

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

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.

Bursa Malaysia Securities Berhad (“Bursa Securities”) has not perused item (I) of this Circular in respect of the proposed renewal of shareholders’ mandate for recurrent related party transactions of a revenue or trading nature pursuant to Practice Note 18 of the Main Market Listing Requirements of Bursa Securities.

Bursa Securities takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



**BRITISH AMERICAN  
TOBACCO  
MALAYSIA**

**British American Tobacco (Malaysia) Berhad**

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

**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO THE**

- (I) 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**
  
- (II) 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**

The above proposals will be tabled as Special Business at the Company’s Fifty Seventh (57<sup>th</sup>) Annual General Meeting (“AGM”). Notice of the 57<sup>th</sup> AGM to be held at the Ballroom 2, 1<sup>st</sup> Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 19 April 2018 at 10.30 a.m. together with a Form of Proxy are enclosed together with the abridged version of the Annual Report of the Company for the financial year ended 31 December 2017.

The original Form of Proxy 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 & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than twenty-four (24) hours before the time appointed for the taking of poll or no later than 18 April 2018 at 12.00 p.m. The lodging of the Form of Proxy 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 : Wednesday, 18 April 2018 at 12.00 p.m..  
Date and time of Annual General Meeting : Thursday, 19 April 2018 at 10.30 a.m..

This Circular is dated 21 March 2018

## 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 2017
“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, 2016, as may be amended, modified or re-enacted from time to time
“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(s)”	:	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
“LPD”	:	28 February 2018, being the latest practicable date prior to the printing of this Circular
“Major Shareholder(s)”	:	Any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, has an interest or interests in one or more voting shares in the Company and the number or aggregate number of those shares, is: (a) 10% or more of the total number of the voting shares in the Company; or (b) 5% or more of the total number of the voting shares in the Company where such person is the largest shareholder of the Company. For the purpose of this definition, “interest” shall have the meaning of "interest in shares" given in Section 8 of the CA

## DEFINITIONS (Cont'd)

- “Person(s) Connected” : In relation to a Director or Major Shareholder, means such person who falls under any one of the following categories:
- (a) a family member of the Director or Major Shareholder;
  - (b) a trustee of a trust (other than a trustee for a share scheme for employees or pension scheme) under which the Director or Major Shareholder, or a family member of the Director or Major Shareholder, is the sole beneficiary;
  - (c) a partner of the Director or Major Shareholder;
  - (d) a person, or where the person is a body corporate, the body corporate or its directors, who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or Major Shareholder;
  - (e) a person, or where the person is a body corporate, the body corporate or its directors, in accordance with whose directions, instructions or wishes the Director or Major Shareholder is accustomed or is under an obligation, whether formal or informal, to act;
  - (f) a body corporate in which the Director or Major Shareholder, or persons connected with the Director or Major Shareholder are entitled to exercise, or control the exercise of, not less than 20% of the votes attached to voting shares in the body corporate; or
  - (g) a body corporate which is a related corporation of the Director or Major Shareholder
- “Proposals” : The Proposed Renewal of the Recurrent RPT Mandate and the Proposed New Recurrent RPT Mandate
- “Proposed New Recurrent RPT Mandate” : The proposed shareholders’ mandate for the British American Tobacco Malaysia Group to enter into new Recurrent RPTs in the ordinary course of business which are necessary for the British American Tobacco Malaysia Group’s day to day operations
- “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 the British American Tobacco Malaysia Group’s day to day operations
- “Recurrent RPT 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 the 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 the immediately preceding AGM of the Company
- “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 the business and day to day operations of the Company or its subsidiaries
- “Related Party(ies)” : Director(s), Major Shareholder(s) and/or Person(s) Connected with such Director(s) and/or Major Shareholder(s)
- “RM” and “sen” : Ringgit Malaysia and sen respectively
- “TIM” : Tobacco Importers and Manufacturers Sdn Bhd

