



FINANCIAL

statements



Directors' Report	183
Significant Accounting Policies	188
Income Statements	193
Balance Sheets	194
Consolidated Statement of Changes in Equity	195
Statement of Changes in Equity	196
Cash Flow Statements	197
Notes to the Financial Statements	198
Statement by Directors	229
Statutory Declaration	229
Report of the Auditors	230
General Information	231

Directors' Report for the year ended 31 December 2001

TELEKOM MALAYSIA BERHAD

- The Directors have pleasure in submitting their annual report and the audited financial statements of the Group and of the Company for the year ended 31 December 2001.

PRINCIPAL ACTIVITIES

- The principal activities of the Company during the year are the establishment, maintenance and provision of telecommunication and related services under the licence issued by the Minister of Energy, Communications and Multimedia. The principal activities of the subsidiary companies are set out in note 17 to the financial statements. There have been no significant change in the nature of these activities during the year.

RESULTS

- The results of the operations of the Group and of the Company for the year are as follows:

	The Group RM million	The Company RM million
Profit after taxation	1,835.8	858.6
Minority interest	(23.9)	—
Profit for the year attributable to shareholders	1,811.9	858.6

- In the opinion of the Directors, the results of the operations of the Group and of the Company during the year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

- Since the end of previous year, the dividends paid, declared or proposed by the Company are as follows:

	RM million
(a) In respect of the year ended 31 December 2000, as proposed in the Directors' Report for that year, a final gross dividend of 10.0 sen per share less tax of 28% was paid on 15 June 2001:	
– as provided in the financial statements for the year ended 31 December 2000	223.2
– over-provision	(0.8)
	222.4
(b) In respect of the year ended 31 December 2001,	
– a proposed final gross dividend of 10.0 sen per share less tax of 28%	228.8
– a proposed special gross dividend of 5.0 sen per share less tax of 28%	114.4
	343.2

Directors' Report for the year ended 31 December 2001

T E L E K O M M A L A Y S I A B E R H A D

EMPLOYEES' SHARE OPTION SCHEME (ESOS)

6. The existing Employees' Share Option Scheme (ESOS 2) of the Company was approved by the shareholders at an Extraordinary General Meeting held on 28 March 1997. On 6 October 1997, options to subscribe for 2,782,000 and 217,704,000 ordinary shares of RM1 each at the exercise price of RM7.80 and RM10.50 per share respectively were granted to eligible Executives and Non-Executives (referred to as ESOS 2, phase 1). The unexercised options with exercise price of RM7.80 per share has lapsed in November 1999.

On 31 July 2001, options to subscribe for 89,536,000 ordinary shares of RM1 each under ESOS 2 were granted to eligible Executives and Non-Executives at an exercise price of RM8.53 per share (referred to as ESOS 2, phase 2).

The principle features of ESOS 2 are as follows:

- (a) The eligibility for participation in ESOS is at the discretion of the Option Committee as appointed by the Board of Directors.
- (b) The total number of shares to be offered shall not exceed 10% of the issued share capital of the Company.
- (c) No option shall be granted for less than 1,000 shares nor more than 330,000 shares unless so adjusted pursuant to item (e) below.
- (d) The subscription price of each RM1 share shall be the average of the middle market quotation of the shares as shown in the daily official list issued by the Kuala Lumpur Stock Exchange for the five (5) trading days preceding the date of offer with a 10% discount.
- (e) In the event of any alteration in capital structure of the Company during the option period which expires on 15 April 2002, such corresponding alterations shall be made in:
 - (i) the number of new shares in relation to ESOS so far as unexercised;
 - (ii) and/or the subscription price.

As at 31 December 2001, options to subscribe for 127,080,000 and 74,827,000 ordinary shares of RM1 each at the option price of RM10.50 and RM8.53 per share respectively under ESOS 2 remained unexercised. These options remain in force until 15 April 2002. These options granted do not confer any right to participate in any share issue of any other company.

SHARE CAPITAL

7. During the year, the issued and fully paid-up share capital of the Company was increased by the issuance of 1,520,500 and 14,656,000 ordinary shares of RM1 each at the option price of RM10.50 and RM8.53 per share respectively for cash under ESOS 2. These shares rank "pari-passu" in all respects with the existing issued ordinary shares of the Company.

CONVERTIBLE BONDS

8. As at 31 December 2001, the Company has USD359.9 million Convertible Bonds due 2004 outstanding. These Bonds are convertible into fully paid ordinary shares of RM1 each of the Company at an initial conversion price of RM15.60 per ordinary share and with a fixed rate of exchange upon conversion of RM2.5553 equals USD1, on or after 3 November 1994 up to and including 26 September 2004. The Bonds if not converted, will be redeemed on 3 October 2004 at their principal amount. The Bonds may also be redeemed by the Company at anytime on or after 21 October 1999 at their principal amount, plus accrued interest.

MOVEMENTS ON RESERVES AND PROVISIONS

9. All material transfers to or from reserves or provisions during the year have been disclosed in the financial statements.



OTHER STATUTORY INFORMATION

10. Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps to:
- (a) ascertain that actions had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (b) ensure that any current assets which were unlikely to be realised at their book value in the ordinary course of business had been written down to their expected realisable values.
11. At the date of this report, the Directors are not aware of any circumstances which:
- (a) would render the amounts written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent or the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
 - (b) have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
12. In the interval between the end of the year and the date of this report:
- (a) no items, transactions or other events of material and unusual nature has arisen which, in the opinion of the Directors, would substantially affect the results of the operations of the Group and of the Company for the year in which this report is made; and
 - (b) no charge has arisen on the assets of any company in the Group which secures the liability of any other person nor has any contingent liability arisen in any company in the Group.
13. No contingent or other liability of any company in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the year which, in the opinion of the Directors, will or may affect the ability of the Group or the Company to meet their obligations when they fall due.
14. At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and the Company which would render any amount stated in the financial statements misleading.

DIRECTORS

15. The Directors in office since the date of the last report are as follows:

Directors

Dato' Ir. Muhammad Radzi bin Haji Mansor
Dato' Dr. Md Khir bin Abdul Rahman
Dato' Dr. Abdul Rahim bin Haji Daud
Dato' Abdul Majid bin Haji Hussein
Dato' Dr. Halim bin Shafie
Y.B. Tuan Joseph Salang Gandum
Dato' Dr. Mohd Munir bin Abdul Majid
Y.B. Dato' Ir. Haji Mohd Zin bin Mohamed
Ir. Prabahar N. K. Singam
Lim Kheng Guan
Rosli bin Man
Tan Poh Keat

Alternate Directors

Mohammad Zanudin bin Ahmad Rasidi
Suriah binti Abd Rahman

Directors' Report for the year ended 31 December 2001

TELEKOM MALAYSIA BERHAD

DIRECTORS (Continued)

16. In accordance with Article 103 of the Company's Articles of Association, the following Directors retire from the Board at the Seventeenth Annual General Meeting and being eligible offers themselves for re-election:

Y.B. Tuan Joseph Salang Gandum
 Dato' Dr. Mohd Munir bin Abdul Majid
 Y.B. Dato' Ir. Haji Mohd Zin bin Mohamed

DIRECTORS' INTEREST

17. In accordance with the Register of Directors' Shareholdings, interest in shares and options over shares in the Company during the year of the Directors who held office at the end of the year are as follows:

	Number of ordinary shares of RM1 each			Balance at 31.12.2001
	Balance at 1.1.2001	Bought	Sold	
Dato' Ir. Muhammad Radzi bin Haji Mansor				
– Direct	123,500	—	—	123,500
Dato' Dr. Abdul Rahim bin Haji Daud				
– Direct	12,000	—	—	12,000
Y.B. Tuan Joseph Salang Gandum				
– Direct	15,000	—	—	15,000
– Indirect (shares held by spouse)	1,500	—	—	1,500
Tan Poh Keat				
– Direct	15,000	—	—	15,000
Dato' Dr. Md Khir bin Abdul Rahman				
– Direct	—	200,000*	—	200,000

* Options exercised during the year

	Number of options over ordinary shares of RM1 each			Balance at 31.12.2001
	Balance at 1.1.2001	Granted	Exercised	
Dato' Dr. Md Khir bin Abdul Rahman	—	200,000	200,000	—
Dato' Dr. Abdul Rahim bin Haji Daud	—	130,000	—	130,000

18. In accordance with the Register of Directors' Shareholdings, none of the other Directors have any direct or indirect interests in the shares in the Company and its related corporations during the year. None of the Directors of the Company who held office at the end of the year have interests in the shares of subsidiary companies.



DIRECTORS' BENEFITS

19. Since the end of the previous year, none of the Directors have received or become entitled to receive any benefit (except for the Directors' fees, remuneration and other emoluments as disclosed in note 3 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest and any benefit that may deemed to have been received by certain Directors in respect of the contracts referred to in note 30 to the financial statements.
20. Neither during nor at the end of the year was the Company or any of its related corporations, a party to any arrangement with the object(s) of enabling the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate, other than options granted to the Directors pursuant to ESOS 2.

AUDITORS

21. The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

In accordance with a resolution of the Board of Directors dated 26 February 2002.

DATO' IR. MUHAMMAD RADZI BIN HAJI MANSOR

Chairman

DATO' DR. MD KHIR BIN ABDUL RAHMAN

Chief Executive

Significant Accounting Policies for the year ended 31 December 2001

T E L E K O M M A L A Y S I A B E R H A D

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as disclosed in the Significant Accounting Policies below.

