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If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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**BRITISH AMERICAN  
TOBACCO**  
MALAYSIA

**British American Tobacco (Malaysia) Berhad**

(Company No. 4372-M)  
(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO THE**

**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**

The above proposal will be tabled as Special Business at the Company's Fiftieth (50<sup>th</sup>) Annual General Meeting (“AGM”). Notice of the 50<sup>th</sup> AGM to be held at the Kristal Ballroom, Hilton Petaling Jaya, No. 2, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 19 April 2011 at 11.00 a.m. together with a proxy form are enclosed together with the abridged version of the Annual Report of the Company for the financial year ended 31 December 2010.

A Member entitled to attend and vote at the AGM is entitled to appoint not more than two (2) proxies to attend and vote on his or her behalf and such proxy or proxies need not be a Member.

The original proxy form should be completed and returned in accordance with the instructions therein as soon as possible and should reach the Share Registrar of the Company at Tricor Investor Services Sdn Bhd, Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur no later than forty eight (48) hours before the time set for the AGM or any adjournment thereof. The lodging of the proxy form will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Sunday, 17 April 2011 at 11.00 a.m.  
Date and time of Annual General Meeting : Tuesday, 19 April 2011 at 11.00 a.m.

## DEFINITIONS

Unless where the context otherwise requires, the following definitions shall apply throughout this Circular:-

“£” and “p”	:	Great Britain pound and pence respectively
“AGM”	:	Annual General Meeting
“Annual Report”	:	Annual Report of British American Tobacco (Malaysia) Berhad for the financial year ended 31 December 2010
“Board”	:	Board of Directors of the Company
“British American Tobacco Group”	:	British American Tobacco p.l.c. and companies connected to it
“British American Tobacco Malaysia” or “the Company”	:	British American Tobacco (Malaysia) Berhad
“British American Tobacco Malaysia Group”	:	British American Tobacco Malaysia and its subsidiaries
“British American Tobacco p.l.c.”	:	British American Tobacco p.l.c., a public listed company incorporated in the United Kingdom
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“CA”	:	Companies Act, 1965, as may be amended, modified or re-enacted from time to time
“CID”	:	Commercial Importers and Distributors Sdn. Bhd.
“CMD”	:	Commercial Marketers and Distributors Sdn. Bhd.
“CMSA”	:	Capital Markets and Services Act, 2007, as may be amended, modified or re-enacted from time to time
“Director”	:	Has the meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon:- (a) a director of the Company, its subsidiary or holding company; or (b) a chief executive of the Company, its subsidiary or holding company.
“Listing Requirements”	:	Main Market Listing Requirements of Bursa Securities
“Major Shareholder”	:	Any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a person who has an interest or interests in one or more voting shares in the Company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is:- (a) 10% or more of the aggregate of the nominal amounts of all the voting shares in the Company; or (b) 5% or more of the aggregate of the nominal amounts of all the voting shares in the Company where such person is the largest shareholder of the Company. For the purpose of this definition, "interest in shares" has the meaning given in Section 6A of the CA

## DEFINITIONS (Cont'd)

“Original Mandate”	:	The shareholders’ mandate granted on 28 November 2001 for the British American Tobacco Malaysia Group to enter into Recurrent RPTs in the ordinary course of business which are necessary for British American Tobacco Malaysia Group’s day to day operations including all renewals thereof and further mandates obtained at subsequent general meetings of the Company up to (but not including) the immediately preceding AGM of the Company
“Proposal”	:	The Proposed Renewal of the Recurrent RPT Mandate
“Proposed Renewal of the Recurrent RPT Mandate”	:	The proposed annual renewal of the Recurrent RPT Mandate for the British American Tobacco Malaysia Group to enter into Recurrent RPTs in the ordinary course of business which are necessary for British American Tobacco Malaysia Group’s day to day operations
“Recurrent RPT Mandate”	:	Collectively, the Original Mandate and the mandate granted by shareholders for a further type of Recurrent RPTs on 20 April 2010 not comprised in the Original Mandate, for the British American Tobacco Malaysia Group to enter into Recurrent RPTs in the ordinary course of business which are necessary for British American Tobacco Malaysia Group’s day to day operations
“Recurrent RPT(s)”	:	A transaction entered into by the Company or its subsidiaries which involves the interest, direct or indirect, of a Related Party, which is recurrent, of a revenue or trading nature and which is necessary for day to day operations of the Company or its subsidiaries
“Related Party(ies)”	:	A Director, Major Shareholder or person connected with such Director or Major Shareholder
“RM” and “sen”	:	Ringgit Malaysia and sen respectively
“TIM”	:	Tobacco Importers and Manufacturers Sdn Bhd

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**BRITISH AMERICAN  
TOBACCO**

MALAYSIA

**British American Tobacco (Malaysia) Berhad**

(Company No. 4372-M)  
(Incorporated in Malaysia)

**Registered Office:-**

Virginia Park  
Jalan Universiti  
46200 Petaling Jaya  
Selangor Darul Ehsan.

