have a term limit for the Directors as the Board believes that there are disadvantages to losing valuable contribution from Directors who have developed, over a period of time, valuable insight of the Group and its business. Their continued contribution provide benefits to the Board and the Group as a whole.

In evaluating the suitability of individual for Board membership, the Nomination Committee takes into consideration many factors, including whether the

individual meets the requirements for independence as defined in the Listing Requirements, the individual's general understanding of the Company's business and market, the individual professional expertise and educational background and other factors that promote diversity of views and experience.

The Directors of the Company have offered themselves for re-appointment at regular intervals in accordance with the Company's Articles.

Re-election or re-appointment of Directors

The Board will recommend to shareholders that Executive and Non-Executive Directors be proposed for re-election or re-appointment at an Annual General Meeting, in accordance with the Articles and upon recommendation of the Nomination Committee after evaluating the performance of the individual Director.

The changes to the Board in 2008 are as follows:

Name	Designation	Nature of changes at the 2008 Annual General Meeting
Jack Marie Henry David Bowles	Appointed as Managing Director on 1 May 2007	Re-appointed
Stephen James Rush	Appointed as Non-Independent Executive Director on 20 March 2008	Re-appointed
Tan Sri Kamarul Ariffin bin Mohamed Yassin	Independent Non-Executive Director	Retired
James Richard Suttie	Non-Independent Non-Executive Director	Re-elected
Dato' Chan Choon Ngai	Non-Independent Executive Director	Re-elected

Articles 97(1) and (2) of the Articles provides that at least one-third (1/3) of the Board is subject to retirement by rotation at each Annual General Meeting. The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-election.

Datuk Oh Chong Peng, an Independent Non-Executive Director and Jack Marie Henry David Bowles, a Non-Independent Executive Director, will retire pursuant to Articles 97(1) and (2) at this Annual General Meeting.

Article 103 of the Articles provides that a Director appointed by the Board from time to time shall hold office only until the next Annual General Meeting and shall then be eligible for re-election.

Dato' Ahmad Johari bin Tun Abdul Razak, an Independent Non-Executive Director and William Toh Ah Wah, a Non-Independent Non-Executive Director, both appointed on 5 March 2009, will retire pursuant to Article 103 and be subject to re-election at this Annual General Meeting.

Section 129(6) of the Companies Act, 1965 provides that a person of or over the age of seventy (70) years may be appointed or re-appointed as a director by the shareholders of the Company to hold office until the next Annual General Meeting.

Tan Sri Abu Talib bin Othman, who has attained the age of seventy (70), will retire in accordance with the aforesaid section.

Information of each Director standing for re-election is furnished in a separate statement accompanying the Notice of the Annual General Meeting.

In determining whether to recommend a Director for re-election and re-appointment, the Nomination Committee considers the Director's past attendance at meetings, participation in and contribution to the activities of the Board. The Nomination Committee is satisfied that Tan Sri Abu Talib bin Othman, Datuk Oh Chong Peng and Jack Marie Henry David Bowles have met the requirements set above and has recommended to the Board the Directors who are being put forward for re-election and re-appointment at the Annual General Meeting on 20 April 2009.

The Nomination Committee has also recommended Dato' Ahmad Johari bin Tun Abdul Razak and William Toh Ah Wah to the Board as Directors who are being put forward for re-appointment at the Annual General Meeting on 20 April 2009.

The above Directors who are subject to re-election and re-appointment have accepted the nomination and have agreed to serve as Directors if elected by the shareholders.

Directors' training

In order to ensure that the Directors are well equipped to discharge their responsibilities, the Directors receive an induction upon joining the Board which consists of briefings on all areas of the Group's business. The Directors are also given briefings on corporate governance and reporting procedures and are updated on such matters on a continuing basis.

All existing Directors of the Company, save for William Toh Ah Wah, have completed the Mandatory Accreditation Programme (MAP). Any Director appointed on to the Board shall complete the MAP within four (4) months from the date of appointment. Following the repeal of the Continuing Education Programme (CEP) requirements prescribed by Bursa Malaysia Securities Berhad with effect from 1 January 2005, the Board of Directors continue to evaluate and determine the training needs of its Directors to ensure continuing education to assist them in the discharge of their duties as Directors.

All Directors appointed to the Board, apart from attending the MAP and the CEP accredited by Bursa Malaysia Securities Berhad, have completed other relevant training programmes to further enhance their business acumen and professionalism in discharging their duties to the Group. Pursuant to paragraph 15.09(2) and Appendix 9C (Part A, Paragraph 27) of the Listing Requirements, the Directors have during the financial year ended 31 December 2008 attended training programmes in areas of leadership, corporate governance, finance, risk management, brand management, competitive strategies, human resources, regulatory developments and business intelligence.

To further enhance the Director's knowledge in relation to the business of the Group, the Directors have made visits to the factory, leaf growing areas and on trade marketing and distribution centers of the Group. During such visits, the Directors obtained first hand understanding of the business operations and challenges faced by the Group.

In 2008, all the Directors attended an in-house education programme where they were kept abreast with the impact of the single-tier tax system, corporate law and Listing Requirements, the effect of the sub-prime debt crisis and the politics of climate change. The in-house education programme for Directors had been led by experts with relevant legal, business and board experience.

The Company also provided internal briefings to the Directors on key corporate governance developments and updates them on changes to the Listing Requirements, laws and regulations. The Directors were fully informed of the impact of such development or changes to the Company.

The Directors are encouraged to attend appropriate external continuing education programmes and where applicable to the Company, the costs of these continuing education programmes are borne by the Company.

Particulars of external training programmes attended by the Directors as at 31 December 2008 are as follows:

No.	Name of Director	Training Programme Title	Details of Programme
1.	Tan Sri Abu Talib bin Othman	Directors Training Programme 2008	<ul style="list-style-type: none"> • 2007/8 Corporate Legal Update & 2007/8 Bursa Malaysia Listing Requirements • Single Tier Dividend System-its impact • How Malaysia is affected by the Sub-Prime Debt Crisis • The Politics of Climate Change
		PricewaterhouseCoopers Malaysia	<ul style="list-style-type: none"> • Board Remuneration & Practices: <ul style="list-style-type: none"> – Difference fee levels for board and board committee – Differences in remuneration structures for Executive & Non-Executive directors – Evolving board practices with increased acceptance in meeting good practices
2.	Jack Marie Henry David Bowles	Directors Training Programme 2008	<ul style="list-style-type: none"> • 2007/8 Corporate Legal Update & 2007/8 Bursa Malaysia Listing Requirements • Single Tier Dividend System-its impact • How Malaysia is affected by the Sub-Prime Debt Crisis • The Politics of Climate Change
		Smart Business Consulting	<ul style="list-style-type: none"> • Strategic Risk Management For Public Listed Company's Directors

Particulars of external training programmes attended by the Directors as at 31 December 2008 are as follows:
(continued)

No.	Name of Director	Training Programme Title	Details of Programme
3.	Datuk Oh Chong Peng	Directors Training Programme 2008	<ul style="list-style-type: none"> • 2007/8 Corporate Legal Update & 2007/8 Bursa Malaysia Listing Requirements • Single Tier Dividend System-its impact • How Malaysia is affected by the Sub-Prime Debt Crisis • The Politics of Climate Change
		PricewaterhouseCoopers Malaysia	<ul style="list-style-type: none"> • Understanding Financial Statements for Directors and Senior Management
		Malaysian Accounting Standards Board	<ul style="list-style-type: none"> • Seminar on the Future of Accounting Standards in Malaysia • Chairing Working Groups on Financial Instruments and Share based payments
		IJM Corporation Berhad	<ul style="list-style-type: none"> • Accounting Standards update seminar • Tax Budget 2009
		Bank Negara Malaysia	<ul style="list-style-type: none"> • Financial Institutions Director Education Programme
		Watson Wyatt's Ideas Exchange Conference	<ul style="list-style-type: none"> • Fund Management Governance
		Alliance Financial Group Berhad	<ul style="list-style-type: none"> • Company Law Updates • Briefing on Director and Officers' Insurance
4.	James Richard Suttie	Directors Training Programme 2008	<ul style="list-style-type: none"> • 2007/8 Corporate Legal Update & 2007/8 Bursa Malaysia Listing Requirements • Single Tier Dividend System-its impact • How Malaysia is affected by the Sub-Prime Debt Crisis • The Politics of Climate Change

Particulars of external training programmes attended by the Directors as at 31 December 2008 are as follows: (continued)

No.	Name of Director	Training Programme Title	Details of Programme
5.	Dato' Chan Choon Ngai	Directors Training Programme 2008	<ul style="list-style-type: none"> • 2007/8 Corporate Legal Update & 2007/8 Bursa Malaysia Listing Requirements • Single Tier Dividend System-its impact • How Malaysia is affected by the Sub-Prime Debt Crisis • The Politics of Climate Change
		Leadership Resources (Malaysia) Sdn Bhd	<ul style="list-style-type: none"> • The Greatness Challenge Seminar by Dr Stephen Covey
		SFR Consultants Sdn Bhd	<ul style="list-style-type: none"> • The Futurist Forum 2008 - Mindset: A Framework To Anticipate • The Future by John Naisbitt
6.	Stephen James Rush	Directors Training Programme 2008	<ul style="list-style-type: none"> • 2007/8 Corporate Legal Update & 2007/8 Bursa Malaysia Listing Requirements • Single Tier Dividend System-its impact • How Malaysia is affected by the Sub-Prime Debt Crisis • The Politics of Climate Change
		Bursatra Sdn Bhd	<ul style="list-style-type: none"> • Mandatory Accreditation Programme
7.	Tan Sri Kamarul Ariffin bin Mohamed Yassin	Directors Training Programme 2008	<ul style="list-style-type: none"> • 2007/8 Corporate Legal Update & 2007/8 Bursa Malaysia Listing Requirements • Single Tier Dividend System-its impact • How Malaysia is affected by the Sub-Prime Debt Crisis • The Politics of Climate Change

Board meetings

The Board schedules at least four (4) meetings in a year. The Company's Board and Board Committee meetings are scheduled in the fourth (4th) quarter of the preceding year so as to enable the Directors to plan ahead and ensures that the scheduled Board and the Board Committee meetings are booked in their respective schedules.

Details of attendance at Board Meetings are at page 77 and 78 of this Statement.

Where any direction or decisions are required expeditiously or urgently from the Board between the regular meetings, special Board meetings are convened by the Company Secretary, after consultation with the Chairman. Where appropriate, decisions were taken by way of Directors' Circular Resolution between scheduled and special meetings. Decisions of the Board are made unanimously or by a consensus. In 2008, four (4) resolutions were approved by the Directors via Circular Resolutions. The agenda for

Board meetings are set by the Chairman in consultation with the Managing Director and the Company Secretary.

The Board has a regular schedule of matters which are in the agenda and reviewed during the course of the year namely, the Managing Director's Quarterly Reports, the Quarterly Unaudited Consolidated Results and recommendations made in the reports of the Audit Committee, Remuneration Committee and Nomination Committee.

In 2008, amongst the key items reviewed by the Board had been:

1. Managing Director's Quarterly Reports;
2. Quarterly Unaudited Consolidated Results;
3. Amendments to the Company's Code of Corporate Governance;
4. Company Plan for 2008-2009;
5. Amendments to Standards of Business Conduct Policy;
6. Amendments to the Executive Compensation Committee's Terms of Reference;
7. Company's Corporate Social Responsibilities activities; and
8. Company's Risk Management Programme.

Management employees or external advisors are invited to attend Board and Board Committees meetings to advise the Board and Board Committee members and furnish the members with information and clarification required on items on the agenda tabled to the Board and Board Committees to enable them to arrive at a considered decision.

All issues raised, discussions, deliberations, decisions and conclusions made at the Board and Board Committee meetings are recorded in the minutes of the Board and Board Committee meetings respectively. Where the Board or Board Committee is considering a matter in which a Director has an interest, the relevant Director abstains from deliberating on the subject matter. Minutes of all Board and Board Committee meetings

are circulated to all Directors for their perusal and confirmation. The Directors may request for clarification or raise comments on the minutes prior to confirmation of the minutes.

Attendance at Board and Board Committee meetings

During the twelve (12) months ended 31 December 2008, four (4) Board Meetings were held. The commitment and dedication of the Board is reflected by the full attendance of the Directors at Board meetings, save for James Richard Suttie, who did not attend one (1) Board meeting due to an unavoidable conflict in his schedule on 22 April 2008.

The following table provides details of the attendance of the Directors at Board and Committee meetings held in 2008.

	AGM (17 April 2008)	Board Meeting (4 meetings)	Audit Committee (4 meetings)	Nomination Committee (1 meeting)	Remuneration Committee (3 meetings)
Tan Sri Abu Talib bin Othman (Chairman) (Independent Non-Executive Director)	√	4/4	4/4	1/1	3/3
Jack Marie Henry David Bowles (Non-Independent Executive Director)	√	4/4	4/4	n/a	3/3
Datuk Oh Chong Peng (Independent Non-Executive Director)	√	4/4	4/4	1/1	3/3
James Richard Suttie (Non-Independent Non-Executive Director)	√	3/4	4/4	1/1	3/3

	AGM (17 April 2008)	Board Meeting (4 meetings)	Audit Committee (4 meetings)	Nomination Committee (1 meeting)	Remuneration Committee (3 meetings)
* Robert James Clark (Non-Independent Executive Director)	✓	1/1	n/a	n/a	n/a
Dato' Chan Choon Ngai (Non-Independent Executive Director)	✓	4/4	n/a	n/a	n/a
# Stephen James Rush (Non-Independent Executive Director)	✓	3/3	n/a	n/a	n/a
Tan Sri Kamarul Ariffin bin Mohamed Yassin (Independent Non-Executive Director)	✓	1/1	1/1	n/a	2/2

n/a means that the specified Director is not a member of that Committee, although he may attend meetings at the invitation of the Chairman of the Committee

* Robert James Clark resigned on 17 April 2008 after the Board of Directors' Meeting held in February 2008

Stephen James Rush was appointed a Non-Independent Executive Director on 20 March 2008 and has not missed a meeting since his appointment

If a director is appointed mid way through a financial year, the computation of his minimum number of attendance of board meetings for the purpose of achieving the 50% attendance requirement for that financial year is determined by taking into account only the meetings held on or after his appointment.

Quality and access to information and independent advice

The Board has direct and unrestricted access to all information within the Company and is able to seek independent professional advice at the Company's expense, if necessary. In carrying out their duties, the Board has direct and unrestricted access to the management of the Company. All Directors have individual access to the advice and services of the Company Secretary. Save for the Executive Compensation Committee and Corporate Social Responsibility Committee Meetings, the Company Secretary attends all meetings of the Board and its Committees, the Managing Director attends all meetings of Audit Committee and Remuneration

Committee, the Human Resources Director attends all meetings of the Executive Compensation Committee, Nomination Committee and Remuneration Committee and the Finance Director attends all meetings of the Audit Committee.

Supply of Information

The Board and Board Committees receive up-to-date information for review in good time and ahead of each meeting, and the Company Secretary, under the direction of the Chairman, ensures the flow of information to the Board and Board Committees. The Company Secretary is also responsible for advising the Board, through the Chairman on all governance matters. Prior to Board and Board Committee

meetings, a formal and structured agenda together with a set of Board and Board Committee papers containing information relevant to the matters to be deliberated at the meeting is forwarded to all Directors at least five (5) days in advance of the relevant Board and Board Committee meeting. This is to enable Directors to review, consider, and if necessary, obtain further information or research on the matters to be deliberated in order to be properly prepared at the meetings. The papers are presented in a manner which is concise and includes comprehensive management reports, minutes of meetings proposal papers and supporting documents.

Presentations to the Board and Board Committees are prepared and delivered in a manner which ensure a clear and adequate presentation of the subject matter. In addition, reading materials on the subject matter are prepared and circulated prior to each meeting to assist all Directors in having an understanding of the subject matter.

The Board recognises that the decision making process is highly dependent on the quality of information furnished. In furtherance of this, every Director has unrestricted access to all information within the Company. The Board encourages attendance by senior management as well as officers of the Company at Board and Board Committee meetings to increase the Board's understanding of the Company's operations and to give the Directors access to senior management.

The Directors are regularly updated on new statutory and regulatory requirements relating to the duties and responsibilities of Directors and the impact and implication to the Company and the Directors in carrying out their fiduciary duties and responsibilities. There is also a formal procedure approved by the Board for all Directors, whether acting as a full Board or in their individual capacity, to obtain independent professional advice when necessary, at the Group's expense. Prior to engaging an independent adviser, approval must be obtained from the Chairman of the Board and, where applicable, the Chairman may circulate the external advice to the Board.

Board Performance Evaluation

The Board conducts a critical evaluation of its activities on an annual basis. The Board evaluates the overall Board's performance against criteria that the Board determines are important to its success. These include the Board's composition, communication, effectiveness and responsibilities. The Company Secretary circulates to the Directors a questionnaire to ascertain their views on the performance of the Board and its Board Committees and then compiles a report for the Chairman. The report is presented to the Nomination Committee and then to the Board for evaluation and consideration.

The Board's performance evaluation process in 2008 confirmed that the Board and Board Committees had continued to operate effectively in discharging their duties and responsibilities. Overall, the Directors were of the opinion that they have fulfilled their responsibilities as members of the Board and Board Committees and were satisfied with the Group's direction, strategy, planning and budgeting process and their level of contribution to these matters.

All Directors confirmed that they have sufficient access to the Chairman. The Directors agreed that the Managing Director and senior management were responsive to questions and issues raised by the Board and that the Managing Director and senior management communicated with the Board in an open, candid and timely manner. The Board also agreed that the Company has sufficient risk management procedures in place and the Board's goals, objectives, expectations and concerns were communicated to the Managing Director and senior management to be acted upon.

COMPANY SECRETARY

The Company Secretary provides support to the Chairman of the Company to ensure the effective functioning of the Board and guidance to the Board on their responsibilities under the relevant laws and other legal requirements to which they are subject to and how those responsibilities should be discharged. The Company Secretary organises and attends all Board and Board Committee meetings and ensures that an accurate and proper record of deliberation of issues discussed, decisions and conclusions are taken.

The Company Secretary records, prepares and circulates the minutes of the meetings of the Board and Board Committees and ensures that the minutes are properly kept at the registered office of the Company and produced for inspection, if required.

The Company Secretary advises the Board with respect to policies and procedures applicable to the Board and Board Committees and the rights and responsibilities of the Directors. In addition, the Company Secretary also updates the Board regularly on amendments to the Listing Requirements, practice and guidance notes, circulars from Bursa Malaysia Securities Berhad, legal and regulatory developments and impact, if any, to the Group and its business. All Directors have access to the advice and services of the Company Secretary. The Company Secretary is appointed and removed by the Board as a whole.

Board Committees

To assist the Board in discharging its duties and to focus on significant areas of the Company's activities, various Board Committees were established. The Board Committees established by

the Board are the Nomination Committee, Audit Committee, Remuneration Committee, Corporate Social Responsibility Committee and Executive Compensation Committee. To promote the smooth running of the Board Committees, each Board Committee has its terms of reference which has been approved by the Board. All Board Committees have their functions, written terms of reference and operating procedures clearly defined and where applicable, comply with the recommendations of the Malaysian Code. The Board reviews the Board Committees' authority and terms of reference from time to time.

Each Board Committee will record and minute their deliberations, recommendations and decisions made as the case may be. The minutes are then approved by all the Board Committee members and confirmed by the Chairman of the Board Committee at the subsequent Board Committee meeting. The deliberations, recommendations and decisions made as the case may be of the Board Committees are submitted to the Board through its respective Chairman at the Board Meeting.

The Board retains full responsibility for the direction and control of the Group. The roles and membership of the Board Committees are described in more detailed where appropriate below.

1. Nomination Committee

The Nomination Committee comprise exclusively Non-Executive Directors, a majority of whom are independent. The members of the Nomination Committee as of 31 December 2008 are:

Tan Sri Abu Talib bin Othman

Chairman, Independent Non-Executive Director

Datuk Oh Chong Peng

Independent Non-Executive Director

James Richard Suttie

Non-Independent Non-Executive Director

The Nomination Committee is empowered by the Board to, amongst others, recommend to the Board suitable candidates for appointment as Directors, ensure that the Board has an appropriate balance of skills, expertise, attributes and core competencies from its members and review the profiles of the required skills, expertise, attributes and core competencies for membership to the Board and Board Committees. A Director seeking re-election or re-appointment will abstain from all deliberations regarding his re-election or re-appointment to the Board and Board Committees.

Meetings of the Nomination Committee are held at least once a year and as and when required. The Nomination Committee met once during the financial year ended 31 December 2008.

The authority and terms of reference of the Nomination Committee are as follows:

a. Authority

The Nomination Committee is authorised by the Board to act as follows:

- To make proposals to the Board on suitable candidates for appointment as Directors;
- To ensure that the Board has an appropriate balance of skills, expertise, attributes and core competencies from its members;

- To regularly review profiles of the required skills, expertise, attributes and core competencies for membership of the Board;
- To review succession plans for members of the Board;
- To recommend to the Board, Directors to fill the seats on Board Committees; and
- To assess annually the effectiveness of the Board, Board Committees and the contribution of each individual Director.

b. Meetings

- The Nomination Committee shall meet at least once a year or upon the request of any of its members.
- A majority of the members in attendance must be Independent Directors in order to form a quorum for the meeting.
- The Company Secretary shall record, prepare and circulate the minutes of the meetings of the Nomination Committee and ensure that the minutes are properly kept and produced for inspection if required.
- The Nomination Committee shall report to the Board and its minutes will be tabled and noted by the Board.

In February 2008, the Nomination Committee made recommendations to the Board as to the Directors who are retiring and being put forward for re-election and re-appointment at the Annual General Meeting on 17 April 2008.

Jack Marie Henry David Bowles and Stephen James Rush were re-appointed at the Annual General Meeting on 17 April 2008.

In the same meeting in 2008, the Nomination Committee deliberated on the appointment of Stephen James Rush who had been nominated as the Finance Director of the Company. After having considered Stephen James Rush's profile, experience and qualifications, the Nomination Committee was satisfied with his appointment as Finance Director of the Company and recommended his appointment to the Board. The Board appointed Stephen James Rush as a Director of the Company with effect from 20 March 2008.

2. Audit Committee

The Board's obligation to establish formal and transparent arrangements for considering how it should apply financial reporting and internal control principles, and maintaining an appropriate relationship with the Company's external auditors, PricewaterhouseCoopers Malaysia is met through the Audit Committee.

The Audit Committee assists the Board in its oversight of the Company's financial statements and reporting processes. PricewaterhouseCoopers Malaysia, being an independent public accounting firm is responsible for auditing the Company's annual financial statements prepared by the management and expressing an opinion as to whether these financial statements conform to accounting principles of the Malaysian Accounting Standards Board's Approved Accounting Standards in Malaysia.

The members of the Audit Committee as at 31 December 2008 are as follows:

Datuk Oh Chong Peng

Chairman, Independent Non-Executive Director

Tan Sri Abu Talib bin Othman

Independent Non-Executive Director

James Richard Suttie

Non-Independent Non-Executive Director

Datuk Oh Chong Peng was appointed as Chairman of the Audit Committee on 21 February 2008. Datuk Oh Chong Peng is a qualified Chartered Accountant and is a Fellow of the Institute of Chartered Accountants, England and Wales.

All members of the Audit Committee are financially literate and the Chairman, Datuk Oh Chong Peng is an "audit committee financial expert" within the meaning set forth in the Listing Requirements.

The Managing Director, Finance Director, Head of Internal Audit and representatives of the external auditors attend meetings of the Audit Committee. The Audit Committee met with the external auditors twice in 2008, without the presence of the Executive Directors or management. The minutes of the Audit Committee meetings are tabled to the Board for noting, action and approval, where appropriate.

The Audit Committee met four (4) times during 2008. The Audit Committee met with management and with the internal and external auditors to review the effectiveness of internal controls and business risk management, and received reports from the Group's Regional Audit Committee. It reviewed compliance with the Standards and procedures in place within the Group for the management of its business policies. The Audit Committee gave detailed consideration to business risks arising

in the context of the Group's treasury operations, its information technology systems and the threat to the Group's business posed by illicit trade, and reviewed the specific controls in place within the Group to address such risks. The Audit Committee has satisfied itself by means of these steps that proper and satisfactory internal control systems remain in place to identify and contain business risks, and that the Group's business is being conducted in a proper and economically sound manner.