The financial statements comply with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

2. BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the year. Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiary companies are consolidated using the acquisition method of accounting whereby the results of the subsidiary companies acquired or disposed during the year are included in the Consolidated Income Statement from the date of their acquisition or up to the date of their disposal. Inter-company transactions and balances are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiary companies to ensure consistency with the Group's accounting policies.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made of minority interest.

3. ASSOCIATED COMPANIES

Associated companies are companies in which the Group exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associated companies but not control over those policies.

The Group's share of profits less losses of associated companies is included in the Consolidated Income Statement, and the Group's share of post-acquisition retained earnings and reserves are added to the carrying value of investments in the Consolidated Balance Sheet. These amounts are taken from the audited financial statements made up to a date which is not more than six months before the date of the Company's financial statements, or management financial statements made up to the date of the Company's financial statements if audited financial statements are not available, for each of the companies concerned. Appropriate adjustments are made to the associated companies' financial statements to take into account any deviation from the Group's accounting policies.



4. GOODWILL

Goodwill represents the excess of the purchase price over the Group's share of the fair value of the separable net assets of subsidiary and associated companies at the date of acquisition. Goodwill is written off against reserves in the year of acquisition.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

(i) Cost

Cost of telecommunication network comprises expenditure up to and including the last distribution point before customers' premises and includes contractors' charges, materials, direct labour and related overheads. The cost of other property, plant and equipment comprises their purchase cost and any incidental cost of acquisition.

(ii) Depreciation

Freehold land is not depreciated as it has an infinite life. Leasehold land is amortised over the periods of the respective leases. Long term leasehold land has an unexpired lease period of 50 years and above. Other property, plant and equipment are depreciated on a straight line basis from the time they are available for use so as to write off their cost over their estimated useful lives.

The estimated useful lives in years assigned to other property, plant and equipment are as follows:

Telecommunication network	3 – 20
Movable plant and equipment	5 – 8
Computer support systems	3 – 5
Buildings	5 – 40

Depreciation on property, plant and equipment under construction commences when the property, plant and equipment are ready for their intended use.

In the case of other land mentioned in note 16(a) to the financial statements, pending finalisation with the relevant authorities as to their tenure, amortisation is provided at an estimated amount of RM0.3 million per annum.

(iii) Impairment

Where an indication of impairment exist, the carrying amount of property, plant and equipment are assessed and written down immediately to its recoverable amount.

(iv) Gains or losses on disposal are determined by comparing proceeds with carrying amount and are included in Income Statement.

6. FINANCE COST

Cost incurred in connection with financing the construction and installation of property, plant and equipment is capitalised until the property, plant and equipment are ready for their intended use. All other finance cost is charged out to the Income Statement.

Significant Accounting Policies for the year ended 31 December 2001

T E L E K O M M A L A Y S I A B E R H A D

7. INCOME RECOGNITION

Operating income represents revenue earned from the sale of products and services net of returns, duties, sales discounts and sales taxes paid, and after eliminating income within the Group. Operating income is recognised or accrued at the time of the provision of the products or services.

Dividend income from investment in subsidiary companies, associated companies and other investments is recognised when a right to receive payment is established.

Interest income includes interest from deposits with licensed banks, finance companies and other financial institutions and is recognised on an accrual basis.

8. INVENTORIES

Inventories comprise mainly items held for capital projects and maintenance. Inventories are stated at lower of cost and net realisable value. Cost is determined on a weighted average basis. In arriving at the net realisable value, due allowance is made for all obsolete and slow moving items.

9. TRADE RECEIVABLES

Bad debts are written off and specific allowances are made for trade receivables considered to be doubtful of collection. In addition, a general allowance based on a percentage of trade receivables is made to cover possible losses which are not specifically identified.

10. INVESTMENTS

Investments in subsidiary and associated companies, International Satellite Organisations and other unquoted shares are stated at cost less allowances for permanent diminution in value. Such allowances for permanent diminution in value is recognised as an expense in the period in which the diminution is identified.

Investments in shares quoted on the Kuala Lumpur Stock Exchange are stated at the lower of cost and market value, determined on an aggregate portfolio basis by category of investment. Cost is derived at on the weighted average basis. Market value is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date. Increase/decrease in the carrying amount of marketable securities are credited/charged to the Income Statement.

11. OPERATING LEASES

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on the straight line basis over the lease period.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.



12. DEFERRED TAXATION

Provision is made for deferred taxation, using the liability method, on all material timing differences except where it is considered reasonably probable that the tax effect of such deferrals will continue in the foreseeable future.

13. BONDS, NOTES AND DEBENTURES

Bonds, notes and debentures, issued by the Company are stated at the net proceeds received on issue. The finance costs which represent the difference between the net proceeds and the total amount of the payments of these borrowings are allocated to periods over the term of the borrowings at a constant rate on the carrying amount and are charged to the Income Statement.

For Convertible Bonds, the amount recognised in shareholders funds in respect of shares issued upon conversion will be the amount at which the liability for the Bonds is stated as at the date of conversion. The excess of the conversion amount over the nominal value of share is treated as share premium. No gain or loss will be recognised on conversion.

14. FINANCIAL DERIVATIVE HEDGING INSTRUMENTS

Financial derivative hedging instruments are used in the Company's risk management of foreign currency and interest rate exposures of its financial liabilities. Hedge accounting principles are applied for the accounting of the underlying exposures and their hedge instruments. The underlying foreign currency liabilities are translated at their respective hedged exchange rate, and differential interest receipts and payments arising from interest rate derivative instruments are accrued, so as to match the net differential with the related expenses on the hedged liabilities. No amounts are recognised in respect of future periods.

15. RETIREMENT BENEFIT

The Company had an approved retirement benefit trust fund in respect of the defined retirement benefits for eligible employees under the Telekom Malaysia Retirement Benefit Scheme ('Scheme'). The fund was valued every three years by a professionally qualified independent actuary who will also recommend the rates of contribution payable.

The cost of providing retirement benefits was charged to the Income Statement on a systematic basis, so as to be sufficient to meet the liability of the Scheme over the future working lives of the existing employees.

Significant Accounting Policies for the year ended 31 December 2001

TELEKOM MALAYSIA BERHAD

15. RETIREMENT BENEFIT (continued)

The Scheme was discontinued with effect from 31 December 2000. The total estimated retirement benefit liabilities over and above the value of assets held in the retirement benefit trust fund are provided for.

With effect from 1 January 2001, contributions towards retirement benefits are made through additional payment to the Employees Provident Fund and are charged to the Income Statement in the period in which they arise.

16. FOREIGN CURRENCY

Foreign currency transactions are accounted for at exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the balance sheet date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the Income Statement.

Income Statement of foreign subsidiary/associated companies are translated into Ringgit Malaysia at average exchange rates for the period and the Balance Sheets are translated at the closing rate of exchange prevailing at the balance sheet date. Exchange differences arising from the translation of the foreign subsidiary/associated companies financial statements are reflected in the Exchange Fluctuation Reserve. On disposal of the foreign subsidiary/associated companies, such translation differences are recognised in the Income Statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of foreign subsidiary/associated companies are translated at the exchange rate prevailing at the date of transaction.

All other exchange gains or losses are dealt with through the Income Statement.

The principal closing rates used in translation (units of Malaysian Ringgit per foreign currency) are as follows:

Foreign Currency	2001	2000	Foreign Currency	2001	2000
US Dollar	RM3.80000	RM3.80000	Thai Baht	RM0.08595	RM0.08721
Japanese Yen	RM0.02885	RM0.03316	Ghanaian Cedi	RM0.00054	RM0.00055
Deutsche Mark	RM1.73060	RM1.83825	Guinea Franc	RM0.00194	RM0.00202
Canadian Dollar	RM2.38650	RM2.53815	Malawi Kwacha	RM0.05735	RM0.04744
Pound Sterling	RM5.52558	RM5.67530	Sri Lanka Rupee	RM0.04093	RM0.04585
Bangladesh Taka	RM0.06702	RM0.07036	South African Rand	RM0.31746	RM0.50258

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and bank overdrafts. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

These accounting policies form an integral part of the financial statements set out on pages 193 to 228.



Income Statements for the year ended 31 December 2001

TELEKOM MALAYSIA BERHAD

All amounts are in millions unless otherwise stated	Note	The Group		The Company	
		2001 RM	2000 RM	2001 RM	2000 RM
OPERATING INCOME	2	9,673.2	8,815.7	7,907.8	7,676.4
OPERATING COSTS	3	(7,839.3)	(7,389.4)	(6,365.7)	(7,026.6)
OPERATING PROFIT		1,833.9	1,426.3	1,542.1	649.8
OTHER OPERATING INCOME	4	137.0	79.4	305.9	253.5
OPERATING PROFIT BEFORE FINANCE COST		1,970.9	1,505.7	1,848.0	903.3
NET FINANCE COST	5	(398.9)	(432.1)	(452.5)	(462.1)
ASSOCIATED COMPANIES					
– share of profits less losses		43.8	(20.2)	–	–
– profit on disposal		827.8	197.4	–	158.9
PROFIT BEFORE TAXATION		2,443.6	1,250.8	1,395.5	600.1
TAXATION					
– the Company and subsidiary companies	6	(569.3)	(506.9)	(536.9)	(472.1)
– share of taxation of associated companies	6	(38.5)	(46.1)	–	–
PROFIT AFTER TAXATION		1,835.8	697.8	858.6	128.0
MINORITY INTERESTS		(23.9)	7.4	–	–
PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS		1,811.9	705.2	858.6	128.0
EARNINGS PER SHARE (sen)					
– basic	7	58.6	22.9		
– diluted	7	58.4	22.7		
DIVIDENDS PER SHARE (sen)					
– final	8	10.0	10.0		
– special	8	5.0	–		

The above Income Statements are to be read in conjunction with the Significant Accounting Policies on pages 188 to 192 and the Notes to the Financial Statements on pages 198 to 228.