25 March 2011

**Board of Directors:-**

Tan Sri Abu Talib bin Othman (Independent Non-Executive Chairman)  
William Toh Ah Wah (Executive Director)  
Datuk Oh Chong Peng (Independent Non-Executive Director)  
James Richard Suttie (Non-Independent Non-Executive Director)  
Dato' Chan Choon Ngai (Executive Director) (appointed with effect from 1 February 2011)  
Stephen James Rush (Non-Independent Non-Executive Director) (re-designated with effect from 1 March 2011)  
Dato' Ahmad Johari bin Tun Abdul Razak (Independent Non-Executive Director)  
Andreas Michael Thompson (Executive Director) (appointed with effect from 1 March 2011)

**TO: THE SHAREHOLDERS OF BRITISH AMERICAN TOBACCO MALAYSIA**

Dear Sir/Madam,

**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**

**1. INTRODUCTION**

At an Extraordinary General Meeting ("EGM") held on 28 November 2001, the Company obtained a general mandate from its shareholders for the Company and/or its subsidiaries to enter into Recurrent RPTs in the ordinary course of business based on commercial terms which are not more favourable to the Related Parties than those generally available to the public which are necessary for British American Tobacco Malaysia Group's day to day operations. At the last AGM of the Company held on 20 April 2010, the Company obtained a renewal of the general mandate and a further mandate from its shareholders for the British American Tobacco Malaysia Group to enter into a further type of Recurrent RPTs not comprised in the Original Mandate. The Recurrent RPT Mandate shall, in accordance with the Listing Requirements, lapse at the conclusion of the forthcoming AGM unless authority for its renewal is obtained from the shareholders of the Company at the AGM.

On 22 February 2011, the Board of the Company announced that the Company proposes to seek a renewal of the Recurrent RPT Mandate.

The purpose of this Circular is to provide you with information on the Proposal and to seek your approval for the ordinary resolution relating to the Proposal under the agenda of Special Business as set out in the Annual Report to be tabled at the forthcoming AGM. The notice of the AGM is enclosed together with the abridged version of the Annual Report.

## 2. DETAILS OF THE PROPOSAL

### 2.1 The Listing Requirements

Paragraph 10.08 of the Listing Requirements stipulates the obligations which a listed issuer must comply with in relation to a transaction entered into by the listed issuer or its subsidiaries which involves the interest, direct or indirect, of a related party.

Paragraph 10.08(1) provides that where any one of the percentage ratios is 0.25% or more, a listed issuer must announce the related party transaction to Bursa Securities as soon as possible after terms of the transaction have been agreed, unless:-

- (a) the value of the consideration of the transaction is less than RM250,000; or
- (b) it is a recurrent related party transaction (i.e. a related party transaction which is recurrent, of a revenue or trading nature and which is necessary for the day to day operations of a listed issuer or its subsidiaries).

In addition to paragraph 10.08(1) of the Listing Requirements, paragraph 10.08(2) of the Listing Requirements provides that subject to paragraphs 10.08(9) and 10.08(10), where any one of the percentage ratios of a related party transaction is 5% or more, a listed issuer must, *inter alia*:-

- (a) send a circular to the shareholders;
- (b) obtain its shareholder approval of the transaction in general meeting; and
- (c) appoint an independent adviser who is a corporate finance adviser (i.e. a person who is permitted to carry on the regulated activity of advising on corporate finance under the CMSA), before the terms of the transaction are agreed upon.

In addition to paragraph 10.08(2) of the Listing Requirements, paragraph 10.08(4) of the Listing Requirements provides that subject to paragraph 10.08(9), for a related party transaction where any one of the percentage ratios is 25% or more, the listed issuer must, before the terms of the transaction are agreed upon, appoint a main adviser, who is a Principal Adviser (i.e. the corporate finance adviser responsible for making submissions to the Securities Commission for corporate proposals).

However, pursuant to paragraph 10.09(2) of the Listing Requirements, a listed issuer may seek a mandate from its shareholders for recurrent related party transactions subject to, *inter alia*, the following:-

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (b) the shareholder mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholder mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under paragraph 10.09(1) of the Listing Requirements.
- (c) in a meeting to obtain shareholder mandate, the interested director, interested major shareholder or interested person connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution to approve the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions; and
- (d) the listed issuer immediately announces to Bursa Securities when the actual value of a recurrent related party transaction entered into by the listed issuer, exceeds the estimated value of the recurrent related party transaction disclosed in the circular by 10% or more.

The Company first obtained the approval of its shareholders to enter into Recurrent RPTs at the EGM of the Company held on 28 November 2001. A further mandate was granted by the shareholders of the Company on 20 April 2010 for the British American Tobacco Malaysia Group to enter into a further type of Recurrent RPTs not comprised in the Original Mandate. The approval of its shareholders to renew the Original Mandate to enter into Recurrent RPTs was obtained during the previous nine (9) AGMs of the Company pursuant to paragraph 10.09 of the Listing Requirements.

The renewal of the Recurrent RPT Mandate obtained on 20 April 2010 took effect from the passing of the ordinary resolution at the last AGM on 20 April 2010 and the renewed mandate will continue to be in force (unless revoked or varied by the Company in general meeting) until the conclusion of the forthcoming AGM of the Company.

The Company has disclosed the aggregate value of the Recurrent RPTs conducted during the financial year ended 31 December 2010 in its Annual Report.

In compliance with paragraph 10.09 of the Listing Requirements, the Company now proposes to seek the approvals of its shareholders for the Proposed Renewal of the Recurrent RPT Mandate as set out in Section 2.2.