The Audit Committee is responsible for approving audit, recurring audit related and non-audit services provided by the external auditors and in carrying out their duties, the Audit Committee ensures that the independence and objectivity of the external auditors are not compromised.

No member of the Audit Committee received any payments in 2008 from the Group other than remuneration, which had been received as a Director of the Company. During 2008, the Audit Committee confirmed that there had not been any matter reported by the Committee to the Board of Directors that had not been satisfactorily resolved which would have resulted in a breach of the Listing Requirements.

The Audit Committee has reviewed and discussed the Audited Financial Statements prepared by PricewaterhouseCoopers Malaysia as at 31 December 2008 and recommended to the Board on 18 February 2009, that the Audited Financial Statements be included in the Company's Annual Report for 31 December 2008 and filed with the Bursa Malaysia Securities Berhad, Securities Commission and Companies Commission of Malaysia.

The Board of Directors had on 19 February 2009 approved the Audited Financial Statements prepared by PricewaterhouseCoopers Malaysia as at 31 December 2008 that the Audited Financial Statements be included in the Company's Annual Report for 31 December 2008 and filed with the Bursa Malaysia Securities Berhad, Securities Commission and Companies Commission of Malaysia.

The functions, composition and membership of the Audit Committee are provided on pages 93 to 96 of this Annual Report. As at the date of this Statement, the Audit Committee comprises four (4) Directors, the majority of whom are independent.

3. Remuneration Committee

The Remuneration Committee comprise mainly Non-Executive Directors and the members of the Remuneration Committee as at 31 December 2008 are:

Tan Sri Abu Talib bin Othman

Chairman, Independent Non-Executive Director

Datuk Oh Chong Peng

Independent Non-Executive Director

James Richard Suttie

Non-Independent Non-Executive Director

Jack Marie Henry David Bowles

Non-Independent Executive Director

The Remuneration Committee is authorised by the Board to recommend to the Board the remuneration framework for Directors as well as the remuneration packages of the Executive Directors and members of the Top Team. A Director whose remuneration

package is being considered will abstain from all deliberations regarding the recommendation of the relevant Director's remuneration package. The Managing Director, who is a member of the Remuneration Committee, makes presentations to the Remuneration Committee on the remuneration, compensation payments, annual bonus and salary increments of Executive Directors and members of the Top Team.

The objectives of the Remuneration Committee in determining the levels and components of remuneration packages are to attract, motivate and retain talented and dedicated Executive Directors and members of the Top Team. In their determination, the Remuneration Committee takes into consideration levels comparable to those of key senior management in other benchmarked companies. For other employees of the Group, the Board has delegated and empowered the Executive Compensation Committee to ensure that remuneration packages are such as to attract, motivate and retain talented and dedicated employees, at least comparable to those employees in other benchmarked companies.

The Remuneration Committee meets at least once a year and during the financial year ended 31 December 2008, the Remuneration Committee met three (3) times. Amongst the items deliberated by the Remuneration Committee in 2008 were the remuneration packages of the new Finance Director, salary adjustments of Corporate and Legal Affairs Director, Business Development Services Director, Human Resources Director and Head of Trade, Marketing and Distribution.

All three (3) meetings in 2008 were attended by all members of the Remuneration Committee.

The authority and terms of reference of the Remuneration Committee are as follows:

a. Authority

The Remuneration Committee is authorised by the Board to act as follows:

- To recommend to the Board the Company's policy framework on the terms of employment of the Executive Directors and members of the Top Team;
- To recommend to the Board on all elements of remuneration and compensation payments of the Executive Directors and members of the Top Team;
- To review and approve the annual bonus and salary increment of the Executive Directors and members of the Top Team; and
- To review and recommend to the Board the remuneration of the Non-Executive Directors.

b. Meetings and Minutes

- The Remuneration Committee shall meet at least once in each year or otherwise as it decides.
- A majority of the members in attendance must be Non-Executive Directors in order to form a quorum for the meeting.
- Executive Directors and Non-Executive Directors shall abstain from the deliberations and voting decisions in respect of their respective remuneration either at the Remuneration Committee or Board level as the case may be.

- The Remuneration Committee shall be entitled to call for advice internally from the Human Resources Department or from external sources, when necessary.
- The Company Secretary shall record, prepare and circulate the minutes of the meetings of the Remuneration Committee and ensure that the minutes are properly kept and produced for inspection if required.
- The Remuneration Committee shall report to the Board and the minutes of the Remuneration Committee Meeting will be tabled to and is noted by the Board.

4. Executive Compensation Committee (ECC)

The ECC comprise Top Team members of the Company. The Regional Human Resources Manager or his or her nominee is an invitee to ECC meetings as and when deemed necessary by the ECC. The Managing Director of the Company is the Chairman of the ECC and the Human Resources Director of the Company acts as the Secretary of the ECC.

The ECC reports to the Remuneration Committee and the minutes of ECC are tabled to the Remuneration Committee which the Board is then updated on.

Members of the ECC as at 31 December 2008 are:

Jack Marie Henry David Bowles
Chairman

Stephen James Rush
Member

Dato' Chan Choon Ngai
Member

Rashed Ahmed
Member

Christine Lee Oi Kuan
Member

Allen Lim Hun Chye
Member

Cheryl Ann Wong Wai Leng
Member

The authority and terms of reference of the ECC are as follows:

a. Authority

The ECC is authorised to perform, with respect to all employees (except members of the Top Team) of the Group the following functions:

- to review and approve salaries and annual bonuses;
- to review and approve all other elements of remuneration, rewards and benefits;
- to review and approve the mandate for collective agreement;
- to review, approve and amend as the case maybe, the design and terms of the executive shares schemes;
- to review and approve voluntary separation schemes; and
- to approve job upgrades to Grades 36 and 37.

b. Meeting and Minutes

- The ECC shall meet at least once in each year or otherwise as it decides.
- The quorum for the ECC shall be at least five (5) members, including the Chairman, being present.
- The Secretary shall record and circulate the minutes of the meeting.
- The ECC shall report to the Remuneration Committee and its minutes will be tabled to and noted by the Board.

In 2008, the ECC met twice to deliberate on matters such as budgets

for increment, increment guidelines, 2007 bonus payments and 2008 bonus targets.

5. Corporate Social Responsibility (CSR) Committee

The CSR Committee comprise the Company's Top Team with the Corporate Affairs Manager as the Secretary of the CSR Committee. The CSR Committee reports to the Board through the Audit Committee.

The CSR Committee members as at 31 December 2008 are as follows:

Jack Marie Henry David Bowles
Chairman

Stephen James Rush
Member

Dato' Chan Choon Ngai
Member

Rashed Ahmed
Member

Christine Lee Oi Kuan
Member

Allen Lim Hun Chye
Member

Cheryl Ann Wong Wai Leng
Member

The terms of reference of the CSR Committee are as set out below:

a. Purpose

The CSR Committee reviews the Company's management of corporate responsibility plans including monitoring the alignment with the Statement of Business Principles.

The CSR Committee seeks to focus on the Company's social and environmental performance whereby social and environmental risks and issues are

identified and appropriate and timely action is taken to address the identified issues. The CSR Committee also serves as a forum which demonstrates that the principles of corporate responsibility are effectively embedded throughout the Company.

b. Authority

The CSR Committee is authorised by the Board of Directors to review activities within the Company, which fall within the ambit of the Company’s management of corporate social responsibility. The CSR Committee in performing its functions is also authorised by the Board of Directors to secure external independent professional advice and the attendance of third parties with relevant experience and expertise, as well as parties from within the Company.

The CSR Committee will meet at least twice annually.

c. Objectives

The CSR Committee’s specific objectives are:

- Identification and management of key social and environmental issues;
- Identification of and engagement with key stakeholders;
- Monitoring efficiency and effectiveness of corporate social responsibility management systems and controls;
- Ensuring the reliability of social and environmental performance management information; and
- Monitoring alignment with the Company’s Statement of Business Principles.

d. Relationship with Internal Audit

Representatives from internal audit are invited to attend the CSR Committee meeting and be heard on any

corporate responsibility matter which affects the Company. Internal audit has direct access to the Chairman of the CSR Committee on all corporate responsibility matters.

The CSR Committee met four (4) times during the financial year ended 31 December 2008 and deliberated on matters such as the corporate responsibility plans for the Company which is aligned to the Bursa Framework on Corporate Social Responsibility for all public listed companies in Malaysia, and the Company’s Social Report 2006 – 2008.

Corporate responsibility plans reviewed included the proposal to contribute towards the Government’s intent to eradicate poverty by 2010, employee voluntary programmes and grant of scholarships. The Company was ranked top ten (10) in the CSR Asia Business Barometer 2008.

Details of the corporate responsibility activities are provided at pages 58 to 65 of this Annual Report.

DIRECTORS’ REMUNERATION

The policy for Directors’ remuneration is to provide a remuneration package needed to attract, retain and motivate Directors of the quality required to manage the business of the Group. The Company provides competitive remuneration and benefits necessary to attract and retain high quality Non-Executive Directors.

The remuneration strategy for the Executive Directors of the Group is to pay competitively and, through the use of an integrated pay and benefits structure, to reward corporate and individual performance in order to contribute to the Winning Organisation

strategy of the Group. The remuneration strategy reflects the competitive nature of the Group’s operations, recognising the need to attract, motivate and retain high quality and calibre personnel. Executive Directors who are full time employees of the Company receive no additional compensation for services as a Director. On an annual basis, the Remuneration Committee considers market competitiveness, business results, experience and individual performance in evaluating the Executive Director’s remuneration.

In evaluating the Managing Director’s remuneration, the Remuneration Committee takes into account corporate financial performance, as well as performance on a range of non-financial factors including accomplishment of strategic goals.

The Remuneration Committee recommends to the Board the remuneration package of an Executive Director and it is the responsibility of the Board as a whole to approve the remuneration package of an Executive Director.

The remuneration package for Executive Directors comprise the following elements:

• **Basic Salary**

The basic salaries for the Executive Directors are recommended by the Remuneration Committee to the Board for the Board of Director’s approval.

• **Benefits-in-kind**

Customary benefits such as rental payments, motor vehicle, club membership and personal expenses are made available to the Executive Directors in accordance with the policies of the Group.

- **Emoluments**

Emoluments such as bonuses, retirement benefits, provision for leave, fixed allowances, statutory contributions and incentives in the form of shares/option in shares of British American Tobacco p.l.c. pursuant to the British American Tobacco p.l.c.'s shares scheme.

For Non-Executive Directors, the amount of remuneration varies with the level of responsibilities undertaken by the individual Non-Executive Director.

The fees payable to each of the Non-Executive Director are determined by the Board as authorised by the shareholders of the Company.

All Non-Executive Directors are paid fixed annual director fees as members of the Board and Board Committees. In addition to fixed annual director fees, all Non-Executive Directors, save for the Chairman of the Board, is paid a meeting attendance allowance for each Board and Committee meeting attended. The Audit Committee Chairman receives an annual fixed fee for his chairmanship of the Audit Committee.

At the 2008 Annual General Meeting, shareholders approved the increase of the limit of Non-Executive Directors' fees from RM500,000.00 to RM800,000.00.

Information prepared by independent consultants and survey data on the remuneration practices of comparable companies are taken into consideration in determining the remuneration packages for Executive and Non-Executive Directors.

The details of the remuneration of Executive and Non-Executive Directors for the financial year ended 31 December 2008 are as follows:

Director	Fees (RM)	Salaries (RM)	Other emoluments* (RM)	Benefits- in-kind** (RM)	Total (RM)
Non-Executive					
Tan Sri Abu Talib bin Othman	362,000 ***	—	—	29,524	391,524
Tan Sri Kamarul Ariffin bin Mohamed Yassin ¹	17,835	—	—	—	17,835
Datuk Oh Chong Peng	73,000	—	—	—	73,000
James Richard Suttie	58,000	—	—	—	58,000
Executive					
Jack Marie Henry David Bowles	—	2,267,246	1,336,520	355,079	3,958,845
Dato' Chan Choon Ngai	—	838,500	807,016	267,908	1,913,424
Robert James Clark ²	—	342,149	677,809	264,857	1,284,815
Stephen James Rush ³	-	943,818	499,339	220,714	1,663,871

* Other emoluments include bonuses, retirement benefits, provision for leave, fixed allowances, statutory contributions and incentives in the form of shares/option in shares of British American Tobacco p.l.c. pursuant to the British American Tobacco p.l.c.'s shares scheme.

** Benefits-in-kind include rental payments, motor vehicle, club membership and personal expenses.

*** Fees for being Chairman of the Board, Chairman of relevant Board Committees and meeting fees.

¹ retired on 17 April 2008

² resigned on 17 April 2008

³ appointed on 20 March 2008

RELATIONSHIP WITH STAKEHOLDERS

The Board believes that they are not only accountable to shareholders but also responsible for managing a successful and productive relationship with the Company's stakeholders.

SHAREHOLDERS

Communication with shareholders and investors

The Group recognises the importance of maintaining transparency and accountability to its shareholders and investors. The Board therefore maintains a dialogue with shareholders directed towards ensuring a mutual understanding of the objectives of the Group. The Board ensures that all the Company's shareholders are treated equitably and ensure that the rights of all investors, including minority shareholders are protected.

The Group's primary contact with shareholders is through the Chairman, Managing Director, Finance Director and Company Secretary. The Chairman maintains contact with shareholders in order to understand their issues and concerns. All shareholders' queries will be received by the Company Secretary. The Company Secretary will provide feedback and responses to shareholder queries where such information is available to the public.

The dividend payment chart appears on page 16 and 19 of this Annual Report.

Annual Report

A major channel used by the Board to provide its shareholders and investors with information on its business, financials and other key activities is the Annual Report of the Company, which contents are continuously enhanced to take into account developments, amongst others, in corporate governance.

An essential aspect of an active and constructive communication policy is the timeliness in disseminating information to shareholders and investors. The Company sends out the Notice of the Annual General Meeting and related circular to shareholders at least twenty one (21) days before the meeting as required by the Companies Act, 1965 and in order to facilitate full understanding and evaluation of the issues involved. Where special business items appear in the Notice of the Annual General Meeting, a full explanation is provided to shareholders on the effect of the proposed resolution emanating from the special business item.

Prompt and timely release of financial results on a quarterly basis enables shareholders to have an overview of the Group's performance and operations and make informed investment decisions.

Release of Annual Report

	Date of Issue / Release	Bursa Securities Deadline	Number of days after end of year
Annual Report 2008	23 March 2009	30 June 2009	82
Annual Report 2007	28 March 2008	30 June 2008	88

Release of Quarterly Financial Results

	Date of Issue / Release	Bursa Securities Deadline	Number of Days after end of Quarter
1st Quarter	22 April 2008	31 May 2008	22
2nd Quarter	17 July 2008	31 August 2008	17
3rd Quarter	23 October 2008	30 November 2008	23
4th Quarter	19 February 2009	28 February 2009	50

Investor Relations

The Company holds separate quarterly briefings for fund managers, institutional investors and investment analysts after each quarter's announcement of results to Bursa Malaysia Securities Berhad to ensure mutual understanding of objectives of the Group.

The quarterly briefings are intended not only to promote the dissemination of the financial results of the Group to as wide an audience of investors and shareholders as possible but also to keep the investing public and shareholders updated on the progress and development of the business of the Group.

In 2008, the Company held four (4) quarterly briefings, eleven (11) direct one-to-one meetings, one (1) roadshow, and hosted six (6) teleconferences with fund managers, institutional investors and investment analysts.

Communication is further enhanced by the various announcements and circulars, when necessary, made throughout the year in full compliance with the regulatory authorities' disclosure requirements. To maintain the highest level of transparency as possible, the Group has established a website at www.batmalaysia.com

which shareholders can access for information which includes corporate information, press releases, financial information, share prices, investor relations and briefings, social responsibility, tobacco issues and even career opportunities.

The Board welcomes comments and suggestions by its shareholders and other interested parties.

Shareholders and other interested parties may contact the Company's designated Senior Independent Director, Datuk Oh Chong Peng to address any concerns by writing or via telephone, facsimile or electronic mail as follows:

Tel: +60 (3)7956 6899
 Fax: +60 (3)7491 3772
 E-mail: batmalaysia@bat.com
 Postal Address : Virginia Park,
 Jalan Universiti, 46200 Petaling Jaya,
 Selangor Darul Ehsan Malaysia

Primary contact for investor relation matters:

Stephen James Rush *Finance Director*

Stephen James Rush is an accountant by profession and was appointed the Finance Director of British American Tobacco (Malaysia) Berhad on 20 March 2008.

Contact Details

Telephone number: +60 (3)7491 7328
 E-mail: fdoffice_malaysia@bat.com
 Postal Address : Virginia Park, Jalan
 Universiti, 46200 Petaling Jaya,
 Selangor Darul Ehsan Malaysia

Each letter or electronic mail received, if requires the attention of the Board of Directors, will be reviewed by the Legal and Secretarial Department before advising the Board to consider the letter or electronic mail, as the case may be.

While the Company endeavours to provide as much information as possible to its shareholders and stakeholders, the Company is mindful of the legal and regulatory framework governing the release of material and price-sensitive information. Any information that may be regarded as undisclosed material information about the Group will not be disclosed to the public.

Annual General Meeting (AGM)

The AGM is the principal opportunity for the Board to meet the shareholders of the Company and for the Chairman to explain the Company's progress and receive questions from the shareholders. At the AGM, shareholders participate in the deliberations of the resolutions being proposed or on the Group's operations in general. The 2008 AGM was held on 17 April 2008

at the Hilton Petaling Jaya in Petaling Jaya, Selangor. The number of shareholders that attended the AGM in 2008 had increased and this clearly indicates a high level of engagement with shareholders. All resolutions were approved and all Directors including the Company Secretary attended the meeting. The Board of Directors, senior management and the Company's external legal counsels and auditors, PricewaterhouseCoopers Malaysia were present to answer questions raised and provide clarification as required by the shareholders. At every AGM, a helpdesk will be set up as a contact point for the shareholders. A press conference is held immediately after the AGM where the Chairman, Managing Director and Finance Director updates the media representatives of the resolutions passed and answer questions on matters related to the Group.

The 2009 AGM will be held on 20 April 2009 at the Hilton Petaling Jaya in Petaling Jaya, Selangor. The Notice of AGM is enclosed with this Annual Report. The results of all resolutions proposed will be available on Bursa Malaysia Securities Berhad's website on 20 April 2009.

EMPLOYEES

The Company believes its business should uphold high standards of behaviour and integrity. In promoting high standards of conduct and ensuring that all employees continuously uphold high standards of conduct in the performance of their duties, the Company is guided by four (4) value systems, namely the Guiding Principles, Employment Principles, Business Principles and Standards of Business Conduct (Value System).

The Guiding Principles describe the Company's culture, the personality of our organisation and guides the way the Company's employees behave. The Employment Principles framework focuses on work place practices, employee relations and employee human rights. The Business Principle describes how the Company should be run in terms of responsibility and the Standards of Business Conduct describes high standards of business integrity that guide an employee's conduct.

To ensure compliance, all employees including Directors and officers are required to declare their compliance with the Standards of Business Conduct and disclose any conflict of situation on a yearly basis. A register of declaration of interest is maintained by the Company Secretary. All declarations of interest are tabled to the Board for consideration. In 2008, there had been six (6) declarations of interest made by employees of the Company.

The Company also conducted a Risk Awareness Workshop aimed at imparting the significance of risk management and internal controls and its impact on their day to day activities.

Details of the Company's Value Systems are available at the Company's website at www.batmalaysia.com.

CONSUMERS

Guided by the Principle of Responsible Product Stewardship, the Company's products and brands are developed, manufactured and marketed in a responsible manner. To achieve Dunhill's vision of uncompromising quality, the Company had in 2008

launched a consumer hotline with the objectives to capture consumer complaints, feedback and to respond to all complaints in a timely manner.

SUPPLIERS AND SERVICE PROVIDERS

The Company has established a Contract Policy to govern the administration of contracts with all parties concerned. The Standards which are relevant to the Company's suppliers and service providers to ensure high standards of business ethics that are expected of all suppliers and service providers of the Company including the supplier or service provider's related companies are also incorporated in the contract with the relevant supplier or service provider. It is made clear in all agreements with suppliers and service providers that breaches of any provision in the Standards which the relevant supplier or service provider have been made aware of, may lead to immediate termination of the contract with the relevant supplier or service provider.

ACCOUNTABILITY AND AUDIT

Financial reporting

The Board aims to provide and present a clear, balanced and comprehensive assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly and half yearly announcement of results to shareholders as well as the Chairman's statement and review of operations in the annual report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

Directors' responsibility statement in respect of the preparation of the Audited Financial Statements

The Board is responsible for ensuring that the financial statements provide a true and fair view of the state of affairs of the Group and of the Company as at the end of the accounting period and of the profit or loss and cash flows for the period then ended. In preparing the financial statements, the Directors have ensured that accounting standards approved by the Malaysian Accounting Standards Board (MASB) in Malaysia and the provisions of the Companies Act, 1965 have been complied with and reasonable and prudent judgements and estimates have been made. The Directors have also overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group and for the implementation and continued operation of adequate accounting and internal control systems for the prevention and detection of fraud and other irregularities.

The Board is satisfied that it has met its obligation to present a balanced and understandable assessment of the Company's position and prospects in the Directors' Report at pages 109 to 113 and the Financial Statements from pages 109 to 166 of this Annual Report.

Whistleblowing

One of the key provisions in the Standards is whistleblowing. The Group acknowledges that misconduct in any company such as violation of laws, rules, regulations, production fault, fraud, health and safety violations or corruption are usually known first by the people who work in or with the company. An early warning system such as a whistleblowing procedure can help the Group detect wrongdoing and alert the Group to take corrective

action before a problem becomes a crisis. A whistleblowing system strengthens, supports good management and at the same time demonstrates accountability, good risk management and sound corporate governance practices. It is the Board's belief that having a whistleblowing system in place will increase investors' confidence in the Group and with that belief in mind, the whistleblowing system was put in place since 2004.

In line with the Group's sound corporate governance practices, the Group's employees are strongly encouraged to speak up and raise any suspicions of wrongdoing, malpractice or impropriety in the management of the Group's business through an internal whistleblowing procedure established pursuant to the Standards. The Company established a comprehensive framework which outlines when, how and to whom a concern may be properly raised, distinguishes a concern from a personal grievance, allows the whistleblower the opportunity to raise a concern outside their management line and in confidence. The procedures and forms can conveniently be located by the Group's employees via the employee portal. The identity of the whistleblower is kept confidential and protection is accorded to the whistleblower against any form of reprisal or retribution. These procedures enable employees to make their concerns known without fear of retaliation and in the knowledge that procedures are in place in which their complaints are acted upon. Any concerns raised will be investigated and a report and update is provided to the Board of Directors, through the Audit Committee.

In 2008, eight (8) whistleblowing / breach of Standards incidents were reported covering areas such as illicit trade, misappropriation of Company's assets, fraud and conflict of interests and all incidents reported were investigated with appropriate actions being taken, where necessary and reported to the Audit Committee.

Internal control

It is important to emphasise that the ultimate responsibility for ensuring a sound internal control system and reviewing the effectiveness of the system lies with the Board. The Board sets policies and procedures for internal control and oversees that the implementation of internal control system are properly carried out by the executive management. The Company has established processes to oversee and manage risk.

Details of these processes are set on pages 91 to 92 of this Annual Report.

The Company has in place an Information Technology Policy that outlines the processes that should be followed to create the policies, best practices, standards and the use of the supporting information technologies. The Company is mindful that there is a risk of legal action if technology systems or information are misused in a manner which breaches legislation. The Company therefore ensures that all software used by the Group are licensed copies.

In accordance with the Guidance for Directors of Public Listed Companies, reviews by the Board were carried out at least annually, covering all material controls including financial, operational and compliance controls and risk management systems. The Board derives reasonable assurances from reports submitted by the relevant committee on risk management and internal control.

Details of internal audit function appear on page 96 of this Annual Report.

Statement of Internal Control

The Statement on Internal Control furnished on pages 91 to 92 of the Annual Report provides an overview on the state of internal controls within the Group.