Report of the Auditors – Page 230.

Balance Sheets as at 31 December 2001

TELEKOM MALAYSIA BERHAD

All amounts are in millions unless otherwise stated	Note	The Group		The Company	
		2001 RM	2000 RM	2001 RM	2000 RM
SHARE CAPITAL	9	3,103.5	3,087.3	3,103.5	3,087.3
SHARE PREMIUM		2,065.0	1,940.3	2,065.0	1,940.3
RESERVES	10	9,655.4	8,394.9	11,452.1	10,935.9
TOTAL CAPITAL AND RESERVES		14,823.9	13,422.5	16,620.6	15,963.5
MINORITY INTERESTS		175.8	157.3	—	—
Convertible Bonds	11	1,358.2	1,354.8	1,358.2	1,354.8
Borrowings	12	5,349.8	6,209.1	5,493.0	6,251.4
Customers' deposits	13	690.2	676.5	614.3	613.0
Deferred taxation	14	26.9	15.3	—	—
Retirement benefits	15	318.7	276.7	317.4	275.7
DEFERRED AND LONG TERM LIABILITIES		7,743.8	8,532.4	7,782.9	8,494.9
		22,743.5	22,112.2	24,403.5	24,458.4
PROPERTY, PLANT AND EQUIPMENT	16	18,926.7	18,706.0	16,010.8	16,236.3
SUBSIDIARY COMPANIES	17	—	—	4,891.6	5,739.8
ASSOCIATED COMPANIES	18	1,066.5	1,259.7	22.0	44.6
INVESTMENTS	19	105.5	144.7	98.3	139.1
LONG TERM RECEIVABLES	20	657.8	640.9	657.0	640.9
Inventories	21	153.4	156.4	95.5	108.0
Trade and other receivables	22	3,735.6	3,977.3	3,535.2	3,606.9
Short term investments	23	222.5	166.2	222.5	166.2
Cash and cash equivalents	24	2,520.1	2,215.7	2,110.5	1,929.6
CURRENT ASSETS		6,631.6	6,515.6	5,963.7	5,810.7
Trade and other payables	25	3,268.5	3,165.4	2,249.9	2,387.6
Borrowings	12	366.7	872.1	4.6	667.1
Taxation		666.2	894.0	642.2	875.1
Proposed dividend		343.2	223.2	343.2	223.2
CURRENT LIABILITIES		4,644.6	5,154.7	3,239.9	4,153.0
NET CURRENT ASSETS		1,987.0	1,360.9	2,723.8	1,657.7
		22,743.5	22,112.2	24,403.5	24,458.4

The above Balance Sheets are to be read in conjunction with the Significant Accounting Policies on pages 188 to 192 and the Notes to the Financial Statements on pages 198 to 228.

Consolidated Statement of Changes in Equity for the year ended 31 December 2001

TELEKOM MALAYSIA BERHAD

All amounts are in millions unless otherwise stated	Note	Issued and Fully Paid of RM1 each		Non-distributable		Distributable	Total RM
		Special Share*/Ordinary Shares Number of Shares	Nominal Value RM	Share Premium RM	Exchange Fluctuation Reserve RM	Retained Profits	
						RM	
At 1 January 2000		3,028.2	3,028.2	1,378.3	(56.6)	8,093.4	12,443.3
Goodwill written-off							
– associated companies		–	–	–	–	(3.4)	(3.4)
Exchange Fluctuation Reserve		–	–	–	(117.6)	–	(117.6)
Net loss not recognised in income statement		–	–	–	(117.6)	(3.4)	(121.0)
Profit for the year		–	–	–	–	705.2	705.2
Dividends for year ended							
– 31.12.1999 (under provision)	8	–	–	–	–	(2.9)	(2.9)
– 31.12.2000	8	–	–	–	–	(223.2)	(223.2)
Issue of shares						(226.1)	(226.1)
– exercise of share options		59.1	59.1	562.0	–	–	621.1
At 31 December 2000		3,087.3	3,087.3	1,940.3	(174.2)	8,569.1	13,422.5
At 1 January 2001		3,087.3	3,087.3	1,940.3	(174.2)	8,569.1	13,422.5
Exchange Fluctuation Reserve		–	–	–	(209.0)	–	(209.0)
Net loss not recognised in income statement		–	–	–	(209.0)	–	(209.0)
Profit for the year		–	–	–	–	1,811.9	1,811.9
Dividends for year ended							
– 31.12.2000 (over provision)	8	–	–	–	–	0.8	0.8
– 31.12.2001	8	–	–	–	–	(343.2)	(343.2)
Issue of shares						(342.4)	(342.4)
– exercise of share options		16.2	16.2	124.7	–	–	140.9
At 31 December 2001		3,103.5	3,103.5	2,065.0	(383.2)	10,038.6	14,823.9

* Issued and fully paid shares include The Special Rights Redeemable Preference Share (Special Share) of RM1. Refer to note 9 to the financial statements for details of the terms and rights attached to Special Share.

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the Significant Accounting Policies on pages 188 to 192 and the Notes to the Financial Statements on pages 198 to 228.

Report of the Auditors – Page 230.

Statement of Changes in Equity for the year ended 31 December 2001

TELEKOM MALAYSIA BERHAD

All amounts are in millions unless otherwise stated	Issued and Fully Paid of RM1 each		Non-distributable	Distributable	Total RM	
	Special Share*/Ordinary Shares		Share Premium RM	Retained Profits RM		
	Note	Number of Shares				Nominal Value RM
At 1 January 2000		3,028.2	3,028.2	1,378.3	11,034.0	15,440.5
Profit for the year		—	—	—	128.0	128.0
Dividends for the year ended						
– 31.12.1999 (under provision)	8	—	—	—	(2.9)	(2.9)
– 31.12.2000	8	—	—	—	(223.2)	(223.2)
		—	—	—	(226.1)	(226.1)
Issue of shares						
– exercise of share options		59.1	59.1	562.0	—	621.1
At 31 December 2000		3,087.3	3,087.3	1,940.3	10,935.9	15,963.5
At 1 January 2001		3,087.3	3,087.3	1,940.3	10,935.9	15,963.5
Profit for the year		—	—	—	858.6	858.6
Dividends for the year ended						
– 31.12.2000 (over provision)	8	—	—	—	0.8	0.8
– 31.12.2001	8	—	—	—	(343.2)	(343.2)
		—	—	—	(342.4)	(342.4)
Issue of shares						
– exercise of share options		16.2	16.2	124.7	—	140.9
At 31 December 2001		3,103.5	3,103.5	2,065.0	11,452.1	16,620.6

* Issued and fully paid shares include The Special Rights Redeemable Preference Share (Special Share) of RM1. Refer to note 9 to the financial statements for details of the terms and rights attached to Special Share.

The above Statement of Changes in Equity is to be read in conjunction with the Significant Accounting Policies on pages 188 to 192 and the Notes to the Financial Statements on pages 198 to 228.

Report of the Auditors – Page 230.



Cash Flow Statements for the year ended 31 December 2001

TELEKOM MALAYSIA BERHAD

All amounts are in millions unless otherwise stated	Note	The Group		The Company	
		2001 RM	2000 RM	2001 RM	2000 RM
CASH FLOWS FROM OPERATING ACTIVITIES	26	3,283.2	2,964.9	2,749.2	2,907.0
CASH FLOWS USED IN INVESTING ACTIVITIES	27	(1,688.6)	(2,511.7)	(1,168.0)	(2,947.2)
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	28	(1,285.8)	732.0	(1,400.3)	1,073.5
NET INCREASE IN CASH AND CASH EQUIVALENTS		308.8	1,185.2	180.9	1,033.3
EFFECT OF EXCHANGE RATE CHANGES		(4.4)	(6.1)	—	—
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		2,215.7	1,036.6	1,929.6	896.3
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	24	2,520.1	2,215.7	2,110.5	1,929.6

The above Cash Flow Statements are to be read in conjunction with the Significant Accounting Policies on pages 188 to 192 and the Notes to the Financial Statements on pages 198 to 228.

Report of the Auditors – Page 230.

Notes to the Financial Statements for the year ended 31 December 2001

TELEKOM MALAYSIA BERHAD

All amounts are in millions unless otherwise stated

1. PRINCIPAL ACTIVITIES

The principal activities of the Company during the year are the establishment, maintenance and provision of telecommunication and related services under the licence issued by the Minister of Energy, Communications and Multimedia. The principal activities of the subsidiary companies are set out in note 17 to the financial statements. There have been no significant change in the nature of these activities during the year.