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- (II) 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**

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**BRITISH AMERICAN  
TOBACCO  
MALAYSIA**

**British American Tobacco (Malaysia) Berhad**

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

**Registered Office:**

Level 19, Guoco Tower  
Damansara City  
No. 6, Jalan Damanlela  
Bukit Damansara  
50490 Kuala Lumpur

21 March 2018

**Board of Directors:**

Tan Sri Dato' Seri (Dr.) Aseh bin Haji Che Mat (Independent Non-Executive Chairman)  
Hendrik Stoel (Non-Independent Executive Director and Managing Director)  
Datuk Oh Chong Peng (Senior Independent Non-Executive Director)  
Dato' Chan Choon Ngai (Independent Non-Executive Director)  
Datuk Zainun Aishah binti Ahmad (Independent Non-Executive Director)  
Datuk Lee Oi Kuan (Non-Independent Executive Director)  
Ricardo Martin Guardo (Non-Independent Executive Director)

**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**

**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**

**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 the British American Tobacco Malaysia Group's day to day operations. At the last AGM of the Company held on 18 April 2017, the Company obtained a renewal of the Recurrent RPT 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 27 February 2018, the Board of the Company announced that the Company proposes to:

- (a) seek a renewal of the Recurrent RPT Mandate; and
- (b) obtains its shareholders' mandate for new Recurrent RPTs not comprised in the Recurrent RPT Mandate.

The purpose of this Circular is to provide you with information on the Proposals and to seek your approval for the ordinary resolution relating to the Proposals under the agenda of Special Business as set out in the notice of the AGM 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 PROPOSALS

### 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 of a related party transaction 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 RM500,000; 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 shareholders' 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.

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 relevant related party must comply with the requirements set forth below:

- (ii) an interested related party who is a director or major shareholder must ensure that persons connected with it abstain from voting on the resolution in respect of the related party transaction; and
- (iii) where the interested related party is a person connected with a director or major shareholder, such director or major shareholder, as the case may be, must not vote on the resolution in respect of the related party transaction;
- (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 mandate from its shareholders to enter into Recurrent RPTs at the EGM of the Company held on 28 November 2001. At the previous sixteen (16) AGMs of the Company, the Company has obtained annual renewals of its shareholders' mandate (including further mandates from time to time to enter into new Recurrent RPTs) pursuant to paragraph 10.09 of the Listing Requirements.

The renewal of the Recurrent RPT Mandate obtained at the last AGM on 18 April 2017 took effect from the passing of the ordinary resolution at the last AGM, 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 2017 in its Annual Report.

At present, the Company proposes to seek the approval of its shareholders for the Proposed Renewal of the Recurrent RPT Mandate as well as the approval of its shareholders for the Proposed New Recurrent RPT Mandate not comprised in the Recurrent RPT Mandate, as set out in Section 2.2 below to comply with paragraph 10.09 of the Listing Requirements.

The Proposed Renewal of the Recurrent RPT Mandate and the Proposed New Recurrent RPT Mandate will take effect from the passing of the ordinary resolutions 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 Proposed Renewal of the Recurrent RPT Mandate and the Proposed New Recurrent RPT Mandate are in respect of transactions entered and/or to be entered into by the British American Tobacco Malaysia Group with the British American Tobacco Group.

All the Related Parties and their relationships are detailed in the tables 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 the British American Tobacco Malaysia Group are the distribution and sale of cigarettes, tobacco products and products, devices and

materials which are necessary for the use or operation of the same. 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, tobacco products and products, devices and materials which are necessary for the use or operation of the same 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. Accordingly, British American Tobacco p.l.c is 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 products, equipment, devices, materials and/or services are likely to occur to take advantage of quality assured products, equipment, devices, materials and/or 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 under the Proposals can be broadly categorised as follows:

**(i) Trademarks and market rights**

As a member of the British American Tobacco Group, the British American Tobacco Malaysia Group is provided access and the right to use 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 primary business in the distribution and sale of cigarettes, tobacco products and products, devices and materials which are necessary for the use or operation of the same. In consideration for the grant by the relevant trademark owners for the use of their trademarks and market rights, the British American Tobacco Malaysia Group pays to the said trademark owners royalties. The period of use of the trademarks ranges from five (5) years to nine (9) 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 and technical support, product testing 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 also not be cost effective, if at all possible, in view of the unique nature of the 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, services, 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 and technical support, 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 cigarettes, tobacco products and other related products**

The British American Tobacco Malaysia Group is in the business of distribution and sale of a wide range of cigarettes, tobacco products and products, devices and materials which are necessary for the use or operation of the same. These unique products if manufactured by the British American Tobacco Malaysia Group would require investments in the products which would not be cost effective. These products would when distributed be 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.

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

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

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

Due to the uniqueness of the tobacco industry the British American Tobacco Malaysia Group purchases equipment from and sells equipment to Related Parties. Equipment purchased are those needed for its operations and equipment sold are those that are either no longer required for its operations or which a Related Parties may need for their operations. The purchase and sale of such equipment will generally be on terms not more favourable to the Related Parties as the case may be than those generally available to any third party. Further, purchase of equipment 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 and the Proposed New Recurrent RPT Mandate are detailed in the tables 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 2018 and may be subjected to changes. The aggregate or actual values of these transactions may exceed the estimated amounts over the said period.

**(d) Sums due and owing by the Related Parties pursuant to a Recurrent RPT which exceeded the credit term as at the financial year ended 31 December 2017**

The sums due and owing by the Related Parties pursuant to a Recurrent RPT which exceeded the credit term as at the financial year ended 31 December 2017 are detailed in the tables attached as Appendix III below.

**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 or she 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 and the Proposed New 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 and the Proposed New 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 340(2) of the CA (but shall not extend to such extension as may be allowed pursuant to Section 340(4) 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 PROPOSALS**

#### **3.1 Proposed Renewal of the Recurrent RPT Mandate**

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.

#### **3.2 Proposed New Recurrent RPT Mandate**

The rationale for the Proposed New Recurrent RPT Mandate and the benefits to British American Tobacco Malaysia are the same as outlined in paragraphs (a), (b), (c) and (d) of Section 3.1 above.

### **4. APPROVALS REQUIRED**

The Proposals are subject to approval 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 LPD are as follows:

### 5.1 Directors' interests

Hendrik Stoel, Datuk Lee Oi Kuan and Ricardo Martin Guardo are Non-Independent Executive Directors of the Company. The respective shareholdings of Hendrik Stoel, Datuk Lee Oi Kuan and Ricardo Martin Guardo in the Company and/or British American Tobacco p.l.c. are disclosed in the table below.

	Number of ordinary shares in the Company (as at LPD)	% of the total number of issued shares in the Company (as at LPD)	Number of ordinary shares of 25p each in British American Tobacco p.l.c (as at LPD)	% of the issued and paid-up share capital in British American Tobacco p.l.c (as at LPD)	Number of ordinary shares of 25p each in British American Tobacco p.l.c		Number of options in ordinary shares of 25p each in British American Tobacco p.l.c		
					Deferred Shares Bonus Scheme*	International Share Reward Scheme <sup>^</sup>	Share Option Scheme	Long Term Incentive Plan	Sharesave Scheme <sup>#</sup>
<b>Hendrik Stoel</b>	-	-	6,473	-	4,241	207	-	18,359	-
<b>Datuk Lee Oi Kuan</b>	100	-	19,802	-	2,854	-	-	12,144	-
<b>Ricardo Martin Guardo</b>	-	-	745	-	2,331	-	-	6,325	-

Notes:

\* The Deferred Shares Bonus Scheme is an incentive scheme that provides a conditional award of free shares, deferred for three years.