Related Party Transactions

An internal compliance framework exists to ensure that the Group meets its obligations under the Listing Requirements including obligations relating to related party transactions. The Board, through its Audit Committee, reviews all related party transactions involved. A Director who has an interest in a transaction must abstain from deliberation and voting on the relevant resolution in respect of such transaction at the Board and at any general meeting convened to consider the matter.

The Recurrent Related Party Transactions entered into by the Group with its related parties in 2008 were for the purchase and sale of cigarettes and tobacco products, purchase of leaf, cigarette packaging materials and tobacco products, procurement of information technology services, payment of royalties, payment of fees for technical and advisory support services, provision of technical and advisory support services and purchase and sale of equipment.

Details of these transactions are set out in pages 155 to 158 of this Annual Report.

Relationship with External Auditors

The Audit Committee discusses with the external auditors the nature and scope of the audit and reporting obligations before the audit commences. The Audit Committee ensures that the management will provide a timely response on any material queries raised by the external auditors after the audit to management in respect of the accounting records, financial accounts or systems of control.

The Audit Committee works closely with the senior audit partner assigned by PricewaterhouseCoopers Malaysia to the Company, to act as the key representative for overseeing the relationship of the Company with the external auditors. In compliance with the Malaysian Institute of Accountants, the Company rotates its audit partners every five (5) years to ensure objectivity, independence and integrity of the audit opinions.

The Audit Committee also meets with the external auditors to review the reasonableness of significant judgement, the external auditors’ accounting principles and the operating effectiveness of internal controls and business risk management.

The Audit Committee met with the external auditors twice in 2008 without the presence of the Executive Directors or management.

The Audit Committee is tasked with authority from the Board to review any matters concerning the appointment and re-appointment, audit fee, resignation or dismissal of external auditors and review and evaluate factors relating to the independence of the external auditors

and assist them in preserving their independence.

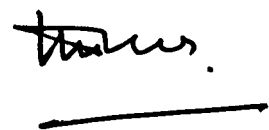
The total fees paid to PricewaterhouseCoopers Malaysia in 2008 amounted to RM317,000.00. A summary of the breakdown of fees payable to PricewaterhouseCoopers Malaysia is as follows:

Type of Services	Fees (RM)
Audit Services	205,000
Non-Audit Services	112,000

Compliance with the Code

The Board has deliberated, reviewed and approved this Statement on Corporate Governance. The Board considers that the Statement on Corporate Governance provides the information necessary to enable shareholders to evaluate how the Malaysian Code has been applied. The Board considers and is satisfied that the Company has fulfilled its obligation under the BATM Code, Malaysian Code of Corporate Governance, the Listing Requirements and all applicable laws and regulations throughout the financial year ended 31 December 2008.

This Statement is made in accordance with the Board of Directors’ circular resolution dated 5 March 2009.



Tan Sri Abu Talib bin Othman
Chairman

STATEMENT ON INTERNAL CONTROL

RESPONSIBILITY

The Board of Directors recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's system of internal control which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. As there are limitations that are inherent in any system of internal control, this system is designed to manage rather than eliminate risks that may impede the achievement of the Group's business objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. The system of internal control covers, *inter alia*, financial, operational and compliance controls and risk management procedures.

The Group has in place an on-going process for identifying, evaluating, monitoring and managing significant risks faced by the Group and this process includes reviewing and updating the system of internal controls to take into consideration changes in the regulatory and business environment. This process is regularly reviewed by the Board via the Audit Committee and accords with the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

The Board ensures that management undertakes such actions as may be necessary in the implementation of the policies and procedures on risk and control approved by the Board whereby management identifies and assesses the risk faced and then designs, implements and monitors appropriate internal controls to mitigate and control those risks.

RISK MANAGEMENT

Risk management is firmly embedded in the Group's management system and is every employee's responsibility as the Group firmly believes that risk management is critical for the Group's continued profitability and the enhancement of shareholder value.

The Risk Management Team, led by the Finance Director and represented by senior managers from all functions of the Group held quarterly meetings during the year to update the risk register and risk mitigation action plans.

Selected business continuity plans (or contingency plans) were reviewed, updated and/or tested during the year under review. Management continually develops new business continuity plans to support changes in the business environment. Senior managers who owned the respective business continuity plans made formal presentations to the Top Team on their crisis preparedness.

The Audit Committee was briefed by the Enterprise Risk Manager on the Group's Risk Management Programme in April and October 2008. Amongst the key issues highlighted to the Audit Committee were the activities carried out by the Risk Management Team in 2008, the Group's guidelines and process enhancements, the top twenty (20) risks of the Group, risk response action plans and the crisis preparedness on business continuity plans.

KEY INTERNAL CONTROL PROCESSES

Central to the Group's internal control and risk management systems is its Control Self Assessment ("CSA") process, which it has developed and continues to improve over time. A key control checklist is developed and sets out the various key controls and process requirements across all functions in the Group and is updated annually taking into consideration the changing risk profiles as dictated by changes in the business and regulatory environment, strategies and functional activities from time to time. All business units are required to document the controls and processes for managing the risks and assess their effectiveness on an annual basis. The key control checklist and trend analysis are reported to the Audit Committee. In 2008, four (4) reports were tabled to the Audit Committee.

OTHER KEY ELEMENTS OF THE SYSTEM OF INTERNAL CONTROL

Apart from the above, the other key elements of the Group's internal control system which have been reviewed and approved by the Board are as described:

(a) Policies, procedures and limits of authority

- Clearly defined delegation of responsibilities to committees of the Board and to management including organisation structures and appropriate authority levels are in place;
- Clearly documented internal policies, standards and procedures are in place and regularly updated to reflect changing risks or resolve operational deficiencies. All policies of the Group and standards are approved by the Board and cases of non-compliance are reported to the Board. Reliance is also placed on the Group's Internal Audit as well as the CSA approach mentioned above.

(b) Strategic business planning, budgeting and reporting

- Regular and comprehensive information provided by management for monitoring of performance against strategic plan, covering all key financial and operational indicators. On a quarterly basis, the Managing Director reviews with the Board on all issues covering, but not restricted to, strategy, performance, resources and standards of business conduct;
- Detailed budgeting process is established requiring all business units to prepare budgets annually which are discussed and approved by the Board; and
- Effective reporting systems which expose significant variances against budgets and plan are in place to monitor performance. Key variances are followed up by management and reported to the Board.

(c) Insurance and physical safeguard

- Adequate insurance and physical safeguard on major assets are in place to ensure that the assets of the Group are sufficiently covered against any mishap that will result in material losses to the Group.

(d) Top Team Meetings

- Top Team meetings, which are senior management meetings, are held on a regular basis to review, identify, discuss and resolve strategic, operational, financial and key management issues.

(e) Risk and control workshops

- The employees' attitude towards, and in understanding the Group's risk management process is as important as having good systems and policies in place in achieving a robust internal control system. To achieve this, risk awareness workshops and trainings were carried out for employees to understand the significance of risk management and internal controls, and its impact on their day to day activities. The workshops included an overview of organisations risk management framework and process, importance of internal controls, types of controls, design and assessment of the effectiveness of internal controls.

(f) Other matters

- Regular meetings are held between the Finance Director and analysts with a formal presentation conducted on the day the financial results are released after Board's approval to ensure a

transparent relationship and open dialogue with investors and shareholders;

- Written declaration from all management personnel confirming their compliance with the Group's Standards of Business Conduct and where conflicts of interest situations are disclosed.

In 2008, the system of internal controls is satisfactory and has not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's 2008 Annual Report.

This Statement is made in accordance with the resolution of the Board of Directors dated 19 February 2009.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.24 of the Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Internal Control. Their review was performed in accordance with Recommended Practice Guide ("RPG") 5 issued by the Malaysian Institute of Accountants. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board had adopted in their review of the adequacy and integrity of internal control of the Group. RPG 5 does not require the external auditors to and they did not consider whether this Statement covers all risk and controls, or to form an opinion on the effectiveness of the Group's risk and control procedures.

AUDIT COMMITTEE REPORT



Datuk Oh Chong Peng
Chairman



Tan Sri Abu Talib bin Othman
Member



James Richard Suttie
Member



Dato' Ahmad Johari bin Tun Abdul Razak
Member

MEMBERSHIP AND ATTENDANCE

The Audit Committee members and details of attendance of each member at the Audit Committee meetings during 2008 are as follows:

Composition of Audit Committee	Number of Audit Committee Meetings		%
	Held	Attended	
Datuk Oh Chong Peng Chairman <i>(Independent Non-Executive Director)</i>	4	4	100
Tan Sri Abu Talib bin Othman <i>(Independent Non-Executive Director)</i>	4	4	100
James Richard Suttie <i>(Non-Independent Non-Executive Director)</i>	4	4	100
Tan Sri Kamarul Ariffin bin Mohamed Yassin* <i>(Independent Non-Executive Director)</i>	1	1	100

* Tan Sri Kamarul Ariffin bin Mohamed Yassin retired on 17 April 2008.

The Audit Committee convened four (4) meetings during the year, which were attended by all the members except for Tan Sri Kamarul Ariffin who attended one (1) meeting in February 2008 as he had retired on 17 April 2008. Upon invitation by the Audit Committee, the Managing Director, Finance Director, a representative of the external auditors and the Head of Internal Audit attended all the meetings. From time to time other members of senior management including the Business Development Services Director and the Head of Corporate Finance also attended Audit Committee meetings in 2008 upon invitation by the Audit Committee.

The Board had on 5 March 2009 appointed Dato' Ahmad Johari bin Tun Abdul Razak as a member of the Audit Committee of the Company. Dato' Ahmad Johari has more than twenty (20) years of experience as an Advocate and Solicitor in

the areas of corporate and commercial law and also sits in the audit committee of several listed companies.

All members of the Audit Committee are financially literate and are able to analyse and interpret financial statements to effectively discharge their duties and responsibilities as members of the Audit Committee.

COMPOSITION AND TERMS OF REFERENCE

(a) Composition

The Audit Committee shall comprise at least three (3) Directors, the majority of whom are independent. The members of the Audit Committee shall be appointed by the Board of Directors and all members of the Audit Committee including the Chairman are Non-Executive Directors.

At least one (1) member of the Audit Committee shall be a member of the Malaysian Institute of Accountants or if not a member of the Malaysian Institute of Accountants, must have at least three (3) years' working experience and have passed the examinations specified in Part 1 of the First Schedule of the Accountants Act,

1967 or a member of one (1) of the associations of accountants specified in Part II of the said schedule or has a degree/masters/doctorate in accounting or finance and at least three (3) years' post qualification experience in accounting or finance or is a member of a professional accountancy organisation which has been admitted as full members of the International Federation of Accountants and at least three (3) years' post qualification experience in accounting or finance or at least seven (7) years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

No alternate director shall be appointed as a member of the Audit Committee. The Board shall review the terms of office and performance of the members of the Audit Committee at least once every three (3) years to determine whether the members have carried out their duties in accordance with their terms of reference.

In the event of any vacancy in the Audit Committee resulting in the non-compliance of subparagraph 15.10(1) of the Listing Requirements of the Bursa Malaysia Securities Berhad, the Board shall fill the vacancy within three (3) months from the date of the vacancy.

(b) Chairman

An Independent Non-Executive Director shall be the Chairman of the Audit Committee.

(c) Meetings and Minutes

The Audit Committee shall meet at least four (4) times annually. However, at least once a year, the Audit Committee shall meet with the external auditors without the Executive Directors being present. This year, the Audit Committee met twice with the external auditors without the Executive Directors and management being present.

Other than in circumstances which the Chairman considers inappropriate, the Finance Director and Head of Internal Audit and a representative of the external auditors attends all meetings of the Audit Committee to make known their views on any matter under consideration by the Audit Committee, or which in their opinion, should be brought to the attention of the Audit Committee. The Audit Committee may, as and when necessary, invite other members of the Board and members of senior management to attend the meetings.

The Company Secretary shall be the Secretary of the Audit Committee and will record, prepare and circulate the minutes of the meetings of the Audit Committee and ensure that the minutes are properly kept and produced for inspection if required. The Audit Committee shall report to the Board and its minutes tabled and noted by the Board.

(d) Quorum

A majority of the members in attendance must be Independent Directors in order to form a quorum for the meeting.

(e) Authority

The Audit Committee is authorised by the Board to review any activity within the Audit Committee's terms of reference. The Audit Committee is authorised to seek any information the Audit Committee requires from any Director or member of management and has full and unrestricted access to any information pertaining to the Group and the management, and all employees of the Group are required to comply with the requests made by the Audit Committee.

The Audit Committee is authorised by the Board to obtain external professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary, the expenses of which will be borne by the Company.

In the event that any member of the Audit Committee shall need to seek external professional advice in furtherance of his duties, he shall first consult with and obtain approval of the Chairman of the Audit Committee.

The Audit Committee shall have direct communication channels and be able to convene meetings with the external auditors without the presence of the non-independent members of the Audit Committee, whenever deemed necessary.

RESPONSIBILITIES AND DUTIES

The responsibilities and duties of the Audit Committee are:

(a) Financial Reporting

- To review the quarterly and annual financial statements of the Company, focusing particularly on:

- any significant changes to accounting policies and practices;
- significant adjustments arising from the audits;
- compliance with accounting standards and other legal requirements; and
- a going concern assumption.

(b) Related Party Transactions

- To review any related party transactions and conflict of interest situations that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

(c) Audit Reports

- To prepare the annual Audit Committee report to the Board which includes the composition of the Audit Committee, its terms of reference, number of meetings held, a summary of its activities and the existence of an Internal Audit unit and summary of the activities of that unit for inclusion in the Annual Report; and
- To review the Board's statements on compliance with the Malaysian Code of Corporate Governance for inclusion in the Annual Report.

(d) Internal Control

- To consider annually the Business Risk Management Framework adopted within the Group and to be satisfied that the methodology employed allows the identification, analysis, assessment, monitoring and communication of risks in a

regular and timely manner that will allow the Group to minimise losses and maximise opportunities;

- To ensure that the system of internal control is soundly conceived and in place, effectively administered and regularly monitored;
- To cause reviews to be made of the extent of compliance with established internal policies, standards, plans and procedures including for example, the Group's Standards of Business Conduct;
- To obtain assurance that proper plans for control have been developed prior to the commencement of major areas of change within the Group; and
- To recommend to the Board steps to improve the system of internal control derived from the findings of the internal and external auditors and from the consultations of the Audit Committee itself.

(e) Internal Audit

- To be satisfied that the strategies, plans, manning and organisation for internal auditing are communicated down through the Group. Specifically:
 - to review the internal audit plans and to be satisfied as to their consistency with the Business Risk Management Framework used and adequacy of coverage;
 - to be satisfied that the Internal Audit unit within the Group has the proper resources and standing to enable them to complete their mandates and approved audit plans;

- to review status reports from Internal Audit and ensure that appropriate actions have been taken to implement the audit recommendations.
- to recommend any broader reviews deemed necessary as a consequence of the issues or concerns identified;
- to ensure Internal Audit has full, free and unrestricted access to all activities, records, property and personnel necessary to perform its duties; and
- to request and review any special audit which it deems necessary.

(f) External audit

- To review the external auditors' audit plan, nature and scope of the audit plan, audit report, evaluation of internal controls and co-ordination of the external auditors. The Audit Committee will consider a consolidated opinion on the quality of external auditing at one (1) of its meetings;
- To review with the external auditors the Statement on Internal Control of the Group for inclusion in the Annual Report;
- To review any matters concerning the appointment and re-appointment, audit fee and any questions of resignation or dismissal of the external auditors;
- To review and evaluate factors related to the independence of the external auditors and assist them in preserving their independence;
- To be advised of significant use of the external auditors in performing non-audit services

within the Group, considering both the types of services rendered and the fees, such that their position as auditors are not deemed to be compromised; and

- To review the external auditors' findings arising from audits, particularly any comments and responses in management letters as well as the assistance given by the employees of the Group in order to be satisfied that appropriate action is being taken.

(g) Other matters

- To act on any other matters as may be directed by the Board.

SUMMARY OF ACTIVITIES

In 2008, the Audit Committee carried out its duties in accordance with the terms of reference of the Audit Committee.

The activities of the Audit Committee for the financial year ended 31 December 2008 are summarised as follows:

- Reviewed the quarterly and annual financial statements of the Company and the Group, focusing particularly on significant changes to accounting policies and practices, adjustments arising from the audits, compliance with accounting standards and other legal requirements;
- Reviewed the recurrent related party transactions entered into by the Company, its subsidiaries and the British American Tobacco Group;
- Reviewed the internal audit plans and had been satisfied as to their consistency with the Business Risk Management Framework used and adequacy of coverage;
- Reviewed status reports from internal audit to ensure that appropriate actions had been taken to implement the audit recommendations;

- Reviewed the Group's Risk Management Programme, including the insurance programme, security and safety matters;
- Ensured compliance with the Group's Standards of Business Conduct and received updates on whistleblowing matters and breaches of the Standards of Business Conduct;
- Reviewed progress update of the Group's Statement of Business Principles;
- Reviewed the external auditors' audit plan, nature and scope of the audit plan, audit report, evaluation of internal controls and co-ordination of the external auditors; and
- Reviewed the external auditors' findings arising from audits, particularly comments and responses in management letters as well as the assistance given by the employees of the Group in order to be satisfied that appropriate action is being taken.

INTERNAL AUDIT FUNCTION

The Group has a well established internal audit unit, which reports to the Audit Committee and assists the Audit Committee in reviewing the effectiveness of the internal control systems whilst ensuring that there is an appropriate balance of controls and risks throughout the Group in achieving its business objectives.

Internal audit provides independent assessment on the effectiveness and efficiency of internal controls utilising a global audit methodology and tool to support the corporate governance framework and an efficient and effective global risk management framework to provide assurance over Group strategy delivery and change management initiatives.

The Head of Internal Audit reports directly to the Audit Committee and has direct access to the Chairman of the Audit Committee on all matters of

control and audit. All proposals by management regarding the appointment, transfer and removal of the Head of Internal Audit of the Group shall require prior approval of the Audit Committee. Any inappropriate restrictions on audit scope are to be reported to the Audit Committee.

The Audit Committee approves the internal audit plan during the first Audit Committee meeting each year. Any subsequent changes to the internal audit plan are approved by the Audit Committee. The scope of internal audit covers the audits of all units and operations, including subsidiaries.

The internal audit function adopts a risk-based approach towards the planning and conduct of audits which is consistent with the Group's established framework in designing, implementing and monitoring of its control systems.

Other main activities performed by the internal audit are as follows:

- review of the approval procedures in respect of recurrent related party transactions; and
- undertake special reviews requested by the Audit Committee and/or management.

In 2008, the system of internal controls is satisfactory and has not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's 2008 Annual Report.

In October 2008, a Audit Committee effectiveness survey had been carried out with results demonstrating improvements in the overall level of effectiveness.

This Audit Committee Report is made in accordance with the Directors' circular resolution dated 5 March 2009.

REPORT ON CORPORATE RISK MANAGEMENT

The effective management of risks associated with all aspects of the Group’s business is critical for sustained growth and continued enhancement of shareholder value.

The business risks of the Group are affected by a number of factors, not all of which are within the Group’s control. These externally driven challenges, together with general business risk exposures such as corporate reputation, security, environment, health and safety issues, product quality and information technology are constantly reviewed as part of the Group’s Enterprise Risk Management programme.

The Group adopts a proactive Enterprise Risk Management programme with the following objectives:

- ensuring the continuity of its supply to consumers at all times
- protecting its assets and reputation
- preserving the safety and health of its employees
- ensuring that the Group’s operations do not impact negatively on its neighbours and the environment
- protecting the interests of all other stakeholders
- ensuring compliance with the Malaysian Code of Corporate Governance, British American Tobacco p.l.c. guidelines and all applicable Malaysian laws
- promoting an effective risk awareness culture where risk management is an integral aspect of the Group’s management systems

The Risk Management Team, headed by the Finance Director and comprising senior managers from all functions of the Group is entrusted to drive the Enterprise Risk Management programme. The team’s responsibilities are to:

- steer the Group’s Enterprise Risk Management programme
- promote a pro-active risk awareness culture in the Group
- conduct quarterly reviews of the business risks
- coordinate the development of risk mitigation action plans
- develop and update business continuity plans for key business risks
- plan and coordinate the testing of business continuity plans
- organise training and education for employees on risk management
- monitor the results of key performance indicators
- ensure good corporate governance

Risk Management is firmly embedded in the Group’s management system and is every employee’s responsibility.

The Group’s Enterprise Risk Management process comprises five phases, namely:



In the risk identification process, all possible business risks are identified.

The identified business risks are then evaluated based on the matrix below:

- LIKELIHOOD of the risk crystallising
- SEVERITY of the consequence
- Degree of internal control and risk management measures in place

		LIKELIHOOD			
		Low	Medium Low	Medium High	High
SEVERITY	High	HIGH	HIGH	HIGH	HIGH
	Medium High	MEDIUM	MEDIUM	HIGH	HIGH
	Medium Low	LOW	LOW	MEDIUM	MEDIUM
	Low	LOW	LOW	LOW	MEDIUM

The outcome of the risk identification and evaluation process is a risk register which documents all identified business risks, their risk levels as well as action plans to manage these business risks.

This categorisation of business risks enables the Group to allocate its resources more effectively to deal with the different levels of business risks. A combination of risk management

measures are then selected to manage these business risks:

RISK MANAGEMENT MEASURES	SUB-CATEGORY	EXAMPLES
ACCEPT	Acceptance	Accept the risk as it is rated, with no further action, maintaining the control procedures that are already in place.
RETAIN	Loss prevention	Implement proactive risk mitigation (control measures) to reduce likelihood of the risk crystallising. The risk should remain unchanged until the new control is in place. <i>Possible actions:</i> <ul style="list-style-type: none"> • Quality assurance • Environment, health & safety • Preventive maintenance • Security • Financial controls • Project management • Training & education • Supervision • Research & Development
	Loss reduction	Implement active risk mitigation (control measures) to reduce severity of consequences, if any. <i>Possible actions:</i> <ul style="list-style-type: none"> • Business continuity planning • Emergency response planning • Separation of exposures • Duplication of exposures • Diversification • Portfolio planning
TRANSFER	Insurance	Purchase insurance for insurable risks e.g. fire, life, theft etc.
	Contract	Protection clauses in contracts e.g. indemnity clauses etc.
	Sharing of risks	Joint venture or partnerships
	Outsourcing	Third party to assume risk

Ongoing risk monitoring is conducted to review the effectiveness of risk mitigation measures put in place for all identified business risks and corrective actions taken where necessary.

The Group’s Enterprise Risk Management programme is subjected to periodic reviews to ensure that the policy and objectives of the programme remain applicable and effective under changing market and regulatory environment. These are complemented by internal control practices such as the statement of compliance with the Malaysian Code of Corporate Governance and the key control checklist of British American Tobacco p.l.c.

PROMOTION OF RISK AWARENESS

Risk communication is equally important and forms an integral part of the risk management activity as it focuses on the dissemination of risk information to appropriate levels of employees and stakeholders. Appropriate channels are available for employees to provide feedback on risk management issues and suggestions for improvement.

In 2008, two additional workshops were carried out by the Risk Management Team to enhance awareness of risk management in addition to the regular risk management induction programmes for new staff. The “Are You in Control” workshop was aimed at educating management staff on the Group’s approach to risk management and internal controls, and provided a forum to refresh the participants knowledge on risk management and their role in the control environment. There was also a workshop on “Business Information Security” to highlight various risks associated with information security.

REVIEW OF THE GROUP’S ENTERPRISE RISK MANAGEMENT PROGRAMME

The Risk Management Team met four times during the year, in January, August, September and December 2008 to review the Group’s risk profile and progress of the business continuity plans.

During the year, business continuity plans tested were manufacturing contingency sources, raw material supply plans, factory emergency

response plan, IT disaster recovery plan and disaster recovery plan of distribution centre. Other business continuity plans such as product recall, product boycott, bomb threats and industrial relations were also reviewed and updated.

In October 2008, the Risk Management Team together with senior managers updated the risk register and risk mitigation action plans. The Top Team and the Audit Committee were briefed by the Enterprise Risk Manager on the status of the Group’s Enterprise Risk Management programme in April and October 2008. The briefing outlined the status of the business continuity plans testing, updates on the risk register and risk mitigation plans.