2. OPERATING INCOME

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Calls/Usage				
Business	2,866.8	2,888.8	2,767.2	2,692.2
Residential	2,027.7	1,955.7	1,984.6	1,927.2
Mobile	1,166.9	634.0	336.1	280.4
Sub Total	6,061.4	5,478.5	5,087.9	4,899.8
Rentals				
Business	513.3	474.5	517.1	494.1
Residential	745.6	759.9	744.0	758.3
Mobile	349.1	215.6	4.0	4.1
Sub Total	1,608.0	1,450.0	1,265.1	1,256.5
Others				
Business	81.7	84.9	93.2	79.3
Residential	84.3	70.4	84.0	70.4
Mobile	159.5	132.5	7.8	2.6
Sub Total	325.5	287.8	185.0	152.3
Total				
Business	3,461.8	3,448.2	3,377.5	3,265.6
Residential	2,857.6	2,786.0	2,812.6	2,755.9
Mobile	1,675.5	982.1	347.9	287.1
Total Telephone	7,994.9	7,216.3	6,538.0	6,308.6
Data services	809.6	820.4	1,008.0	1,086.2
Internet and Multimedia	153.3	98.8	144.9	95.7
Other telecommunication related services	297.8	234.0	216.9	185.9
Non-telecommunication related services	417.6	446.2	—	—
Total Non-Telephone	1,678.3	1,599.4	1,369.8	1,367.8
TOTAL OPERATING INCOME	9,673.2	8,815.7	7,907.8	7,676.4

Non-telecommunication related services are mainly from subsidiary companies with core business in consultancy, property management, education, printing and publication of telephone directories and others as disclosed in note 17 to the financial statements.

3. OPERATING COSTS

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Allowance for impairment losses of property, plant and equipment	84.3	304.0	—	—
Allowance for diminution in value of quoted investment	20.3	—	20.3	—
Allowance for diminution in value of investment in an International Satellite Organisation	12.6	77.7	12.6	77.7
Allowance for loans/advances to subsidiary companies	—	—	406.1	584.2
Bad and doubtful debts	869.5	486.4	423.1	294.2
Charges and commission	215.0	155.9	84.4	57.5
Depreciation of property, plant and equipment	2,377.6	2,480.9	2,087.2	2,155.4
Domestic and international outpayment	1,032.2	782.2	1,014.9	811.8
Investment in subsidiary companies written-down	—	—	—	457.1
Manpower	1,216.9	1,021.3	972.1	842.9
Maintenance	326.7	279.8	242.3	200.8
Net loss/(gain) on foreign exchange – Realised	1.7	(12.9)	(0.4)	(13.0)
Net gain on foreign exchange – Unrealised	(79.3)	(45.0)	(103.5)	(53.7)
Property, plant and equipment written-off	9.5	43.9	4.7	36.1
Rental of land and buildings	109.0	87.0	102.2	100.9
Rental expenses – Others	89.6	89.6	80.1	82.3
Rental of equipment	20.3	30.8	26.1	24.4
Retirement benefits (sub-note a)	60.9	162.0	60.2	160.7
Research and development (sub-note b)	—	—	24.3	—
Supplies and inventories	324.7	385.5	241.3	261.7
Trade receivables owing by subsidiary companies written-off	—	—	—	335.5
Utilities	167.9	151.6	137.8	131.6
Other operating costs	979.9	908.7	529.9	478.5
TOTAL OPERATING COSTS	7,839.3	7,389.4	6,365.7	7,026.6

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Other operating costs include:				
Audit fees				
– current year	1.1	1.1	0.4	0.4
– in respect of previous year	—	0.2	—	0.1
Directors of the Company				
– fees	0.3	0.3	0.2	0.3
– remuneration and other emoluments	0.9	0.5	0.8	0.5
Former Directors of the Company				
– fees	—	0.2	—	0.1
– remuneration and other emoluments	—	0.1	—	0.1
– ex-gratia	—	0.3	—	0.3

Notes to the Financial Statements for the year ended 31 December 2001

TELEKOM MALAYSIA BERHAD

3. OPERATING COSTS (continued)

- (a) The retirement benefit charge for the current year represents the difference in the total estimated retirement benefit liabilities over the value of assets held in the retirement benefit trust fund.
- (b) In year 2000, the research and development activities were carried out by a division of the Company. Therefore, the research and development cost of RM5.9 million were reflected in the respective category of operating costs. In the current year, the research and development cost was in the form of a grant to a wholly owned subsidiary company.
- (c) Estimated money value of benefits of Directors amounted to RM57,600 (2000: RM38,193) for the Group and Company. Estimated money value of benefits of a former Director amounted to RM Nil (2000: RM7,000) for the Group and Company.
- (d) Options granted to Executive Directors of the Company pursuant to Employees' Share Option Scheme (ESOS 2) during the year are as follows:

	Granted during the year ended 31.12.2001	Unexercised options at year end 31.12.2001
Dato' Dr. Md Khir bin Abdul Rahman	200,000	—
Dato' Dr. Abdul Rahim bin Haji Daud	130,000	130,000

The options were given to these Directors on the same terms and conditions as those offered to other employees of the Company (Note 9(c)).

4. OTHER OPERATING INCOME

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Rental income from buildings	6.0	7.5	14.4	21.2
Profit/(loss) on disposal of short term investments	(2.3)	2.2	(2.3)	2.2
Profit/(loss) on partial disposal of subsidiary companies	8.7	—	(1.5)	—
Sale of scrap stores	5.0	7.4	4.9	7.4
Profit on disposal of property, plant and equipment	26.0	—	27.5	—
Income from investment in International Satellite Organisations	5.4	10.6	5.4	10.6
Rental income from vehicles	1.2	0.2	3.2	3.8
Dividend income from subsidiary companies	—	—	34.7	15.2
Dividend income from quoted shares	2.6	1.5	2.3	1.5
Dividend income from unquoted shares	1.1	1.5	1.1	1.5
Interest from subsidiary companies	—	—	153.4	136.9
Others	83.3	48.5	62.8	53.2
TOTAL OTHER OPERATING INCOME	137.0	79.4	305.9	253.5

5. NET FINANCE COST

	2001			2000		
	Foreign RM	Domestic RM	Total RM	Foreign RM	Domestic RM	Total RM
Finance cost in respect of:						
Borrowings	335.7	161.4	497.1	322.8	164.1	486.9
Convertible Bonds	54.7	—	54.7	54.7	—	54.7
Others	—	—	—	2.9	8.1	11.0
Total finance cost	390.4	161.4	551.8	380.4	172.2	552.6
Interest income	—	(99.3)	(99.3)	—	(90.5)	(90.5)
NET FINANCE COST OF THE COMPANY	390.4	62.1	452.5	380.4	81.7	462.1
Finance cost of subsidiary companies	5.9	(50.4)	(44.5)	8.3	(25.1)	(16.8)
Interest income of subsidiary companies	(0.8)	(8.3)	(9.1)	(7.2)	(6.0)	(13.2)
TOTAL NET FINANCE COST OF THE GROUP	395.5	3.4	398.9	381.5	50.6	432.1

6. TAXATION

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
The taxation charge for the Group and Company comprise:				
Malaysia				
Current year taxation	551.8	488.5	536.9	472.1
In respect of prior year	0.1	0.9	—	—
Deferred taxation	2.5	5.4	—	—
	554.4	494.8	536.9	472.1
Overseas				
Current year taxation	5.9	12.1	—	—
In respect of prior year	(0.4)	—	—	—
Deferred taxation	9.4	—	—	—
	14.9	12.1	—	—
Share of taxation of associated companies	569.3	506.9	536.9	472.1
	38.5	46.1	—	—
TOTAL TAXATION	607.8	553.0	536.9	472.1

Notes to the Financial Statements for the year ended 31 December 2001

T E L E K O M M A L A Y S I A B E R H A D

6. TAXATION (continued)

The effective rate of taxation for the Company is higher than the statutory rate principally due to non-tax deductible expenses.

The effective rate of taxation for the Group is lower than the statutory rate principally due to profit on disposal of an associated company which was not taxable.

7. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	The Group	
	2001	2000
Net profit attributable to shareholders (RM million)	1,811.9	705.2
Weighted average number of ordinary shares in issue (million)	3,091.6	3,072.9
Basic earnings per share (sen)	58.6	22.9

(b) Diluted earnings per share

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. For this purpose, the Convertible Eurobonds due 2004 and ESOS 2, Phase 1 are not included as they are non-dilutive potential ordinary shares for financial year ended 31 December 2001. They are deemed non-dilutive since the respective exercise price is higher than the fair value of the Company's share for the financial year ended 31 December 2001.

For ESOS 2, Phase 2, a calculation is done to determine the number of shares that could have been acquired at market price (determined as the average annual share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. This calculation serves to determine the unexercised shares to be added to the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to net profit attributable to shareholders for the share options calculation.

For details of the Employees' Share Option Scheme, please refer to note 9(c) to the financial statements.

