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**BRITISH AMERICAN
TOBACCO
MALAYSIA**

BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD

(Company No. 4372-M)

(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

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”)

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

An Extraordinary General Meeting (“EGM”) will be held at Ballroom 3, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 6 September 2016 at 10.30 a.m. or any adjournment thereof. The Notice of EGM, together with the Form of Proxy, are enclosed in this Circular.

If you decide to appoint a proxy / proxies to attend and vote on your behalf at the EGM, the Form of Proxy should be completed and lodged at the office of our Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time and date fixed for the EGM or any adjournment thereof. 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 : Sunday, 4 September 2016 at 10.30 a.m.

Date and time of EGM : Tuesday, 6 September 2016 at 10.30 a.m. or any adjournment thereof

DEFINITIONS

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

"Act"	: Companies Act, 1965
"Balance Deposit"	: A sum of RM19,800,000 which shall form part of the Disposal Consideration, paid by the Purchaser to TIM upon the execution of the SPA
"Balance Disposal Consideration"	: Disposal Consideration, less Deposit, amounting to RM196,200,000
"BATM or Company"	: British American Tobacco (Malaysia) Berhad (4372-M)
"BATM Group"	: BATM and its subsidiaries, collectively
"Board"	: Board of Directors of BATM
"Bursa Securities"	: Bursa Malaysia Securities Berhad
"Buildings"	: The following buildings erected on Lot 1 and Lot 102: <ul style="list-style-type: none">(a) 4-storey office;(b) 2-storey warehouse with an annexed 2-storey cafeteria with a basement level;(c) 1-storey factory with a mezzanine floor;(d) 1-storey factory;(e) 1-storey factory with a mezzanine floor;(f) 4-storey factory/warehouse with a basement level;(g) 4-storey office/warehouse;(h) 2-storey office; and(i) 1-storey factory
"Business Day"	: Any day excluding Saturdays, Sundays and public holidays on which financial institutions licensed under the Financial Services Act 2013 are open for business in Kuala Lumpur and Selangor
"Condition Precedent"	: The approval of BATM's shareholders
"Condition Precedent Fulfilment Due Date"	: A date falling 3 months from the date of the SPA
"Deposit"	: The Earnest Deposit and the Balance Deposit collectively
"Disposal Consideration"	: The total consideration for the Proposed Disposal of Property of RM218,000,000, exclusive of GST
"Document of Title"	: The issue documents of title to the Lands
"Earnest Deposit"	: The sum of RM2,000,000 paid by the Purchaser to TIM prior to the signing of the SPA which shall form part of the Disposal Consideration

DEFINITIONS

"EGM"	: Extraordinary General Meeting
"EPS"	: Earnings per share
"Excluded Assets"	: All machines, machineries, equipment, furniture and loose fittings located, contained, kept or placed on or attached to any part of the Property
"Extended Period"	: A period of 1 month after the Payment Deadline
"Facility"	: TIM's factory operations located on the Lands
"FPE"	: Financial period ended/ending, as the case may be
"FYE"	: Financial year ended/ending, as the case may be
"GST"	: Malaysian Goods and Services Tax
"Lands"	: Collectively, Lot 1 and Lot 102
"Late Payment Interest"	: Interest payable on the Balance Disposal Consideration or any part thereof which is outstanding at the rate of 8% per annum calculated on a daily basis from the first day of the Extended Period until the Completion Date
"LGB Realty"	: LGB Realty Sdn Bhd (102592-M), the holding company of the Purchaser and the successful bidder of the public tender
"Listing Requirements"	: The Main Market Listing Requirements of Bursa Securities
"Lot 1"	: Lot 1 Seksyen 36 held under PN 3917, Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor Darul Ehsan measuring approximately 35,483.5266 square metres in area with a lease of 99 years expiring on 29 September 2060
"Lot 102"	: Lot 102 Seksyen 36 held under PN 30108, Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor Darul Ehsan measuring approximately 17,540 square metres in area with a lease of 99 years expiring on 8 April 2062
"LPD"	: 8 August 2016, being the latest practicable date prior to the issuance of this Circular
"Monthly Rental"	: Monthly rental of RM1,090,000, which is equivalent to 0.5% of the Disposal Consideration
"NA"	: Net assets
"PAT"	: Profit after taxation

DEFINITIONS

“Payment Deadline”	: A date falling 2 months after the date of BATM's shareholders' approval for the Proposed Disposal
“PBT”	: Profit before taxation
“Property”	: Collectively, Lands and Buildings which bear postal address Virginia Park, Jalan Universiti, 46200 Petaling Jaya, Selangor Darul Ehsan
“Proposed Disposal”	: Proposed disposal by TIM of the Property to the Purchaser for the Disposal Consideration
“Purchaser”	: LGB Properties (M) Sdn Bhd (formerly known as Outto Build Sdn Bhd) (1100321-M), a wholly owned subsidiary of LGB Realty
“Retention Sum”	: The sum of RM6,540,000, which is equivalent to 3% of the Disposal Consideration
“RPGT”	: Real property gains tax payable under the Real Property Gains Tax Act 1976
“RM” and “Sen”	: Ringgit Malaysia and sen respectively
“SPA”	: Conditional sale and purchase agreement dated 7 June 2016 between TIM and the Purchaser for the Proposed Disposal.
“SPA Completion Date”	: The date on which the full amount of the Balance Disposal Consideration and Late Payment Interest, if any, are received by TIM's solicitors in clear funds
“Tenancy”	: Tenancy of the Property granted by the Purchaser to TIM for the Tenancy Term at the Monthly Rental and upon the terms and conditions in the Tenancy Agreement
“Tenancy Agreement”	: Agreement between TIM and the Purchaser for the Tenancy to commence from the SPA Completion Date
“Tenancy Term”	: A period of 12 months from the SPA Completion Date and subject to extensions of up to 2 terms of 6 months each
“TIM”	: Tobacco Importers and Manufacturers Sdn Berhad (4414-U), a wholly-owned subsidiary of BATM
“TNB Lease”	: Lease by TIM to Tenaga Nasional Berhad (200866-W) for a term of 30 years expiring on 18 July 2032 vide lease presentation no. 78057/2002, for the erection and operation of an electrical sub-station on a part of Lot 1
“Transfer”	: The valid and registrable Memorandum of Transfer in Form 14A of the National Land Code 1965 executed by TIM in favour of the Purchaser

DEFINITIONS

in respect of the Property

“Valuation Certificate” : The valuation certificate issued by the Valuer in compliance with the Asset Valuation Guidelines which are issued by the Securities Commission pursuant to section 377 of the Capital Markets and Services Act 2007

“Valuation Report” : The valuation report dated 18 May 2016 issued by the Valuer

“Valuer” : DTZ Nawawi Tie Leung Property Consultants Sdn Bhd (579078-V)

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

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LETTER TO SHAREHOLDERS OF BATM IN RELATION TO THE PROPOSED DISPOSAL CONTAINING:

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NOTICE OF EGM

ENCLOSED

FORM OF PROXY

ENCLOSED



**BRITISH AMERICAN
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BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD

(Company No. 4372-M)

(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

Virginia Park, Jalan Universiti
46200 Petaling Jaya
Selangor Darul Ehsan

17 August 2016

Board of Directors:

Tan Sri Mohamad Salim bin Fateh Din	<i>(Independent Non-Executive Director and Chairman)</i>
Hendrik Stoel	<i>(Managing Director)</i>
Datuk Oh Chong Peng	<i>(Independent Non-Executive Director)</i>
James Richard Suttie	<i>(Non-Independent Non-Executive Director)</i>
Pablo Daniel Sconfianza	<i>(Executive Director)</i>
Dato' Chan Choon Ngai	<i>(Independent Non-Executive Director)</i>
Datuk Zainun Aishah binti Ahmad	<i>(Independent Non-Executive Director)</i>
Datuk Lee Oi Kuan (f)	<i>(Executive Director)</i>

TO: THE SHAREHOLDERS OF BATM

Dear Sir/Madam,

PROPOSED DISPOSAL BY TIM OF THE PROPERTY

1. INTRODUCTION

On 17 March 2016, the Board announced that the Company will restructure its business operations in Malaysia by sourcing tobacco products for the domestic market from other British American Tobacco Group factories regionally and therefore cease its Facility. The Property was offered to potential purchasers by way of a public tender exercise.