<sup>^</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 and a three years holding period.

<sup>#</sup> The Sharesave Scheme is an employee savings-related share options scheme under which options are granted to the eligible employees to subscribe for ordinary shares in British American Tobacco p.l.c, which are exercisable in conjunction with either a three-year or five-year savings contract.

Except as disclosed above, there is no other relationship between Hendrik Stoel, Datuk Lee Oi Kuan, and Ricardo Martin Guardo with British American Tobacco p.l.c.

Therefore, Hendrik Stoel, Datuk Lee Oi Kuan, and Ricardo Martin Guardo are deemed interested in both the Proposed Renewal of the Recurrent RPT Mandate and the Proposed New Recurrent RPT Mandate.

As such, Hendrik Stoel, Datuk Lee Oi Kuan and Ricardo Martin Guardo (the interested Directors) have abstained and will abstain from all Board deliberations and voting on both the Proposed Renewal of the Recurrent RPT Mandate and the Proposed New Recurrent RPT Mandate. Hendrik Stoel, Datuk Lee Oi Kuan, and Ricardo Martin Guardo (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 resolutions pertaining to the Proposed Renewal of the Recurrent RPT Mandate and the Proposed New Recurrent RPT Mandate at the forthcoming AGM.

## 5.2 Major Shareholders' interests

	Number of ordinary shares in the Company (as at LPD)	% of the total number of issued shares in the Company (as at LPD)
<b>British American Tobacco Holdings (Malaysia) B.V.<sup>1</sup></b>	142,765,000	50.00

### Notes:

<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 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 also ensure that persons connected to it will, abstain from voting in respect of their direct and indirect shareholdings in the Company on the ordinary resolution relating to both the Proposed Renewal of the Recurrent RPT Mandate and the Proposed New 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 Proposals.

## 6. AGM

The Fifty-Seventh (57<sup>th</sup>) AGM of the Company, notice of which is enclosed in the abridged version of the Annual Report of the Company for the financial year ended 31 December 2017 accompanying this Circular, will be held at the Ballroom 2, 1<sup>st</sup> Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on 19 April 2018 at 10.30 a.m. for the purpose of considering and if thought fit, passing, *inter alia*, the ordinary resolution on the Proposals under the agenda of Special Business as set out in the notice of the AGM to be tabled at the forthcoming AGM.

If you are unable to attend and vote in person at the AGM, you are requested to complete and return the enclosed original Form of Proxy enclosed in the abridged version of the Annual Report of the Company for the financial year ended 31 December 2017 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 & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than twenty-four (24) hours before the time appointed for the taking of poll or no later than 18 April 2018

at 12.00 p.m.. The lodging of the original Form of Proxy does not preclude you from attending and voting in person should you subsequently decide to do so.

## **7. DIRECTORS' RECOMMENDATION**

### **7.1 Proposed Recurrent RPT Mandate**

The Board of the Company (save and except for Hendrik Stoel, Datuk Lee Oi Kuan and Ricardo Martin Guardo 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 Hendrik Stoel, Datuk Lee Oi Kuan and Ricardo Martin Guardo who are deemed to be interested in the Proposed Renewal of the Recurrent RPT Mandate and has 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 notice of the AGM to be tabled at the forthcoming AGM.

### **7.2 Proposed New Recurrent RPT Mandate**

The Board of the Company (save and except for Hendrik Stoel, Datuk Lee Oi Kuan and Ricardo Martin Guardo who have abstained and will abstain from all Board's deliberations and voting on the Proposed New Recurrent RPT Mandate) having considered all aspects of the Proposed New Recurrent RPT Mandate, is of the opinion that the Proposed New 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 Hendrik Stoel, Datuk Lee Oi Kuan and Ricardo Martin Guardo who are deemed to be interested in the Proposed New Recurrent RPT Mandate and has abstained from making any recommendations in respect of the Proposed New Recurrent RPT Mandate) recommends that you vote in favour of the ordinary resolution relating to the Proposed New Recurrent RPT Mandate under the agenda of Special Business as set out in the notice of the AGM 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 DATO' SERI (DR.) ASEH BIN HAJI CHE MAT**