	The Group	
	2001	2000
Net profit attributable to shareholders (RM million)	1,811.9	705.2
Weighted average number of ordinary shares in issue (million)	3,091.6	3,072.9
Adjustment for ESOS 2, Phase 2 (2000: ESOS 2, Phase 1) (million)	11.3	30.7
Weighted average number of ordinary shares for diluted earnings per share (million)	3,102.9	3,103.6
Diluted earnings per share (sen)	58.4	22.7



8. DIVIDENDS

	The Company	
	2001 RM	2000 RM
Proposed final gross dividend of 10.0 sen per share less tax of 28% (2000: 10.0 sen per share less tax of 28%)	228.8	223.2
Proposed special gross dividend of 5.0 sen per share less tax of 28% (2000: Nil)	114.4	—
Dividend (over)/under provided in respect of prior year	(0.8)	2.9
TOTAL DIVIDENDS	342.4	226.1

9. SHARE CAPITAL

	The Company	
	2001 RM	2000 RM
Authorised:		
Ordinary shares of RM1 each	5,000.0	5,000.0
Special share of RM1 (sub-note a)	—	—
Issued and fully paid:		
Ordinary shares of RM1 each	3,103.5	3,087.3
Special share of RM1 (sub-note a)	—	—
TOTAL ISSUED AND FULLY PAID-UP SHARE CAPITAL	3,103.5	3,087.3

- (a) The Special Rights Redeemable Preference Share (Special Share) of RM1 would enable the Government through the Minister of Finance to ensure that certain major decisions affecting the operations of the Company are consistent with the Government's policy. The Special Shareholder, which may only be the Government or any representative or person acting on its behalf, is entitled to receive notices of meetings but does not carry any right to vote at such meetings of the Company. However, the Special Shareholder is entitled to attend and speak at such meetings.

Certain matters, in particular, the alteration of the Articles of Association of the Company relating to the rights of the Special Shareholder, the dissolution of the Company, any substantial acquisitions and disposal of assets, amalgamation, merger and takeover, require the prior consent of the Special Shareholder.

The Special Shareholder has the right to require the Company to redeem the Special Share at par at any time. In a distribution of capital in a winding-up of the Company, the Special Shareholder is entitled to the repayment of the capital paid-up on the Special Share in priority to any repayment of capital to any other member. The Special Share does not confer any right to participate in the capital or profits of the Company.

- (b) During the year, the issued and fully paid-up share capital of the Company was increased by the issuance of 1,520,500 and 14,656,000 ordinary shares of RM1 each at the option price of RM10.50 and RM8.53 per share respectively for cash under ESOS 2. These shares rank "pari-passu" in all respects with the existing issued ordinary shares of the Company.

Notes to the Financial Statements for the year ended 31 December 2001

TELEKOM MALAYSIA BERHAD

9. SHARE CAPITAL (continued)

(c) ESOS

The existing Employees' Share Option Scheme (ESOS 2) of the Company was approved by the shareholders at an Extraordinary General Meeting held on 28 March 1997. On 6 October 1997, options to subscribe for 2,782,000 and 217,704,000 ordinary shares of RM1 each at the exercise price of RM7.80 and RM10.50 per share respectively were granted to eligible Executives and Non-Executives (referred to as ESOS 2, phase 1). The unexercised options with exercise price of RM7.80 per share has lapsed in November 1999.

On 31 July 2001, options to subscribe for 89,536,000 ordinary shares of RM1 each under ESOS 2 were granted to eligible Executives and Non-Executives at an exercise price of RM8.53 per share (referred to as ESOS 2, phase 2).

The principal features of ESOS 2 are summarised in paragraph 6 of the Directors' Report.

The movement during the year in the number of options over the shares of the Company are as follows:

	Phase 2		Phase 1	
	2001	2001	2001	2000
	Million	Million	Million	Million
The Company				
At 1 January	—	128.6	—	190.9
Offered	89.5	—	—	—
Exercised	(14.7)	(1.5)	—	(59.1)
Lapsed	—	—	—	(3.2)
At 31 December	74.8	127.1	—	128.6

At 31 December 2001, options to subscribe for 127,080,000 and 74,827,000 ordinary shares of RM1 each at the option price of RM10.50 and RM8.53 per share respectively under ESOS 2 remained unexercised. These options remains in force until 15 April 2002. These options granted do not confer any right to participate in any share issue of any other company.

10. RESERVES

	The Group		The Company	
	2001	2000	2001	2000
	RM	RM	RM	RM
Retained Profits	10,038.6	8,569.1	11,452.1	10,935.9
Exchange Fluctuation Reserves arising from translation of foreign subsidiary/associated companies	(383.2)	(174.2)	—	—
TOTAL RESERVES	9,655.4	8,394.9	11,452.1	10,935.9

Subject to agreement with the Inland Revenue Board, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt income under Section 8 of the Income Tax (Amendment) Act 1999 at 31 December 2001 to frank the payment of net dividends of approximately RM8,422.1 million (2000: RM7,411.6 million) out of total distributable reserves of RM11,452.1 million (2000: RM10,935.9 million) without incurring additional taxation.

11. CONVERTIBLE BONDS

- (a) Convertible Bonds represent USD359.9 million (2000: USD359.9 million) Convertible Eurobonds due 2004.
- (b) The principle features of the Eurobonds are as follows:
- (i) Unless previously redeemed or purchased and cancelled, the Bonds are convertible on or after 3 November 1994 up to and including 26 September 2004 into fully paid ordinary shares of RM1 each of the Company at an initial conversion price of RM15.60 per ordinary share and with a fixed rate of exchange on conversion of RM2.5553 equals USD1.
 - (ii) Unless previously redeemed, purchased and cancelled or converted, each Bond will be redeemed on 3 October 2004 at its principal amount together with accrued interest. The Bonds may also be redeemed, in whole or in part, by the Company at any time on or after 21 October 1999 at their principal amount, plus accrued interest.
 - (iii) The Bonds bear interest rate of 4% per annum payable semi-annually in arrears in equal installments on 31 March and 30 September in each year during the tenure and on the date of maturity. Any Bonds converted will cease to carry interest as from the last interest payment date immediately preceding the date of conversion.
 - (iv) The Bonds constitute, subject to the negative pledge, unsecured obligations of the Company.
- (c) None of the remaining Bonds have been redeemed, purchased or cancelled during the financial year.

12. BORROWINGS

	2001				2000			
	Weighted Average Rate of Finance	Long Term RM	Short Term RM	Total RM	Weighted Average Rate of Finance	Long Term RM	Short Term RM	Total RM
THE GROUP								
DOMESTIC								
Secured								
– Cagamas Loans (sub-note a)	6.65%	100.4	2.7	103.1	6.69%	238.5	9.4	247.9
– Borrowings under Islamic Banking facilities	–	–	–	–	11.66%	18.6	41.1	59.7
	6.65%	100.4	2.7	103.1	7.66%	257.1	50.5	307.6
Unsecured								
– Borrowings from financial institutions	4.42%	686.4	349.3	1,035.7	4.29%	817.3	350.6	1,167.9
– Borrowings under Islamic Banking facilities	5.69%	489.0	6.6	495.6	4.50%	–	7.2	7.2
– Other borrowings	–	–	–	–	7.87%	400.0	455.5	855.5
	4.83%	1,175.4	355.9	1,531.3	5.80%	1,217.3	813.3	2,030.6
Total Domestic	4.95%	1,275.8	358.6	1,634.4	6.04%	1,474.4	863.8	2,338.2

Notes to the Financial Statements for the year ended 31 December 2001

TELEKOM MALAYSIA BERHAD

12. BORROWINGS (continued)

	2001				2000			
	Weighted Average Rate of Finance	Long Term RM	Short Term RM	Total RM	Weighted Average Rate of Finance	Long Term RM	Short Term RM	Total RM
THE GROUP								
FOREIGN								
Secured								
– Borrowings from financial institutions (sub-note b)	6.54%	67.7	–	67.7	6.57%	61.6	–	61.6
– Other borrowings (sub-note b)	3.83%	8.4	6.2	14.6	4.20%	14.4	6.1	20.5
	6.06%	76.1	6.2	82.3	5.98%	76.0	6.1	82.1
Unsecured								
– Notes and Debentures (sub-note c)	7.32%	2,623.0	–	2,623.0	7.45%	3,031.8	–	3,031.8
– Borrowings from financial institutions	5.48%	1,343.1	–	1,343.1	8.29%	1,375.8	–	1,375.8
– Borrowings under Islamic Banking facilities	–	–	–	–	8.60%	228.0	–	228.0
– Other borrowings	5.26%	31.8	1.9	33.7	2.76%	23.1	2.2	25.3
	6.69%	3,997.9	1.9	3,999.8	7.73%	4,658.7	2.2	4,660.9
Total Foreign	6.67%	4,074.0	8.1	4,082.1	7.70%	4,734.7	8.3	4,743.0
TOTAL BORROWINGS	6.18%	5,349.8	366.7	5,716.5	7.15%	6,209.1	872.1	7,081.2

	2001			2000		
	Domestic RM	Foreign RM	Total RM	Domestic RM	Foreign RM	Total RM
The Group's long term borrowings are repayable as follows:						
After one year and up to five years	467.5	1,627.1	2,094.6	808.9	1,835.2	2,644.1
After five years and up to ten years	284.5	1,702.8	1,987.3	114.1	2,154.4	2,268.5
After ten years and up to fifteen years	–	1.5	1.5	27.6	2.5	30.1
After fifteen years (sub-note d)	523.8	742.6	1,266.4	523.8	742.6	1,266.4
	1,275.8	4,074.0	5,349.8	1,474.4	4,734.7	6,209.1