On 24 May 2016, the management of the Company as well as the Board had decided that the successful bidder of the public tender is LGB Realty and on 8 June 2016, the Board announced that TIM, had entered into the SPA with the Purchaser, which is a wholly owned subsidiary of LGB Realty, to sell the Property to the Purchaser for a total purchase consideration of RM218,000,000.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE THE SHAREHOLDERS WITH THE RELEVANT INFORMATION ON THE PROPOSED DISPOSAL AND SEEK THE APPROVAL FROM THE SHAREHOLDERS ON THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY. THE NOTICE OF THE FORTHCOMING EGM AND THE FORM OF PROXY ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

SHAREHOLDERS ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED DISPOSAL

2.1 Description of the Property

TIM is the registered proprietor of the following parcel of Lands:

- (a) Lot 1 Seksyen 36 held under PN 3917, Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor Darul Ehsan measuring approximately 35,483.5266 square metres in area with a lease of ninety-nine (99) years expiring on 29 September 2060 (“**Lot 1**”); and
- (b) Lot 102 Seksyen 36 held under PN 30108, Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor Darul Ehsan measuring approximately 17,540 square metres in area with a lease of ninety-nine (99) years expiring on 8 April 2062 (“**Lot 102**”),

together with the following Buildings erected thereon bearing postal address Virginia Park, Jalan Universiti, 46200 Petaling Jaya, Selangor Darul Ehsan in which TIM’s factory operations are carried out:

No.	Type of Building
1	4-storey office
2	2-storey warehouse with an annexed 2-storey cafeteria with a basement level
3	1-storey factory with a mezzanine floor
4	1-storey factory
5	1-storey factory with a mezzanine floor
6	4-storey factory/warehouse with a basement level
7	4-storey office/warehouse
8	2-storey office
9	1-storey factory

The Property is presently free from encumbrances.

Please refer to Appendix II for further details of the Buildings.

2.2 Basis and Justification of Arriving at the Disposal Consideration

The Disposal Consideration was arrived at, based on a “willing-buyer willing seller” basis and is justified after taking into consideration the highest bid received by way of a public tender exercise which was opened on 21 March 2016 and closed on 29 April 2016. Among the seven bids received during the public tender exercise, the top three bids were RM190,000,000, RM216,000,000 and RM218,000,000, the highest bid being the one submitted by LGB Realty.

Based on the Valuation Report, the total valuation of the Property is RM262,500,000. The value components of the Property may be arbitrarily summarised as follows:

- (a) Value of the Lands : RM216,800,000
- (b) Value of the Buildings : RM45,700,000

The valuation of the Property had been carried out using the cost method of valuation. The cost method of valuation seeks to determine the market value by taking into consideration the land value of the subject site plus site improvements added with the depreciated replacement cost of the subject building.

Value of the Lands

The value of the Lands is evidenced from transactions of land use rights similar to the subject site by utilising the comparison method of valuation. The characteristics, benefits, and restriction of these sites as well as the conditions under which they have been transacted are noted and compared to make adjustments to arrive at the appropriate land value for the subject site. The comparison method of valuation seeks to determine the market value of a property by comparing and adopting recent sales transactions of comparable properties in the locality as a yardstick.

Depreciated Building Cost

The depreciated replacement cost of the Buildings is derived from the estimated cost of reconstructing a building of the same type and design as when new based on the current market prices for material and labour, other related fees and charges and the present construction techniques, and reflecting therefrom the depreciation allowance.

As per BATM’s instruction, the Property was valued on an ‘as is basis’ taking into consideration the Lands and Buildings component values on its ongoing use as an industrial premises. The Property is fully operational as industrial premises. As such, the cost method of valuation is used to determine the market value of the Property which has been arbitrarily summarised to reflect the Lands and Buildings component values of the Property respectively.

The area where the Land is situated has been rezoned for commercial use. However, a valuation done on the basis of redevelopment taking into consideration the commercial rezoning would not be reflective of the full value of the Property. The redevelopment basis only takes into consideration the Lands component of the Property and does not take into consideration of the value attributable by the Lands and Buildings components as a whole.

Hence the 'as is basis' was adopted by the Valuer as the appropriate basis of valuation to reflect the full market value of the Property.

However, upon receiving the bids during the public tender exercise, the feedback received was that bidders' interest is for the Lands, which they will redevelop and not the Buildings, which the bidders intend to demolish. The market value of the Property if valued on a basis of redevelopment will be lower than RM262,500,000 and closer to the market value of the Lands (without the Buildings), which is RM216,800,000 as indicated in the Valuation Report because the valuation done on a redevelopment basis will only be based on a vacant land without taking into consideration the value of the buildings erected on the land. In line with the restructuring of the Company's business operations as explained in Section 3 below, the Board is of the view that it is important to the BATM Group as a whole to meet the designated time period for the public tender exercise, rather than to extend the public tender exercise in order to allow for more bidders to submit the bids. For this reason, the Company accepted the highest bid submitted by LGB Realty, which slightly exceeds the market price of the Lands based on the Valuation Report.

The express condition on the Lands is "industrial". The Buildings are currently occupied by the BATM Group. Part of Lot 1 is leased to Tenaga Nasional Berhad for a term of thirty (30) years expiring on 18 July 2032 vide lease presentation no.78057/2002 for the erection and operation of an electrical sub-station thereon ("**TNB Lease**").

The Disposal Consideration of RM218,000,000 represents a discount of RM44,500,000 or 16.95% to the abovementioned market value of the Property, but a premium of RM1,200,000 or 0.55% to the market value of the Lands.

Please refer to Appendix III of this Circular for the Valuation Certificate.

2.3 Information on the Purchaser

The Purchaser is a private limited company incorporated in Malaysia under the Companies Act, 1965 on 3 July 2014 with its registered address at Level 20, Menara LGB, No. 1, Jalan Wan Kadir, Taman Tun Dr Ismail, 60000 Kuala Lumpur, Wilayah Persekutuan, and is principally a renovation, construction, property investment and property development company. The Purchaser is a wholly-owned subsidiary of LGB Realty which was the successful bidder of the public tender conducted for the Proposed Disposal. The directors of the Purchaser are Datin Lim Ai Ling and Mr. Lim Chin Sean.

As at the LPD, the Purchaser has an authorised share capital of RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each, of which 1,000,000 ordinary shares have been issued and are fully paid-up.