CRISIS MANAGEMENT TEAM

In addition to the Risk Management Team, the Group also established a Crisis Management Team to provide leadership and timely decision making in the event of a crisis. The Crisis Management Team is assisted by the Crisis Response Team, which is entrusted to respond immediately to the crisis as well as the Communications Team, which coordinates the communication strategy with key stakeholders.





winning





organisation

Our aspiration to be the benchmark best employer in Malaysia has taken our investments in recruitment, training and retention beyond what we have ever done before.

BUILDING A WINNING ORGANISATION BEYOND MARKET BENCHMARK

More than ever, our people are enabled and empowered to drive business performance. We impart our people with passion, working as one team to constantly push our performance and exceed expectations.



Cheryl Ann Wong Wai Leng
Human Resources Director

British American Tobacco Malaysia aims to have a sustainable talent pipeline. We continue to invest in the recruitment, training and retention of top talent whilst providing opportunities for our employees to accelerate their career with the Company. Our efforts are aimed at transforming the Company into the Best Employer in Malaysia.

TALENT SOURCING

An organisation is only as good as its people. In line with that train of thought, the Company aims to hire exceptional employees who will subsequently accelerate us beyond our goals.

Building on the previous year's successes, the Company participated in numerous career fairs in 2008 to promote its unique employer value propositions. New relationships were built with the United Kingdom Alumni Network (UKAN) and Malaysia Student Departments (MSDs) of a number of major cities in the United States to create further awareness of what British American Tobacco Malaysia had to offer graduates who were interested to kick-start their careers back home.

In addition to local career fairs, one key initiative in 2008 was the Company's participation in the GRADUAN Australia Recruitment Drive, held in Melbourne and Sydney. The introduction of online assessments and same-day assessment centers enabled us to give conditional offers to 12 outstanding undergraduates; hence recruiting potential Management Trainees even before they graduate.

The Company also recognises the need to increase operational excellence in talent sourcing and have made a number of enhancements to day-to-day talent sourcing activities, including streamlining of external recruitment agencies, revamping of its Employee Referral Programme incentives and the launch of online verbal and numerical reasoning tests.

YOUR VOICE COUNTS

British American Tobacco Malaysia has always actively sought and acted upon formal employees' feedback. Testament to the efforts put in place in our commitment towards attaining the distinction of being the Best Employer in the country, Your Voice 2008 garnered a participation rate of 100% with significant improvements in employees' opinions with regard to strategic leadership and talent development.

The Company also demonstrated innovation in re-branding Your Voice 2008. Your Voice Road shows were launched and the Company contributed to charity in direct correlation with employees' participation in Your Voice. Results and action plans pursuant to them would be announced in 2009.

TALENT DEVELOPMENT

British American Tobacco Malaysia is a steadfast proponent of developing its employees to ensure a truly world-class workforce. The Company has invested 3.85% of its payroll to learning and development programmes and this far exceeded the American Society of Training and Development (ASTD) Best Employer benchmarked companies which stands at 3% of payroll. Relative to 2007, there was a 55% increase in learning and developmental spend in 2008 with the introduction of various learning programmes both locally, regionally and globally.

YOUR VOICE COUNTS



Your Voice workshop being conducted for employees



Contribution to charity from each employee's participation

EMPLOYEES' WELL-BEING

Energising our employees through sports club activities



Futsal League for 2008



Celebrating Family Day



Smoking and health workshops conducted for our employees



Conquering Gunung Tahan

REWARDING EMPLOYEES



Long Service Awards night

Total Reward Statement to communicate our reward structure to employees

- **Achieve Continuous Excellence (ACE) Academy**

Testament to the Company's dedication was the launch of ACE Academy in November, a developmental programme dedicated to the development of non-management employees.

This unprecedented programme was designed to provide a blend of organisational knowledge and self-management skills critical in equipping non-management employees with line of sight of the Company's strategic thrusts and the ability to play a major part in its acceleration forward.

With this initiative, our learning investment has increased by 40% for our non-management employees.

- **INSEAD Leadership and Management (ILMA) Academy**

The INSEAD Leadership and Management Academy (ILMA) was launched in the Company's ongoing quest to demonstrate its commitment to be the Best Employer in Malaysia. This pioneer collaboration between British American Tobacco Malaysia and the world-renowned INSEAD Business School for executive development was specifically designed for talents who recorded exceptional performance and have the passion and capability to excel in leadership roles within the organisation.

Qualified candidates will be enrolled into a development programme spanning a five year period with stints in Singapore and Fontainebleau, France. Graduates of the academy can look forward to the exclusive International Executive Programme certification. Graduates will also be part of the prestigious INSEAD Alumni where top global minds share their insights and working experience.

The investment in this programme was another milestone in British American Tobacco Malaysia's commitment to build solid talent and succession pipeline.

- **Global Management Trainee Programme**

In line with our vision of becoming the Best Employer in Malaysia, the Company also launched the enhanced Global Management Trainee Programme in August.

Cross-functional attachments were included into the programme to provide management trainees a chance to cross-over to another function for added business exposure. On top of that, the all-new cross-market assignment will provide the opportunity for management trainees to go to other British American Tobacco end-markets globally for a 3-month stint as part of their cross-border international orientation.

The enhanced Programme boasts another exciting feature whereby management trainees will be differentiated based on their individual performance. This will provide the added impetus for them to further strive for performance excellence.

After the completion of this programme, management trainees will graduate into a high-potential career path, coupled with continuous learning, development and unparalleled opportunities to succeed.

EMPLOYEE REFERRAL PROGRAMME

In recognition of our employees' understanding of the Company's culture and critical success factors, the Employee Referral Programme was launched in 2006 to leverage on our employees' network to fill management positions. We believe that our employees' best know our culture and environment.

Based on its success since its inception, the Company has doubled the incentives awarded for successful placements to further boost this source of stellar candidates. We in turn, have managed to double the number of successful employee referrals in comparison to 2007.

REWARDING EMPLOYEES

Recognising and rewarding our employees are top priorities in our efforts to attract and retain the best of talent whilst driving a high performance culture through competitive benchmarking, timely communication and transparency in our reward initiatives. Multiple strategic programmes under these four key pillars were implemented throughout 2008:

- **Market competitiveness – External benchmarking for best practice**

We performed external market benchmarking on our total reward basis which included compensation, benefits, performance recognition, development and career opportunities and work-life balance elements as a whole package.

- **Pay for performance – Rewarding high performance culture**

We have improved the component of base salary and performance bonus to ensure our key talent and high performers would be competitively rewarded.

- **Flexible benefits – Providing employees with choice**

Flexi benefit programmes such as the flexible optical dental benefit for all employees and flexible car or allowance benefit for managers were introduced in 2008 to increase our employee value proposition.

- **Education and branding — Proactive engagement and transparency**

A series of communication sessions were extended to all employees to communicate on our reward structure and key milestones. In 2008, we launched the Total Reward Statement to share with employees the total reward elements the Company invested in each employee. This personalised statement was designed to allow each employee to better understand the value and structure of their overall reward package from the Company.

SECONDMENTS OUT FOR OUR EMPLOYEES

As a truly global organisation British American Tobacco Malaysia offers numerous cross-border opportunities to our talent via the secondment programme. This programme was conceived with two-fold aims; to enrich our employees with exposure to best practices in other end markets, and to contribute to other end markets through the expertise of our employees.

The Company is a strong advocate of allowing a bigger pool of Malaysians to gain international experience and their subsequent return to help accelerate the business.

SECONDMENTS IN FOR OTHER END MARKET EMPLOYEES

Apart from providing employees with the opportunity for secondments out to other end markets, the Company also trained and developed talent from other end markets seconded in to the Company. This was a mutually beneficial initiative as secondees from other markets share their experience and expertise of their skills and talent with our employees here.

EMPLOYEES' WELL-BEING

British American Tobacco Malaysia believes in work life balance for its employees and that it is in the best interest of all parties when its employees are continually energised. As such, our Sports Club, which is run by two full-time employees, have organised a gamut of events throughout the year which included sporting tournaments, a fishing expedition and a treasure hunt.

To reinforce the Company's commitment to the health of our employees, medical screenings were offered to employees aged 35 and above. The Company has also launched several initiatives in 2008 such as CPR and First Aid Training as well as a Female Wellness Programme.

As a company operating in a controversial industry, British American Tobacco Malaysia strongly believes in being open with its employees on matters related to smoking and health. A series of workshops were conducted in 2008 with approximately 230 Trade Marketing personnel to provide them with an update on the risks of smoking and the Company's positions on smoking.

AWARDING LONG SERVICING EMPLOYEES

The Company values its employees who have dedicated their careers to grow and excel with the Company. In 2008, a total of 91 long serving employees were awarded the Long Service Awards. 10 of these employees have served for 30 years, 6 for 20 years, 63 have been with us for the past 10 years and 12 were retirees.

OUR PEOPLE AROUND THE WORLD

Listed below are our employees who have been seconded out from Malaysia to other British American Tobacco operations worldwide in 2008.

Alison Yeap

Strategy Execution Senior Analyst
United Kingdom

Anand Panchalingam

Global Solution Architect
United Kingdom

Andrew Yeo

Head of Human Resource
Cambodia

Anthony Yong

Head of Finance
Switzerland

Bruce Jalleh

Finance Director
Sri Lanka

Chin Lai Heng

Group Leadership and Talent
Development Manager
United Kingdom

Chong Choon Hung

Secondary Manufacturing
Department Manager
Korea

Claire Chan

Market Research and Insights
Manager
Hong Kong

Lim Peng Hui

Winning Culture Programme
Manager
Hong Kong

Lim Suat Kim

Head of Production
Singapore

Mohd Azraai

Regional Supply Chain Customer
Manager, European Region
United Kingdom

Ng Shu Teng

Marketing Finance Development
Manager
United Kingdom

Nicholas Soon

Regional Treasury Manager
Singapore

Nick Lee

Business Development Manager,
East Asia Area
Vietnam

Ong Hean Boon

Regional Manufacturing
Development Manager
Singapore

Shaiful Bahari

Head of Corporate and
Regulatory Affairs
Bangladesh

Tang Chung Leong

Operations Director
Vietnam

William Toh

Regional Project Manager
Hong Kong



A VALUABLE OPPORTUNITY FOR ENRICHING EXPERIENCE

Andrew Yeo

Head of Human Resource

British American Tobacco Cambodia

My secondment to Cambodia has been a great experience in preparing me for bigger roles in the future. I find British American Tobacco in Cambodia to be a dynamic and progressive organisation with huge potential for growth.

My current role provides me complete exposure in the business as part of the Top Team of an organisation with a staff strength of 500 employees including Leaf, Manufacturing, Marketing and Sales. My role also requires me to promote industrial harmony and achieve a successful tripartite win-win-win between the Company, its unions and the Government. It challenges me not only to be an effective leader of a function, but also to contribute and drive business results and think above market.

My career with the Company started when I joined British American Tobacco Malaysia in 2001 under the 2-year Management Trainee Programme and upon graduation from the programme in 2003, I became the Resourcing Executive. I was then promoted in 2004 to become the Recruitment Manager, and thereafter moved into other roles such as Training and Development Manager and Human Resource Manager for the Marketing function before taking on the role as the Marketing Organisational Development Manager in 2007. I have played a key role in supporting the Marketing function through its organisational transformation and in change management for the Trade Marketing and Distribution programme. In mid 2008, I was seconded to

Cambodia for this role where I lead the Human Resource function for the market as a member of the Top Team, Vietnam HR Leadership Team and provide interim support to British American Tobacco Thailand.

I believe secondments are precious opportunities for enriching one's learning experience and British American Tobacco is a great example of a Company that is truly committed to nurture its people by providing such opportunities for global exposure. This is a truly multinational Winning Organisation which stands for success!



Lee Seong Kwon

Secondary Manufacturing Department (SMD) Manager, Operations
British American Tobacco Malaysia

I was seconded to British American Tobacco Malaysia in January 2008 as a Primary Manufacturing Department (PMD) Manager. My role in Malaysia gave me the opportunity to be involved in pursuing operational excellence by participating in the Company's Breakthrough programme. I was also engaged with production innovation to support this initiative. It has been a pleasure to be part of this team and the experience here has really enriched

my views of operational strategies, given me a chance to understand the complexities in the Malaysian market and in depth knowledge on setting goals to maximise opportunities in a challenging environment.

Currently, I am working as an SMD Manager where I can feel the dynamic energy of market movements. I believe this new challenge will truly contribute to my development in future and also fulfil the full cycle of leadership capability development.

I can say that Malaysia is one of the best places for secondments because of its inherent diversity. Experiencing and working in a diverse environment whereby balanced thinking and focus is highly required and the learning which comes from it by understanding the culture and history of the organisation was something I rarely get to see in Korea. This newly acquired mindset is something I can bring back with me and I strongly believe that this is the key to building a cohesive team in a multi-racial organisation.

British American Tobacco Malaysia is truly a place where you can build a vision and be provided with the opportunity to realise that vision.



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DIRECTORS' REPORT

The Directors are pleased to submit their annual report to the members together with the audited financial statements of the Group and Company for the financial year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Company provides day-to-day management and administrative services to its subsidiaries which are principally engaged in the manufacture, importation and sale of cigarettes, pipe tobaccos and cigars.

There have been no significant changes in the nature of the Group's and the Company's activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	811,683	748,881

DIVIDENDS

RM'000

The dividends paid or declared by the Company since 31 December 2007 were as follows:

In respect of the financial year ended 31 December 2007, as shown in the Directors' report of that year:

Final dividend of 15.00 sen gross per share, less tax of 26%, paid on 16 May 2008	31,694
Final dividend of 62.90 sen per share, tax exempt under the single-tier system, paid on 16 May 2008	179,598
	211,292

In respect of the financial year ended 31 December 2008:

First interim dividend of 113.00 sen per share, tax exempt under the single-tier system, paid on 20 August 2008	322,649
Second interim dividend of 76.00 sen per share, tax exempt under the single-tier system, paid on 17 November 2008	217,003
	539,652

The Directors now recommend the declaration of a final dividend of 76.00 sen per share, tax exempt under the single-tier system, amounting to RM217,002,800 in respect of the financial year ended 31 December 2008 which, subject to the approval of members at the forthcoming Annual General Meeting of the Company, will be paid on 8 May 2009 to shareholders registered in the Company's Register of Members at the close of business on 24 April 2009.

RESERVES AND PROVISIONS

All material transfers to and from reserves and provisions during the financial year are shown in the financial statements.

DIRECTORS' REPORT

DIRECTORS

The Directors who held office during the period since the date of the last report are as follows:

Tan Sri Abu Talib bin Othman (Chairman)

Jack Marie Henry David Bowles

Tan Sri Kamarul Ariffin bin Mohamed Yassin

(retired on 17 April 2008)

Robert James Clark

(resigned on 17 April 2008)

Stephen James Rush

(appointed on 20 March 2008)

Datuk Oh Chong Peng

James Richard Suttie

Dato' Chan Choon Ngai

In accordance with Articles 97(1) and (2) of the Company's Articles of Association, Datuk Oh Chong Peng and Jack Marie Henry David Bowles will retire by rotation from the Board at the forthcoming Annual General Meeting and, being eligible, have offered themselves for re-election.

Tan Sri Abu Talib bin Othman, having attained the age of seventy, will retire in accordance with Section 129(2) of the Companies Act, 1965 at the forthcoming Annual General Meeting. The Board recommends that Tan Sri Abu Talib bin Othman be re-elected in accordance with Section 129(6) of the Companies Act, 1965 to hold office until the conclusion of the next Annual General Meeting.

In accordance with Article 103 of the Company's Articles of Association, any Director who is appointed to fill a casual vacancy shall hold office until the next following Annual General Meeting and shall then be eligible for re-election.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate pursuant to provisions under the Companies Act, 1965, other than as may arise from equity-settled share-based compensation plans offered by British American Tobacco p.l.c. (British American Tobacco p.l.c. is deemed to be the ultimate holding company) as disclosed in Note 28 to the financial statements.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than the benefits shown in Note 4 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than by virtue of transactions entered into in the ordinary course of business as disclosed in Note 25 to the financial statements.

MEMBERSHIP OF THE REMUNERATION COMMITTEE

The Remuneration Committee comprise mainly Non-Executive Directors and the members of the Remuneration Committee as at 31 December 2008 are:

Tan Sri Abu Talib bin Othman (Chairman, Independent Non-Executive Director)

Tan Sri Kamarul Ariffin bin Mohamed Yassin (Independent Non-Executive Director)

(retired on 17 April 2008)

Datuk Oh Chong Peng (Independent Non-Executive Director)

James Richard Suttie (Non-Independent Non-Executive Director)

Jack Marie Henry David Bowles (Non-Independent Executive Director)

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares and share options in the Company and its related corporations are as follows:

The Company	Number of ordinary shares of 50 sen each in the Company			
	At 1.1.08	Bought	Sold	At 31.12.08

Shareholdings in the name of the Director:

Tan Sri Abu Talib bin Othman	81,000	—	—	81,000
Datuk Oh Chong Peng	1,000	—	—	1,000
James Richard Suttie	1,500	—	—	1,500
Dato' Chan Choon Ngai	1,000	—	—	1,000

Shareholdings in which the Director is deemed to have an interest:

James Richard Suttie	3,000	—	—	3,000
Dato' Chan Choon Ngai	6,000	—	—	6,000

Ultimate Holding Company – British American Tobacco p.l.c.	Number of ordinary shares of 25p each in British American Tobacco p.l.c.			
	At 1.1.08/ Date of appointment	Bought/ Granted	Sold	At 31.12.08

Shareholdings in the name of the Director:

James Richard Suttie	7,154	—	—	7,154
Dato' Chan Choon Ngai	23,483	2,101	2,101	23,483
Stephen James Rush	—	4,540	2,254	2,286
Jack Marie Henry David Bowles	—	4,422	—	4,422

Shareholdings in which the Director is deemed to have an interest:

James Richard Suttie	7,073	—	—	7,073
----------------------	-------	---	---	-------

Ultimate Holding Company – British American Tobacco p.l.c.	Number of ordinary shares of 25p each in British American Tobacco p.l.c.			
	At 1.1.08/ Date of appointment	Awarded	Vested	At 31.12.08

Deferred Share Bonus Scheme & International Share Reward Scheme:

Shareholdings in the name of the Director:

Dato' Chan Choon Ngai	5,585	1,346	2,101	4,830
Stephen James Rush	7,112	1,592	2,396	6,308
Jack Marie Henry David Bowles	11,557	2,932	4,422	10,067

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES (continued)

Ultimate Holding Company – British American Tobacco p.l.c.	Number of options in ordinary shares of 25p each in British American Tobacco p.l.c.				
	At 1.1.08/ Date of appointment	Granted	Exercised	Lapsed	At 31.12.08
Shareholdings in the name of the Director, Exercise Price & Expiry Date:					
Dato' Chan Choon Ngai					
£5.98 (19 March 2013)	7,392	—	—	—	7,392
£8.09 (17 March 2014)	5,163	—	—	—	5,163
Nil (17 May 2015)	6,857	—	—	—	6,857
Nil (15 March 2016)	5,418	—	—	—	5,418
Nil (13 March 2017)	5,178	—	—	—	5,178
Nil (13 March 2018)	—	4,811	—	—	4,811
Stephen James Rush					
£5.98 (19 March 2013)	6,020	—	—	—	6,020
£8.09 (17 March 2014)	4,630	—	4,630	—	—
Nil (15 March 2016)	1,664	—	—	—	1,664
Nil (13 March 2017)	1,673	—	—	—	1,673
Nil (13 March 2018)	2,145	5,478	2,145	—	5,478
Jack Marie Henry David Bowles					
Nil (17 March 2014)	15,150	—	—	—	15,150
Nil (17 May 2015)	12,910	—	—	—	12,910
Nil (15 March 2016)	9,922	—	—	—	9,922
Nil (13 March 2017)	9,618	—	—	—	9,618
Nil (13 March 2018)	—	10,167	—	—	10,167

Some of the shares and options in the ultimate holding company held by Directors arose as a result of the Directors' participation in the employee share schemes offered by British American Tobacco p.l.c. (British American Tobacco p.l.c. indirectly through British American Tobacco Holdings (Malaysia) B.V., owns fifty percent (50%) equity interest in the Company and is deemed to be the Company's ultimate holding company). Further details on the employee share schemes offered by British American Tobacco p.l.c. are contained in Note 28 to the financial statements.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets were made out, the Directors took reasonable steps:

- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected so to realise.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (continued)

At the date of this report, the Directors are not aware of any circumstances:

- a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent; or
- b) which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or
- c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of 12 months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or Company to meet their obligations when they fall due.

At the date of this report, there does not exist:

- a) any charge on the assets of the Group or Company which has arisen since the end of the financial year which secures the liability of any other person; or
- b) any contingent liability of the Group or Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

- a) the results of the Group's and Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or Company for the financial year in which this report is made.

ULTIMATE HOLDING COMPANY

The Directors regard British American Tobacco p.l.c., which is incorporated in England and Wales, to be the ultimate holding company of the Company.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution dated 19 February 2009.



Jack Marie Henry David Bowles
Managing Director



Stephen James Rush
Finance Director

STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, JACK MARIE HENRY DAVID BOWLES and STEPHEN JAMES RUSH, two of the Directors of British American Tobacco (Malaysia) Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 117 to 166 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2008 and of the results and cash flows of the Group and Company for the financial year ended on that date in accordance with Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with a resolution dated 19 February 2009.



Jack Marie Henry David Bowles
Managing Director



Stephen James Rush
Finance Director

STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, STEPHEN JAMES RUSH, the Director primarily responsible for the financial management of British American Tobacco (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 117 to 166 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



Stephen James Rush
Finance Director

Subscribed and solemnly declared by the abovenamed Stephen James Rush at Petaling Jaya in the state of Selangor on 19 February 2009.