12. BORROWINGS (continued)

	2001				2000			
	Weighted Average Rate of Finance	Long Term RM	Short Term RM	Total RM	Weighted Average Rate of Finance	Long Term RM	Short Term RM	Total RM
THE COMPANY								
DOMESTIC								
Secured								
– Cagamas Loans (sub-note a)	6.65%	100.4	2.7	103.1	6.69%	238.5	9.4	247.9
	6.65%	100.4	2.7	103.1	6.69%	238.5	9.4	247.9
Unsecured								
– Borrowings from financial institutions	8.00%	1,000.0	–	1,000.0	7.30%	1,000.0	200.0	1,200.0
– Borrowings under Islamic Banking facilities	5.72%	489.0	–	489.0	–	–	–	–
– Other borrowings	–	–	–	–	7.87%	400.0	455.5	855.5
	7.25%	1,489.0	–	1,489.0	7.54%	1,400.0	655.5	2,055.5
Total Domestic	7.21%	1,589.4	2.7	1,592.1	7.45%	1,638.5	664.9	2,303.4
FOREIGN								
Unsecured								
– Notes and Debentures (sub-note c)	7.32%	2,623.0	–	2,623.0	7.45%	3,031.8	–	3,031.8
– Borrowings from financial institutions	5.70%	1,261.2	–	1,261.2	8.48%	1,330.0	–	1,330.0
– Borrowings under Islamic Banking facilities	–	–	–	–	8.59%	228.0	–	228.0
– Other borrowings	2.65%	19.4	1.9	21.3	2.76%	23.1	2.2	25.3
Total Foreign	6.77%	3,903.6	1.9	3,905.5	7.77%	4,612.9	2.2	4,615.1
TOTAL BORROWINGS	6.90%	5,493.0	4.6	5,497.6	7.67%	6,251.4	667.1	6,918.5

Notes to the Financial Statements for the year ended 31 December 2001

TELEKOM MALAYSIA BERHAD

12. BORROWINGS (continued)

	Domestic RM	2001 Foreign RM	Total RM	Domestic RM	2000 Foreign RM	Total RM
THE COMPANY						
The Company's long term borrowings are repayable as follows:						
After one year and up to five years	304.9	1,510.3	1,815.2	496.8	1,768.0	2,264.8
After five years and up to ten years	284.5	1,649.2	1,933.7	114.1	2,099.8	2,213.9
After ten years and up to fifteen years	—	1.5	1.5	27.6	2.5	30.1
After fifteen years (sub-note d)	1,000.0	742.6	1,742.6	1,000.0	742.6	1,742.6
	1,589.4	3,903.6	5,493.0	1,638.5	4,612.9	6,251.4

- (a) This represents borrowings from Cagamas Berhad secured by way of assignment of the titles of properties relating to staff housing loans.
- (b) Secured by way of fixed and floating charge on property, plant and equipment of certain subsidiary companies (note 16 to the financial statements).
- (c) Consists of USD200.0 million 7.125% Notes due 2005, USD300.0 million 7.875% Debentures due 2025 and USD300.0 million 8.0% Guaranteed Notes due 2010. The 2000 comparative figure also included USD100.0 million Guaranteed Floating Rate Notes due 2006. This Guaranteed Floating Rate Notes with interest during the year ranging from 7.04% to 9.02% (2000: 8.21% to 9.02%) was prepaid in 2001.
- (d) The Group and the Company have the option to prepay the total domestic loan outstanding of RM523.8 million (2000: RM523.8 million) and RM1,000.0 million (2000: RM1,000.0 million) respectively in 2004.
- (e) **Long Dated Swap**

Underlying Liability

USD300.0 million 7.875% Debentures Due 2025

In 1998, the Company entered into a long dated swap, which will mature on 1 August 2025.

Hedging Instrument

The Company made a payment of USD5.0 million and is obliged to pay fixed amounts of JPY209.9 million semi-annually on each 1 February and 1 August, up to and including 1 August 2025.

Prior to 1 February 2004, the counter-party is not obliged to agree to any request by the Company to terminate the transaction. Commencing from 1 February 2004, the Company has the right to terminate the transaction at a rate mutually agreed with the counter-party. However, the Company intends to hold the contract to maturity.

On 1 August 2025, the Company will receive RM750.0 million from the counter-party. These proceeds will be swapped for USD300.0 million at a pre-determined exchange rate of RM2.5 to USD1.0, which will be used for the repayment of the USD300.0 million 7.875% redeemable unsecured Debentures. The effect of this transaction is to effectively build up a sinking fund with an assured value of USD300.0 million on 1 August 2025 for the repayment of the Debentures.

- (f) **Cross-currency Interest Rate Swap (CCIRS)**

Underlying Liability

USD200.0 million 7.125% Notes Due 2005

In 1995, the Company issued USD200.0 million 7.125% Notes due 2005. The Notes are redeemable in full on 1 August 2005.

12. BORROWINGS (continued)

(f) Cross-currency Interest Rate Swap (CCIRS) (continued)

Hedging Instrument

In 1999, the Company entered into a CCIRS, on a USD50.0 million tranche of the above Notes, for the period from 5 March 1999 to 1 August 2005. The effect of the transaction is to convert USD50.0 million of the fixed rate Notes to a fixed rate JPY liability of 1.25% per annum with a premium on redemption. The premium on the redemption of the JPY leg is dependant on the USD/JPY exchange rate on the date of maturity, nevertheless the final redemption amount is range bound between a minimum of JPY6,080.0 million plus coupon repayment of maximum JPY1,520.0 million.

The Company has recognised the maximum coupon repayment based on a constant rate of return over the life of the instrument with the assumption of the final redemption amount being the maximum amount payable. However, should the final redemption amount be less than that, there would be a write-back of any over-accrued amount.

(g) Cross-currency Interest Rate Swap (CCIRS)

Underlying Liability

USD350.0 million unsecured Syndicated Term Loan

In 1998, the Company entered into a 5-year USD350.0 million unsecured syndicated term loan, paying interest at floating rates, to mature on 11 May 2003. During the year ended 31 December 2000, the facility was refinanced into two tranches comprising USD200.0 million due on 30 June 2003 and USD150.0 million due on 29 June 2007.

Hedging Instrument

In 1998, the Company entered into an IRS agreement with notional principal of USD400.0 million that entitles it to receive interest at floating rate and obliges it to pay interest at fixed rate of 6.75% per annum.

The Company unwound USD200.0 million notional principal of the swap at zero cost by embedding an interest rate 'cap' of 7.25% per annum on the floating rate leg of the remaining USD200.0 million notional amount of the IRS. With the cap, the floating rate interest receivable from the counter-party has effectively been limited to a maximum rate of 7.25% per annum. The effect of this transaction is to fix the interest rate payable on USD200.0 million of the above USD loan, to 6.75% per annum as long as interest rates are below 7.25% per annum. If market interest rates exceed that level, the interest rate payable reverts to a floating rate. The swap was scheduled to mature on 14 January 2005.

On 26 July 2001, the Company restructured the existing USD200.0 million IRS into a USD150.0 million CCIRS. The restructured swap has the following new terms whereby, the Company will receive USD150.0 million in return for the payment of JPY17,324.0 million on maturity of the USD150.0 million tranche of the syndicated term loan on 29 June 2007. The restructured swap entitles the Company to receive floating interest at 6-month USD Libor, and obliges it to pay interest at 6-month USD Libor less 1.504% per annum. The net effect of the CCIRS is to convert the Company's USD150.0 million debt obligation into JPY at the principal exchange rate of JPY115.4933 at the maturity date of 29 June 2007.

The objective of this transaction is to effectively convert the USD liability into a JPY principal liability, and to reduce the interest payable on the USD150.0 million tranche of the syndicated term loan. The interest payable on the CCIRS is now a USD floating interest with a reduced margin, calculated on a notional principal of USD150.0 million.

13. CUSTOMERS' DEPOSITS

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Telephone	648.1	634.2	578.5	575.6
Data services	33.3	34.8	33.3	34.8
Others	8.8	7.5	2.5	2.6
TOTAL CUSTOMERS' DEPOSITS	690.2	676.5	614.3	613.0

Telephone customers' deposits are subjected to rebate at 5% per annum in accordance with Telephone Regulations, 1996.

Notes to the Financial Statements for the year ended 31 December 2001

TELEKOM MALAYSIA BERHAD

14. DEFERRED TAXATION

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
At 1 January	15.3	9.9	—	—
Transfer from Income Statement	11.9	5.4	—	—
Currency translation differences	(0.3)	—	—	—
At 31 December	26.9	15.3	—	—

The tax effect of timing differences which are expected to continue in the foreseeable future and not provided for at 31 December were:

	2001		2000	
	Arising in the current year RM	As at year end RM	Arising in the current year RM	As at year end RM
The Company				
Between depreciation and capital allowances	128.6	1,502.1	132.6	1,373.5
Other timing differences	(67.9)	(140.8)	(13.5)	(72.9)
	60.7	1,361.3	119.1	1,300.6
Subsidiary companies				
Between depreciation and capital allowances	(138.1)	(245.7)	(6.6)	(107.6)
Unabsorbed tax losses	(4.9)	(339.6)	(107.8)	(334.7)
Other timing differences	(66.0)	(190.2)	(91.1)	(124.2)
NET TAX EFFECT NOT PROVIDED FOR	(148.3)	585.8	(86.4)	734.1

15. RETIREMENT BENEFITS

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
At 1 January	276.7	161.0	275.7	160.6
Charged to Income Statement	60.9	162.0	60.2	160.7
Utilised during the year	(18.9)	(46.3)	(18.5)	(45.6)
At 31 December	318.7	276.7	317.4	275.7

The Retirement Benefit Scheme was discontinued with effect from 31 December 2000. The total estimated retirement benefit liabilities over and above the value of assets held in the retirement benefit trust fund have been provided for.