Independent Non-Executive Chairman

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

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, Claims or Arbitration**

As at LPD, 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 LPD, being the latest practicable date prior to the printing of this Circular:

- (a) The conditional sale and purchase agreement ("**SPA**") dated 8 June 2016 between TIM (as the Vendor) and LGB Properties (M) Sdn Bhd ("**LGB**") (as the Purchaser) in relation to the disposal by TIM to LGB of 2 parcels of leasehold lands held under PN30108/Lot 102, Seksyen 36, Bandar Petaling Jaya, District of Petaling, Selangor Darul Ehsan and PN3917/Lot 1, Seksyen 36, Bandar Petaling Jaya, District of Petaling, Selangor Darul Ehsan together with buildings erected thereon ("**Property**") for a total consideration of RM218,000,000.00. The SPA was completed on 3 November 2016 ("**Completion Date**"); and
- (b) The tenancy agreement ("**Tenancy Agreement**") dated 8 June 2016 between TIM and LGB in relation to the tenancy of the Property granted by LGB to TIM for a term of 12 months, commencing from the Completion Date of the SPA.

**4. Documents Available for Inspection**

Copies of the following documents are available for inspection at the Registered Office of British American Tobacco Malaysia at Level 19, Guoco Tower, Damansara City, No. 6 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia 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 Constitution of British American Tobacco Malaysia;
- (b) The SPA and the Tenancy Agreement; and
- (c) Audited consolidated accounts of British American Tobacco Malaysia for the past two (2) financial years ended 31 December 2016 and 2017.



DETAILS OF THE RECURRENT RPTs TO BE ENTERED INTO BY THE BRITISH AMERICAN TOBACCO MALAYSIA GROUP

1. Recurrent RPT(s) under the Proposed Renewal of the Recurrent RPT Mandate

	Related Parties	Type of transaction	Estimated Transacted Value <sup>1</sup> (a) (RM)	Actual Transacted Value <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
1.	British-American Tobacco (Singapore) Private Limited British American Tobacco Sales & Marketing (Singapore) Pte. Ltd British American Tobacco Korea Manufacturing Limited British American Tobacco (PNG) Limited Solomon Islands Tobacco Company Limited British American Tobacco (Samoa) Limited British American Tobacco UK and Export Central Manufacturing Company Ltd PT Bentoel Prima	Sale of cigarettes and tobacco products	60.4 million	47.3 million	-22	Nil	British American Tobacco Malaysia Group	<b>Through Major Shareholder</b> The British American Tobacco Malaysia Group is related to the Related Parties through a common ultimate Major Shareholder, namely, British American Tobacco p.l.c.

	<b>Related Parties</b>	<b>Type of transaction</b>	<b>Estimated Transacted Value<sup>1</sup> (a) (RM)</b>	<b>Actual Transacted Value<sup>2</sup> (b) (RM)</b>	<b>Deviation<sup>3</sup> ((b)-(a)) &amp; Reasons for deviation where (b) exceeds (a) by 10% (%)</b>	<b>Estimated Value<sup>4</sup> (RM)</b>	<b>The Company and/or subsidiaries transacting with the Related Parties</b>	<b>Nature of interest</b>
	PT Bentoel Internasional Investama British American Tobacco Western Europe Commercial Trading Limited*							
2.	British-American Tobacco (Singapore) Private Limited PT. Export Leaf Indonesia British American Tobacco Western Europe Commercial Trading Limited British American Tobacco Korea Manufacturing Limited Scandinavian Tobacco Group Lane PT Bentoel Internasional Investama Rothmans Far East B.V. Korea Business Office	Purchase of cigarettes, tobacco products, leaf and packaging and wrapping materials	178.6 million	163.0 million	-9	263.5 million	British American Tobacco Malaysia Group	<b>Through Major Shareholder</b> The British American Tobacco Malaysia Group is related to the Related Parties through a common ultimate Major Shareholder, namely, British American Tobacco p.l.c.