Before me:



Soong Foong Chee
Commissioner for Oaths
Petaling Jaya

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD

(Incorporated in Malaysia)
(Company No: 4372-M)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of British American Tobacco (Malaysia) Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 117 to 166.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards in Malaysia, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the year then ended.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD
(Incorporated in Malaysia)
(Company No: 4372-M)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 13 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



PricewaterhouseCoopers

(No. AF: 1146)

Chartered Accountants



Jayarajan A/L Rathinasamy

(2095/06/10(J))

Chartered Accountant

Kuala Lumpur

19 February 2009

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	Note	Group		Company	
		Year ended 31.12.08 RM'000	Year ended 31.12.07 RM'000	Year ended 31.12.08 RM'000	Year ended 31.12.07 RM'000
Revenue	2	4,135,220	3,830,869	832,650	1,030,092
Cost of sales		(2,465,472)	(2,262,781)	—	—
Gross profit		1,669,748	1,568,088	832,650	1,030,092
Other operating income		12,915	10,766	937	358
Distribution and marketing costs		(400,212)	(361,986)	—	—
Administrative expenses		(144,015)	(138,357)	(10,971)	(22,506)
Other operating expenses		(29,139)	(29,095)	(1,611)	(11,350)
Profit from operations	3	1,109,297	1,049,416	821,005	996,594
Finance cost		(28,131)	(46,515)	(28,048)	(46,515)
Profit before tax		1,081,166	1,002,901	792,957	950,079
Tax expense	6	(269,483)	(270,970)	(44,076)	(256,580)
Profit for the financial year		811,683	731,931	748,881	693,499
Earnings per share (sen)	7	284.3	256.3	—	—
Net dividends per share (sen)	8	265.0	256.5	265.0	256.5

The accounting policies on pages 123 to 129 and the notes on pages 130 to 166 form an integral part of these financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2008

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Non current assets					
Property, plant and equipment	9	438,624	439,959	24,297	25,403
Leasehold land	10	20,455	20,826	1,109	1,132
Computer software	11	15,232	21,091	15,086	21,091
Goodwill	12	411,618	411,618	—	—
Subsidiaries	13	—	—	1,022,889	1,022,889
Deferred tax assets	14	4,978	4,978	4,978	4,978
		890,907	898,472	1,068,359	1,075,493
Current assets					
Assets held for sale	15	20,638	20,638	—	—
Inventories	16	224,958	243,988	—	—
Receivables	17	257,818	186,490	283,944	289,465
Tax recoverable		33,604	26,754	33,604	26,754
Deposits, cash and bank balances	18	59,387	70,666	1,129	1,619
		596,405	548,536	318,677	317,838
Current liabilities					
Payables	19	285,737	231,036	406,003	310,250
Borrowings	20	250,000	100,000	250,000	100,000
Current tax liabilities		96,512	56,493	—	—
		632,249	387,529	656,003	410,250
Net current (liabilities)/assets					
		(35,844)	161,007	(337,326)	(92,412)
		855,063	1,059,479	731,033	983,081
Capital and reserves					
Share capital	21	142,765	142,765	142,765	142,765
Retained earnings		264,009	203,147	188,205	190,268
Shareholders' funds					
		406,774	345,912	330,970	333,033
Non current liabilities					
Borrowings	20	400,000	650,000	400,000	650,000
Post employment benefit obligations	22	5,002	4,982	63	48
Deferred tax liabilities	14	43,287	58,585	—	—
		855,063	1,059,479	731,033	983,081

The accounting policies on pages 123 to 129 and the notes on pages 130 to 166 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	Note	Issued and fully paid ordinary shares of 50 sen each		Retained earnings RM'000	Total RM'000
		Number of shares '000	Nominal value RM'000		
At 1 January 2008		285,530	142,765	203,147	345,912
Profit for the financial year		—	—	811,683	811,683
Deferred tax on revalued land and buildings	14	—	—	123	123
Dividends for financial year ended 31 December 2007					
– final	8	—	—	(31,694)	(31,694)
– final, tax exempt	8	—	—	(179,598)	(179,598)
Dividends for financial year ended 31 December 2008					
– first interim	8	—	—	(322,649)	(322,649)
– second interim	8	—	—	(217,003)	(217,003)
At 31 December 2008		285,530	142,765	264,009	406,774
At 1 January 2007		285,530	142,765	409,059	551,824
Profit for the financial year		—	—	731,931	731,931
Deferred tax on revalued land and buildings	14	—	—	123	123
Dividends for financial year ended 31 December 2006					
– special		—	—	(62,531)	(62,531)
– final		—	—	(354,343)	(354,343)
Dividends for financial year ended 31 December 2007					
– first interim	8	—	—	(312,655)	(312,655)
– second interim	8	—	—	(208,437)	(208,437)
At 31 December 2007		285,530	142,765	203,147	345,912

The accounting policies on pages 123 to 129 and the notes on pages 130 to 166 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	Note	Issued and fully paid ordinary shares of 50 sen each		Distributable	Total RM'000
		Number of shares '000	Nominal value RM'000	Retained earnings RM'000	
At 1 January 2008		285,530	142,765	190,268	333,033
Profit for the financial year		—	—	748,881	748,881
Dividends for financial year ended 31 December 2007					
– final	8	—	—	(31,694)	(31,694)
– final, tax exempt	8	—	—	(179,598)	(179,598)
Dividends for financial year ended 31 December 2008					
– first interim	8	—	—	(322,649)	(322,649)
– second interim	8	—	—	(217,003)	(217,003)
At 31 December 2008		285,530	142,765	188,205	330,970
At 1 January 2007		285,530	142,765	434,735	577,500
Profit for the financial year		—	—	693,499	693,499
Dividends for financial year ended 31 December 2006					
– special		—	—	(62,531)	(62,531)
– final		—	—	(354,343)	(354,343)
Dividends for financial year ended 31 December 2007					
– first interim	8	—	—	(312,655)	(312,655)
– second interim	8	—	—	(208,437)	(208,437)
At 31 December 2007		285,530	142,765	190,268	333,033

The accounting policies on pages 123 to 129 and the notes on pages 130 to 166 form an integral part of these financial statements.

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	Note	Group		Company	
		Year ended 31.12.08 RM'000	Year ended 31.12.07 RM'000	Year ended 31.12.08 RM'000	Year ended 31.12.07 RM'000
Operating activities					
Cash receipts from customers		4,071,077	3,794,460	6,035	3,444
Cash paid to suppliers and employees		(2,864,838)	(2,656,406)	—	—
Cash from operations	23	1,206,239	1,138,054	6,035	3,444
Income tax (paid)/refunded		(251,489)	(300,723)	—	13,620
Net cash flow from operating activities		954,750	837,331	6,035	17,064
Investing activities					
Property, plant and equipment					
– additions		(101,536)	(55,163)	(7,295)	(9,243)
– disposals		9,132	37,982	1,795	490
Computer software					
– additions		(2,172)	(11,508)	(2,026)	(11,508)
– disposals		3	—	3	—
Interest income received		7,619	10,702	79	182
Dividends received from subsidiaries		—	—	752,083	963,963
Repayment from/(advances to) subsidiaries		—	—	127,828	(23,659)
Net cash flow (used in)/from investing activities		(86,954)	(17,987)	872,467	920,225
Financing activities					
Dividends paid to shareholders		(750,944)	(937,966)	(750,944)	(937,966)
Repayment of commercial papers		(100,000)	(450,000)	(100,000)	(450,000)
Proceeds from issuance of medium-term notes		—	400,000	—	400,000
Proceeds from issuance of commercial papers		—	100,000	—	100,000
Interest expense paid		(28,131)	(48,001)	(28,048)	(48,001)
Net cash flow used in financing activities		(879,075)	(935,967)	(878,992)	(935,967)
(Decrease)/increase in cash and cash equivalents		(11,279)	(116,623)	(490)	1,322
Cash and cash equivalents as at 1 January		70,666	187,289	1,619	297
Cash and cash equivalents as at 31 December	18	59,387	70,666	1,129	1,619

The accounting policies on pages 123 to 129 and the notes on pages 130 to 166 form an integral part of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

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A. BASIS OF PREPARATION

The financial statements of the Group and the Company are prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

The financial statements of the Group and Company have been prepared under the historical cost convention, unless otherwise indicated in this summary of significant accounting policies.

The preparation of financial statements in conformity with the provisions of the Companies Act, 1965 and Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results could differ.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. Subsidiaries are those corporations in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Subsidiaries are consolidated using the purchase method of accounting.

The cost of an acquisition is measured as fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The excess of the cost of acquisition over the fair values of the Group's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intragroup transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

B. CHANGES IN ACCOUNTING POLICIES

- (i) The new/revised accounting standards and amendments to published standards effective and applicable for the Group's and the Company's financial year beginning 1 January 2008 are as follows:
- FRS 107 Cash Flow Statements
 - FRS 112 Income Taxes
 - FRS 118 Revenue
 - FRS 137 Provisions, Contingent Liabilities and Contingent Assets
 - Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates
 - IC Interpretation 8 Scope of FRS 2

There were no material impact on the financial statements of the Group and Company from the application of the above new/revised standards and amendments to published standards.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

B. CHANGES IN ACCOUNTING POLICIES (continued)

- (i) The new/revised standards, amendments to published standards and interpretations to published standards which have been issued by the MASB, but are not yet effective, are as follows:
- (a) FRS 8 Operating Segments (effective for annual periods beginning on or after 1 July 2009). FRS 8 replaces FRS 114²⁰⁰⁴ 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 recognised 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 recognising 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.

C. REVENUE RECOGNITION

Revenue earned from the sale of the Group's products is recognised upon passing of title to the customer, which generally coincides with their delivery and acceptance and after eliminating sales within the Group.

Revenue comprises the invoiced value of goods sold and service tendered, including all government duties and excluding sales taxes and trade discounts.

Other revenue earned by the Group are recognised on the following basis:

- Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.
- Dividend income is recognised when the Group's right to receive payment is established.
- Revenue from services rendered is recognised as and when the services are performed.

D. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are initially stated at cost. Freehold land is stated at its 1983 valuation and buildings are 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. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the costs of the item can be measured reliably. All repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Freehold land is not depreciated as it has an infinite life. Depreciation on capital work in progress commences when the assets are ready for their intended use. Depreciation is provided to their residual values on all other property, plant and equipment on a straight line basis over their estimated useful lives, which are as follows:

Buildings	–	35 to 40 years
Machinery and equipment	–	10 to 14 years
Furniture and fittings (including merchandising equipment, computer hardware equipment and peripherals)	–	various periods not exceeding 10 years
Motor vehicles	–	5 years

Small value items are fully depreciated in the year of purchase.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date. If the residual value of an asset increases to an amount equal or greater than the asset's carrying amount, the asset's depreciation charge is nil unless and until its residual value subsequently decreases to an amount below the asset's carrying amount.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Likewise, when the conditions for impairment no longer exist after considering indications from both external and internal sources, a re-assessment of recoverable amounts will be performed, and a writeback is recognised, if necessary.

Gains and losses on disposal are determined by comparing proceeds with carrying amount and are included in the income statement.

E. LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Leasehold land held for own use is classified as an operating lease and the up-front payment represents prepaid lease payments disclosed as Leasehold land (non-current asset). These up-front payments are amortised to the income statement on a straight line basis over its lease term.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

E. LEASES (continued)

Leasehold buildings held for own use remain classified in property, plant and equipment as they are finance leases, where substantially all the risks and rewards incidental to their ownership is transferred to the Group.

F. ASSETS HELD FOR SALE

Property, plant and equipment are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use. These assets held for sale cease to be depreciated as their economic benefits are no longer consumed.

On disposal of an asset held for sale, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period of the disposal.

If there are changes to a plan of sale, the asset held for sale will be reclassified as property, plant and equipment with its carrying amount at the lower of its carrying amount before the asset was classified as held for sale, adjusted for any depreciation that would have been recognised had the asset not been classified as held for sale and its recoverable amount at the date of the change to the plan of sale.

G. INTANGIBLE ASSETS

(i) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries over the fair value of the Group's share of the identifiable net assets at the date of acquisition.

The carrying amount of goodwill is reviewed for impairment, annually as well as more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than the carrying amount of the cash-generating units to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

(ii) Computer Software

Costs that are directly associated with identifiable and unique computer software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, and are not integral to other property, plant and equipment are recognised as intangible assets. These costs include software development employee costs and an appropriate portion of relevant overheads. Computer software development costs capitalised as assets are amortised upon completion of the computer software products on a straight line basis over their estimated useful lives of 3 years.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

H. INVESTMENTS

Investments in subsidiaries are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

On disposal of investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

I. INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined principally on a first-in first-out basis and in the case of manufactured cigarettes, comprises cost of materials, labour and manufacturing overheads. Net realisable value is the estimated selling price in the ordinary course of business, less cost of completion and selling expenses.

J. RECEIVABLES

Trade receivables are carried at invoiced amount less an estimate made for doubtful debts based on a review of outstanding amounts at the year end. The allowance is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Bad debts are written off when identified.

Prepayments include expenditure incurred for future services to be rendered after the balance sheet date. This includes payments for the forest plantation development project, where the amounts are carried at cost and expensed to the income statement to match the services received.

K. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, balances with licensed financial institutions, bank overdrafts and short term highly liquid investments with original maturities of three months or less.

L. EMPLOYEE BENEFITS**(i) Short term benefits**

Wages, salaries, bonuses and other staff related expenses are recognised as an expense in the year in which the associated services are rendered by employees of the Group.

(ii) Defined contribution plan

The Group's contributions to the Employees Provident Fund are recognised as an expense in the income statement as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(iii) Defined benefit plan

The Group operates a defined benefit plan for employees who joined the Group prior to 1 January 2006, the assets of which are held in a separate trustee-administered fund. This fund is funded by payments from the relevant Group companies. The Group's retirement obligation is determined based on a triennial actuarial valuation (with annual updates) where the amount of the benefit that eligible employees have earned in return for their service in the current and prior years is estimated.

The liability in respect of the defined benefit plan is the present value of the defined benefit obligation at the balance sheet date, adjusted for unrecognised actuarial gains and losses, and reduced by the fair value of plan assets.

The defined benefit obligation, calculated using the Projected Unit Credit Method, is determined by an independent actuary, considering the estimated future cash outflows.

Actuarial gains and losses arise from experience adjustments and changes in actuarial assumptions. Actuarial gains and losses are recognised as income or expense over the expected average remaining service lives of the participating employees when the cumulative unrecognised actuarial gains or losses for the defined benefit plan exceed the higher of 10% of the present value of the defined benefit obligation and the fair value of the plan assets at the beginning of the financial year.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

L. EMPLOYEE BENEFITS (continued)

(iv) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as a liability and an expense when it is demonstrably committed to provide termination benefits as a result of an offer made to encourage voluntary redundancy and is without realistic possibility of withdrawal.

(v) Share-based payments

A number of employees of the Group participate in equity-settled share-based compensation plans offered by British American Tobacco p.l.c. (British American Tobacco p.l.c. indirectly through British American Tobacco Holdings (Malaysia) B.V., owns fifty percent (50%) equity interest in the Company and is deemed to be the Company's ultimate holding company).

Equity-settled share-based payments are measured at fair value at the date of grant and are expensed off over the vesting period, based on British American Tobacco p.l.c.'s estimate of awards that will eventually vest. Fair value is measured by the use of the Black-Scholes and Monte-Carlo pricing models. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations, forfeiture and historical experience.

M. TAX EXPENSE

Current tax expense is determined according to the tax laws of the jurisdiction in which the Group operates and include all taxes based upon the taxable profits. Tax expense is the aggregate amount included in the determination of profit for the period in respect of current tax and deferred tax.

Deferred tax assets and liabilities are provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

Deferred tax is determined using tax rates enacted or substantively enacted by the balance sheet date which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

N. FOREIGN CURRENCIES

(i) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia which is the Group's and Company's functional and presentation currency.

(ii) Foreign currency transactions and balances

Foreign currency transactions in the Group 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.

N. FOREIGN CURRENCIES (continued)**(iii) Foreign entities**

Assets and liabilities of foreign subsidiaries are translated at closing rates for purposes of consolidation. Income statement items are translated at average rates during the financial year and resulting exchange differences are dealt with in equity for the financial year.

O. FINANCIAL INSTRUMENTS

Financial instruments carried on the balance sheet include cash and bank balances, receivables, payables and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial instruments not recognised on the balance sheet**Foreign currency forward contracts**

Foreign currency forward contracts protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled.

Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transaction, at which time they are included in the measurement of such transactions.

All other exchange gains and losses relating to hedge instruments are recognised in the income statement in the same period as the exchange differences on the underlying hedged items. Gains and losses on contracts which are no longer designated as a hedge are included in the income statement.

Fair value estimation for disclosure purposes

The fair values of long term debt are based on quoted market prices at the balance sheet date or dealer quotes for the specific or similar instruments.

The fair values of forward exchange contracts are determined using forward exchange market rates at the balance sheet date.

In assessing the fair value of non-traded derivatives and financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at balance sheet date. Option pricing models and estimated discounted value of future cash flows are used to determine fair value for financial instruments. In particular, the fair value of financial liabilities is estimated by discounting the future cash flows at the current market interest rate available to the Group for similar financial instruments.

The face values, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

P. BORROWINGS

Borrowings are recorded at the amount of proceeds received, net of transaction costs.

Interest expense relating to borrowings is reported within finance cost in the income statement.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company provides day-to-day management and administrative services to its subsidiaries which are principally engaged in the manufacture, importation and sale of cigarettes, pipe tobaccos and cigars.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of Bursa Malaysia Securities Berhad.

The Company deems British American Tobacco p.l.c., which is incorporated in England and Wales, to be its ultimate holding company.

The address of the registered office and principal place of business of the Company is as follows:

Virginia Park, Jalan Universiti
46200 Petaling Jaya
Selangor Darul Ehsan

2. REVENUE

	Group		Company	
	Year ended 31.12.08 RM'000	Year ended 31.12.07 RM'000	Year ended 31.12.08 RM'000	Year ended 31.12.07 RM'000
Sale of cigarettes, pipe tobaccos and cigars	4,135,220	3,830,869	—	—
Dividend income from unquoted subsidiaries	—	—	819,513	1,014,009
Management fee received from subsidiaries	—	—	6,579	6,008
Fee for usage of property, plant and equipment received from subsidiaries	—	—	6,558	10,075
	4,135,220	3,830,869	832,650	1,030,092

3. PROFIT FROM OPERATIONS

	Group		Company	
	Year ended 31.12.08 RM'000	Year ended 31.12.07 RM'000	Year ended 31.12.08 RM'000	Year ended 31.12.07 RM'000
Profit from operations is arrived at:				
After charging:				
Raw materials and consumables used	354,217	373,420	—	—
Auditors' remuneration:				
– statutory audit	205	184	60	54
– non audit fees	112	174	84	148
Property, plant and equipment (Note 9):				
– depreciation	72,152	74,884	7,093	6,064
– impairment	20,599	—	—	—
– loss on disposal	988	692	—	570
– written off	—	13,402	—	—
Investment property – depreciation	—	190	—	—
Amortisation of leasehold land (Note 10)	371	1,774	23	23
Amortisation of computer software (Note 11)	8,028	4,517	8,028	4,517
Impairment losses on investment	—	—	—	2,067
Rental of land and buildings	6,752	4,563	—	—
Inventories written off	2,269	93	—	—
Allowance for doubtful debts	1,609	4,958	—	—
Net foreign exchange loss	362	2,729	—	4,941
Staff costs (Note 5)	134,924	101,453	33,098	26,744
And crediting:				
Property, plant and equipment:				
– gain on disposal	—	—	487	—
Interest income	7,619	9,965	79	182
Net foreign exchange gain	—	—	2,899	—

NOTES TO THE FINANCIAL STATEMENTS

4. DIRECTORS' REMUNERATION

	Group		Company	
	Year ended 31.12.08 RM'000	Year ended 31.12.07 RM'000	Year ended 31.12.08 RM'000	Year ended 31.12.07 RM'000
	Fees	511	488	511
Other emoluments	7,712	6,586	6,067	5,009
	8,223	7,074	6,578	5,472

The estimated monetary value of benefits provided to Directors of the Group and Company during the financial year amounted to RM1,138,082 (2007: RM1,050,286) and RM870,174 (2007: RM904,638) respectively.

Share-based payments made to Directors of the Group and Company (during their employment with the Group) in the financial year are by way of their participation in employee share schemes (Note 28) offered by British American Tobacco p.l.c.

Details of the movements of the Directors' equity-settled share-based payment arrangements during the year ended 31 December 2008, covering the Deferred Share Bonus Scheme and International Share Reward Scheme are as follows:

	Number of ordinary shares of 25p each in British American Tobacco p.l.c.				
	At 1.1.08/ Date of appointment	Awarded in 2008	Vested in 2008	Other movements*	At 31.12.08
Executive Directors					
Deferred Share Bonus Scheme	18,006	4,278	(4,942)	(9,580)	7,762
International Share Reward Scheme	861	—	—	(861)	—
	18,867	4,278	(4,942)	(10,441)	7,762

* Other movements relate to changes due to movement of Directors during the financial year.

4. DIRECTORS' REMUNERATION (continued)

Details of the movements of the Directors' participation in the equity-settled Long Term Incentive Plan and Share Option Scheme are as follows:

	Number of options in ordinary shares of 25p each in British American Tobacco p.l.c.				
	At 1.1.08/ Date of appointment	Granted in 2008	Exercised in 2008	Other movements*	At 31.12.08
Grant price					
£5.98	7,392	—	—	—	7,392
£8.09	5,163	—	—	—	5,163
£10.37	15,535	—	(8,678)	—	6,857
£14.34	19,460	—	—	(14,042)	5,418
£15.41	20,609	—	—	(15,431)	5,178
£19.03	—	14,978	—	—	14,978
	68,159	14,978	(8,678)	(29,473)	44,986

* Other movements relate to changes due to movement of Directors during the financial year.

5. STAFF COSTS

	Group		Company	
	Year ended 31.12.08 RM'000	Year ended 31.12.07 RM'000	Year ended 31.12.08 RM'000	Year ended 31.12.07 RM'000
Wages, salaries and bonuses	104,301	78,927	23,519	17,761
Defined contribution plan	19,442	14,055	3,576	2,098
Termination benefits	5,913	—	2,598	—
Other staff related expenses	5,268	8,471	3,405	6,885
	134,924	101,453	33,098	26,744

The Group voluntarily provided additional Employees Provident Fund (EPF) contributions over the statutory requirement for a significant number of existing employees who participate in a defined contribution scheme offered by the Group.

Included in staff cost is an amount for other emoluments as part of Directors' remuneration disclosed in Note 4 to the financial statements.

Staff costs recharged by the Company to the subsidiaries amounted to RM30,652,928 (2007: RM26,388,056).

NOTES TO THE FINANCIAL STATEMENTS

6. TAX EXPENSE

The tax charge on the profit for the financial year consists of the following:

	Group		Company	
	Year ended 31.12.08 RM'000	Year ended 31.12.07 RM'000	Year ended 31.12.08 RM'000	Year ended 31.12.07 RM'000
In respect of current year				
Current tax				
– Malaysian income tax	284,614	269,316	44,076	257,538
– Foreign tax	44	42	—	—
Deferred tax (Note 14)	(15,175)	1,612	—	(958)
	269,483	270,970	44,076	256,580

The average effective tax rates of the Group and Company are reconciled to the statutory tax rate as follows:

	Group		Company	
	Year ended 31.12.08 RM'000	Year ended 31.12.07 RM'000	Year ended 31.12.08 RM'000	Year ended 31.12.07 RM'000
Statutory tax rate	26%	27%	26%	27%
Expenses not deductible for tax purposes	1%	1%	—	—
Utilisation of reinvestment allowances	(1%)	(1%)	—	—
Income not subject to tax	—	—	(21%)	—
Changes in tax rate	(1%)	—	—	—
Average effective tax rate	25%	27%	5%	27%

7. EARNINGS PER SHARE

Earnings per share are calculated by dividing the profit for the financial year by the number of ordinary shares in issue.

	Group	
	Year ended 31.12.08	Year ended 31.12.07
Profit for the financial year (RM'000)	811,683	731,931
Number of ordinary shares of 50 sen each in issue ('000)	285,530	285,530
Earnings per share (sen)	284.3	256.3

8. DIVIDENDS

Dividends paid, declared or proposed in respect of the financial year are as follows:

	Group and Company					
	Year ended 31.12.08			Year ended 31.12.07		
	Gross per share Sen	Net per share Sen	Amount of dividend RM'000	Gross per share Sen	Net per share Sen	Amount of dividend RM'000
First interim dividend paid	113.0	113.0	322,649	150.0	109.5	312,655
Second interim dividend paid	76.0	76.0	217,003	100.0	73.0	208,437
Proposed final dividend	—	—	—	15.0	11.1	31,694
Proposed final dividend, tax exempt	76.0	76.0	217,003	62.9	62.9	179,598
	265.0	265.0	756,655	327.9	256.5	732,384

Interim dividends are paid and accounted for in shareholders' equity as an appropriation of retained earnings in the financial year.

At the forthcoming Annual General Meeting to be held on 20 April 2009, a final dividend in respect of the financial year ended 31 December 2008 of 76.00 sen per share, tax exempt under the single-tier system, amounting to RM217,002,800 will be recommended for shareholders' approval (2007: net final dividend of 74.00 sen per share, amounting to RM211,292,200 comprising a 15.00 sen gross dividend per share, less Malaysia tax of 26% amounting to RM31,693,830 and 62.90 sen dividend per share, tax exempt under the single-tier system, amounting to RM179,598,370). These financial statements do not reflect the proposed final dividend which will be accounted for in the financial year ending 31 December 2009.