The renewed Recurrent RPT Mandate will take effect from the passing of the ordinary resolution proposed at the forthcoming AGM and will continue to be in force (unless revoked or varied by the Company in general meeting) until the conclusion of the next AGM of the Company. Thereafter, approval from the shareholders for subsequent renewals will be sought at each subsequent AGM of the Company.

## **2.2 Details of the Recurrent RPTs**

### **(a) Classes of Related Parties**

The Recurrent RPTs for which the Proposal is sought, are primarily in respect of transactions entered into by the British American Tobacco Malaysia Group with the British American Tobacco Group.

The Related Parties and their relationships are detailed in the table attached as Appendix II below. In addition to the Related Parties detailed in Appendix II below, the British American Tobacco Malaysia Group may also need to enter into the type of transactions detailed in Appendix II below with other Related Parties of the British American Tobacco Group which are necessary for its day to day operations.

### **(b) Types of Recurrent RPTs**

The principal activities of British American Tobacco Malaysia Group are the manufacturing, distribution and sale of cigarettes and tobacco products.

The British American Tobacco Group is an international tobacco group involved in businesses related to the manufacture, sale and distribution of a wide range of well known brands of cigarettes (which includes Dunhill, Kent, Pall Mall, Lucky Strike, Benson & Hedges), cigars (which includes Calendula, Dunhill and Swing) and smoking tobaccos (such as Blend 11 and Bison) throughout the world under various trademarks, most of which are owned by companies within the British American Tobacco Group. The Company is a member of the British American Tobacco Group, being fifty percent (50%) directly held by British American Tobacco Holdings (Malaysia) B.V., a corporation incorporated in the Netherlands which is indirectly a subsidiary of British American Tobacco p.l.c. British American Tobacco p.l.c. is therefore the ultimate Major Shareholder of the Company.

As part of an international group of companies where similar businesses are conducted, transactions whether in respect of goods and/or services are likely to occur to take advantage of quality assured products and services, lower operating costs and improved efficiency such as through economies of scale, better utilisation of resources and standardisation of processes and technology.

The Recurrent RPTs with the British American Tobacco Group can be broadly categorised as follows:

**(i) Trademarks and market rights licences**

As a member of the British American Tobacco Group, the British American Tobacco Malaysia Group enjoys access to certain trademarks and market rights belonging to relevant trademark owners in the British American Tobacco Group. These rights are vital to the operation and existence of the British American Tobacco Malaysia Group as they enable the latter to carry on its business in the manufacture, distribution and sale of tobacco products. In consideration for the grant by the relevant trademark owners for the use of their trademarks, the British American Tobacco Malaysia Group pays royalties of approximately RM89.90 million per annum to the trademark owners. The period of use of the trademarks is five (5) years and is subject to renewal.

**(ii) Procurement and provision of services**

The British American Tobacco Malaysia Group obtains, in the normal course of its business, various services from the relevant members of the British American Tobacco Group. These services include areas of leaf procurement and blending, production methods and processes, product maintenance, marketing, brand related activities, market research and trade marketing, agency services, management training and system development, strategy and planning, financial and treasury management, human resources, legal, communication and regulatory affairs, global procurement, information technology services, engineering support and research and development. Apart from the British American Tobacco Malaysia Group, the service providers also render similar services to the other member companies in the British American Tobacco Group. The respective service providers have the specialised expertise, technical competence and/or facilities and infrastructure required for the provision of such services. It would not be practicable nor cost efficient for the British American Tobacco Malaysia Group to perform such services itself. Outsourcing such services would be expensive, if at all possible, in view of the unique nature of the tobacco industry, which is at the same time highly competitive. Furthermore, the centralisation of these services within the British American Tobacco Group helps to develop specialised expertise for use by relevant members of the British American Tobacco Group and generate savings from the economies of scale for all recipient companies. It further ensures consistency and quality in their operations and production standards. The service providers will generally charge a fee based on the actual costs of such services.

The British American Tobacco Malaysia Group also provides various services for relevant members of the British American Tobacco Group which includes services in the areas of marketing, management training and system development, strategy and planning, financial and treasury management, human resources, legal, communication and regulatory affairs, information technology services, engineering support, product testing and research and development. The British American Tobacco Malaysia Group has the specialised expertise, technical competence and/or facilities and infrastructure required for the provision of such services.

**(iii) Purchase and sale of tobacco products**

The British American Tobacco Malaysia Group distributes and sells a wide range of tobacco products some of which (for example certain brands of cigarettes, cigars and pipe tobacco) are purchased from member companies in the British American Tobacco Group. These unique products if manufactured by British American Tobacco Malaysia Group



would require investment in equipments, the cost of which would not be justified by the low sales volumes. These tobacco products are generally priced at levels which allow the British American Tobacco Malaysia Group to enjoy a margin comparable to that of a third party distributor purchasing from the Related Parties on an arm's length basis.

Apart from purchasing tobacco products from its Related Parties, the British American Tobacco Malaysia Group also supplies a portion of the cigarettes and tobacco products manufactured by itself to its Related Parties. The British American Tobacco Malaysia Group is one of several manufacturers of cigarettes and tobacco products within the British American Tobacco Group and its ability to secure contracts depends on its price and quality remaining competitive.