2.4 Mode of Settlement

The Disposal Consideration shall be satisfied in cash and is paid / to be paid as follows:

Details	Amount
Earnest Deposit which was paid on 29 April 2016	RM2,000,000
Balance Deposit which was paid upon execution of the SPA	RM19,800,000
Balance Disposal Consideration to be paid on a date falling 2 months from the date approval by BATM's shareholders for the Proposed Disposal is obtained	RM196,200,000
Total	RM218,000,000

2.5 Expected Gain Arising from the Proposed Disposal

The expected net gain to the BATM Group arising from the Proposed Disposal is approximately RM148,784,366, excluding the Monthly Rental for the Tenancy for the initial 12 months. The breakdown of same is as follows:

	RM
Disposal Consideration	218,000,000
Less:	
(i) Net book value of the Property ¹	59,213,878
(ii) Estimated expenses for the Proposed Disposal ²	10,001,756
Gain from the Proposed Disposal (before taking into account the Monthly Rental for the Tenancy for the initial 12 months)	148,784,366
(iii) Monthly Rental for the Tenancy for the initial 12 months ³	13,080,000
Gain from the Proposed Disposal (after taking into account the Monthly Rental for the Tenancy for the initial 12 months)	135,704,366

Notes:

- (1) Based on the audited net book value of the Property as at 31 December 2015.
- (2) Estimated expenses which comprise, amongst others, professional fees for advisors and lawyers, RPGT, expenses to convene the forthcoming EGM and printing, dispatch and advertising expenses.
- (3) The Tenancy for the initial 12 months of the Tenancy Term commencing from the SPA Completion Date for a total rental of RM13,080,000 or Monthly Rental of RM1,090,000 and

which is equivalent to 0.5% of the Disposal Consideration. The Monthly Rental was agreed by the parties as part of the terms and conditions of the tender, taking into consideration the prevailing market rental rate and annual yield expectations.

2.6 Contribution to the BATM Group's Net Profit

The proceeds raised from the Proposed Disposal is expected to contribute to a gain of RM148,784,366, excluding the Monthly Rental for the Tenancy for the initial 12 months, which is approximately 16.3% of the net profit based on the audited accounts of the BATM Group as at FYE 31 December 2015.

2.7 Original Cost and Date of Investment

The Property was acquired by TIM from Rothmans of Pall Mall (Malaysia) Berhad (now known as BATM) pursuant to a sale and purchase agreement dated 25 November 1996 entered by TIM and Rothmans of Pall Mall (Malaysia) Berhad at a purchase price of RM62,388,954.

2.8 Liabilities to be Assumed by the Purchaser

There are no liabilities, including contingent liabilities and guarantees, to be assumed by the Purchaser pursuant to the Proposed Disposal.

2.9 Cash Company or Practice Note 17 ("PN 17") Issuer

The Proposed Disposal is not expected to result in the Company becoming a Cash Company (as defined under Paragraph 1.01 of the Listing Requirements) or a PN17 issuer.

2.10 Utilisation of Proceeds

The Disposal Consideration arising from the Proposed Disposal is intended to be utilised in the following manner:

Utilisation	RM	Estimated timeframe for utilisation from the date of circular in August 2016
Estimated expenses in relation to the Proposed Disposal ¹	10,001,756	Within 12 months
One off restructuring expenses ²	55,023,896	Within 18 months
Monthly Rental for Tenancy for 12 months ³	13,080,000	Within 18 months
Cash dividend to Shareholders ⁴	139,894,348	Within 12 months
Total	218,000,000	

Notes:

- (1) *The estimated expenses which comprise, amongst others, professional fees for advisors and lawyers, RPGT, expenses to convene the forthcoming EGM and printing, dispatch and advertising expenses.*
- (2) *These one-off expenses include, but are not limited to, redundancy payments to the affected employees of the BATM Group, changes in management support to ensure business continuity, and other incidental expenses in relation to cessation of the Company's factory operations. The breakdown of these expenses are as follows:*
- | | | |
|-----|---|---------------------|
| (a) | <i>Redundancy payments to the affected employees of BATM Group</i> | <i>RM41,057,908</i> |
| (b) | <i>Changes in management support to ensure business continuity</i> | <i>RM8,361,017</i> |
| (c) | <i>Other incidental expenses in relation to cessation of the Company's factory operations</i> | <i>RM5,604,971</i> |
- (3) *The Tenancy for the initial 12 months of the Tenancy Term commencing from the SPA Completion Date for a total rental of RM13,080,000 or Monthly Rental of RM1,090,000, which is equivalent to 0.5% of the Disposal Consideration.*
- (4) *The net sale proceeds of the Proposed Disposal, less the expenses for the Proposed Disposal (as described in Notes 1, 2 and 3 above) will be utilised as cash dividends to Shareholders. This amount is subject to change.*

2.11 Salient Terms of the SPA

The salient terms of the SPA are as follows:

2.11.1 Sale and Purchase

Subject to the fulfillment of the Condition Precedent and in consideration of the Deposit paid by the Purchaser to TIM and/or TIM's solicitors, TIM agrees to sell and the Purchaser agrees to purchase the Property at the Disposal Consideration on an as is where is basis, excluding the Excluded Assets, free from all encumbrances, save and except the TNB Lease; subject to the TNB Lease and the existing category of land use and all restrictions in interest and conditions of title whether express or implied applicable thereto and contained in the Document of Title; and the Purchaser granting the Tenancy to TIM and entering into the Tenancy Agreement simultaneously with execution of the SPA.

2.11.2 Condition Precedent

The obligation of TIM and the Purchaser to complete the SPA is conditional upon TIM obtaining, on or before the Condition Precedent Fulfilment Date, the approval of the shareholders of the Company for the sale of the Property subject to the terms and conditions of the SPA.

2.11.3 Payment of the Balance Disposal Consideration

The Purchaser shall pay or cause to be paid the Balance Disposal Consideration to TIM's solicitors on or before the Payment Deadline. If the Purchaser is unable to pay the Balance Disposal Consideration on or before the Payment Deadline, the Payment Deadline shall be automatically extended by the Extended Period provided that the Purchaser shall pay to TIM the Late Payment Interest simultaneously with the Balance Disposal Consideration or any part thereof which remains outstanding.

2.11.4 GST

The Disposal Consideration and all sums payable or amounts expressed in the SPA have been determined without regard to and does not include GST and all other taxes payable to the appropriate authorities ("**Taxes**"). If there shall be any Taxes levied or imposed on the sale or purchase of the Property, the Purchaser undertakes to duly and promptly bear and pay the Taxes. The Purchaser shall pay to TIM an amount representing the GST payable by TIM as a consequence of the SPA within 21 days from the Purchaser's receipt of the tax invoice from TIM.