16. PROPERTY, PLANT AND EQUIPMENT

THE GROUP							
	Telecommunication Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note a) RM	Buildings RM	Capital Work-In- Progress, at Cost (sub-note b) RM	Total Property, Plant and Equipment RM
Cost							
Balance at 1.1.2001	27,752.6	1,017.6	1,795.7	403.9	2,588.0	3,926.1	37,483.9
Additions	1,753.2	115.1	409.9	10.1	105.8	322.9*	2,717.0
Disposals	(118.1)	(5.7)	(4.1)	—	(0.3)	—	(128.2)
Write-offs	(122.2)	(3.5)	(1.0)	—	—	—	(126.7)
Currency translation differences	(17.8)	(3.0)	(0.5)	(1.9)	(2.1)	—	(25.3)
Balance at 31.12.2001	29,247.7	1,120.5	2,200.0	412.1	2,691.4	4,249.0	39,920.7
Accumulated Depreciation							
Balance at 1.1.2001	15,442.0	788.5	1,329.3	5.1	909.0	—	18,473.9
Depreciation	1,901.8	105.9	292.7	0.6	76.6	—	2,377.6
Disposals	(111.5)	(4.5)	(4.0)	—	(0.2)	—	(120.2)
Write-offs	(114.3)	(2.1)	(0.8)	—	—	—	(117.2)
Currency translation differences	(5.8)	(2.1)	(0.2)	—	(0.3)	—	(8.4)
Balance at 31.12.2001	17,112.2	885.7	1,617.0	5.7	985.1	—	20,605.7
Impairment							
Balance at 1.1.2001	304.0	—	—	—	—	—	304.0
Impairment losses	84.3	—	—	—	—	—	84.3
Balance at 31.12.2001	388.3	—	—	—	—	—	388.3
Net Book Value							
Balance at 1.1.2001	12,006.6	229.1	466.4	398.8	1,679.0	3,926.1	18,706.0
Additions	1,753.2	115.1	409.9	10.1	105.8	322.9*	2,717.0
Depreciation	(1,901.8)	(105.9)	(292.7)	(0.6)	(76.6)	—	(2,377.6)
Disposals	(6.6)	(1.2)	(0.1)	—	(0.1)	—	(8.0)
Write-offs	(7.9)	(1.4)	(0.2)	—	—	—	(9.5)
Impairment losses	(84.3)	—	—	—	—	—	(84.3)
Currency translation differences	(12.0)	(0.9)	(0.3)	(1.9)	(1.8)	—	(16.9)
Balance at 31.12.2001	11,747.2	234.8	583.0	406.4	1,706.3	4,249.0	18,926.7

* Net of transfer to property, plant and equipment

Notes to the Financial Statements for the year ended 31 December 2001

TELEKOM MALAYSIA BERHAD

16. PROPERTY, PLANT AND EQUIPMENT (continued)

THE GROUP							Capital	Total
	Telecommunication	Movable	Computer	Land	Buildings	Work-In-	Property,	
	Network	Plant and	Support	(sub-note a)		Progress,	Plant and	
	RM	Equipment	Systems	RM	RM	at Cost	Equipment	
		RM	RM			(sub-note b)	RM	
			RM	RM	RM	RM		
Cost								
Balance at 1.1.2000	26,184.0	971.5	1,523.2	307.7	2,338.1	4,111.5	35,436.0	
Additions	1,892.9	101.7	289.2	98.0	260.2	(185.4)*	2,456.6	
Disposals/Write-offs	(237.2)	(46.2)	(16.3)	—	(0.5)	—	(300.2)	
Currency translation differences	(87.1)	(9.4)	(0.4)	(1.8)	(9.8)	—	(108.5)	
Balance at 31.12.2000	27,752.6	1,017.6	1,795.7	403.9	2,588.0	3,926.1	37,483.9	
Accumulated Depreciation								
Balance at 1.1.2000	13,708.0	716.0	1,042.7	4.5	820.0	—	16,291.2	
Depreciation	1,981.4	104.2	301.7	0.6	93.0	—	2,480.9	
Disposals/Write-offs	(216.9)	(24.1)	(14.8)	—	(0.5)	—	(256.3)	
Currency translation differences	(30.5)	(7.6)	(0.3)	—	(3.5)	—	(41.9)	
Balance at 31.12.2000	15,442.0	788.5	1,329.3	5.1	909.0	—	18,473.9	
Impairment								
Balance at 1.1.2000	—	—	—	—	—	—	—	
Impairment losses	304.0	—	—	—	—	—	304.0	
Balance at 31.12.2000	304.0	—	—	—	—	—	304.0	
Net Book Value								
Balance at 1.1.2000	12,476.0	255.5	480.5	303.2	1,518.1	4,111.5	19,144.8	
Additions	1,892.9	101.7	289.2	98.0	260.2	(185.4)*	2,456.6	
Depreciation	(1,981.4)	(104.2)	(301.7)	(0.6)	(93.0)	—	(2,480.9)	
Disposals/Write-offs	(20.3)	(22.1)	(1.5)	—	—	—	(43.9)	
Impairment losses	(304.0)	—	—	—	—	—	(304.0)	
Currency translation differences	(56.6)	(1.8)	(0.1)	(1.8)	(6.3)	—	(66.6)	
Balance at 31.12.2000	12,006.6	229.1	466.4	398.8	1,679.0	3,926.1	18,706.0	

* Net of transfer to property, plant and equipment



16. PROPERTY, PLANT AND EQUIPMENT (continued)

THE GROUP

Net book value of property, plant and equipment of certain subsidiary companies' pledged as security for borrowings (note 12 to the financial statements):

	2001 RM	2000 RM
Telecommunication network	214.6	160.1
Movable plant and equipment	5.3	5.4
Computer support systems	1.4	1.1
Land	0.9	0.9
Buildings	2.2	207.1
	224.4	374.6

THE COMPANY

	Telecommunication Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note a) RM	Buildings RM	Capital Work-In- Progress, at Cost (sub-note b) RM	Total Property, Plant and Equipment RM
Cost							
Balance at 1.1.2001	25,224.8	809.9	1,549.2	381.7	2,195.0	3,504.2	33,664.8
Additions	1,236.8	87.2	325.6	1.4	105.7	138.5*	1,895.2
Disposals	(118.1)	(23.9)	(18.3)	—	(10.0)	—	(170.3)
Write-offs	(117.0)	(3.5)	(0.8)	—	—	—	(121.3)
Balance at 31.12.2001	26,226.5	869.7	1,855.7	383.1	2,290.7	3,642.7	35,268.4
Accumulated Depreciation							
Balance at 1.1.2001	14,691.6	683.0	1,220.2	4.7	829.0	—	17,428.5
Depreciation	1,718.5	70.7	223.0	0.4	74.6	—	2,087.2
Disposals	(112.9)	(11.1)	(14.6)	—	(2.9)	—	(141.5)
Write-offs	(113.9)	(2.1)	(0.6)	—	—	—	(116.6)
Balance at 31.12.2001	16,183.3	740.5	1,428.0	5.1	900.7	—	19,257.6
Net Book Value							
Balance at 1.1.2001	10,533.2	126.9	329.0	377.0	1,366.0	3,504.2	16,236.3
Additions	1,236.8	87.2	325.6	1.4	105.7	138.5*	1,895.2
Depreciation	(1,718.5)	(70.7)	(223.0)	(0.4)	(74.6)	—	(2,087.2)
Disposals	(5.2)	(12.8)	(3.7)	—	(7.1)	—	(28.8)#
Write-offs	(3.1)	(1.4)	(0.2)	—	—	—	(4.7)
Balance at 31.12.2001	10,043.2	129.2	427.7	378.0	1,390.0	3,642.7	16,010.8

* Net of transfer to property, plant and equipment

Included RM23.5 million transferred to subsidiary companies

Notes to the Financial Statements for the year ended 31 December 2001

TELEKOM MALAYSIA BERHAD

16. PROPERTY, PLANT AND EQUIPMENT (continued)

THE COMPANY							
	Telecommunication Network RM	Movable Plant and Equipment RM	Computer Support Systems RM	Land (sub-note a) RM	Buildings RM	Capital Work-In- Progress, at Cost (sub-note b) RM	Total Property, Plant and Equipment RM
Cost							
Balance at 1.1.2000	23,867.3	803.6	1,340.5	284.2	1,955.3	3,790.7	32,041.6
Additions	1,570.8	51.5	224.9	97.5	240.2	(286.5)*	1,898.4
Disposals/Write-offs	(213.3)	(45.2)	(16.2)	—	(0.5)	—	(275.2)
Balance at 31.12.2000	25,224.8	809.9	1,549.2	381.7	2,195.0	3,504.2	33,664.8
Accumulated Depreciation							
Balance at 1.1.2000	13,138.4	639.5	979.8	4.2	750.3	—	15,512.2
Depreciation	1,753.5	67.1	255.1	0.5	79.2	—	2,155.4
Disposals/Write-offs	(200.3)	(23.6)	(14.7)	—	(0.5)	—	(239.1)
Balance at 31.12.2000	14,691.6	683.0	1,220.2	4.7	829.0	—	17,428.5
Net Book Value							
Balance at 1.1.2000	10,728.9	164.1	360.7	280.0	1,205.0	3,790.7	16,529.4
Additions	1,570.8	51.5	224.9	97.5	240.2	(286.5)*	1,898.4
Depreciation	(1,753.5)	(67.1)	(255.1)	(0.5)	(79.2)	—	(2,155.4)
Disposals/Write-offs	(13.0)	(21.6)	(1.5)	—	—	—	(36.1)
Balance at 31.12.2000	10,533.2	126.9	329.0	377.0	1,366.0	3,504.2	16,236.3

* Net of transfer to property, plant and equipment

(a) Details of land (at cost) are as follows:

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Freehold land	207.0	199.8	178.9	178.9
Long term leasehold	94.7	94.9	93.8	93.6
Short term leasehold	2.0	2.0	2.0	2.0
Other land	108.4	107.2	108.4	107.2
	412.1	403.9	383.1	381.7

The title deeds pertaining to other land have not yet been registered in the name of the Company. Pending finalisation with the relevant authorities, the land have not been classified according to their tenure.