NOTES TO THE FINANCIAL STATEMENTS

9. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings RM'000	Machinery and Equipment RM'000	Furniture and Fittings RM'000	Motor Vehicles RM'000	Capital Work In Progress RM'000	Total RM'000
GROUP						
Net book value at 1 January 2007	95,008	284,522	39,607	23,074	36,477	478,688
Additions	368	7,427	7,216	18,646	21,506	55,163
Disposals	—	(2,548)	(1,222)	(1,201)	(1,239)	(6,210)
Written off	—	(13,402)	—	—	—	(13,402)
Reclassifications	—	24,031	16,734	—	(40,765)	—
Depreciation charge	(3,545)	(37,914)	(26,176)	(7,249)	—	(74,884)
Transfer to assets held for sale (Note 15)	(818)	—	—	—	—	(818)
Transfer from assets held for sale (Note 15)	1,422	—	—	—	—	1,422
Net book value at 31 December 2007	92,435	262,116	36,159	33,270	15,979	439,959
Additions	2,534	9,094	9,179	19,727	61,002	101,536
Disposals	(805)	(2,876)	(710)	(5,729)	—	(10,120)
Impairment	—	(20,599)	—	—	—	(20,599)
Reclassifications	—	8,482	7,942	—	(16,424)	—
Depreciation charge	(2,561)	(33,906)	(28,594)	(7,091)	—	(72,152)
Net book value at 31 December 2008	91,603	222,311	23,976	40,177	60,557	438,624
At 31 December 2007						
Cost	146,770	405,918	165,356	63,946	15,979	797,969
Valuation	1,227	—	—	—	—	1,227
Accumulated depreciation	(55,562)	(143,802)	(129,197)	(30,676)	—	(359,237)
Net book value	92,435	262,116	36,159	33,270	15,979	439,959
At 31 December 2008						
Cost	148,385	414,039	153,679	66,625	60,557	843,285
Valuation	1,227	—	—	—	—	1,227
Accumulated depreciation and impairment	(58,009)	(191,728)	(129,703)	(26,448)	—	(405,888)
Net book value	91,603	222,311	23,976	40,177	60,557	438,624

9. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and Buildings RM'000	Machinery and Equipment RM'000	Furniture and Fittings RM'000	Motor Vehicles RM'000	Capital Work In Progress RM'000	Total RM'000
COMPANY						
Net book value at 1 January 2007	9,193	837	9,101	3,346	806	23,283
Additions	—	—	6,058	2,272	913	9,243
Reclassifications	—	—	782	—	(782)	—
Disposals	—	—	(557)	(502)	—	(1,059)
Depreciation charge	(312)	(47)	(4,971)	(734)	—	(6,064)
Net book value at 31 December 2007	8,881	790	10,413	4,382	937	25,403
Additions	360	37	3,190	3,562	146	7,295
Disposals	(552)	—	(70)	(686)	—	(1,308)
Depreciation charge	(313)	(49)	(6,006)	(725)	—	(7,093)
Net book value at 31 December 2008	8,376	778	7,527	6,533	1,083	24,297
At 31 December 2007						
Cost	12,696	1,245	43,861	6,972	937	65,711
Valuation	611	—	—	—	—	611
Accumulated depreciation	(4,426)	(455)	(33,448)	(2,590)	—	(40,919)
Net book value	8,881	790	10,413	4,382	937	25,403
At 31 December 2008						
Cost	12,390	1,282	34,929	8,905	1,083	58,589
Valuation	611	—	—	—	—	611
Accumulated depreciation	(4,625)	(504)	(27,402)	(2,372)	—	(34,903)
Net book value	8,376	778	7,527	6,533	1,083	24,297

NOTES TO THE FINANCIAL STATEMENTS

9. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold Land Cost RM'000	Buildings		Total Land and Buildings RM'000
		Cost RM'000	Valuation RM'000	
GROUP				
Net book value at 1 January 2007	455	94,368	185	95,008
Additions	—	368	—	368
Depreciation charge	—	(3,531)	(14)	(3,545)
Transfer to assets held for sale (Note 15)	—	—	(818)	(818)
Transfer from assets held for sale (Note 15)	—	—	1,422	1,422
Net book value at 31 December 2007	455	91,205	775	92,435
Additions	—	2,534	—	2,534
Disposals	(350)	(455)	—	(805)
Depreciation charge	—	(2,033)	(528)	(2,561)
Net book value at 31 December 2008	105	91,251	247	91,603
At 31 December 2007				
Cost	455	146,315	—	146,770
Valuation	—	—	1,227	1,227
Accumulated depreciation	—	(55,110)	(452)	(55,562)
Net book value	455	91,205	775	92,435
At 31 December 2008				
Cost	105	148,280	—	148,385
Valuation	—	—	1,227	1,227
Accumulated depreciation	—	(57,029)	(980)	(58,009)
Net book value	105	91,251	247	91,603

9. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold Land Cost RM'000	Buildings		Total Land and Buildings RM'000
		Cost RM'000	Valuation RM'000	
COMPANY				
Net book value at 1 January 2007	455	8,553	185	9,193
Depreciation charge	—	(298)	(14)	(312)
Net book value at 31 December 2007	455	8,255	171	8,881
Additions	—	360	—	360
Disposals	(350)	(202)	—	(552)
Depreciation charge	—	(299)	(14)	(313)
Net book value at 31 December 2008	105	8,114	157	8,376
At 31 December 2007				
Cost	455	12,241	—	12,696
Valuation	—	—	611	611
Accumulated depreciation	—	(3,986)	(440)	(4,426)
Net book value	455	8,255	171	8,881
At 31 December 2008				
Cost	105	12,285	—	12,390
Valuation	—	—	611	611
Accumulated depreciation	—	(4,171)	(454)	(4,625)
Net book value	105	8,114	157	8,376

Freehold land and buildings were revalued by the Directors on 1 July 1983 based upon independent professional valuation using fair market value on a current use basis.

Additions subsequent to this revaluation are stated at cost.

NOTES TO THE FINANCIAL STATEMENTS

9. PROPERTY, PLANT AND EQUIPMENT (continued)

The net book value of revalued buildings of the Group and Company that would have been included in the financial statements, had these assets been carried at cost less accumulated depreciation, are as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Buildings	40	44	9	13

10. LEASEHOLD LAND

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Net book value at 1 January	20,826	22,600	1,132	1,155
Amortisation charge	(371)	(1,774)	(23)	(23)
Net book value at 31 December	20,455	20,826	1,109	1,132
Cost	29,078	29,078	1,565	1,565
Accumulated amortisation	(8,623)	(8,252)	(456)	(433)
Net book value	20,455	20,826	1,109	1,132

Leasehold land was revalued by the Directors on 1 July 1983 based upon independent professional valuations using fair market value on a current use basis.

Additions subsequent to this revaluation are stated at cost.

11. COMPUTER SOFTWARE

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Net book value at 1 January	21,091	14,100	21,091	14,100
Additions	2,172	11,508	2,026	11,508
Disposals	(3)	—	(3)	—
Amortisation charge	(8,028)	(4,517)	(8,028)	(4,517)
Net book value at 31 December	15,232	21,091	15,086	21,091
Cost	27,777	25,608	27,631	25,608
Accumulated amortisation	(12,545)	(4,517)	(12,545)	(4,517)
Net book value	15,232	21,091	15,086	21,091

12. GOODWILL

	Group	
	2008 RM'000	2007 RM'000
Net book value at 31 December	411,618	411,618

Goodwill arose from the acquisition of the business of Malaysian Tobacco Company Berhad (MTC) and represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the net assets of the subsidiary companies (i.e. Commercial Marketers and Distributors Sdn. Bhd. (CMD) for the marketing business and Tobacco Blenders and Manufacturers Sdn. Bhd. (TBM) for the tobacco manufacturing business) acquired on 2 November 1999, the date of acquisition.

The carrying amount of goodwill is reviewed for impairment annually. Impairment is determined for goodwill by assessing the recoverable amount of the cash generating units to which the goodwill relates. The recoverable amount has been determined based on value-in-use calculations. The key assumptions for the recoverable amount of all units are management's current estimates of net cash flows over a period of 5 years based on historical growth rate, taking into account industry developments and at the pre-tax discount rate of 7.5%. No impairment charges were recognised in 2008 (2007: Nil) and no significant difference in the recoverable amount is expected should the discounted cash flows change by 5%.

NOTES TO THE FINANCIAL STATEMENTS

13. SUBSIDIARIES

	Company	
	2008 RM'000	2007 RM'000
Unquoted investments, at cost	1,024,956	1,024,956
Impairment losses	(2,067)	(2,067)
	1,022,889	1,022,889

The subsidiaries, all of which are wholly-owned, are as follows:

Incorporated in Malaysia

Operating

Commercial Importers and Distributors Sdn. Bhd.
Commercial Marketers and Distributors Sdn. Bhd.

Rothmans Brands Sdn. Bhd.
The Leaf Tobacco Development Corporation of
Malaya Sdn. Bhd.
Tobacco Blenders and Manufacturers Sdn. Bhd.
Tobacco Importers and Manufacturers Sdn. Bhd.

Non-operating

Contemporary Force Sdn. Bhd.
Lucky Strike Originals Sdn. Bhd.
Martins of Piccadilly, London, Sdn. Bhd.
One World GSA Sdn. Bhd.
Perilly's Centre Sdn. Bhd.

Principal Activities

Investment holding
Marketing and importation of cigarettes, pipe
tobaccos and cigars
Holding of trademarks
Development and purchase of tobacco leaf
Provision of warehousing space
Manufacture and sale of cigarettes and other
tobacco related products

Principal Activities

Dormant
Dormant
Dormant
Dormant
Dormant

Incorporated in Negara Brunei Darussalam

Operating

Commercial Marketers and Distributors Sdn. Bhd.*

Principal Activities

Provision of advertising and promotional services

* The financial statements were not audited by PricewaterhouseCoopers, Malaysia.

14. DEFERRED TAX

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Deferred tax assets				
At 1 January	4,978	4,020	4,978	4,020
Credited to income statement	—	958	—	958
At 31 December	4,978	4,978	4,978	4,978
Represented by:				
Excess of depreciation over capital allowances	4,978	4,978	4,978	4,978

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Deferred tax liabilities				
At 1 January	58,585	56,138	—	—
(Credited)/charged to income statement	(15,175)	2,570	—	—
Credited to retained earnings	(123)	(123)	—	—
At 31 December	43,287	58,585	—	—
Represented by:				
Excess of capital allowances over depreciation	38,669	52,998	—	—
Revalued land and buildings	4,282	4,405	—	—
Provisions	336	1,182	—	—
	43,287	58,585	—	—

NOTES TO THE FINANCIAL STATEMENTS

14. DEFERRED TAX (continued)

The amounts above have been reconciled to the income statements and the statements of changes in equity as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
(i) Charged/(credited) to income statement				
Credited in respect of deferred tax assets	—	(958)	—	(958)
(Credited)/charged in respect of deferred tax liabilities	(15,175)	2,570		
Net (credit)/charge to income statement in respect of current year (Note 6)	(15,175)	1,612	—	(958)
(ii) Credited to retained earnings				
Credited in respect of deferred tax liabilities	(123)	(123)	—	—
Net credit to retained earnings	(123)	(123)	—	—

The amount of deductible temporary differences and unutilised tax losses (both of which have no expiry date) for which no deferred tax asset is recognised in the balance sheet of the Group were as follows:

	Group	
	2008 RM'000	2007 RM'000
Deductible temporary differences	22,147	57,769
Tax losses	5,006	5,374
	27,153	63,143
Deferred tax asset not recognised at 25% (2007: 26%)	6,788	16,417

15. ASSETS HELD FOR SALE

	Group	
	2008 RM'000	2007 RM'000
At 1 January	20,638	25,579
Transfer from property, plant and equipment (Note 9)	—	818
Transfer from investment property	—	19,820
Transfer to property, plant and equipment (Note 9)	—	(1,422)
Disposed during the year	—	(24,157)
At 31 December	20,638	20,638

The asset held for sale during the year consists of the final part of the Group's property at Sungai Besi, Kuala Lumpur of which the Group entered into a sale and purchase agreement to dispose for a consideration of RM21,000,000 on 8 October 2007. The disposal was completed on 23 January 2009 with no material gains or losses arising.

16. INVENTORIES

	Group	
	2008 RM'000	2007 RM'000
Raw materials	122,609	162,833
Work-in-progress	5,402	5,949
Finished goods	92,889	71,378
Consumable stores	4,058	3,828
	224,958	243,988

NOTES TO THE FINANCIAL STATEMENTS

17. RECEIVABLES

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Trade receivables	159,749	128,340	—	—
Allowance for doubtful debts	(14,914)	(22,099)	—	—
	144,835	106,241	—	—
Dividends due from subsidiaries	—	—	228,431	212,349
Amounts due from related companies	44,282	23,370	54,353	75,052
Other receivables	20,247	12,397	—	855
Deposits	1,919	1,785	565	535
Prepayments	46,535	42,697	595	674
	257,818	186,490	283,944	289,465

Receivables of the Group and Company are denominated in Ringgit Malaysia.

Credit terms of trade receivables range from 1 to 60 days (2007: 1 to 60 days).

Concentration of credit risk with respect to trade receivables is limited due to the Group's large number of customers who are geographically dispersed in Malaysia. The Group's historical experience in collection of trade receivables falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts allowed for collection losses is inherent in the Group's trade receivables.

Amounts due from related companies arose from payments made on behalf, are unsecured, interest-free and not subject to any terms of repayment.

18. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Deposits with licensed banks	22,488	69,927	—	1,609
Cash and bank balances	36,899	739	1,129	10
	59,387	70,666	1,129	1,619
The currency exposure profile of deposits, cash and bank balances is as follows:				
– Ringgit Malaysia	31,973	54,334	1,129	1,619
– US Dollar	20,805	3,521	—	—
– Brunei Dollar	6,609	12,811	—	—
	59,387	70,666	1,129	1,619

	Group		Company	
	2008 %	2007 %	2008 %	2007 %
The weighted average interest rates of deposits with licensed banks that were effective during the year	3.3	2.9	—	—

Deposits of the Group and Company have an average maturity period of 1 day (2007: 1 day) and nil (2007: 1 day) respectively.

NOTES TO THE FINANCIAL STATEMENTS

19. PAYABLES

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Trade payables	116,701	114,762	—	—
Trade accruals	19,373	17,952	—	—
Amounts due to subsidiaries	—	—	362,049	263,340
Amounts due to related companies	23,217	23,789	12,870	4,449
Other payables	126,446	74,533	31,084	42,461
	285,737	231,036	406,003	310,250

The currency exposure profile of trade payables is as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Ringgit Malaysia	115,367	114,372	—	—
US Dollar	1,319	217	—	—
Pound Sterling	—	11	—	—
Others	15	162	—	—
	116,701	114,762	—	—

The currency exposure profile of amounts due to related companies is as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Ringgit Malaysia	8,017	7,385	—	1,683
US Dollar	3,962	13,703	1,631	172
Pound Sterling	11,132	2,350	11,132	2,328
Others	106	351	107	266
	23,217	23,789	12,870	4,449

Amounts due to subsidiaries and related companies are unsecured, interest free (within the credit period) and repayable within one year. Credit terms of trade payables and suppliers of property, plant and equipment granted to the Group vary from no credit to 120 days (2007: no credit to 120 days).

Amounts other than trade payables and amounts due to related companies are mostly denominated in Ringgit Malaysia.

20. BORROWINGS (INTEREST BEARING)

(a) The Group's and Company's borrowings as at 31 December 2008 are as follows:

- (i) RM100,000,000 4½-year unsecured Medium-Term Notes 2004/2009 with a coupon rate of 4.95% per annum, maturing on 2 May 2009; and
- (ii) RM150,000,000 5-year unsecured Medium-Term Notes 2004/2009 with a coupon rate of 4.58% per annum, maturing on 2 November 2009 pursuant to an Issuance Programme of up to RM300 million nominal value Commercial Papers/Medium-Term Notes (CPs/MTNs Programme); and
- (iii) RM400,000,000 5-year unsecured Medium-Term Notes 2007/2012 with a coupon rate of 4.05% per annum, maturing on 21 September 2012 pursuant to an Issuance Programme of up to RM700 million nominal value Medium-Term Notes (MTNs Programme).

(b) (i) Maturity of the Group and Company borrowings is as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Total borrowings				
Medium-term notes	650,000	650,000	650,000	650,000
Commercial papers	—	100,000	—	100,000
	650,000	750,000	650,000	750,000
Maturity of borrowings				
Within one year	250,000	100,000	250,000	100,000
More than 1 year and less than 2 years	—	250,000	—	250,000
More than 2 years and less than 5 years	400,000	400,000	400,000	400,000
	650,000	750,000	650,000	750,000

NOTES TO THE FINANCIAL STATEMENTS

20. BORROWINGS (INTEREST BEARING) (continued)

(b) (ii) Classification of the Group and Company borrowings is as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Unsecured				
Current				
Medium-term notes	250,000	—	250,000	—
Commercial papers	—	100,000	—	100,000
	250,000	100,000	250,000	100,000
Non current				
Medium-term notes	400,000	650,000	400,000	650,000

The fair values of borrowings are detailed in Note 27(e).

The Group has assessed the net current liabilities position as at 31 December 2008 and is currently reviewing the options in meeting the repayment of its medium-term notes of RM100 million in May 2009 and RM150 million in November 2009. The Group will remain committed to meet its working capital requirements.

21. SHARE CAPITAL

	Group and Company	
	2008 RM'000	2007 RM'000
Authorised		
770,000,000 ordinary shares of 50 sen each	385,000	385,000
Issued and fully paid		
285,530,000 ordinary shares of 50 sen each	142,765	142,765

22. POST EMPLOYMENT BENEFIT OBLIGATIONS**Defined Benefit Plan**

The Group operates a defined benefit plan for its eligible employees in Malaysia (who joined the Group prior to 1 January 2006), the assets of which are held in a separate trustee administered fund. The Company and certain subsidiaries in the Group make contributions to the British American Tobacco Malaysia Retirement Scheme, a tax approved fund independent of the Group.

The defined benefit plan is valued by an independent actuary using the Projected Unit Credit Method. The latest actuarial valuation that was updated on 31 December 2008 (the last actuarial valuation was completed on 31 December 2007) showed that the value of the net assets held in the fund together with the book provisions in the Group's financial statements, adequately met the actuarial liabilities arising from the defined benefit plan as at 31 December 2008.

The amounts recognised in the balance sheet are determined as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Present value of defined benefit obligations	11,027	10,125	983	820
Fair value of plan assets	(5,730)	(5,818)	(883)	(818)
Status of funded plan	5,297	4,307	100	2
Unrecognised actuarial gains	(295)	675	(37)	46
Net liability	5,002	4,982	63	48

The amounts recognised in the income statement under other operating expenses are as follows:

	Group		Company	
	Year ended 31.12.08 RM'000	Year ended 31.12.07 RM'000	Year ended 31.12.08 RM'000	Year ended 31.12.07 RM'000
Current service cost	(633)	(642)	(109)	(124)
Interest cost	(616)	(635)	(52)	(48)
Expected return on plan assets	336	194	52	25
Total, included in staff costs (Note 5)	(913)	(1,083)	(109)	(147)
Expected return on plan assets	336	194	52	25
Actuarial loss on plan assets	(185)	(4)	(29)	(1)
Actual return on plan assets	151	190	23	24

NOTES TO THE FINANCIAL STATEMENTS

22. POST EMPLOYMENT BENEFIT OBLIGATIONS (continued)
Defined Benefit Plan (continued)

Movements in post employment benefit obligations were as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At 1 January	4,982	4,552	48	28
Charge for the year	913	1,083	110	147
Contributions paid	(893)	(653)	(95)	(127)
At 31 December	5,002	4,982	63	48

Changes in the present value of defined benefit obligations were as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At 1 January	10,125	9,936	821	758
Service cost	633	642	109	124
Interest cost	616	635	52	48
Benefits paid	(1,131)	(1,338)	—	(24)
Liability assumed in intercompany transfer	—	—	(53)	(101)
Actuarial loss due to actual experience	785	250	54	15
At 31 December	11,028	10,125	983	820
Defined benefit obligations expected to be payable in the next year	369	1,303	39	31

22. POST EMPLOYMENT BENEFIT OBLIGATIONS (continued)
Defined Benefit Plan (continued)

Changes in the fair value of plan assets were as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At 1 January	5,817	6,312	818	790
Expected return on plan assets	336	194	52	25
Contributions by employer	614	653	95	127
Benefits paid	(852)	(1,337)	—	(24)
Assets acquired from intercompany transfer	—	—	(53)	(99)
Actuarial loss on plan assets	(185)	(4)	(29)	(1)
At 31 December	5,730	5,818	883	818
Contributions payable in the next year	659	197	111	109

The developments of actuarial gains and losses as at 31 December 2008 were as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Actuarial loss arising in year, prior to 31 December	970	253	83	15
Unrecognised actuarial gain from prior year	(675)	(928)	(46)	(61)
Cumulative unrecognised actuarial loss/(gain)	295	(675)	37	(46)
Limit of 'corridor'	1,103	1,012	98	82

Principal actuarial assumptions used at the balance sheet date in respect of the Group's and the Company's defined benefit plans were as follows:

	2008 %	2007 %
Discount rate	6.5	6.5
Expected return on plan assets	3.0	6.5
Expected rate of salary increases	6.0	6.0

The expected rate of return on scheme assets in 2008 is derived from an investment allocation of 20% into Malaysian government bonds and 80% into money market instruments yielding annual rates of investment returns of 3.5% and 3.0% respectively.

NOTES TO THE FINANCIAL STATEMENTS

23. CASH FROM OPERATIONS

	Group		Company	
	Year ended 31.12.08 RM'000	Year ended 31.12.07 RM'000	Year ended 31.12.08 RM'000	Year ended 31.12.07 RM'000
Profit for the financial year	811,683	731,931	748,881	693,499
Adjustments for:				
Dividends from unquoted subsidiaries	—	—	(819,513)	(1,014,009)
Interest income	(7,619)	(9,965)	(79)	(182)
Property, plant and equipment				
– depreciation	72,152	74,884	7,093	6,064
– impairment	20,599	—	—	—
– loss/(gain) on disposal	988	692	(487)	570
– written off	—	13,402	—	—
Investment property – depreciation	—	190	—	—
Amortisation of leasehold land	371	1,774	23	23
Amortisation of computer software	8,028	4,517	8,028	4,517
Impairment losses on investment	—	—	—	2,067
Allowance for doubtful debts	1,609	4,958	—	—
Inventories written off	2,269	93	—	—
Interest expense	28,131	46,515	28,048	46,515
Tax expense	269,483	270,970	44,076	256,580
Changes in working capital:				
– inventories	16,761	20,426	—	—
– receivables	(72,897)	(36,410)	1,327	8,905
– payables	54,681	14,077	(11,362)	(1,105)
Cash from operations	1,206,239	1,138,054	6,035	3,444

24. CAPITAL COMMITMENTS

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Property, plant and equipment:				
– Authorised and contracted for	84,430	24,072	5,762	6,961
– Authorised but not contracted for	7,538	1,223	2,994	250
	91,968	25,295	8,756	7,211

25. SIGNIFICANT RELATED PARTY DISCLOSURES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions. The related party transactions described below were carried out on terms not more favourable to the related parties than those generally available to unrelated parties unless otherwise stated.

The Group's and Company's transactions are with member corporations of British American Tobacco p.l.c. (British American Tobacco p.l.c. indirectly through British American Tobacco Holdings (Malaysia) B.V., owns fifty percent (50%) equity interest in the Company and is deemed to be the Company's ultimate holding company).