2.11.5 Default by Purchaser

If the Purchaser defaults in the payment of the Balance Deposit, the Balance Disposal Consideration, the Late Payment Interest or other monies due under the SPA in accordance with the provisions of the SPA and such default has not been remedied within 7 days from the date of a written notice from TIM requiring the same to be remedied; or there is any breach by the Purchaser any of its representations, warranties, covenants, undertakings or obligations under the SPA, which is not remedied within 14 days from the date of receipt of a written notice from TIM requiring the same to be remedied (if capable of remedy), TIM shall be entitled, by giving notice in writing to the Purchaser, either:

- (a) to the equitable remedy of specific performance against and at the cost of the Purchaser; or
- (b) to terminate the SPA whereupon:
 - (i) the Deposit shall be immediately forfeited to TIM as agreed liquidated damages;
 - (ii) within 14 Business Days of such termination notice being given, the Purchaser shall return or cause to be returned to TIM the Document of Title, the Transfer and all relevant documents (if the same has been delivered) with all TIM's rights and interests in the Property remaining fully intact; and withdraw and cause to be withdrawn, at the Purchaser's own cost, any private caveat lodged by or on behalf of the Purchaser or the Purchaser's financier or which are attributable to the Purchaser over the Property with all TIM's rights and interests in the Property remaining fully intact. The Purchaser shall forward to TIM's solicitors evidence of such withdrawal including an official title search conducted on the

Property after presenting such withdrawal at the relevant land registry or land office which does not contain or show the said private caveat; and

- (iii) TIM shall within 14 Business Days from the compliance by the Purchaser of its obligations above, refund and cause to be refunded to the Purchaser, all moneys received by it or for its account as part of the Disposal Consideration (excluding the Deposit and the Retention Sum), free from all interest; and within fourteen (14) Business Days from TIM's receipt of refund of the Retention Sum from the Director General of Inland Revenue, refund the Retention Sum to the Purchaser free from all interest.

2.11.6 Default by TIM

If TIM defaults in completing the sale of the Property and fails to remedy the same within 14 days from the date of receipt of a written notice from the Purchaser requiring the same to be remedied; or there is any breach by TIM of any of its representations, warranties, covenants, undertakings or obligations under the SPA, which is not remedied within 14 days from the date of receipt of a written notice from the Purchaser requiring the same to be remedied (if capable of remedy), the Purchaser shall be entitled at the Purchaser's sole election by giving notice in writing to TIM to terminate the SPA whereupon:

- (a) TIM shall refund and cause to be refunded to the Purchaser within 14 Business Days from TIM's receipt of such termination notice, all moneys received by it or for its account as part of the Disposal Consideration less the Retention Sum, free from all interest, and further pay to the Purchaser an amount equivalent to the Deposit as agreed liquidated damages; and within 14 Business Days from TIM's receipt of refund of the Retention Sum from the Director General of Inland Revenue, the Retention Sum free from all interest; and
- (b) the Purchaser shall simultaneously upon TIM's compliance with the above, return or cause to be returned to TIM the Document of Title, the Transfer and all relevant documents (if the same has been delivered) with all TIM's rights and interests in the Property remaining fully intact; and withdraw and cause to be withdrawn, at the Purchaser's own cost, any private caveat lodged by or on behalf of the Purchaser or the Purchaser's financier or which are attributable to the Purchaser over the Property with all TIM's rights and interests in the Property remaining fully intact. The Purchaser shall forward to TIM's solicitors evidence of such withdrawal including an official title search conducted on the Property after presenting such withdrawal at the relevant land registry or land office which does not contain or show the said private caveat.

2.11.7 Tenancy

- (a) Subject to the completion of the sale and purchase of the Property and in consideration of TIM paying to the Purchaser the Monthly Rental, the Purchaser hereby agrees to grant to TIM and TIM hereby agrees to accept from the Purchaser a tenancy of the Property for a term of 12 months ("**Tenancy Term**"),

which shall commence on the SPA Completion Date and upon the terms and conditions in the SPA and Tenancy Agreement (“**Tenancy**”).

- (b) TIM and the Purchaser had entered into the Tenancy Agreement simultaneously with the execution of the SPA. The Tenancy is subject to the completion of the sale and purchase of the Property under the SPA and shall only commence on the SPA Completion Date.
- (c) TIM may extend the Tenancy Term up to 2 terms of 6 months each by serving a written notice to the Purchaser before expiry of the then Tenancy Term at the same Monthly Rental with the like covenants and provisions as are contained in the Tenancy Agreement.
- (d) Upon expiry or early termination of the Tenancy by TIM, vacant possession of the Property shall be deemed delivered to the Purchaser on an as is where is basis in the state and condition then existing as at the date of expiry or early termination of the Tenancy.

3. RATIONALE FOR THE PROPOSED DISPOSAL

The principal activities of the Company are the marketing, production, distribution and sales of cigarettes. The Board had announced the restructuring of its business operations which involves sourcing tobacco products for the domestic market from other BATM Group factories regionally. The restructuring is in line with the Company’s efforts towards realizing a new and more sustainable business model, amidst an increasingly challenging business environment. The high excise environment has ultimately led to the sharp rise in illegal cigarettes and significantly lower legal sales volumes resulting in rising cigarette production costs. This increasingly challenging environment requires the Company to restructure and transform its business, which apart from the winding down of the Facility, includes the sharpening of its commercial capabilities whilst optimising the supply chain (through a combination of winding down the factory operations at the Facility and relocating parts of TIM’s manufacturing operations to a location to be determined) and transactional activities to ensure that BATM remains a competitive consumer-focused market leader.

Consequent to the winding down of the Facility, the Board decided to dispose of the Property. Upon the winding down of factory operations at the Facility, the Company will continue to have a full-fledged corporate and commercial presence in Malaysia that has the distribution capability to fully serve the needs of all its consumers and will maintain its listing status notwithstanding these changes to its operations.

4. RISK FACTORS

4.1 Non-Completion of the Proposed Disposal

In the event the Purchaser fails to pay the Disposal Consideration or any part thereof in accordance with the terms of the SPA, or if shareholders’ approval is not obtained by the Company, the Proposed Disposal may not be completed and this may result in the failure of the BATM Group to achieve the objectives and benefits of the Proposed Disposal, as disclosed in Section 3 of this Circular.

4.2 Contractual Risk

TIM may be subjected to certain contractual risk such as specific performance and payment of liquidated damages as a result of non-fulfilment of its obligations under the SPA. Nevertheless, the Company shall endeavour to ensure that TIM complies with its obligations under the SPA.

4.3 Failure and/or Delay in the Approval from Shareholders

The Proposed Disposal is conditional upon the approval(s) from the Company's shareholders as disclosed in Section 6 of this Circular. There can be no assurance that the Company's shareholders will approve the Proposed Disposal or that the Condition Precedent can be fulfilled within the time period agreed under the SPA.

In the event that the approval(s) are not obtained within the Condition Precedent Fulfilment Due Date, TIM may at its sole and absolute discretion by notice to the Purchaser to extend the Condition Precedent Fulfilment Due Date for a further 1 month.

5. EFFECTS OF THE PROPOSED DISPOSAL

The effects of the Proposed Disposal on the share capital, substantial shareholders' shareholdings, earnings and EPS, NA per share and gearing of the Company are as follows:

5.1 Share Capital and Substantial Shareholders' Shareholding

The Proposed Disposal will not have any effect on the share capital and substantial shareholders' shareholdings in the Company as the Proposed Disposal does not involve any issuance of new BATM shares.