**(iv) Purchase of leaf, cigarette packaging and wrapping materials**

The British American Tobacco Malaysia Group purchases tobacco products, leaf, cigarette packaging and wrapping materials from member companies in the British American Tobacco Group. The purchase of leaf, cigarette packaging and wrapping materials will generally be on terms not more favourable to the British American Tobacco Malaysia Group or the Related Parties as the case may be than those generally available to any third party.

**(v) Purchase and sale of equipments**

The British American Tobacco Malaysia Group purchases equipments from and sells equipments to Related Parties. Equipments purchased are those needed for its manufacturing operations and equipments sold are those that are either no longer required for its operations or which a Related Parties may need for their manufacturing operations. The purchase and sale of such equipments will generally be on terms not more favourable to the British American Tobacco Malaysia Group or the Related Parties as the case may be than those generally available to any third party. Further, purchase of equipments from Related Parties will give the British American Tobacco Malaysia Group access to specialised technical advice and expertise from the Related Parties which operate similar businesses.

The Recurrent RPTs which are intended to be entered into by the British American Tobacco Malaysia Group pursuant to the Proposed Renewal of the Recurrent RPT Mandate are detailed in the table attached as Appendix II below.

**(c) Values of the Recurrent RPTs**

The estimated values of the Recurrent RPTs set out in Appendix II below are for the period from the conclusion of the forthcoming AGM of the Company until the conclusion of the next AGM of the Company based on the British American Tobacco Malaysia Group's budget for financial year ending 31 December 2011 and may be subject to changes. The aggregate or actual values of these transactions may exceed the estimated amounts over the said period.

### 2.3 Review Procedures for the Recurrent RPTs

There are procedures established by the British American Tobacco Malaysia Group to ensure that Recurrent RPTs are undertaken on an arms' length basis and on the British American Tobacco Malaysia Group's normal commercial terms, consistent with the British American Tobacco Malaysia Group's usual business practices and policies, which are generally no more favourable to the Related Parties than those generally available to the public and are not detrimental to the minority shareholders. The procedures are as follows:-

- (a) A list of Related Parties of the British American Tobacco Malaysia Group will be circulated to the Board and management of the Company and its subsidiaries to notify that all Recurrent RPTs are required to be undertaken on an arm's length basis and on normal commercial terms and on terms not more favourable to the Related Parties than those generally available to the public and are not detrimental to the minority shareholders;
- (b) All Recurrent RPTs will be reviewed by the Audit Committee of the Company. Any member of the Audit Committee of the Company may as he deems fit, request for additional information pertaining to the transaction including from independent sources or advisers;
- (c) All Recurrent RPTs which are entered into pursuant to the shareholders' mandate for Recurrent RPTs will be recorded by the Company in a register or records maintained by the Company;
- (d) Upon the direction from the Audit Committee of the Company, the annual internal audit plan shall incorporate a review of all Recurrent RPTs entered into pursuant to the shareholders' mandate to ensure that the relevant approvals have been obtained and the review procedures in respect of such transactions are adhered to; and
- (e) The management of the Company will update the Board and the Audit Committee of the Company on a quarterly basis on the status of all Recurrent RPTs to ensure that the review procedures established to monitor Recurrent RPTs have been complied with.

The Board and the Audit Committee of the Company have reviewed the above procedures and will continue to review the procedures on a quarterly basis or as and when required, with the authority to sub-delegate such function to individuals or committees within the Company as they deem appropriate. If a member of the Board or the Audit Committee of the Company has an interest in the transaction to be reviewed by the Board or the Audit Committee of the Company as the case may be, he will not participate in the deliberation of such transaction and will abstain from any decision making by the Board or the Audit Committee of the Company in respect of that transaction.

At least 2 other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered to/by related third parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities.

In the event that quotation or comparative pricing from unrelated third parties cannot be obtained, the transaction prices will be reviewed to ensure that the Recurrent RPTs are not detrimental to the British American Tobacco Malaysia Group. Separate transfer pricing analysis and benchmarking studies are done and kept to ensure that such Recurrent RPTs are made at arm's length. There are no thresholds for approval of Recurrent RPTs as all the transactions will be reviewed by the Audit Committee of the Company and approved by the Board of the Company.

## **2.4 Statement By Audit Committee**

The Audit Committee of the Company has seen and reviewed the procedures mentioned in Section 2.3 above and is of the view that the procedures are sufficient to ensure that the Recurrent RPTs are not more favourable to the Related Parties than those generally available to the public and are not detrimental to the minority shareholders.

The British American Tobacco Malaysia Group has in place adequate procedures and processes to monitor, track and identify Recurrent RPTs in a timely and orderly manner, and such procedures and processes are reviewed on a quarterly basis or whenever the need arises.

## **2.5 Validity period**

The authority to be conferred pursuant to the Proposed Renewal of the Recurrent RPT Mandate, if approved at the forthcoming AGM, will continue to be in force until:-

- (a) the conclusion of the next AGM of the Company following the forthcoming AGM at which the Proposed Renewal of the Recurrent RPT Mandate is approved, at which time it will lapse, unless by a resolution passed at the AGM the mandate is again renewed;
  - (b) 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 CA (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the CA); or
  - (c) revoked or varied by resolution passed by the shareholders in general meeting,
- whichever is earlier.

Thereafter, approval from the shareholders for subsequent renewals of the mandate will be sought at each subsequent AGM of the Company.

