

BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD

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

Summary of Minutes of the Extraordinary General Meeting of British American Tobacco (Malaysia) Berhad held at Ballroom 1, 1st Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 6 September 2016 at 10.30 a.m.

PRESENT

Tan Sri Mohamad Salim bin Fateh Din	:	Chairman / Independent Non-Executive Director
Mr. Hendrik Stoel	:	Managing Director
Datuk Oh Chong Peng	:	Independent Non-Executive Director
Datuk Zainun Aishah binti Ahmad	:	Independent Non-Executive Director
Dato' Chan Choon Ngai	:	Independent Non-Executive Director
Mr. James Richard Suttie	:	Non-Independent Non-Executive Director
Mr. Ricardo Martin Guardo	:	Finance Director
Datuk Christine Lee Oi Kuan	:	Legal & External Affairs Director

IN ATTENDANCE

Mr. David Chiam Joy Yeow : Company Secretary

BY INVITATION

Mr. Adrian Lee	}	Messrs. KPMG (External Auditors)
Ms. Soo Tho Pei Yin	}	
Mr. Kenny Poon	}	Messrs. Jeff Leong, Poon & Wong (External
Ms. Anne Wong	}	Counsel)
Ms. Jesy Ooi	}	
Ms. Yukari Matsumoto	}	
Mr. Takumi Ishizuka	}	
Mr. Daniel Ma	}	Messrs. Nawawi Tie Leung Property Consultants
Mr. Sasitheran Subramaniam	}	Sdn. Bhd. (Valuer)

1. CHAIRMAN OF THE MEETING

Tan Sri Mohamad Salim bin Fateh Din chaired the Extraordinary General Meeting (“EGM”) of the Company.

2. QUORUM

The Secretary confirmed that a quorum was present pursuant to Article 71 of the Company’s Articles of Association, represented by 232 members present by proxies and 444 members present in person.

With the requisite quorum being present at the commencement of the Meeting, the Chairman declared the Meeting duly convened.

Before proceeding with the agenda of the Meeting, the shareholders/proxies present were briefed by the Chairman that following the recent amendments to the Main Market Listing

Requirements of Bursa Malaysia Securities Berhad, the resolution set out in the notice of the Meeting would be voted on by way of poll.

The Meeting was also informed that Messrs Coopers Professional Scrutineers Sdn. Bhd. had been appointed as scrutineer to validate the votes cast.

3. NOTICE OF MEETING

The Notice convening the Meeting having been previously circulated to all Members and advertised in The Star, Berita Harian and Sin Chew Daily on 17 August 2016 was taken as read.

4. ORDINARY RESOLUTION – PROPOSED DISPOSAL BY TOBACCO IMPORTERS AND MANUFACTURERS SDN BERHAD, A WHOLLY-OWNED SUBSIDIARY OF BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD, 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 TO LGB PROPERTIES (M) SDN BHD (FORMERLY KNOWN AS OUTTO BUILD SDN BHD) FOR A TOTAL CONSIDERATION OF RM218,000,000 (“PROPOSED DISPOSAL”)

The key questions raised by members and responded to by the Board were as follows:

- (a) Question: Management of the business of the Company going forward and how the current market sales would affect future cigarette market trends.
Response: The Group had reviewed the current business model given that the legal market had been greatly impacted by the high illegal cigarette trade incidence due to the shock excise increase in November 2015. The Group has determined that a new and more sustainable business model was necessary. Further, for the future, the Company would have better control of its operating costs by sourcing tobacco products for domestic market from other British American Tobacco Group factories regionally. It was also noted that given the current market, enhanced focus must be put into strengthening its portfolio and brands and sharpening its commercial capabilities.
- (b) Question: The general financial implications of the Proposed Disposal and on whether the price of cigarettes could be lowered as a result of the new business model.
Response: The new and more sustainable business model would likely bring a positive financial impact to the Company. On whether the price of cigarettes could be lower as a result of the new business model, the current regulations do not allow for price reductions once the prices have been approved by the Ministry of Health.
- (c) Question: On the reason that the valuation was undertaken on existing use basis instead of redevelopment basis.
Respond: The buildings erected on the lands could not be ignored as they are still in good working order. The market value of the property if valued on a basis of redevelopment would be lower than RM262,500,000 and close to the market value of the lands (without the buildings), which was RM216,500,000. Further, through the tender process, it became clear that the bidders were only interested in the lands and not the buildings, which point to the fact that the intent of the bidders would likely be to consider the lands for total redevelopment.

- (d) Question: On whether the Company would re-start the manufacturing operations in future in the event that the Government reduced its excise taxes or should the authorities manage to bring down the illegal cigarette incidence.

Respond: The Government is unlikely to reduce the excise rate and it has not done before. Further, given the high incidence of illegal cigarettes, it would not be an easy task to bring the illegal cigarette incidence down to a reasonable level. However, given the increasing problem of illegal cigarettes and its impact to the Company and shareholders, the Company with the rest of the industry would continue to engage on an excise moratorium as well as to enhance initiatives to combat the illegal cigarette trade.

Further, the manufacturing facilities on the lands would be ceased but a restructured manufacturing operation would operate on another site.

- (e) Question: On how the sourcing of tobacco products would be conducted in future and where would the Company's new office be located in future.

Respond: The Company would be sourcing tobacco products from other BAT regional factories in Asia, namely Singapore, Indonesia and South Korea. As for the new office location, the management was in the midst of identifying the new office location of the Company and it would be announced in due course.

- (f) Question: On whether the Company would be delisted from Bursa Malaysia following the winding down of its factory operations in Virginia Park.

Respond: The Company would be restructuring to transform to a new and more sustainable business model and there would be no plans to delist the Company from Bursa Malaysia.

- (g) Question: On how would the Company utilise the proceeds of the Proposed Disposal.

Respond: The disposal consideration of RM218,000,000 would be utilised for expenses in relation to the Proposed Disposal of RM10,001,756, one-off restructuring expenses of RM55,023,896 and monthly rental for tenancy of RM13,080,000. The remaining of the sale proceeds amounting to RM139,894,348 would be utilised as cash dividends to shareholders.

- (h) Question: On whether there would be any additional restructuring costs and how many employees would be paid redundancies as a result of the proposed disposal.

Respond: The restructuring cost was a one-off expense as per the Circular to the shareholders and the payments would be staggered accordingly. There would be approximately 230 employees impacted and they would be compensated with redundancy payments.

- (i) Question: On whether there is a buy-back Clause in the Sale and Purchase Agreement ("SPA").

Respond: A buy back clause would likely lower down the value of the property and as such, a buy-back clause was not stipulated in the SPA entered with the purchaser.

5. VOTING RESULTS

The Ordinary Resolution tabled at the EGM of the Company was duly passed by the shareholders of the Company and the poll results of the resolution as summarized below:

	FOR		AGAINST	
	No. of votes	%	No. of votes	%
Ordinary Resolution - Proposed Disposal By Tobacco Importers and Manufacturers Sdn Berhad, a wholly-owned subsidiary of British American Tobacco (Malaysia) Berhad, 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 to LGB Properties (M) Sdn Bhd (formerly known as Outto Build Sdn Bhd) for a total consideration of RM218,000,000	244,948,364	99.999	3,400	0.001

6. CLOSURE

The Chairman informed the Meeting that no notice of other business to be transacted at the Meeting had been received.

The Meeting was closed at 11.45 a.m. with a vote of thanks to the Chairman.