5.2 NA per Share and Gearing

Based on the audited consolidated balance sheet of the BATM Group for the FYE 31 December 2015 and assuming that the Proposed Disposal had been effected at the end of the FYE 31 December 2015, the proforma effects of the Proposed Disposal on the BATM Group's NA per share and gearing are as follows:

	Audited as at FYE 31 December 2015 RM'000	After the Proposed Disposal RM'000
Share capital	142,765	142,765
Cash flow hedge reserve	358	358
Retained earnings ¹	403,500	539,204
Shareholders' funds / NA	546,623	682,327
No. of shares in issue	285,530	285,530
NA per share (RM) ²	1.91	2.39

	Audited as at FYE 31 December 2015	After the Proposed Disposal
Borrowings (interest-bearing) (RM)	305,000	305,000
Gearing (times) ³	0.56	0.45

Notes:

- (1) *The gain from the Proposed Disposal (including the Monthly Rental for the Tenancy for the initial 12 months) RM135,704,366, taking into consideration :*
- (a) *the audited net book value of the Lands of approximately RM59,213,878 as at 31 December 2015;*
 - (b) *the estimated one off expenses to be incurred in relation to the cessation of the Company's factory operations which amounts to approximately RM10,001,756. This amount comprises, among others, professional fees for advisors and lawyers, RPGT, expenses to convene the forthcoming EGM and printing, dispatch and advertising expenses; and*
 - (c) *expenses/rental for the Tenancy for the initial 12 months of the Tenancy Term commencing from the SPA Completion Date, which amounts to RM13,080,000 in total or RM1,090,000 per month (i.e. equivalent to 0.5% of the Disposal Consideration).*
- (2) *Computed based on NA divided by the numbers of shares in issue.*
- (3) *Computed based on total borrowings divided by NA.*

5.3 Earnings and EPS

The Proposed Disposal is expected to be completed in the FYE 31 December 2016. Assuming the Proposed Disposal had been effected at the beginning of the FYE 31 December 2015, it will result in a net gain of RM148,784,366 (excluding the total Monthly Rental of the Tenancy for the initial 12 months) and an increase in earnings per share by approximately 52.1 sen (based on the weighted average number of ordinary shares in issue of BATM Group as at 31 December 2015), to BATM Group for the FYE 31 December 2015.

6. APPROVALS REQUIRED

The Proposed Disposal is subject to the approval of the shareholders of the Company at an EGM to be convened in respect of the Proposed Disposal but is not subject to the approval of any regulatory authorities.

7. CONDITIONALITY OF THE PROPOSED DISPOSAL

The Proposed Disposal is not conditional upon any other corporate proposal(s) undertaken or to be undertaken by the Company.

8. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the directors, major shareholders of the Company and/or persons connected to them have any interest, whether direct or indirect, in the Proposed Disposal.

9. CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

As at the LPD, save for the Proposed Disposal, the Board confirms that there is no other outstanding corporate proposal announced by the Company but not yet completed.

10. DIRECTORS' RECOMMENDATION

The Board, having considered all aspects of the Proposed Disposal such as the basis of arriving at the Disposal Consideration, the terms and conditions of the SPA, the rationale and effects of the Proposed Disposal, is of the opinion that the Proposed Disposal is in the best interest of the Company.

Accordingly, the Board recommends that shareholders vote in favour of the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM.

11. ESTIMATED TIMEFRAME FOR COMPLETION AND TENTATIVE TIMETABLE FOR THE IMPLEMENTATION OF THE PROPOSED DISPOSAL

The Proposed Disposal is expected to complete in the second half of 2016.

The indicative timetable for the implementation of the Proposed Disposal is set out below:

Tentative Date	Event
Mid August 2016	Despatch of Circular to the shareholders of BATM
Early September 2016	Convening of EGM
End December 2016	Completion of the Proposed Disposal

The timetable above is indicative and is subject to changes which may be necessary to facilitate implementation procedures. Any delay in an event will result in a delay of subsequent events.

12. EGM

The EGM, the Notice of which is set out in this Circular, will be held at Ballroom 3, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 6 September 2016 at 10.30 a.m. or any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without modification, the resolutions to give effect to the Proposed Disposal.

If you are unable to attend and vote in person at the EGM, please complete, sign and return the enclosed Form of Proxy for the EGM to our Share Registrar Office, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than 48 hours before the time and date fixed for holding the EGM or any adjournment thereof. The Form of Proxy should be completed strictly in accordance with the instructions contained therein. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

13. FURTHER INFORMATION

You are advised to refer to the appendices contained in this Circular for further information.

Yours faithfully,

For and on behalf of the Board of

BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD

HENDRIK STOEL

Managing Director

FURTHER INFORMATION**1. DIRECTORS' RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by the directors of the Company who collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements contained in this Circular or the omission of other facts which would make any statement herein false or misleading.

2. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

As at the LPD, save as disclosed below, the Board is not aware of any material commitments and contingent liabilities incurred by the BATM Group that have not been provided for, which upon becoming enforceable, may have a material impact on the financial results of the BATM Group.

2.1 Bill of Demand from Royal Malaysian Customs

On 16 April 2014, TIM received a bill of demand from the Royal Malaysian Customs for RM12,900,000 in sales tax and penalties (sales tax RM8,800,000 and penalties RM4,100,000) for the period between October 2012 and December 2013. The BATM Group stands firm in its position that there is a challengeable case which is supported by legal opinion by its external legal counsel on the matter. Accordingly, TIM pursued this matter through a judicial review filed on 12 August 2014 in the Kuala Lumpur High Court. The Kuala Lumpur High Court granted a full stay of the demand pending the ultimate decision of the case. On 12 August 2016, the Kuala Lumpur High Court ruled in favor of TIM. The Royal Malaysian Customs has 30 days to file an appeal to the Court of Appeal.

3. CONSENT

The written consent of the Valuer, DTZ Nawawi Tie Leung Property Consultants Sdn Bhd (579078-V), for the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular, have been given and have not been subsequently withdrawn before the issuance of this Circular.

4. CONFLICT OF INTEREST**4.1 Valuer**

DTZ Nawawi Tie Leung Property Consultants Sdn Bhd (579078-V), the independent valuer, confirms that as at the date of this Circular, there is no conflict of interest that

exists or is likely to exist in relation to its role as independent valuer to the Company for the Proposed Disposal.

5. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at LPD, the Company is not aware of any material litigation, claims or arbitration involving the Property whether as a plaintiff or defendant or otherwise, nor are the Company's directors aware of any proceedings pending or threatened against the Property or of any facts likely to give rise to any proceedings which involve the Property.

6. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the registered office of the Company at Virginia Park, Jalan Universiti, 46200 Petaling Jaya, Selangor Darul Ehsan, during normal business hours (from 9.00 a.m. to 5.30 p.m.) from Monday to Friday (except public holidays) from the date of this Circular up to and including the date of our forthcoming EGM:

- 6.1 the SPA and Tenancy Agreement;
- 6.2 the Valuation Report;
- 6.3 the Valuation Certificate as referred to in Appendix III of this Circular;
- 6.4 the letter of consent referred to in Section 3 above;
- 6.5 audited consolidated financial statements of the Company for the past 2 years for the FYE 31 December 2014 and 31 December 2015;
- 6.6 consolidated income statements of the Company for the FPE 30 June 2016 and
- 6.7 Memorandum and Articles of Association of the Company.