## **3. RATIONALE FOR THE PROPOSAL**

The rationale for the Proposed Renewal of the Recurrent RPT Mandate and the benefits to the British American Tobacco Malaysia Group are as follows:

- (a) to facilitate transactions of a revenue or trading nature with Related Parties which are in the ordinary course of business of the British American Tobacco Malaysia Group undertaken at arms' length, normal commercial terms and on terms which are not more favourable to the Related Parties than those generally available to the public and are not detrimental to the interests of minority shareholders;
- (b) to enable the British American Tobacco Malaysia Group to transact with the Related Parties in an expeditious manner to meet business needs for the supply and/or provision of goods and services which are necessary for its day to day operations particularly business needs which are time sensitive in nature;
- (c) for transactions where it is vital that confidentiality be maintained, it will not be viable for prior shareholders' mandate to be obtained as this will entail the release of details of the transactions and may adversely affect the interests of the British American Tobacco Malaysia Group and place the British American Tobacco Malaysia Group at a disadvantage to its competitors who may not require shareholders' mandate to be obtained; and
- (d) will eliminate the need to announce and convene separate general meetings to seek shareholders' mandate for each transaction and as such, substantially reduce expenses, time and other resources associated with the making of announcements and convening of general meetings on an ad hoc basis, improve administrative efficiency considerably and allow financial and manpower resources to be channelled to attain more productive objectives.

**4. APPROVALS REQUIRED**

The Proposal is subject to approvals being obtained from the shareholders of the Company at the forthcoming AGM.

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## 5. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Directors' and Major Shareholders' interests as at 1 March 2011\* are as follows:-

### (a) Directors' interests

William Toh Ah Wah, Dato' Chan Choon Ngai (appointed with effect from 1 February 2011) and Andreas Michael Thompson (appointed with effect from 1 March 2011) are the Executive Directors of the Company. James Richard Suttie and Stephen James Rush (re-designated with effect from 1 March 2011) are the Non-Independent Non-Executive Directors of the Company. The respective shareholdings of these directors in the Company and British American Tobacco p.l.c. are disclosed in the table below.

	Number of ordinary shares of RM0.50 each in the Company (as at 1 March 2011*)	% of the issued and paid-up share capital in the Company (as at 1 March 2011*)	Number of ordinary shares of 25p each in British American Tobacco p.l.c. (as at 1 March 2011*)	% of the issued and paid-up share capital in British American Tobacco p.l.c. (as at 1 March 2011*)	Number of ordinary shares of 25p each in British American Tobacco p.l.c.		
					Deferred Shares Bonus Scheme <sup>6</sup>	International Share Reward Scheme <sup>7</sup>	Share Option Scheme
<b>William Toh Ah Wah</b>	Nil	Nil	32,825	0.002%	14,386	Nil	70,309
<b>Dato' Chan Choon Ngai<sup>1</sup></b>	7,000 <sup>5</sup>	0.002%	25,443	0.001%	6,009	12,555	16,034
<b>Andreas Michael Thompson<sup>2</sup></b>	Nil	Nil	4,306	0.0002%	6,235	Nil	17,170
<b>James Richard Suttie<sup>3</sup></b>	1,500	0.0005%	7,154	0.0004%	Nil	Nil	Nil
<b>Stephen James Rush<sup>4</sup></b>	Nil	Nil	Nil	Nil	5,522	780	17,168

\* Being the latest practicable date prior to the printing of this Circular.

<sup>1</sup> Dato' Chan Choon Ngai retired from the Board of the Company on 31 December 2010 and subsequently was appointed to the Board of the Company as an Executive Director with effect from 1 February 2011.

<sup>2</sup> Andreas Michael Thompson was appointed to the Board of the Company as an Executive Director with effect from 1 March 2011.

<sup>3</sup> James Richard Suttie is a director nominated to the Board of the Company by British American Tobacco p.l.c.

<sup>4</sup> Stephen James Rush was re-designated as a Non-Independent Non-Executive Director of the Board of the Company with effect from 1 March 2011.

<sup>5</sup> Including indirect interest in 6,000 shares registered in the name of Dato' Chan Choon Ngai's spouse, Datin Chew Choy Kin.

<sup>6</sup> The Deferred Shares Bonus Scheme is an incentive scheme that provides a conditional award of free shares, deferred for three years.

<sup>7</sup> The International Share Reward Scheme is a scheme which enables British American Tobacco p.l.c. to reward its employees on international assignment by conditionally allocating free shares to such individuals, subject to certain performance conditions being met.

Except as disclosed above, there is no other relationship between William Toh Ah Wah, Dato' Chan Choon Ngai, Andreas Michael Thompson, James Richard Suttie and Stephen James Rush with British American Tobacco p.l.c.

William Toh Ah Wah, Dato' Chan Choon Ngai, Andreas Michael Thompson, James Richard Suttie and Stephen James Rush are therefore deemed interested in the Proposed Renewal of the Recurrent RPT Mandate and as such have abstained and will abstain from all Board deliberations and voting on the Proposed Renewal of the Recurrent RPT Mandate. William Toh Ah Wah, Dato' Chan Choon Ngai, Andreas Michael Thompson, James Richard Suttie and Stephen James Rush (the interested directors) will also abstain from voting in respect of their direct and indirect shareholdings (if any) in the Company (and ensure that persons connected to them will likewise abstain from voting) on the ordinary resolution pertaining to the Proposed Renewal of the Recurrent RPT Mandate at the forthcoming AGM.