(a) Group's transactions

	Group	
	Year ended 31.12.08 RM'000	Year ended 31.12.07 RM'000
(i) Sale of goods		
Sale of cigarettes and tobacco products to:		
– British-American Tobacco Company (HK) Ltd.	5,870	7,517
– Rothmans Far East B.V.	23,804	26,748
– Rothmans Far East B.V. Japan (a division of Rothmans Far East B.V.)	4,228	—
– British American Tobacco Marketing (Singapore) Pte. Ltd.	19,394	18,907
– B.A.T. China Ltd.	1,576	8,645
– British American Tobacco International Ltd.	10,928	9,322
– British American Tobacco Korea Manufacturing Ltd.	25,794	17,441
– British American Tobacco Taiwan Logistics Ltd.	7,838	—
– British American Tobacco Japan, Ltd.	—	1,550
	99,432	90,130
(ii) Purchase of goods		
Purchase of leaf, cigarette packaging and wrapping materials and tobacco products from:		
– British American Tobacco Far East Leaf Ltd.	2,772	7,063
– Souza Cruz Overseas S.A.	5,346	1,406
– PT BAT Indonesia Tbk.	949	494
– British American Tobacco Bangladesh Company Limited	693	1,722
– British American Tobacco Australasia Limited	1,095	203
– B.A.T. (U.K. & Export) Ltd.	—	897
– British American Tobacco Marketing (Singapore) Pte. Ltd.	37,092	72,493
– British American Tobacco (Germany) GmbH	13,636	13,826
– British American Tobacco (GLP) Ltd.	6,889	—
– PT Export Leaf Indonesia	27,283	—
– British American Tobacco South Africa (PTY) Ltd.	21	—
– British American Tobacco Switzerland S.A.	—	2,313
	95,776	100,417

NOTES TO THE FINANCIAL STATEMENTS

25. SIGNIFICANT RELATED PARTY DISCLOSURES (continued)**(a) Group's transactions (continued)**

	Group	
	Year ended 31.12.08 RM'000	Year ended 31.12.07 RM'000
(ii) Purchase of goods (continued)		
Purchase of cigarettes and tobacco products from:		
– British American Tobacco International Ltd.	2,668	3,054
– BAT Theodorus Niemeyer B.V.	1,115	1,834
	3,783	4,888
(iii) Procurement of services		
Procurement of information technology services from:		
– British American Shared Services Ltd.	21,475	21,882
– B.A.T. (U.K. & Export) Ltd.	—	495
– British American Tobacco Asia-Pacific Region Ltd.	—	3,425
	21,475	25,802
(iv) Technical and advisory		
Payment of fees for technical and advisory support services to:		
– British American Tobacco (Investments) Ltd.	43,644	45,335
– British American Tobacco International Ltd.	1,742	1,409
– British American Tobacco Asia Pacific Treasury Pte. Ltd.	321	353
– British American Tobacco ASPAC Service Centre Sdn. Bhd.	1,844	4,533
– B.A.T. (U.K. & Export) Ltd.	879	2,693
– British American Tobacco Asia-Pacific Region Ltd.	12,001	3,258
	60,431	57,581
(v) Royalties		
Royalties paid/payable to:		
– B.A.T. (U.K. & Export) Ltd.	89,210	81,614
– The House of Edgeworth Inc.	8,197	9,457
– British American Tobacco (Brands) Inc.	6,626	5,323
	104,033	96,394

25. SIGNIFICANT RELATED PARTY DISCLOSURES (continued)**(a) Group's transactions (continued)**

	Group	
	Year ended 31.12.08 RM'000	Year ended 31.12.07 RM'000
(vi) Sale and purchase of equipment		
(Sale)/purchase of equipment from:		
– British American Tobacco Marketing (Singapore) Pte. Ltd.	25,691	—
– B.A.T. (U.K. & Export) Ltd.	17,280	—
– British American Tobacco South Africa	—	(2,028)
	42,971	(2,028)
(vii) Provision of technical and advisory support services		
– British American Tobacco Marketing (Singapore) Pte. Ltd.	761	—
– B.A.T. China Ltd.	100	180
– British American Tobacco Philippines Ltd.	21	52
– British American Tobacco – Vinataba (JV) Ltd.	43	19
– British-American Tobacco Company (HK) Ltd.	142	164
– British American Tobacco Korea Manufacturing Ltd.	2	8
– British American Tobacco Cambodia Ltd.	46	37
– British American Tobacco Japan, Ltd.	57	—
– British American Tobacco Services Limited, Taiwan Branch	97	115
– PT BAT Indonesia Tbk.	295	297
– Rothmans of Pall Mall Myanmar	26	30
– British American Tobacco (Vietnam) Ltd.	248	154
– British American Tobacco (Singapore) Pte. Ltd.	972	1,079
– British American Tobacco (Thailand) Ltd.	69	53
– Ceylon Tobacco Co. Ltd.	7	3
– British American Tobacco (PNG) Limited	8	17
– British American Tobacco ASPAC Service Centre Sdn. Bhd.	205	279
– British American Tobacco Bangladesh Company Limited	—	88
– PT Export Leaf Indonesia	1	—
	3,100	2,575

The Group provides various services for member corporations of British American Tobacco p.l.c. which includes procurement, product testing and development services.

NOTES TO THE FINANCIAL STATEMENTS

25. SIGNIFICANT RELATED PARTY DISCLOSURES (continued)**(b) Company's transactions**

	Company	
	Year ended 31.12.08 RM'000	Year ended 31.12.07 RM'000
(i) Management fee		
Management fee received from:		
– Commercial Marketers and Distributors Sdn. Bhd.	6,579	6,008
(ii) Fee for usage of property, plant and equipment:		
Fee for usage of property, plant and equipment received from:		
– Commercial Marketers and Distributors Sdn. Bhd.	6,267	9,521
– Tobacco Importers and Manufacturers Sdn. Bhd.	291	554
	6,558	10,075
(iii) Procurement of services (recharged to subsidiaries)		
Procurement of information technology services from:		
– British American Shared Services Ltd.	21,475	21,882
– B.A.T. (U.K. & Export) Ltd.	—	495
– British American Tobacco Asia-Pacific Region Ltd.	—	3,425
	21,475	25,802
(iv) Technical and advisory (recharged to subsidiaries)		
Payment of fees for technical and advisory support services to:		
– British American Tobacco (Investments) Ltd.	43,644	45,335
– British American Tobacco International Ltd.	1,742	1,409
– British American Tobacco Asia Pacific Treasury Pte. Ltd.	321	353
– British American Tobacco ASPAC Service Centre Sdn. Bhd.	1,844	4,533
– B.A.T. (U.K. & Export) Ltd.	879	2,693
– British American Tobacco Asia-Pacific Region Ltd.	12,001	3,258
	60,431	57,581

Key management personnel of the Group and Company are the Directors of which their compensation has been disclosed in Note 4 of the financial statements.

26. SEGMENT REPORTING

Segment analysis has not been prepared as the Group is primarily engaged in the manufacture, importation and sale of cigarettes and other tobacco products in Malaysia.

27. FINANCIAL INSTRUMENTS**Treasury Risk Management**

The Group is exposed to financial risks arising from its business activities; mainly interest rate risks, exchange risks, credit risks and liquidity and cash flow risks. Straightforward derivative financial instruments are utilised by the Group to lower funding costs, to alter interest rate exposures or to achieve greater certainty of future costs. These instruments are entered into in accordance with objectives and policies approved by the Board of Directors that expressly forbid speculative transactions.

The policy restricts the use of derivative instruments to forward foreign exchange contracts, foreign currency and interest rate swaps, forward rate agreements, currency options and caps. In addition to policies, guidelines and exposure limits, a system of authorisation and extensive independent reporting covers all major areas of the Group's treasury activities.

Details of instruments used for treasury risk management, together with the information on related exposures are given below.

(a) Interest Rate Management

The objectives of the Group's interest rate risk management policy are to lessen the impact of adverse interest rate movements on the earnings, cash flow and economic value of the Group. As at the balance sheet date, there were no open interest rate swap contracts.

(b) Currency Exchange Risk Management

The objectives of the Group's foreign exchange policies are to allow the Group to manage exposures that arise from trading activities effectively within a framework of controls that does not expose the Group to unnecessary foreign exchange risks. The Group enters into forward foreign exchange contracts to limit its exposure on foreign currency payables and on cash flows to be used in anticipated transactions denominated in foreign currencies and operate within a specified maximum exposure limit.

At 31 December 2008, the settlement dates on open forward contracts range between 3 February 2009 to 15 December 2009. The contracted exchange rate and amount of the Group's outstanding contracts are as follows:

Hedged item	Currency to be paid	RM'000 equivalent	Average contracted rate
Future payment for leaf, wrapping materials, capital expenditure and services over the next 12 months			
USD1,000,000	US Dollar	3,429	1 USD = RM3.429
GBP6,495,912	Pound Sterling	35,444	1 GBP = RM5.456
EUR18,250,000	Euro Dollar	83,583	1 EUR = RM4.580

The Group net gain at 31 December 2008 on open contracts which hedge anticipated future foreign currency purchases amounted to approximately RM968,000 (2007: unfavourable net position of RM219,000). The Company net loss at 31 December 2008 on open contracts which hedge anticipated future foreign currency purchases amounted to approximately RM2,307,000 (2007: RM913,000). These net exchange gains and losses are deferred until the related purchases are transacted, at which time they are included in the measurement of such transactions.

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL INSTRUMENTS (continued)

(c) Credit Risks

Credit risks, or the risk of counterparties defaulting, are controlled by the application of credit approvals, setting of counterparty limits and monitoring procedures. The Group seeks to invest cash assets safely and profitably. Credit risks are minimised given the Group's policy of selecting only counterparties with high creditworthiness.

The Group has no significant concentrations of credit risk, notwithstanding that the majority of its deposits are placed with financial institutions in Malaysia. The likelihood of non-performance by these financial institutions is remote based on their high credit ratings.

(d) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

(e) Fair Values

The carrying amounts of financial assets and liabilities of the Group and Company at the balance sheet date approximated their fair values except as set out below:

Note	Group		Company		
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000	
At 31 December 2008					
Current borrowings					
RM100 million MTNs	20	100,000	99,000	100,000	99,000
RM150 million MTNs		150,000	145,860	150,000	145,860
Non current borrowings					
RM400 million MTNs	20	400,000	398,600	400,000	398,600
Derivative financial instruments held to manage interest rates and currency exposures					
Foreign currency forward exchange contracts	27(b)	—	968	—	(2,307)
At 31 December 2007					
Current borrowings					
RM100 million CPs	20	100,000	100,000	100,000	100,000
Non current borrowings					
RM100 million MTNs	20	100,000	101,340	100,000	101,340
RM150 million MTNs	20	150,000	151,905	150,000	151,905
RM400 million MTNs	20	400,000	396,600	400,000	396,600
Derivative financial instruments held to manage interest rates and currency exposures					
Foreign currency forward exchange contracts	27(b)	—	(219)	—	(913)

28. SHARE-BASED PAYMENTS

The expense recognised for employee services received during the year is as follows:

	Group		Company	
	Year ended 31.12.08 RM'000	Year ended 31.12.07 RM'000	Year ended 31.12.08 RM'000	Year ended 31.12.07 RM'000
Expense arising from equity-settled share-based payment transactions	4,158	4,617	2,638	2,686

The expenses arose as a result of a number of the Group and Company employees' participation in the employee share schemes offered by British American Tobacco p.l.c. during their employment with the Group (British American Tobacco p.l.c. indirectly through British American Tobacco Holdings (Malaysia) B.V., owns fifty percent (50%) equity interest in the Company and is deemed to be the Company's ultimate holding company). The details of the employee share schemes are as follows:

	Method of Settlement and Timing of Grant	Contractual Life	Vesting Conditions
Deferred Share Bonus Scheme	Equity-settled grants. (Timing of grant: Annually in March)	3 Years	Free shares released three years from date of grant and may be subject to forfeit if participant leaves employment before the end of three year holding period. Participants receive a separate payment equivalent to a proportion of the dividend during the holding period.
International Share Reward Scheme	Equity-settled grants. (Timing of grant: Annually in April)	3 Years	Free shares granted subject to three year holding period and may be subject to forfeit if employee leaves within this period.
Share Option Scheme	Equity-settled grants. (The granting of options under this scheme ceased with the last grant made in March 2004)	10 Years	Options exercisable three years from date of grant and subject to earnings per share performance.
Long Term Incentive Plan	Equity-settled grants. (Timing of grant: Annually in March)	10 Years	Nil-cost options exercisable three years from date of grant, with payout subject to performance conditions based on earnings per share relative to inflation (50% of grant) and total shareholder return.

NOTES TO THE FINANCIAL STATEMENTS

28. SHARE-BASED PAYMENTS (continued)

(a) Equity share-based payment arrangements (other than share options)

Details of the movements of equity share-based payment arrangements (other than share options) during the year ended 31 December 2008, covering the Deferred Share Bonus Scheme and International Share Reward Scheme are as follows:

	Number of ordinary shares of 25p each in British American Tobacco p.l.c.			
	Group		Company	
	2008	2007	2008	2007
Outstanding at start of year	86,794	80,752	43,687	45,387
Granted during the year	19,801	26,799	10,162	12,342
Exercised during the year	(36,437)	(20,410)	(19,636)	(14,042)
Forfeited during the year	—	(347)	—	—
Outstanding at end of year	70,158	86,794	34,213	43,687

The shares outstanding for the year ended 31 December 2008 for the Group and Company had a weighted average contractual life of 1.1 years (2007: 1.1 years) and 1.1 years (2007: 1.1 years) respectively.

The weighted average fair value equity share-based payment arrangements granted during 2008 for the Group and Company were £17.13 (2007: £13.94) and £17.09 (2007: £13.90) respectively.

(b) Share option schemes

Details of the movements for the equity-settled Share Option Scheme during the year ended 31 December 2008 are as follows:

	Group			
	2008 Number of British American Tobacco p.l.c. options	2008 Weighted average exercise price per share (£)	2007 Number of British American Tobacco p.l.c. options	2007 Weighted average exercise price per share (£)
Outstanding at start of year	41,042	7.42	69,711	7.34
Exercised during the year	(4,110)	5.98	(28,669)	7.22
Forfeited during the year	(3,754)	8.09	—	—
Outstanding at end of year	33,178	7.62	41,042	7.42
Exercisable at end of year	33,178	7.62	41,042	7.42

28. SHARE-BASED PAYMENTS (continued)
(b) Share option schemes (continued)

	Company			
	2008 Number of British American Tobacco p.l.c. options	2008 Weighted average exercise price per share (£)	2007 Number of British American Tobacco p.l.c. options	2007 Weighted average exercise price per share (£)
Outstanding at start of year	7,824	8.09	13,552	8.09
Exercised during the year	—	—	(5,728)	8.09
Outstanding at end of year	7,824	8.09	7,824	8.09
Exercisable at end of year	7,824	8.09	7,824	8.09

In addition to the above options, the movement in nil-cost equity-settled options from the Long Term Incentive Plan was as follows:

	Number of options in ordinary shares of 25p each in British American Tobacco p.l.c.			
	Group		Company	
	2008	2007	2008	2007
Outstanding at start of year	174,029	137,844	130,393	109,073
Granted during the year	36,248	36,185	25,034	21,320
Exercised during the year	(82,728)	—	(80,711)	—
Forfeited during the year	(10,263)	—	(10,263)	—
Outstanding at end of year	117,286	174,029	64,453	130,393
Exercisable at end of year	20,039	52,545	6,113	52,545

NOTES TO THE FINANCIAL STATEMENTS

28. SHARE-BASED PAYMENTS (continued)

(b) Share option schemes (continued)

The weighted average British American Tobacco p.l.c. share price at the date of exercise for share options exercised during the period for the Group and Company was £18.84 (2007: £16.19) and £18.78 (2007: £15.70) respectively.

A detailed breakdown of the range of exercise prices for options outstanding at the end of 31 December 2008 is shown in the tables below:

	Group					
	2008			2007		
	Number of options at end of year	Weighted average remaining contractual life (years)	Weighted average exercise price per share (£)	Number of options at end of year	Weighted average remaining contractual life (years)	Weighted average exercise price per share (£)
Long Term Incentive Plan						
Nil cost	117,286	7.8	—	174,029	7.5	—
Share Option Scheme						
£5.00 to £6.99	7,392	4.2	5.98	11,146	4.0	5.60
£7.00 to £8.99	25,786	5.2	8.09	29,896	6.2	8.10
Total	150,464	7.2	1.10	215,071	7.1	1.40

	Company					
	2008			2007		
	Number of options at end of year	Weighted average remaining contractual life (years)	Weighted average exercise price per share (£)	Number of options at end of year	Weighted average remaining contractual life (years)	Weighted average exercise price per share (£)
Long Term Incentive Plan						
Nil cost	64,453	8.0	—	130,393	7.3	—
Share Option Scheme						
£5.00 to £6.99	7,824	5.2	8.09	7,824	6.2	8.09
Total	72,277	7.7	0.56	138,217	7.2	0.46

The weighted average fair value of equity-settled share option schemes granted during 2008 for the Group and the Company was £12.80 (2007: £10.47).

28. SHARE-BASED PAYMENTS (continued)
(c) Assumptions used

Assumptions used in the Black-Scholes Models to determine the fair value of share-based payment arrangements were as follows:

	Group and Company					
	Long Term Incentive Plan		Deferred Share Bonus Scheme		International Share Reward Scheme	
	2008	2007	2008	2007	2008	2007
Share price at date of grant (£)	£19.03	£15.41	n/a	n/a	n/a	n/a
Grant price (£)	n/a	n/a	£19.03	£15.41	£19.22	£15.76
Exercise price (£)	nil cost	nil cost	n/a	n/a	n/a	n/a
Volatility (%)	18	21	18	21	18	21
Average expected term to exercise (years)	3.5	3.5	3	3	5	5
Risk free rate (%)	3.9	5.1	3.9	5.1	4	5
Expected dividend yield (%)	3.7	3.6	3.7	3.6	3.7	3.2

Assumptions used in the Monte-Carlo Models to determine the fair value of share-based payment arrangements are as follows:

	Group and Company	
	2008 RM'000	2007 RM'000
Average share price volatility FTSE100* comparator group (%)	26	28
Average share price volatility FMCG** comparator group (%)	19	21
Average correlation FTSE100 comparator group (%)	31	27
Average correlation FMCG comparator group (%)	18	18

* Financial Times Stock Exchange

** Fast Moving Consumer Goods

28. SHARE-BASED PAYMENTS (continued)

(c) Assumptions used (continued)

Market condition features were incorporated into Monte-Carlo models for the total shareholder return elements of the Long Term Incentive Plan in determining fair value at grant date.

The expected British American Tobacco p.l.c. share price volatility was determined taking account of the daily share price movements over a five year period. The respective FMCG and FTSE100 share price volatility and correlations were also determined over the same periods. The average expected term to exercise used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural conditions, forfeiture and historical experience.

The risk free rate has been determined from market yield curves for government gilts with outstanding terms equal to the average expected term to exercise for each relevant grant. The expected dividend yield was determined by calculating the yield from the last two declared dividends divided by the grant share price. For grants containing earnings per share performance conditions, the payout calculation is based on the expectations based on published analysts' forecasts.

29. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 19 February 2009.

Other

Information

ANALYSIS OF SHAREHOLDINGS

AS AT 27 FEBRUARY 2009

SHARE CAPITAL

Authorised Share Capital	:	RM385,000,000 comprising 770,000,000 ordinary shares of RM0.50 each.
Issued and Fully Paid-Up Share Capital	:	RM142,765,000 comprising 285,530,000 ordinary shares of RM0.50 each.
Voting Right	:	One vote per ordinary share.

DISTRIBUTION OF SHAREHOLDINGS

(without aggregating the securities from different securities accounts belonging to the same Depositor)

SIZE OF SHAREHOLDINGS	NUMBER OF SHAREHOLDERS	% OF SHAREHOLDERS	NUMBER OF SHARES HELD	% OF ISSUED SHARES
Less than 100 shares	402	8.95	8,974	0.00 ¹
100 - 1,000 shares	2,182	48.61	1,028,587	0.36
1,001 - 10,000 shares	1,299	28.94	5,199,085	1.82
10,001 - 100,000 shares	455	10.14	13,988,675	4.90
100,001 to 14,276,499 shares	149	3.32	98,168,879	34.38
14,276,500 shares and above	2	0.04	167,135,800	58.54
Total	4,489	100.00	285,530,000	100.00

Note:

¹ Less than 0.01%

DIRECTORS' DIRECT INTERESTS IN SHARES IN THE COMPANY

NAME	NUMBER OF SHARES HELD	% OF ISSUED SHARES
Tan Sri Abu Talib bin Othman	81,000	0.03
Datuk Oh Chong Peng	1,000	0.00 ¹
James Richard Suttie	1,500	0.00 ¹
Dato' Chan Choon Ngai	1,000	0.00 ¹

DIRECTORS' INDIRECT INTERESTS IN SHARES IN THE COMPANY

James Richard Suttie	3,000	0.00 ¹
Dato' Chan Choon Ngai	6,000	0.00 ¹

Note:

¹ Less than 0.01%

SUBSTANTIAL SHAREHOLDERS BASED ON THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

NAME	NUMBER OF SHARES HELD	% OF ISSUED SHARES
1. British American Tobacco Holdings (Malaysia) B.V.	142,765,000	50.00
2. Amanah Raya Nominees (Tempatan) Sdn Bhd – Skim Amanah Saham Bumiputera	24,370,800	8.53

TOP THIRTY (30) SECURITIES ACCOUNT HOLDERS

(without aggregating the securities from different securities accounts belonging to the same Depositor)

NO. NAME	NUMBER OF SHARES HELD	% OF ISSUED SHARES
1. British American Tobacco Holdings (Malaysia) B.V.	142,765,000	50.00
2. Amanah Raya Nominees (Tempatan) Sdn Bhd - <i>Skim Amanah Saham Bumiputera</i>	24,370,800	8.53
3. Valuecap Sdn Bhd	9,196,000	3.22
4. Employees Provident Fund Board	8,031,387	2.81
5. Amanah Raya Nominees (Tempatan) Sdn Bhd - <i>Amanah Saham Malaysia</i>	4,673,800	1.64
6. Malaysia Nominees (Tempatan) Sendirian Berhad - <i>Great Eastern Life Assurance (Malaysia) Berhad (Par 1)</i>	4,494,200	1.57
7. HSBC Nominees (Asing) Sdn Bhd - <i>TNTC for Saudi Arabian Monetary Agency</i>	3,480,400	1.22
8. HSBC Nominees (Asing) Sdn Bhd - <i>Exempt An for JPMorgan Chase Bank, National Association (JPM Funds)</i>	3,194,200	1.11
9. HSBC Nominees (Asing) Sdn Bhd - <i>BNP Paribas SECS SVS LUX for Aberdeen Global</i>	3,000,020	1.05
10. Cartaban Nominees (Asing) Sdn Bhd - <i>SSBT Fund 4545 for Lazard Emerging Markets Portfolio</i>	2,394,000	0.84
11. HSBC Nominees (Asing) Sdn Bhd - <i>BNP Paribas SECS SVS Paris for Aberdeen Asia Pacific Fund</i>	2,150,900	0.75
12. HSBC Nominees (Asing) Sdn Bhd - <i>TNTC for Fidelity Southeast Asia Fund (FID INV TST)</i>	2,101,800	0.74
13. Citigroup Nominees (Asing) Sdn Bhd - <i>Exempt An for Mellon Bank (Mellon)</i>	2,101,450	0.74
14. HSBC Nominees (Asing) Sdn Bhd - <i>Exempt An for JPMorgan Chase Bank, National Association (U.K.)</i>	1,914,600	0.67
15. HSBC Nominees (Asing) Sdn Bhd - <i>Exempt An for JPMorgan Chase Bank, National Association (U.A.E.)</i>	1,674,455	0.59
16. Cartaban Nominees (Asing) Sdn Bhd - <i>Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C)</i>	1,617,700	0.57

ANALYSIS OF SHAREHOLDINGS

AT AT 27 FEBRUARY 2009

TOP THIRTY (30) SECURITIES ACCOUNT HOLDERS (CONTINUED)

(without aggregating the securities from different securities accounts belonging to the same Depositor)

NO. NAME	NUMBER OF SHARES HELD	% OF ISSUED SHARES
17. Cartaban Nominees (Asing) Sdn Bhd - Exempt An for RBC Dexia Investor Services Trust (Clients Account)	1,597,600	0.56
18. HSBC Nominees (Asing) Sdn Bhd - Exempt An for JPMorgan Chase Bank, National Association (U.S.A.)	1,567,400	0.55
19. Citigroup Nominees (Tempatan) Sdn Bhd - Exempt An for American International Assurance Berhad	1,161,600	0.41
20. HSBC Nominees (Asing) Sdn Bhd - BBH and Co Boston for Merrill Lynch Global Allocation Fund	1,131,000	0.40
21. HSBC Nominees (Asing) Sdn Bhd TNTC for Sanderson International Value Fund	1,051,000	0.37
22. HSBC Nominees (Asing) Sdn Bhd - BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund	987,905	0.35
23. Cartaban Nominees (Asing) Sdn Bhd - State Street London Fund XCP2 for Aberdeen Asian Income Fund Limited	900,000	0.31
24. HSBC Nominees (Asing) Sdn Bhd - BBH and Co Boston for GMO Emerging Markets Fund	870,078	0.30
25. HSBC Nominees (Asing) Sdn Bhd - Exempt An for JPMorgan Chase Bank, National Association (Saudi Arabia)	856,100	0.30
26. Cartaban Nominees (Asing) Sdn Bhd - Investors Bank and Trust Company for IShares, Inc.	845,200	0.30
27. HSBC Nominees (Asing) Sdn Bhd - Exempt An for The Hongkong and Shanghai Banking Corporation Limited (HBFS-I CLT ACCT)	830,100	0.29
28. Citigroup Nominees (Asing) Sdn Bhd - CBNY for AGF Emerging Markets Fund	820,900	0.29
29. Citigroup Nominees (Asing) Sdn Bhd - CBHK for Kuwait Investment Authority (Fund 221)	780,000	0.27
30. Citigroup Nominees (Tempatan) Sdn Bhd - Exempt An for Prudential Fund Management Berhad	779,900	0.27
Total	231,339,495	81.02