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FURTHER DETAILS OF THE BUILDINGS

No.	Type of Building	Approximate age of the buildings	Gross floor area (square feet)	Net useable areas (square feet)	Existing use	Percentage of Occupancy
1	4-storey office	41 years	29,998	29,998	Industrial premises	The Buildings are currently 100% occupied by the BATM Group.
2	2-storey warehouse with an annexed 2-storey cafeteria with a basement level	17 years	87,859	87,859		
3	1-storey factory with a mezzanine floor	54 years	113,709	113,709		
4	1-storey factory	54 years	61,540	61,540		
5	1-storey factory with a mezzanine floor	14 years	37,439	37,439		
6	4-storey factory/warehouse with a basement level	23 years	231,099	231,099		
7	4-storey office/warehouse	33 years	107,498	107,498		
8	2-storey office	36 years	10,601	10,601		
9	1-storey factory	36 years	18,375	18,375		

VALUATION CERTIFICATE



Nawawi Tie Leung

Your Ref. :
 Our Ref. : DTZ/KL/16/0358/SS

PRIVATE & CONFIDENTIAL

18 May 2016

British American Tobacco (Malaysia) Berhad

Virginia Park, Jalan Universiti
 46200 Petaling Jaya
 Selangor Darul Ehsan

Dear Sir/Madam,

VALUATION CERTIFICATE

AN INDUSTRIAL COMPLEX COMPRISING A FOUR (4) STOREY OFFICE BUILDING, A TWO (2) STOREY WAREHOUSE WITH AN ANNEXED TWO (2) STOREY CAFETERIA AND A BASEMENT LEVEL, A SINGLE STOREY FACTORY WITH A MEZZANINE FLOOR, A SINGLE STOREY FACTORY, A SINGLE STOREY FACTORY TOGETHER WITH A MEZZANINE FLOOR, A FOUR (4) STOREY OFFICE CUM WAREHOUSE, A FOUR (4) STOREY FACTORY CUM WAREHOUSE WITH A BASEMENT FLOOR, A SINGLE STOREY FACTORY ANNEXED WITH A TWO (2) STOREY OFFICE AND OTHER ANCILLARY STRUCTURES HELD UNDER PN 3917, LOT NO. 1 AND PN 30108, LOT NO. 102 RESPECTIVELY, SECTION 36, BANDAR PETALING JAYA, DISTRICT OF PETALING AND STATE OF SELANGOR (hereinafter referred to as the "Subject Property")

With reference to an instruction from British American Tobacco (Malaysia) Berhad ("British American Tobacco (Malaysia) Berhad" or "Company") dated 18 April 2016, we were instructed to assess the Market Value of the abovementioned property and the details of the valuation are in our formal Valuation Report bearing Reference No. DTZ/KL/16/0358/SS 18 May 2016.

This Valuation Certificate is prepared for submission to Bursa Malaysia Securities Berhad ("Bursa Securities") and for inclusion in the Circular to shareholders of British American Tobacco (Malaysia) Berhad in relation to the proposed disposal by the Company, of the Subject Property.

The Valuation Report was prepared in accordance with the Asset Valuation Guidelines issued by the Securities Commission, Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers, and Estate Agents, Malaysia with the necessary professional responsibility and due diligence.

The basis of valuation adopted is **Market Value** which is defined herein as "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

We confirm that we have inspected the property on 22 April 2016, made relevant local searches and enquiries and obtained such information, as we consider necessary for providing you with our opinion of the Market Value of the subject property as at **22 April 2016**.

DTZ Nawawi Tie Leung Property Consultants Sdn Bhd (579078-V)
 Suite 34.01 Level 34 Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Malaysia
 Tel: +603 2161 7228 Fax: +603 2161 1633
 www.dtz.com/my



1.0 Identification of Property

An industrial complex comprising a four (4) storey office building, a two (2) storey warehouse with an annexed two (2) storey cafeteria and a basement level, a single storey factory with a mezzanine floor, a single storey factory, a single storey factory together with a mezzanine floor, a four (4) storey office cum warehouse, a four (4) storey factory cum warehouse with a basement floor, a single storey factory annexed with a two (2) storey office and other ancillary structures

2.0 Terms of Reference

Our instruction from British American Tobacco (Malaysia) Berhad is to prepare a Report and Valuation of the subject property bearing postal address Virginia Park, Jalan Universiti, 46200 Petaling Jaya, Selangor Darul Ehsan for the purpose of submission to Bursa Malaysia Securities Berhad ("Bursa Securities") and for inclusion in the Circular to shareholders of British American Tobacco (Malaysia) Berhad in relation to the proposed disposal by the Company, of the Property.

For the purpose of this Report and Valuation, we have been instructed by the client to value the subject property on an 'As is basis' taking into consideration the land and building component values on its ongoing use as an industrial premises. As such, we have not assessed the market value of the subject property on a basis of redevelopment.

3.0 Location and Neighbourhood

The subject property is located along Jalan Universiti, Petaling Jaya which is about 4 kilometres due north-west of the Petaling Jaya City Centre (Section 52) and about 15 kilometres due south-west of the Kuala Lumpur city centre (KLCC).

It is easily accessible from several towns and city centres i.e. Kuala Lumpur, Petaling Jaya, Subang Jaya and Klang via the Federal Highway. Access is then continued along Jalan Universiti, to where the subject site is located. Alternatively the subject property is also accessible from the Federal Highway via Jalan Utara thereafter onto Jalan Semangat and finally onto Jalan Universiti, to where the subject site is located.

4.0 Summary of Titles

Title No(s)	Lot No(s)	Titled Land Area	Tenure
PN 3917	Lot 1 Seksyen 36	35,483.5266 sq m	99 years leasehold interest expiring on 29 September 2060
PN 30108	Lot 102 Seksyen 36	17,540 sq m	99 years leasehold interest expiring on 8 April 2062

Town	:	Bandar Petaling Jaya
District	:	Petaling
State	:	Selangor
Category of land Use	:	<i>Tiada</i>
Express Condition	:	<i>Perusahaan</i>
Restriction-in-interests	:	Not stated



Registered Proprietor(s)	:	Tobacco Importers & Manufactures Sdn Bhd
Encumbrances	:	Nil
Other Endorsements	:	Lot 1 – A portion of the subject property is leased to Tenaga Nasional Berhad for a term of 30 years commencing 19 July 2002 expiring on 18 July 2032 registered on 29 November 2002

5.0 The Site

The subject site is demarcated by Jalan Semangat on the north-eastern boundary and Jalan Universiti on the north-western boundary whilst the south-western boundary is flanked by Sungai Penchala. The subject site is almost rectangular in shape with a splayed corner. The subject site lies at the same level as the frontage road Jalan Universiti. The combined titled land area is 53,023.5266 sq m (approximately 570,740 sq ft / 13.102 acres).