**(b) Major Shareholders' interests**

	<b>Number of ordinary shares of RM0.50 each in the Company (as at 1 March 2011*)</b>	<b>% of the issued and paid-up share capital in the Company (as at 1 March 2011*)</b>
<b>British American Tobacco Holdings (Malaysia) B.V. <sup>1</sup></b>	142,765,000	50.00%

\* Being the latest practicable date prior to the printing of this Circular.

<sup>1</sup> A wholly-owned subsidiary of British American Tobacco p.l.c.

British American Tobacco p.l.c. indirectly through British American Tobacco Holdings (Malaysia) B.V. owns 50% equity interest in the Company. It is also directly or indirectly a Major Shareholder (holding 5% or more) of the equity interest of certain Related Parties as set out in Appendix II below. Being an interested party, British American Tobacco p.l.c. will and it will also cause persons connected to it to abstain from voting in respect of their direct and indirect shareholdings in the Company on the ordinary resolution relating to the Proposed Renewal of the Recurrent RPT Mandate at the forthcoming AGM.

Except as disclosed above, none of the other Directors or Major Shareholders of the Company or persons connected to them has any interest, direct or indirect, in the Proposed Renewal of the Recurrent RPT Mandate.

**6. AGM**

The Fiftieth (50<sup>th</sup>) AGM of the Company, the notice of which is enclosed in the abridged version of the Annual Report of the Company for the financial year ended 31 December 2010 accompanying this Circular, will be held at the Kristal Ballroom, Hilton Petaling Jaya, No. 2, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan on 19 April 2011 at 11.00 a.m. for the purpose of considering and if thought fit, passing, *inter alia*, the ordinary resolution on the Proposal under the agenda of Special Business as set out in the said Annual Report.

If you are unable to attend and vote in person at the AGM, you are requested to complete and return the enclosed original proxy form enclosed in the abridged version of the Annual Report of the Company for the financial year ended 31 December 2010 in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the Share Registrar of the Company at Tricor Investor Services 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 the AGM or any adjournment thereof. The lodging of the original proxy form does not preclude you from attending and voting in person should you subsequently decide to do so.

**7. DIRECTORS' RECOMMENDATION**

The Board of the Company (save and except for William Toh Ah Wah, Dato' Chan Choon Ngai, Andreas Michael Thompson, James Richard Suttie and Stephen James Rush who have abstained and will abstain from all Board's deliberations and voting on the Proposed Renewal of the Recurrent RPT Mandate) having considered all aspects of the Proposed Renewal of the Recurrent RPT Mandate, is of the opinion that the Proposed Renewal of the Recurrent RPT Mandate is in the best interest of the British American Tobacco Malaysia Group. Accordingly, the Board of the Company (save and except for William Toh Ah Wah, Dato' Chan Choon Ngai, Andreas Michael Thompson, James Richard Suttie and Stephen James Rush who are deemed to be interested in the Proposed Renewal of the Recurrent RPT Mandate and have abstained from making any recommendations in respect of the Proposed Renewal of the Recurrent RPT Mandate) recommends that you vote in favour of the ordinary resolution relating to the Proposed Renewal of the Recurrent RPT Mandate under the agenda of Special Business as set out in the Annual Report of the Company for the financial year ended 31 December 2010 to be tabled at the forthcoming AGM.

**8. FURTHER INFORMATION**

Shareholders are requested to refer to the attached Appendix I for additional information.

Yours faithfully,  
On behalf of the Board of Directors  
**BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD**

**TAN SRI ABU TALIB BIN OTHMAN**  
Independent Non-Executive Chairman

**ADDITIONAL INFORMATION****1. Directors' Responsibility**

This Circular has been seen and approved by the Board of British American Tobacco Malaysia who individually and collectively accept full responsibility for the accuracy of the information given in this Circular and confirm that, after making all enquiries as were reasonable in the circumstances and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

**2. Material Litigation**

As at 1 March 2011, being the latest practicable date prior to the printing of this Circular, neither British American Tobacco Malaysia nor any of its subsidiaries is engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board of British American Tobacco Malaysia has no knowledge of any proceedings pending or threatened against the British American Tobacco Malaysia Group or of any facts likely to give rise to any proceeding which may materially and adversely affect the financial position or business of the British American Tobacco Malaysia Group.

**3. Material Contracts**

Save as disclosed below, neither British American Tobacco Malaysia nor any of its subsidiaries has entered into any material contracts which are or may be material, not being contracts entered into in the ordinary course of business, during the past two (2) years preceding 1 March 2011, being the latest practicable date prior to the printing of this Circular.