	<b>Related Parties</b>	<b>Type of transaction</b>	<b>Estimated Transacted Value<sup>1</sup> (a) (RM)</b>	<b>Actual Transacted Value<sup>2</sup> (b) (RM)</b>	<b>Deviation<sup>3</sup> ((b)-(a)) &amp; Reasons for deviation where (b) exceeds (a) by 10% (%)</b>	<b>Estimated Value<sup>4</sup> (RM)</b>	<b>The Company and/or subsidiaries transacting with the Related Parties</b>	<b>Nature of interest</b>
3.	British American Shared Services (GSD) Limited	Procurement of information technology services	22.1 million	24.7 million	12 The increase was due to additional cost incurred to support new business model and continuous system optimization.	26.4 million	British American Tobacco Malaysia Group	
4.	BAT (Holdings) Ltd Benson & Hedges (Overseas) Limited American-Cigarette Company (Overseas) Ltd Dunhill Tobacco of London Limited Turmac Tobacco Company B.V. B.A.T.China Limited	Payment of royalties	118.7 million	99.3 million	-16	118.4 million	British American Tobacco Malaysia Group	<b>Through Major Shareholder</b> The British American Tobacco Malaysia Group is related to the Related Parties through a common ultimate Major Shareholder, namely, British American Tobacco p.l.c.
5.	BAT Investments Ltd BAT Aspac Service Centre Sdn Bhd BAT (Holdings) Limited	Payment of fees for technical and advisory support services	45.7 million	47.1 million	3	47.1 million	British American Tobacco Malaysia Group	<b>Through Major Shareholder</b> The British American Tobacco Malaysia Group is related to the Related Parties through a common ultimate Major Shareholder, namely, British American Tobacco p.l.c.

	<b>Related Parties</b>	<b>Type of transaction</b>	<b>Estimated Transacted Value<sup>1</sup> (a) (RM)</b>	<b>Actual Transacted Value<sup>2</sup> (b) (RM)</b>	<b>Deviation<sup>3</sup> ((b)-(a)) &amp; Reasons for deviation where (b) exceeds (a) by 10% (%)</b>	<b>Estimated Value<sup>4</sup> (RM)</b>	<b>The Company and/or subsidiaries transacting with the Related Parties</b>	<b>Nature of interest</b>
6.	British American Tobacco Sales & Marketing (Singapore) Pte. Ltd.	Provision of technical and advisory support services	1.5 million	1.6 million	4	1.6 million	British American Tobacco Malaysia Group	<b>Through Major Shareholder</b> The British American Tobacco Malaysia Group is related to the Related Parties through a common ultimate Major Shareholder, namely, British American Tobacco p.l.c.
7.	British-American Tobacco (Singapore) Private Limited British American Tobacco Korea Manufacturing Limited Pakistan Tobacco Company Ltd. PT Bentoel Prima British American Tobacco Bangladesh Company Limited British-American Tobacco Marketing (Singapore) Private Limited Ceylon Tobacco Company Limited Pakistan Tobacco Co Ltd British American Tobacco Philippines Limited *	Purchase / (sale) of equipment	-159.9 million	-145.2 million	-9	0.2 million	British American Tobacco Malaysia Group	<b>Through Major Shareholder</b> The 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 <sup>1</sup> (a) (RM)	Actual Transacted Value <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
BAT Mexico SA de CV*							
PT Bentoel Internasional Investama*							
PT. Tresno*							
Souza Cruz LTDA*							
BAT Switzerland SA*							
BAT Chile Operaciones SA*							
Tabacalera Hondureña, SA*							
BAT Pécsi Dohánygyár Kft*							
BAT Kenya plc*							
BAT Nigeria Limited*							
BAT Polska SA*							
BAT Investment (Romania) *							
BAT Vranje a.d*							
JSC "BAT-SPB"*							
BAT Tunun Mamulleri San*							
West Indian Tobacco*							
BAT Prilucky Ukraine*							