6.0 The Buildings

Erected upon the site are the following buildings:-

No.	Building	Type of Construction	Gross Floor Area (sq ft)
i)	A four (4) storey office building (Admin Block)	Constructed of reinforced concrete framework with plastered brick walls and reinforced concrete floors supporting a reinforced concrete flat roof	29,998
ii)	A two (2) storey warehouse with an annexed two (2) storey cafeteria and a basement level (Finished Goods Store 'FGS')	Constructed of reinforced concrete framework with plastered brick walls and reinforced concrete floors supporting a reinforced concrete flat roof	87,859
iii)	A single storey factory with a mezzanine floor (Factory A)	Constructed of steel structure partly with plastered infill brick walls and partly metal deck incorporated with metal deck roof sheets on steel purlins	113,709
iv)	A single storey factory (Factory C)	Constructed of steel structure partly with plastered infill brick walls and partly metal deck incorporated with metal deck roof sheets on steel purlins	61,540
v)	A single storey factory together with a mezzanine floor (DIET Plant)	Constructed of steel structure partly with plastered infill brick walls and partly metal deck incorporated with metal deck roof sheets on steel purlins	37,439
vi)	A four (4) storey office cum warehouse (Factory B)	Constructed of reinforced concrete framework with plastered brick walls and reinforced concrete floors supporting a reinforced concrete flat roof	107,498

No.	Building	Type of Construction	Gross Floor Area (sq ft)
vii)	A four (4) storey factory cum warehouse with a basement floor (Main Leaf Store)	Constructed of reinforced concrete framework with plastered brick walls and reinforced concrete floors supporting a reinforced concrete flat roof.	231,099
viii)	A single storey factory annexed with a two (2) storey office (TMC Building)	Constructed of steel structure partly with plastered infill brick walls and partly metal deck incorporated with metal deck roof sheets on steel purlins whilst the office is constructed of reinforced concrete framework with plastered brick walls and reinforced concrete floors supporting a metal deck roof	28,976
ix)	Main Guard House	Constructed of reinforced concrete framework and floor with painted plastered brick walls supporting a flat concrete slab	200
x)	Mailing Room	Constructed reinforced concrete framework and floor with painted plastered brick walls supporting a flat concrete slab	618
		Total Gross Floor Area	717,111

It is pertinent to note that the internal accommodation of the Admin Block has been renovated and refurbished extensively for a total contract sum of RM5,085,431.10 in February, 2009. The various building erected on the subject site ranges from approximately 14 years to 54 years in age.

We were unable to confirm if the subject buildings have been issued with a **Certificate of Fitness for Occupation (CFO)** as the client was unable to provide us a copy, save for the Admin Block has been issued with a Certificate of Fitness for Occupation vide Certificate No. 6486 by Lembaga Bandaran Petaling Jaya dated 29 July 1975. Further it is pertinent to note that buildings aged 30 years and above do not need to comply with the regulation for CFO as the legislation (i.e. Uniform Building By-Laws 1984) was not in place at that present time.

7.0 Occupancy

The subject buildings are currently occupied by the Client.

8.0 Town Planning

The subject property is designated for industrial use expressly stated in the title document. However, our check with the local council i.e. Majlis Bandaraya Petaling Jaya (MBPJ) revealed that the subject site and the surrounding area has been re-zoned for commercial and mixed development uses with a permissible plot ratio of 1:4.

9.0 Method of Valuation

We have considered the requirement of the Securities Commission on the need for a minimum of 2 approaches of valuation. However, given the individualistic design features of the subject property, we are unable to assess the market value of the subject property with a direct comparison approach.

We were also unable to assess the market value of the subject property with the Investment Method of Valuation because the subject property is designed and built for a specific use consisting of multiple buildings of individual designs. As such, we are unable to adopt an appropriate market rental evidences of properties similar to that of the subject property.



Therefore, in arriving at the Market Value of the subject property, we have only utilised the **Cost Method of Valuation**.

The **Cost Method of Valuation** seeks to determine the market value by taking into consideration the **land value** of the subject site plus site improvements added with the **depreciated replacement cost** of the subject building.

Land Value

The value of the land is evidenced from transactions of land use rights similar to the subject site by utilising the **Comparison Method of Valuation**. The characteristics, benefits, and restriction of these sites as well as the conditions under which they have been transacted are noted and compared to make adjustments to arrive at the appropriate land value for the subject site.

Comparison Method of Valuation seeks to determine the market value of the property by comparing and adopting, as a yardstick, recent sales transactions of comparable properties in the locality.

Considerations are given for factors such as time, location, size, plot ratio, facing major highway, tenure and other relevant characteristics. Our investigations through Bursa Announcements and Jabatan Penilaian and Perkhidmatan Harta (JPPH) data involving industrial premises transactions within Klang Valley are as follows:-

COMPARISON METHOD OF VALUATION (Land Component)

	Comparable 1	Comparable 2	Comparable 3
Address	74, Jalan Universiti, Petaling Jaya	11, Jalan 225, Petaling Jaya	4, Jalan 13/6A, Petaling Jaya
Source	Bursa	JPPH	JPPH
Title Details	PN 3696, Lot No. 52, Section 13, Bandar Petaling Jaya, District of Petaling, State of Selangor	HSD 174593, PT 11, Locality of Road 225, Bandar Petaling Jaya, District of Petaling, State of Selangor	PN 3699, Lot 57, Section 13, Bandar Petaling Jaya, District of Petaling, State of Selangor
Tenure	99 years leasehold	99 years leasehold	99 years leasehold
Date of Lease Expiry	06/08/2067	26/05/2067	27/01/2063
Vendor	DKSH Central Services Sdn Bhd	Continental Oasis Sdn Bhd	Maybank Trustees Berhad
Purchaser	SUN-PJDC Sdn Bhd	Eureka Capital Sdn Bhd	Aldwych Capital Sdn Bhd
Remaining Lease (years)	51	51	47
Type of Property	Detached Factory	Detached Factory	Office Building
Category of Land Use / Express Condition	Tiada / Perusahaan	Perusahaan / Perusahaan	Tiada / Perusahaan
Zoning / (Plot Ratio)	Commercial / (1:3.5)	Industrial / (n/a)	Commercial / (1:4)
Land Area (sq.ft.)	258,746 sq.ft.	123,576 sq.ft.	35,018 sq.ft.
Land Area (Acre)	5.940	2.837	0.804
Consideration	RM 124,200,000	RM 41,500,000	RM 27,300,000
Date	31/05/2013	24/07/2015	25/02/2015
Estimated Built Up Area	255,400 sq.ft.	65,132 sq.ft.	100,668 sq.ft.
Estimated Building Cost PSF	RM 130 /sq.ft.	RM 120 /sq.ft.	RM 180 /sq.ft.
Estimated Building Cost	RM33,202,000	RM7,815,890	RM18,120,240
Depreciation Rate 1.5% per year	50 yrs	40 yrs	18 yrs
Building Cost after depreciation	RM8,300,500	RM3,126,356	RM13,227,775
Analysed Land Value (PSF)	RM 448 /sq.ft.	RM 311 /sq.ft.	RM 402 /sq.ft.
Adjustment Factors	Adjusted for Time, Tenure, Zoning and Size		
Adjusted Land Value PSF	RM 385 /sq ft	RM 326 /sq ft	RM 362 /sq ft

Note:

- i) Comparable 1 was sold on a Sale and Leaseback term of 18 months commencing from the date of completion of the Sales and Purchase Agreement with the option to renew for 3 consecutive periods of 2 months each upon expiry of the 18 months tenancy at a rental of RM250,000 per month. We have not taken into consideration the value attributable by the tenancy period/term whilst analysing the land value as it is a short term rental. Further, the rental rate is below market rental rates and does not significantly enhance the value of Comparable 1.
- ii) Comparable 2 is sited in an area zoned for industrial use, whereas Comparable 1 & 3 are sited in an area re-zoned for commercial uses similar to the subject property. As such, an upward adjustment for zoning factor has been made to Comparable 2 in view that the subject property is zoned for commercial use. No adjustment has been made for zoning factor of Comparable 1 & 3.



As per the above analysis, the adjusted value ranges from RM326/- per square foot to RM385/- per square foot. In arriving at the market value, we have relied on Comparable 1 as it is similar to the subject property in terms of location.