- (a) Pursuant to the agreements entered into with HSBC Bank Malaysia Berhad (the “**Bank**”) for the issuance of Commercial Papers/Medium Term Notes (‘**CP/MTN**’) of up to RM100 million and Medium Term Notes (‘**MTN**’) of up to RM700 million on 10 September 2007, British American Tobacco Malaysia had on 6 August 2009 entered into a Subscription Agreement with the Bank for a further issuance of MTN of RM250 million.
- (b) TIM, a wholly owned subsidiary of British American Tobacco Malaysia, had on 8 October 2010 entered into a Sale and Purchase Agreement with Nestle Manufacturing (Malaysia) Sdn Bhd (the “**Purchaser**”) to dispose all that piece of industrial land held under the title HSD 153622, Place 76/65 Mukim of Damansara, District of Petaling, State of Selangor measuring approximately 40601.945 square metres bearing the postal address Nos. 75 & 76, Jalan Playar 15/1, Section 15, 40200 Shah Alam, Selangor Darul Ehsan, to the Purchaser for a total cash consideration of RM36.0 million.

**4. Documents Available for Inspection**

Copies of the following documents are available for inspection at the Registered Office of British American Tobacco Malaysia at Virginia Park, Jalan Universiti, 46200 Petaling Jaya, Selangor Darul Ehsan during normal business hours between Monday and Friday (except public holidays) from the date of this Circular up to and including the date of the AGM:-

- (a) The Memorandum and Articles of Association of British American Tobacco Malaysia;
- (b) Audited consolidated accounts of British American Tobacco Malaysia for the past two (2) financial years ended 31 December 2009 and 2010; and
- (c) the Material Contracts referred to in paragraph 3 of this Appendix I.

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APPENDIX II

DETAILS OF THE RECURRENT RPTs IN RELATION TO THE PROPOSAL

Related Parties	Type of transaction	Estimated Value for financial year ended 31 December 2010 <sup>1</sup> (a) (RM)	Actual Transacted Value for financial year ended 31 December 2010 <sup>2</sup> (b) (RM)	Deviation <sup>3</sup> ((b)-(a)) & Reasons for deviation where (b) exceeds (a) by 10% (%)	Estimated Value <sup>4</sup> (RM)	The Company and/or subsidiaries transacting with the Related Parties	Nature of interest
B.A.T. China Ltd. British-American Tobacco Company (HK) Ltd. British American Tobacco International Ltd. British American Tobacco Marketing (Singapore) Pte. Ltd. Rothmans Far East B.V. British American Tobacco Korea Manufacturing Ltd. British American Tobacco Taiwan Logistics Ltd. Rothmans Far East B.V. Japan (a division of Rothmans Far East B.V.) BATUS Japan, Inc. (Louisville)* India Tobacco Company Ltd.*	Sale of cigarettes and tobacco products	86.5 million	71.1 million	-18	116.0 million	TIM	<b>Through Major Shareholder</b> TIM is a wholly owned subsidiary of British American Tobacco Malaysia and British American Tobacco Malaysia is related to the Related Parties through a common ultimate Major Shareholder, namely, British American Tobacco p.l.c.

Related Parties	Type of transaction	Estimated Transacted Value for financial year ended 31 December 2010 <sup>1</sup> (a) (RM)	Actual Transacted Value for financial year ended 31 December 2010 <sup>2</sup> (b) (RM)	Deviation <sup>3</sup> ((b)-(a)) & Reasons for deviation where (b) exceeds (a) by 10% (%)	Estimated Value <sup>4</sup> (RM)	The Company and/or subsidiaries transacting with the Related Parties	Nature of interest
British American Tobacco Far East Leaf Ltd. British American Tobacco Marketing (Singapore) Pte. Ltd. British American Tobacco Australasia Ltd. B.A.T (GLP) Limited British American Tobacco (Germany) GmbH PT Export Leaf Indonesia British American Tobacco Cambodia Ltd. PT Bentoel Prima* B.A.T. Mexico SA De CV*	Purchase of leaf, cigarette packaging and wrapping materials and tobacco products	110.4 million	117.1 million	6	117.2 million	TIM	<b>Through Major Shareholder</b> TIM is a wholly owned subsidiary of British American Tobacco Malaysia and British American Tobacco Malaysia is related to the Related Parties through a common ultimate Major Shareholder, namely, British American Tobacco p.l.c.

Related Parties	Type of transaction	Estimated Transacted Value for financial year ended 31 December 2010 <sup>1</sup> (a) (RM)	Actual Transacted Value for financial year ended 31 December 2010 <sup>2</sup> (b) (RM)	Deviation <sup>3</sup> ((b)-(a)) & Reasons for deviation where (b) exceeds (a) by 10% (%)	Estimated Value <sup>4</sup> (RM)	The Company and/or subsidiaries transacting with the Related Parties	Nature of interest
British American Tobacco International Ltd. British American Tobacco Groningen (Demand Management) B.V. B.A.T. (U.K. & Export) Ltd. British American Tobacco Marketing (Singapore) Pte. Ltd.*	Purchase of cigarettes and tobacco products	5.2 million	1.8 million	-65	4.3 million	CMD	<b>Through Major Shareholder</b> CMD is a wholly owned subsidiary of CID which in turn a wholly owned subsidiary of British American Tobacco Malaysia. British American Tobacco Malaysia is related to the Related Parties through a common ultimate Major Shareholder, namely, British American Tobacco p.l.c.
British American Tobacco Shared Services Ltd. British American Tobacco Asia-Pacific Region Ltd.	Procurement of information technology services	17.5 million	17.3 million	0	16.9 million	British American Tobacco Malaysia Group	<b>Through Major Shareholder</b> British American Tobacco Malaysia Group is related to the Related Parties through a common ultimate Major Shareholder, namely, British American Tobacco p.l.c.