Related Parties	Type of transaction	Estimated Transacted Value <sup>1</sup> (a) (RM)	Actual Transacted Value <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
C.A. Cigarrera Bigott, Su* BAT-Vinataba (JV) Ltd VINA-BAT JV Co. Ltd.*							

Notes:

- \* New Related Parties which the British American Tobacco Malaysia Group: (i) have entered into transactions with which contributed to the Actual Transacted Value as at LPD; and/or (ii) may enter into transactions with for the period from the conclusion of the forthcoming AGM of the Company until the conclusion of the next AGM of the Company.
- 1 The Estimated Value set out in the preceding year's circular to shareholders dated 27 March 2017.
- 2 The Actual Transacted Value as at LPD.
- 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 2018 and may be subject to changes.

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## 2. New Recurrent RPTs under the Proposed New Recurrent RPT Mandate

	Related Parties	Type of transaction	Estimated Value <sup>1</sup> (RM)	The Company and/or subsidiaries transacting with the Related Parties	Nature of interest
1.	Rothmans Far East B.V. Korea Business Office Nicoventures Trading Limited	Purchase of tobacco products, products, devices, materials which are necessary for the use or operation of tobacco products, packaging and wrapping materials for such tobacco products, products, devices and materials and payment of royalties for use of trademarks and market rights for such tobacco products, products, devices and materials.	27.7 million	British American Tobacco Malaysia Group	<b>Through Major Shareholder</b> The 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:

<sup>1</sup> 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 2018 and may be subject to changes.

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APPENDIX III

DETAILS OF THE SUMS DUE AND OWING BY THE RELATED PARTIES PURSUANT TO A RECURRENT RPT WHICH EXCEEDED THE CREDIT TERM AS AT THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Related Parties	Total sum due and owing pursuant to a Recurrent RPT which exceeded the credit term for a period of 1 year or less as at the financial year ended 31 December 2017		Total sum due and owing pursuant to a Recurrent RPT which exceeded the credit term for a period of more than 1 but equal to or less than 3 years as at the financial year ended 31 December 2017		Total sum due and owing pursuant to a Recurrent RPT which exceeded the credit term for a period of more than 3 but equal to or less than 5 years as at the financial year ended 31 December 2017		Total sum due and owing pursuant to a Recurrent RPT which exceeded the credit term for a period of more than 5 years as at the financial year ended 31 December 2017	
	Principal Sum (RM)	Interest (RM)	Principal Sum (RM)	Interest (RM)	Principal Sum (RM)	Interest (RM)	Principal Sum (RM)	Interest (RM)
Ceylon Tobacco Co Ltd	18,532.81	Nil	937,150.21	Nil	Nil	Nil	Nil	Nil
Souza Cruz LTDA	398,280.58	Nil	Nil	Nil	Nil	Nil	Nil	Nil
JSC "BAT-SPB"	8,993.44	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Note:

*The British American Tobacco Group does not charge interest on outstanding sums as there is an arrangement that all outstanding balances within the British American Tobacco Group should be cleared on a prompt basis within a credit period of 60 days, with an additional grace period of 30 days from the expiry of the credit period. At the end of every quarter of the financial year, the relevant parties will also confirm and agree on the outstanding balances so as to eliminate any potential disputes thereon. However, the Company is mindful of the implication of delay in payments and as such reminders will be sent to the Related Parties regarding balances outstanding. The Board of the Company is of the opinion that these outstanding sums will be paid by the respective Related Parties in due time.*