And therefore, in arriving at the market value of the subject property based on the comparison method, we have adopted the market rate of **RM380/- per square foot** for the **improved land value**.

Depreciated Building Cost

The depreciated replacement cost of the building is derived from the estimated cost of reconstructing a building of same type and design as when new based on the current market prices for material and labour, other related fees and charges and the present construction techniques, and reflecting therefrom the depreciation allowance.

The various buildings erected on the subject site and the corresponding replacement costs are tabulated below:-

Building	Gross Floor Area (sq ft)	Replacement Cost (RM/sq ft)
A four (4) storey office building (Admin Block)	29,998	180/-
A two (2) storey warehouse with an annexed two (2) storey cafeteria and a basement level (Finished Goods Store 'FGS')	87,859	120/-
A single storey factory with a mezzanine floor (Factory A)	113,709	100/-
A single storey factory (Factory C)	61,540	100/-
A single storey factory together with a mezzanine floor (DIET Plant)	37,439	100/-
A four (4) storey office cum warehouse (Factory B)	107,498	100/-
A four (4) storey factory cum warehouse with a basement floor (Main Leaf Store)	231,099	120/-
A single storey factory annexed with a two (2) storey office (TMC Building)	Office	10,601
	Warehouse	18,375
Main Guard House	200	100/-
Mailing Room	618	100/-

The replacement cost of the subject building is derived from the Langdon and Seah Construction Cost Hand Book Malaysia 2016.

We have also taken into considered the renovation cost of the Admin Block in our working.

We have adopted the depreciation rate for each building (including the renovation for Admin Block) at a rate 1.5% per year. The rate of 1.5% per year is derived based on the life span of the buildings estimated at about 65 years. This rate of 1.5% per year is multiplied by the age of buildings respectively to arrive at the depreciation rate, which we have then adopted in our working whilst deriving the market value.





11.0 OPINION OF VALUE

For the purpose of this Report and Valuation, we have been instructed by the client to value the subject property on an 'As is basis' taking into consideration the land and building component values on its ongoing use as an industrial premises. As such, we have not assessed the market value of the subject property on a basis of redevelopment.

After due considerations of all relevant factors, we are of the opinion that the **Market Value** of the 99 years leasehold interest having an unexpired term of 44 years and 46 years in the subject property in its existing condition, free from all encumbrances and with the benefit of vacant possession is **RM262,500,000** (Ringgit Malaysia Two Hundred Sixty Two Million and Five Hundred Thousand Only).

Arbitrarily, the land and building value components can be summarised as follows:-

- Land Value** : RM216,800,000/- (Ringgit Malaysia Two Hundred Sixteen Million and Eight Hundred Thousand Only)
- Building Value** : RM45,700,000/- (Ringgit Malaysia Forty Five Million And Seven Hundred Thousand Only)

Yours faithfully,
For and on behalf of
DTZ NAWAWI TIE LEUNG
PROPERTY CONSULTANTS SDN BHD

Sr DANIEL MA JEN YI, MRISM MRICS
Registered Valuer (V-759)



**BRITISH AMERICAN
TOBACCO
MALAYSIA**

BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD

(Company No. 4372-M)

(Incorporated in Malaysia under the Companies Act, 1965)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of British American Tobacco (Malaysia) Berhad (“**BATM**” or “**Company**”) will be held at Ballroom 3, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 6 September 2016 at 10.30 a.m. or any adjournment thereof, for the purpose of considering and if thought fit, passing with or without any modification the following ordinary resolution:

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”)

“**THAT**, subject to all relevant approvals being obtained from the relevant authorities and/or relevant parties, approval be and is hereby given for Tobacco Importers and Manufacturers Sdn Berhad, a wholly-owned subsidiary of the Company to dispose of the Property, upon the terms and subject to the conditions stipulated in the conditional Sale and Purchase Agreement dated 7 June 2016 (“**SPA**”) entered into between TIM and LGB Properties (M) Sdn Bhd (formerly known as Outto Build Sdn Bhd) and to give effect to the Tenancy Agreement dated 7 June 2016.

THAT, the proceeds arising from the Proposed Disposal be utilised for the purposes as set out in Section 2.10 of the circular to shareholders dated 17 August 2016 and that the Board be authorised with full powers to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board may deem fit, necessary and/or expedient in the best interest of the Company.

AND THAT the Board be and is hereby authorised to do all such acts and things and to execute all necessary documents to give full effect to and complete the Proposed Disposal with full power to assent to or make any modifications, variations and/or amendments as may be required by the relevant authorities or as may be deemed necessary by the Board and to take all steps and actions as

may be required by the relevant authorities or as the Board may deem necessary and expedient to finalise, implement and give full effect to and complete the Proposed Disposal.”

BY ORDER OF THE BOARD

DAVID CHIAM JOY YEOW (LS0009734)

Company Secretary

Petaling Jaya

17 August 2016

Notes:

1. *Only members whose names appear in the Record of Depositors as at 24 August 2016 shall be eligible to attend the EGM or appoint proxy(ies) to attend and vote on his/her behalf. A proxy need not be a member and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A member entitled to attend and vote at the EGM is entitled to appoint not more than two (2) proxies to attend and vote on his/her behalf. Where a member appoints two (2) proxies, the appointment shall be invalid unless the percentage of the shareholding to be represented by each person is specified.*
2. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“Omnibus Account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act.*
3. *The instrument appointing a proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.*
4. *If there is no indication as to how a member wishes his/her vote to be cast, the proxy will vote or abstain from voting at his/her discretion. In the event a member duly executes the Form of Proxy but does not name any proxy, such member shall be deemed to have appointed the Chairman of the meeting as his/her proxy.*
5. *The original Form of Proxy must be duly executed and deposited at the 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 forty-eight (48) hours before the time set for holding of the EGM or any adjourned meeting thereof.*
6. *Registration of members/proxies attending the EGM will commence at 8.30a.m. and will close at 10.30 a.m. sharp. Members/proxies are required to produce identification documents for registration. **Please be informed that no food will be served before and after the EGM.***

FORM OF PROXY



**BRITISH AMERICAN
TOBACCO
MALAYSIA**

BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD
(Company No. 4372-M)
(Incorporated in Malaysia)

CDS ACCOUNT NO.	
NO. OF SHARES HELD	

I/We _____ NRIC/Passport/Co. No.:

(Name as per NRIC/Passport/Certificate of Incorporation in Capital Letters)

of _____
(Full address)

being a member/members of **BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD**, do hereby appoint _____ NRIC/Passport No.:

(Name as per NRIC/Passport in Capital Letters)

of _____
(Full address)

or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us and on my/our behalf at the Extraordinary General Meeting of the Company to be held at Ballroom 3, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 6 September 2016 at 10.30 a.m., and at any adjournment thereof.

My/our proxy/proxies shall vote as follows:

(Please indicate with an "X" in the space provided below how you wish your vote to be cast on the resolution specified in the notice of meeting. If you do not do so, your proxy/proxies will vote or abstain from voting as he/she may think fit.)

ORDINARY RESOLUTION	FOR	AGAINST
PROPOSED DISPOSAL		

Dated this _____ day of _____ 2016

Signature(s) of Member(s)/Common Seal

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	No. of Shares	Percentage (%)
Proxy 1		
Proxy 2		
Total		100



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THE SHARE REGISTRAR OF

BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD (4372-M)

c/o **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
Wilayah Persekutuan, Malaysia

AFFIX
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