Related Parties	Type of transaction	Estimated Transacted Value for financial year ended 31 December 2010 <sup>1</sup> (a) (RM)	Actual Transacted Value for financial year ended 31 December 2010 <sup>2</sup> (b) (RM)	Deviation <sup>3</sup> ((b)-(a)) & Reasons for deviation where (b) exceeds (a) by 10% (%)	Estimated Value <sup>4</sup> (RM)	The Company and/or subsidiaries transacting with the Related Parties	Nature of interest
British American Tobacco (Investments) Ltd.* Dunhill Tobacco of London Ltd.* Benson & Hedges (Overseas) Ltd.* The American-Cigarette Company (Overseas) Ltd.* St. Regis Tobacco Corporation Ltd.* British American Tobacco (Holdings) Ltd.*	Payment of royalties	86.5 million	89.9 million	4	99.0 million	TIM and CMD	<b>Through Major Shareholder</b> CMD is a wholly owned subsidiary of CID which in turn a wholly owned subsidiary of British American Tobacco Malaysia; and TIM is a wholly owned subsidiary of British American Tobacco Malaysia. British American Tobacco Malaysia is related to the Related Parties through a common ultimate Major Shareholder, namely, British American Tobacco p.l.c.
British American Tobacco Asia Pacific Treasury Pte. Ltd. British American Tobacco International Ltd. British American Tobacco (Investments) Ltd. British American Tobacco ASPAC Service Centre Sdn. Bhd. B.A.T. (U.K. & Export) Ltd. British American Tobacco Asia Pacific Region Ltd.	Payment of fees for technical and advisory support services	73.1 million	68.0 million	-7	69.7 million	British American Tobacco Malaysia Group	<b>Through Major Shareholder</b> British American Tobacco Malaysia Group is related to the Related Parties through a common ultimate Major Shareholder, namely, British American Tobacco p.l.c.

Related Parties	Type of transaction	Estimated Transacted Value for financial year ended 31 December 2010 <sup>1</sup> (a) (RM)	Actual Transacted Value for financial year ended 31 December 2010 <sup>2</sup> (b) (RM)	Deviation <sup>3</sup> ((b)-(a)) & Reasons for deviation where (b) exceeds (a) by 10% (%)	Estimated Value <sup>4</sup> (RM)	The Company and/or subsidiaries transacting with the Related Parties	Nature of interest
B.A.T China Ltd. British American Tobacco Services Limited, Taiwan Branch British American Tobacco Cambodia Ltd. British-American Tobacco Company (HK) Ltd. British American Tobacco (Singapore) Pte. Ltd. British American Tobacco – Vinataba (JV) Ltd. British American Tobacco (Vietnam) Ltd. PT Bentoel Internasional Investama Tbk. Rothmans of Pall Mall Myanmar Pte. Ltd. British American Tobacco (Thailand) Ltd. Ceylon Tobacco Co. Ltd. British American Tobacco (PNG) Ltd. British American Tobacco ASPAC Service Centre Sdn. Bhd.	Provision of technical and advisory support services	3.9 million	4.1 million	3	2.9 million	British American Tobacco Malaysia Group	<b>Through Major Shareholder</b> British American Tobacco Malaysia Group is related to the Related Parties through a common ultimate Major Shareholder, namely British American Tobacco p.l.c.

Related Parties	Type of transaction	Estimated Transacted Value for financial year ended 31 December 2010 <sup>1</sup> (a) (RM)	Actual Transacted Value for financial year ended 31 December 2010 <sup>2</sup> (b) (RM)	Deviation <sup>3</sup> ((b)-(a)) & Reasons for deviation where (b) exceeds (a) by 10% (%)	Estimated Value <sup>4</sup> (RM)	The Company and/or subsidiaries transacting with the Related Parties	Nature of interest
British American Tobacco Bangladesh Company Ltd. British American Tobacco Japan, Ltd. British American Tobacco Marketing (Singapore) Pte. Ltd. PT Export Leaf Indonesia British American Tobacco South Africa Pte Ltd. British American Tobacco International Ltd.							
British American Tobacco Marketing (Singapore) Pte. Ltd. British American Tobacco Bangladesh Company Ltd. Souza Cruz Overseas S.A. Pakistan Tobacco Company Ltd. British American Tobacco Asia Pacific Region Ltd. British American Shared Services Ltd. PT Bentoel Prima *	Purchase / (sale) of equipment	(23.4) million	(6.6) million	-72	2.6 million	British American Tobacco Malaysia Group	<b>Through Major Shareholder</b> British American Tobacco Malaysia Group is related to the Related Parties through a common ultimate Major Shareholder, namely British American Tobacco p.l.c.

Notes:-

\* New Related Parties which the British American Tobacco Malaysia Group may enter into transactions with for the financial year ending 31 December 2011.

1 The Estimated Transacted Value set out in the preceding year's circular to shareholders dated 25 March 2010.

2 The Actual Transacted Value as at 31 December 2010 (being the latest practicable date prior to the printing of this Circular).

3 Variance between the Estimated Transacted Value and the Actual Transacted Value.

4 The Estimated Value for the period from the conclusion of the forthcoming AGM of the Company until the conclusion of the next AGM of the Company based on the British American Tobacco Malaysia Group's budget for the financial year ending 31 December 2011 and may be subject to changes.

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