PARTICULARS OF PROPERTIES

The properties held by the Group and Company as at 27 February 2009 are as follows:-

LOCATION	DATE OF PURCHASE/ LAST REVALUATION	USAGE	APPROX. AGE OF BUILDING (YEARS)	LAND/BUILT-UP AREA (SQUARE METRES)	NET BOOK VALUE RM'000
FREEHOLD					
No. 36A, Jalan Lengkok Canning, Ipoh Garden, Ipoh, Perak	30.11.89	shop and office	20	143.07	95
No. A79, Jalan Telok Sisek, Kuantan, Pahang	28.4.94	shop and office	17	110.59	227
LEASEHOLD					
Lots 122 and 124, Jalan Universiti, Petaling Jaya, Selangor (99 years leases expiring on 8.4.2062 and 29.9.2060 respectively)	30.9.61	factory, office and store	47	46,905.44	74,126
Lots P.T. 683-685, 687-689, Mukim of Panchor, District of Kemumin, Kawasan Perindustrian Pengkalan Chepa II, Kota Bharu, Kelantan (66 years lease expiring 25.7.2048)	26.7.82	industrial land, store and office	21	29,952.00	5,393
Lot 2948, Country Lease No. 135345103 Mukim of Keningau, Sabah (99 years lease expiring 31.7.2062)	22.11.95	store, office and residence	16	8,093.71	2,533
No. 2, Jalan Foochow, Kuching, Sarawak (999 years lease expiring 31.12.2923)	3.10.91	shop and office	19	156.10	205
No. 120, Jalan Semangat, Petaling Jaya, Selangor (99 years lease expiring 12.7.2061)	24.5.93	office and store	33	6,119.00	5,303
Lot 1, Block A Hong Tong Centre, Miles 4, Penampang, Kota Kinabalu, Sabah (99 years lease expiring 31.12.2080)	30.9.99	shop and office	15	136.56	446
No. 8, Jalan Melaka Raya 13, Taman Melaka Raya, Melaka (99 years lease expiring 7.7.2093)	30.3.96	shop and office	14	143.00	300
L.O. 76/65, Kawasan Perindustrian Batu Tiga, Shah Alam, Selangor (99 years lease expiring 8.9.2066)	8.9.67	offices and factory	41	40,603.00	20,749
GM9, Lot 1709, Semerak, Pasir Puteh, Kelantan (33 years lease expiring 23.9.2017)	24.9.84	residence	22	10,380.00	150
Lots 2430 & 2431, HS(M) 6/83, Mukim of Wakaf Delima, Wakaf Bharu, Kelantan (45 years lease expiring 3.1.2029)	4.1.84	offices and store	42	10,467.00	1,551
K.M. 5.5, Jalan Bukit Kayu Hitam, Changloon, Kedah (30 years lease expiring 6.7.2021)	7.7.91	offices and agricultural land	20	285,510.00	916

CORPORATE DIRECTORY

HEAD OFFICE

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Fax : +(673) 245 2974

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty Eighth Annual General Meeting of British American Tobacco (Malaysia) Berhad (BATM) will be held at Kristal Ballroom, Hilton Petaling Jaya, No. 2 Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan on Monday, 20 April 2009 at 11.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2008 and the Reports of the Directors and Auditors thereon. (Resolution 1)
2. To sanction the declaration and payment of a final dividend. (Resolution 2)
3. To re-elect the following Directors who retire by rotation in accordance with Articles 97(1) and (2) of the Company's Articles of Association:
 - (i) Datuk Oh Chong Peng (Resolution 3)
 - (ii) Jack Marie Henry David Bowles (Resolution 4)
4. To re-appoint the following Directors who retire in accordance with Article 103 of the Company's Articles of Association:
 - (i) Dato' Ahmad Johari bin Tun Abdul Razak (Resolution 5)
 - (ii) William Toh Ah Wah (Resolution 6)
5. To re-appoint PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 7)

AS SPECIAL BUSINESS

6. To consider and, if thought fit, to pass the following Ordinary Resolution:

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD ("BATM" or "the Company") AND ITS SUBSIDIARIES TO ENTER INTO RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH RELATED PARTIES; AND

(Resolution 8)

PROPOSED SHAREHOLDERS' MANDATE FOR THE COMPANY AND ITS SUBSIDIARIES TO ENTER INTO NEW RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH RELATED PARTIES

"THAT, subject to the provisions of the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries (British

NOTICE OF ANNUAL GENERAL MEETING

American Tobacco Malaysia Group) to enter into and give effect to recurrent transactions of a revenue or trading nature (Recurrent RPTs) of British American Tobacco Malaysia Group with Related Parties (as defined in the Listing Requirements of Bursa Malaysia Securities Berhad) as set out in paragraph 2.2 of the Circular to Shareholders dated 23 March 2009 which are necessary for the British American Tobacco Malaysia Group's day to day operations, provided that:

- (i) the transactions are in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and
- (ii) disclosure of the aggregate value of the transactions conducted during a financial year will be made in the annual report for the said financial year,

AND THAT the authority conferred by such renewed mandate and the approval of the new mandate shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting (AGM) of the Company following the AGM at which such Ordinary Resolution is passed, at which time it will lapse, unless by a resolution passed at the next AGM the authority conferred by this resolution is again renewed;
- (ii) the expiration of the period within which the next AGM of the Company after the forthcoming AGM is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
- (iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is earlier;

AND THAT the Directors of the Company and/or its subsidiaries be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary in the best interest of the Company (including executing all such documents as may be required) to give effect to the transactions as authorised by this Ordinary Resolution."

7. To consider and if thought fit, to pass the following Special Resolution:

RE-APPOINTMENT OF TAN SRI ABU TALIB BIN OTHMAN IN ACCORDANCE WITH SECTION 129(6) OF THE COMPANIES ACT, 1965 ('ACT')

(Resolution 9)

"THAT Tan Sri Abu Talib bin Othman, a Director who retires pursuant to Section 129(2) of the Act, be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company."

8. To consider any other business of which due notice shall have been given.

By Order of the Board



NG PEI LING

Secretary
LS 09111

Petaling Jaya
23 March 2009

Notes:

1. A proxy need not be a Member and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. A Member entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote on his/her behalf. Where a Member appoints two (2) proxies, the appointment shall be invalid unless the percentage of the shareholding to be represented by each proxy is specified.
3. Where a Member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
4. The instrument appointing a proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.
5. If there is no indication as to how a Member wishes his/her vote to be cast, the proxy will vote or abstain from voting at his/her discretion. In the event a Member duly executes the Form of Proxy but does not name any proxy, such Member shall be deemed to have appointed the Chairman of the meeting as his/her proxy.
6. The original Form of Proxy must be duly executed and deposited at the Registrar of the Company at Tenaga Koperat Sdn Bhd, Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time set for holding the meeting or any adjourned meeting thereof.
7. Registration of Members/Proxies
Registration of Members/Proxies attending the meeting will commence at 9.00 a.m. on the day of the meeting and will close at 11.00 a.m. sharp. Members/Proxies are required to produce identification documents for registration.
8. Explanatory Notes on Special Business
 - (a) Recurrent Related Party Transactions Mandate
The Ordinary Resolution 8, if passed will enable British American Tobacco (Malaysia) Berhad and its subsidiaries ("British American Tobacco Malaysia Group") to enter into any of the recurrent transactions of a revenue or trading nature which are necessary for the British American Tobacco Malaysia Group's day to day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company. Further information on the Proposed Renewal Of Shareholders' Mandate For Existing Recurrent Related Party Transactions And Mandate For Additional Recurrent Related Party Transactions Of A Revenue Or Trading Nature is set out in the Circular to Shareholders dated 23 March 2009, which is despatched together with the Company's 2008 Annual Report.
 - (b) Re-appointment of Director pursuant to Section 129(6) of the Act
The re-appointment of Tan Sri Abu Talib bin Othman, a person over the age of seventy (70) years as Director of the Company to hold office until the conclusion of the next annual general meeting of the Company shall take effect if the Resolution 9 has been passed by a majority of not less than three-fourths (¾) of such members of the Company as being entitled to vote in person or, where proxies are allowed, by proxy, at a general meeting of which not less than 21 days' notice specifying the intention to propose the resolution has been duly given.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

PURSUANT TO PARAGRAPH 8.28(2) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Further details of Directors seeking re-election/re-appointment at the Forty Eighth Annual General Meeting are set out below:-

Name	Datuk Oh Chong Peng PJN, JSM
Age	64
Nationality	Malaysian
Qualification	<ul style="list-style-type: none"> • Qualified Chartered Accountant in London (1969) • Fellow of the Institute of Chartered Accountants, England and Wales (ICAEW) • Member of the Malaysian Institute of Certified Public Accountants (MICPA) and the Malaysian Institute of Accountants (MIA) • Government appointed member of the Labuan Offshore Financial Services Authority (LOFSA) (1996) • Member of the Malaysian Accounting Standards Board (MASB) (2003) • Trustee of the Huaren Education Foundation (1993) and UTAR Education Foundation (2002) • Council member of University Tunku Abdul Rahman • Member of the Listing Committee of Bursa Malaysia
Position on the Board of Directors	Independent Non-Executive Director
Date first appointed to the Board of Directors	1 January 1998
Number of Board of Directors meetings attended in the financial year	Four (4)
Membership of Board Committees	<ol style="list-style-type: none"> 1. Chairman of Audit Committee 2. Member of Remuneration and Nomination Committees
Occupation	Company Director
Working Experience	<ul style="list-style-type: none"> • A government appointed committee member of the Kuala Lumpur Stock Exchange in 1990 to 1996 • President of the Malaysian Institute of Certified Public Accountants (MICPA) in 1994 to 1996 • Partner of Coopers & Lybrand Malaysia in 1974 to 1997 • Council member of the Malaysian Institute of Certified Public Accountants (MICPA) in 1981 to 2002 • Director of Powertek Berhad in 1997 to 2003

Working Experience	<ul style="list-style-type: none"> • Director of the Rashid Hussain Berhad Group of Companies in 1998 to 2003 • Director of Renong Berhad in 2001 to 2003 • Director of Nanyang Press Holdings Berhad in 2001 to 2005 • Chairman of the Land & General Berhad in 1999 to 2007 • Director of Rohas-Euco Industries Berhad in 2007 to 2008 • Director of Star Publications (M) Berhad in 1987 to 2009
Any other board directorships in public companies	<ul style="list-style-type: none"> • Alliance Financial Group Berhad • IJM Corporation Berhad • IJM Plantations Berhad • Kumpulan Europlus Berhad • Malayan Flour Mills Berhad • Dialog Group Berhad
Interest in securities of British American Tobacco (Malaysia) Berhad and its subsidiaries	British American Tobacco (Malaysia) Berhad Direct Interests: 1,000 ordinary shares
Any family relationship with director and/or major shareholder of British American Tobacco (Malaysia) Berhad or any companies that have entered into any transactions with British American Tobacco (Malaysia) Berhad or its subsidiaries	Nil
Any conflict of interest with British American Tobacco (Malaysia) Berhad	Nil
List of convictions for offences within the past 10 years other than traffic offences, if any	Nil

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

PURSUANT TO PARAGRAPH 8.28(2) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

Name	Jack Marie Henry David Bowles
Age	45
Nationality	French
Qualification	<ul style="list-style-type: none"> • Diploma of Business Management, French Business School in Paris • INSEAD (Paris) • IMEDE (Switzerland)
Position on the Board of Directors	Non-Independent Executive Director
Date first appointed to the Board of Directors	1 May 2007
Number of Board of Directors meetings attended in the financial year	Four (4)
Membership of Board Committees	Member of Remuneration Committee
Occupation	Managing Director of British American Tobacco (Malaysia) Berhad
Working Experience	<ul style="list-style-type: none"> • Past President of British American Tobacco France • Has over 20 years of experience in the tobacco industry and had previously worked for blue-chip fast moving consumer goods (FMCG) companies across Europe and Asia
Any other board directorships in public companies	Nil
Interest in securities of British American Tobacco (Malaysia) Berhad and its subsidiaries	Nil
Any family relationship with director and/or major shareholder of British American Tobacco (Malaysia) Berhad or any companies that have entered into any transactions with British American Tobacco (Malaysia) Berhad or its subsidiaries	Nil
Any conflict of interest with British American Tobacco (Malaysia) Berhad	Nil
List of convictions for offences within the past 10 years other than traffic offences, if any	Nil

Name	Dato' Ahmad Johari bin Tun Abdul Razak DPCM, DSIS, DSAP
Age	54
Nationality	Malaysian
Qualification	<ul style="list-style-type: none"> • Bachelor of Laws (Hons) Degree, University of Kent, United Kingdom • Bar of England and Wales at Lincoln's Inn (1976) • Advocate and Solicitor of the High Court of Malaya (1977)
Position on the Board of Directors	Independent Non-Executive Director
Date first appointed to the Board of Directors	5 March 2009
Number of Board of Directors meetings attended in the financial year	Nil
Membership of Board Committees	Member of Audit and Nomination Committees
Occupation	Company Director
Working Experience	<ul style="list-style-type: none"> • Joined a legal firm in 1979 and was a partner of the firm from 1981 to 1994 • Re-joined the legal firm as a partner on 1 August 2007 • An Adjunct Professor at University of Technology MARA, Law Faculty
Any other board directorships in public companies	<ul style="list-style-type: none"> • Ancom Berhad • Daiman Development Berhad • Hong Leong Industries Berhad • Nylex (Malaysia) Berhad • Daiman Golf Berhad • Deutsche Bank (Malaysia) Berhad
Interest in securities of British American Tobacco (Malaysia) Berhad and its subsidiaries	Nil
Any family relationship with director and/or major shareholder of British American Tobacco (Malaysia) Berhad or any companies that have entered into any transactions with British American Tobacco (Malaysia) Berhad or its subsidiaries	Nil
Any conflict of interest with British American Tobacco (Malaysia) Berhad	Nil
List of convictions for offences within the past 10 years other than traffic offences, if any	Nil

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

PURSUANT TO PARAGRAPH 8.28(2) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

Name	William Toh Ah Wah
Age	51
Nationality	Malaysian
Qualification	Bachelor of Commerce, Concordia University, Montreal, Canada
Position on the Board of Directors	Non-Independent Non-Executive Director
Date first appointed to the Board of Directors	5 March 2009
Number of Board of Directors meetings attended in the financial year	Nil
Membership of Board Committees	Nil
Occupation	Company Director
Working Experience	<ul style="list-style-type: none"> • Joined Rothmans of Pall Mall (Malaysia) Berhad in 1981 and held several portfolios over the years including Area Manager and Marketing Manager • Seconded to China in 1991 and has held various positions including: <ol style="list-style-type: none"> i. General Manager for Shandong Rothmans Tobacco Company Limited, China (1991-1994) ii. Sales & Marketing Director China/Hong Kong for Rothmans (Far East) Limited (1994-1996) iii. General Manager Taiwan of Rothmans (Far East) Taiwan Ltd (1996-1997) iv. General Manager China/Hong Kong of Rothmans (Far East) Limited (1997-1998) v. Managing Director Greater China of Rothmans (Far East) Limited (1998-1999). • Joined British American Tobacco (Malaysia) Berhad in 1999 and thereafter held various positions including: <ol style="list-style-type: none"> i. Business Development Director China for British American Tobacco Asia Pacific North (1999-2003) ii. Managing Director of British American Tobacco New Zealand Limited (2003-2005) iii. Managing Director of Pakistan Tobacco Company Limited (2005-2008) iv. double-hatted as the Area Director of British American Tobacco South Asia Area (2007-2008)

Working Experience	<ul style="list-style-type: none"> Since November 2008, Area Director of the Indonesian Cluster (covering the markets of Indonesia, Thailand and Philippines) and the Regional Project Manager of British American Tobacco Asia Pacific Region Limited and is based in Hong Kong.
Any other board directorships in public companies	Nil
Interest in securities of British American Tobacco (Malaysia) Berhad and its subsidiaries	Nil
Any family relationship with director and/or major shareholder of British American Tobacco (Malaysia) Berhad or any companies that have entered into any transactions with British American Tobacco (Malaysia) Berhad or its subsidiaries	Nil
Any conflict of interest with British American Tobacco (Malaysia) Berhad	Nil
List of convictions for offences within the past 10 years other than traffic offences, if any	Nil

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

PURSUANT TO PARAGRAPH 8.28(2) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

Name	Tan Sri Abu Talib bin Othman PMN, PSM, SIMP, SSSA, DGSM, DPMS, DMPN, DCSM, JSM, KMN, PPT
Age	70
Nationality	Malaysian
Qualification	Barrister-at-law, Lincoln's Inn, United Kingdom
Position on the Board of Directors	Independent Non-Executive Director
Date first appointed to the Board of Directors	24 June 1994
Number of Board of Directors meetings attended in the financial year	Four (4)
Membership of Board Committees	1. Chairman of Remuneration and Nomination Committees 2. Member of Audit Committee
Occupation	Company Chairman
Working Experience	<ul style="list-style-type: none"> Member of the Judicial and Legal Service of the Government from 1962 to 1993 Malaysia's Attorney-General from 1980 to his retirement in October 1993 Currently, the Chairman of Suruhanjaya Hak Asasi Manusia (Suhakam)
Any other board directorships in public companies	<ul style="list-style-type: none"> IGB Corporation Berhad CYL Corporation Berhad MUI Continental Insurance Berhad Alliance Investment Management Berhad
Interest in securities of British American Tobacco (Malaysia) Berhad and its subsidiaries	British American Tobacco (Malaysia) Berhad Direct Interests: 81,000 ordinary shares
Any family relationship with director and/or major shareholder of British American Tobacco (Malaysia) Berhad or any companies that have entered into any transactions with British American Tobacco (Malaysia) Berhad or its subsidiaries	Nil
Any conflict of interest with British American Tobacco (Malaysia) Berhad	Nil
List of convictions for offences within the past 10 years other than traffic offences, if any	Nil

ADMINISTRATIVE DETAILS FOR THE BRITISH AMERICAN TOBACCO MALAYSIA 48TH ANNUAL GENERAL MEETING

Date : 20 April 2009

Time : 11.00 a.m.

Place : Kristal Ballroom, Hilton Petaling Jaya, No. 2 Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan

REGISTRATION

1. Registration will start at 9.00 a.m. at the entrance of Kristal Ballroom and will close at 11.00 a.m. sharp.
2. Please read the signage to ascertain which registration table you should approach to register yourself for the meeting and join the queue accordingly.
3. Please produce your original Identity Card (IC) to the registration staff for verification. Please make sure you collect your IC thereafter.
4. Upon verification, you are required to write your name and sign on the Attendance List placed on the registration table.
5. You will be given a security sticker and no person will be allowed to enter the meeting room without the security sticker. There will be no replacement in the event that you lose or misplace the security sticker.
6. After registration, please leave the registration area immediately and proceed to Kristal Ballroom.
7. You are not allowed to register on behalf of another person even with the original IC of the other person.
8. The registration counter only handles verification and registration.

HELP DESK

9. Please proceed to the Help Desk for any clarification or queries.

ENTITLEMENT TO ATTEND AND VOTE

10. Only shareholders registered in the Register of Members and Record of Depositors as at 5.00 p.m. on 10 April 2009 shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at that time.

PROXY

11. If you are a member of the Company at the time set out above, you are entitled to appoint not more than two (2) proxies to exercise all or any of your rights to attend, speak and vote at the Annual General Meeting.
12. Where a Member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
13. To appoint a proxy, the original Form of Proxy which is attached together with the Company's 2008 Annual

Report must be completed and signed, sent and delivered to the Company's Registrar, Tenaga Koperat Sdn. Bhd., Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur by 18 April 2009 at 11.00 a.m.

14. In the case of a member which is a company, the Proxy Form must be executed either under its seal or under the hand of any officer or attorney duly authorised.

REVOCATION OF PROXY

15. If you wish to appoint a proxy, please note that a proxy may be revoked by:-
 - i. attendance of the appointer at the Annual General Meeting and exercising his/her voting rights at the Annual General Meeting personally;
 - ii. notice of revocation of the Proxy Form or the authority served to the Company by 18 April 2009 at 11.00 a.m.;
 - iii. appointing new proxy by depositing to the Company a new Proxy Form in favour of another person by 18 April 2009 at 11.00 a.m.; or
 - iv. transfer of shares by the appointer.

CORPORATE MEMBER

16. Any corporate member who wishes to appoint a representative instead of a proxy to attend this Annual General Meeting should lodge the certificate of appointment under the seal of the corporation, at the office of the Company's Registrar, Tenaga Koperat Sdn. Bhd., Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur by 18 April 2009 at 11.00 a.m.

2008 ANNUAL REPORT

17. The 2008 Annual Report is available on Bursa Malaysia's website at www.bursamalaysia.com under Company Announcements and also at the British American Tobacco Malaysia's website at www.batmalaysia.com.

ENQUIRY

18. If you have general queries prior to the meeting, please contact the British American Tobacco Malaysia Legal and Secretarial Department at +60 (3)7956 6899 or the following person during office hours:

Name : Ms. Lim Lay Kiow
 Share Registrar : Tenaga Koperat Sdn Bhd
 Telephone number : +60 (3)2264 3890

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Proxy Form

BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD
(Company No. 4372-M)
(Incorporated in Malaysia)

I/We _____ (NRIC/Co. No. _____)

of _____

being a member/members of **BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD**, do hereby appoint _____

_____ (NRIC/Co. No. _____) of _____

and/or failing him/her _____ (NRIC/Co. No. _____)

of _____

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us and on my/our behalf at the Forty Eighth Annual General Meeting of the Company, to be held on the 20th day of April 2009 at 11.00 a.m., and at any adjournment thereof.

My/our proxy is to vote either on a show of hands or on a poll as indicated below with an "X":

Resolutions		For	Against
Ordinary Resolution 1	Receive the Audited Financial Statements for the financial year ended 31 December 2008 and the Reports of the Directors and Auditors thereon.		
Ordinary Resolution 2	Sanction the declaration and payment of a final dividend.		
Ordinary Resolution 3	Re-elect Datuk Oh Chong Peng who retires by rotation in accordance with Articles 97(1) and (2) of the Company's Articles of Association.		
Ordinary Resolution 4	Re-elect Jack Marie Henry David Bowles who retires by rotation in accordance with Articles 97(1) and (2) of the Company's Articles of Association.		
Ordinary Resolution 5	Re-appoint Dato' Ahmad Johari bin Tun Abdul Razak who retires in accordance with Article 103 of the Company's Articles of Association.		
Ordinary Resolution 6	Re-appoint William Toh Ah Wah who retires in accordance with Article 103 of the Company's Articles of Association.		
Ordinary Resolution 7	Re-appoint PricewaterhouseCoopers as Auditors of the Company and authorise the Directors to fix their remuneration.		
Ordinary Resolution 8	Proposed Renewal of Shareholders' Mandate for British American Tobacco (Malaysia) Berhad and its Subsidiaries to enter into Recurrent Related Party Transactions of a revenue or trading nature with Related Parties and Proposed Shareholders' Mandate for British American Tobacco (Malaysia) Berhad and its Subsidiaries to enter into New Recurrent Related Party Transactions of a revenue or trading nature with Related Parties.		
Special Resolution 9	Re-appointment of Tan Sri Abu Talib bin Othman in accordance with Section 129(6) of the Companies Act, 1965.		

No. of Shares held	
--------------------	--

Dated this _____ day of _____ 2009.

Signature of Member(s)

Notes:

1. A proxy need not be a Member and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. A Member entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote on his/her behalf. Where a Member appoints two (2) proxies, the appointment shall be invalid unless the percentage of the shareholding to be represented by each proxy is specified.
3. Where a Member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
4. The instrument appointing a proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.
5. If there is no indication as to how a Member wishes his/her vote to be cast, the proxy will vote or abstain from voting at his/her discretion. In the event a Member duly executes the Form of Proxy but does not name any proxy, such Member shall be deemed to have appointed the Chairman of the meeting as his/her proxy.
6. The original Form of Proxy must be duly executed and deposited at the Registrar of the Company at Tenaga Koperat Sdn Bhd, Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time set for holding the meeting or any adjourned meeting thereof.

Please fold here to seal

affix
postage
stamp

The Share Registrar
Tenaga Koperat Sdn Bhd
(Company No. 118401-V)
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

Please fold here to seal