(b) Included in the capital work-in-progress is finance cost capitalised amounting to RM4.0 million (2000: RM3.0 million) for the Group.

17. SUBSIDIARY COMPANIES

	The Company	
	2001	2000
	RM	RM
Investments, unquoted:		
Malaysia – at cost	1,704.8	1,380.7
– at written-down value (sub-note a)	–	–
Overseas – at cost	243.0	229.3
Amount owing by subsidiary companies (sub-note b)	1,947.8	1,610.0
	3,349.9	4,714.0
Allowance for loans and advances	5,297.7	6,324.0
	(406.1)	(584.2)
TOTAL INTEREST IN SUBSIDIARY COMPANIES	4,891.6	5,739.8

(a) Investments in certain subsidiary companies have been written down to RM1 each.

The subsidiary companies are as follows:

Name of Company	% of		Paid-up Capital		Principal Activities
	Shareholdings		2001	2000	
	2001	2000	Million	Million	
Citifon Sdn. Bhd.	100	100	RM65.0	RM65.0	Payphone network and related services
Intelsec Sdn. Bhd.*	100	100	RM3.0	RM3.0	Intelligent security services
Mediatel (Malaysia) Sdn. Bhd.	100	100	RM4.0	RM4.0	Investment holding
Menara Kuala Lumpur Sdn. Bhd.	100	100	RM91.0	RM91.0	Management and operation of Kuala Lumpur Tower
Mobikom Sdn. Bhd.	100	100	RM260.0	RM260.0	Mobile telecommunication services
Parkside Properties Sdn. Bhd.*	100	100	RM0.1	RM0.1	Investment holding
Telekom Applied Business Sdn. Bhd.	70	100	RM1.6	RM1.1	Development and sale of software products
TM Cellular Sdn. Bhd. (formerly known as Telekom Cellular Sdn. Bhd.)	100	100	RM1,000.0	RM695.0	Mobile telecommunication services
Telekom Enterprise Sdn. Bhd.	100	100	RM0.6	RM0.6	Investment holding

Notes to the Financial Statements for the year ended 31 December 2001

TELEKOM MALAYSIA BERHAD

17. SUBSIDIARY COMPANIES (continued)

Name of Company	% of Shareholdings		Paid-up Capital		Principal Activities
	2001	2000	2001 Million	2000 Million	
Telekom Infotech Sdn. Bhd.*	100	100	RM0.5	RM0.5	Investment holding
Telekom Malaysia-Africa Sdn. Bhd.	100	100	RM0.1	RM0.1	Investment holding
TM International Sdn. Bhd. (formerly known as Telekom Malaysia International Sdn. Bhd.)	100	100	RM16.2	RM16.2	Investment holding/telecommunication and consultancy services on an international scale
Telekom Management Services Sdn. Bhd.	100	100	RM#	RM#	Management consultancy services in telecommunication and related areas
Telekom Multi-Media Sdn. Bhd.	100	100	RM1.6	RM1.6	Interactive multimedia communication services and solutions
Telekom Payphone Sdn. Bhd.	100	100	RM9.0	RM9.0	Investment holding
Telekom Publications Sdn. Bhd.	100	100	RM6.0	RM6.0	Printing and publication of telephone directories and distribution of information
Telekom Sales and Services Sdn. Bhd.	100	100	RM7.5	RM7.0	Trading in customer premises equipment
Telesafe Sdn. Bhd.*	100	100	RM4.0	RM4.0	Fire and industrial safety services
TM International (Cayman) Ltd.*	100	100	USD#	USD#	Investment holding
TM Global Incorporated##	100	100	USD#	USD#	Investment holding
TM International Leasing Incorporated##	100	100	USD#	USD#	Investment holding
Universiti Telekom Sdn. Bhd.	100	100	RM1.0	RM1.0	Management of private university
VADS Berhad (formerly known as VADS Sdn. Bhd.)	100	100	RM15.0	RM15.0	Value added data and electronic telecommunication services


17. SUBSIDIARY COMPANIES (continued)

Name of Company	% of Shareholdings		Paid-up Capital		Principal Activities
	2001	2000	2001 Million	2000 Million	
Meganet Communications Sdn. Bhd.	70	70	RM11.0	RM11.0	Interactive multimedia communication services
TM International (Bangladesh) Limited##	70	70	TK340.0	TK100.0	Mobile telecommunication services
Fiberail Sdn. Bhd.	60	60	RM14.2	RM14.2	Installation, maintaining and operating of optical fibre telecommunication system
Telekom Research & Development Sdn. Bhd.	100	—	RM20.0	—	Research and development work and experiment in the area of telecommunication
Telekom Technology Sdn. Bhd.	70	—	RM0.1	—	Develop, establish, maintain, operate and market advance technology in e-commerce
Societe Des Telecommunications De Guinee**	60	60	GFR75,000.0	GFR75,000.0	Telecommunication and related services
Telekom Networks Malawi Limited**	60	60	MKW65.0	MKW65.0	Telecommunication and related services
Telekom Consultancy Sdn. Bhd.*	51	51	RM#	RM#	Consultancy and engineering services in telecommunications
Telekom Malaysia (UK) Limited*/**	100	100	STR#	STR#	International telecommunication facilities
TM (Hong Kong) Limited*/**	100	100	HKD#	HKD#	International telecommunication facilities
TM (USA) Inc.*/**	100	100	USD#	USD#	International telecommunication facilities
Subsidiary held through Telekom Publications Sdn. Bhd.					
Cybermall Sdn. Bhd.	100	100	RM2.7	RM0.6	Telecommunications, multimedia and information technology services

Notes to the Financial Statements for the year ended 31 December 2001

TELEKOM MALAYSIA BERHAD

17. SUBSIDIARY COMPANIES (continued)

Name of Company	% of Shareholdings		Paid-up Capital		Principal Activities
	2001	2000	2001 Million	2000 Million	
Subsidiary held through					
Universiti Telekom Sdn. Bhd.					
Unitele Multimedia Sdn. Bhd.	100	100	RM#	RM#	Management and provision of distance learning products and services
Subsidiaries held through					
VADS Berhad					
VADS E-Services Sdn. Bhd. (formerly known as Electronic Commerce Services Sdn. Bhd.)	100	100	RM1.0	RM1.0	Electronic commerce services
VADS Solutions Sdn. Bhd. (formerly known as The Network Connections Sdn. Bhd.)	100	100	RM1.5	RM1.5	Internet System Integration and networking facilities relating to information technology
Subsidiaries held through					
TM International Sdn. Bhd.					
MTN Networks (Private) Limited##	100	100	SLR1,638.9	SLR1,638.9	Mobile telecommunication services
TM International (L) Limited##	100	100	USD#	USD#	Investment holding
TM International Lanka (Private) Limited##	100	100	SLR200.0	SLR200.0	Investment holding
TMI Mauritius Limited##	100	100	USD#	USD#	Investment holding
G-Com Limited**	85	85	CED22.9	CED22.9	Investment holding
Cambodia Samart Communication Co. Ltd.**	51	51	USD8.5	USD8.5	Mobile telecommunication services
Subsidiaries held through					
Telekom Multi-Media Sdn. Bhd.					
TM Orion Sdn. Bhd.*	100	100	RM#	RM#	Electronic commerce and related services
Telekom Smart School Sdn. Bhd.	51	51	RM15.0	RM15.0	Development and distribution of educational software and hardware
Subsidiary held through					
Telekom Enterprise Sdn. Bhd.					
Mobitel Sdn. Bhd.*	55	55	RM8.0	RM8.0	Mobile telecommunication services

17. SUBSIDIARY COMPANIES (continued)

All subsidiary companies are incorporated in Malaysia except the following:

Name of Company	Place of Incorporation
Cambodia Smart Communication Co. Ltd.**	– Cambodia
G-Com Limited**	– Ghana
MTN Networks (Private) Limited##	– Sri Lanka
Societe Des Telecommunications De Guinee**	– Republic of Guinea
Telekom Networks Malawi Limited**	– Malawi
TM Global Incorporated##	– Federal Territory, Labuan
TM International (Bangladesh) Limited##	– Bangladesh
TM International (Cayman) Ltd.*	– British West Indies, USA
TM International (L) Limited##	– Federal Territory, Labuan
TM International Lanka (Private) Limited##	– Sri Lanka
TM International Leasing Incorporated##	– Federal Territory, Labuan
TMI Mauritius Limited##	– Mauritius
Telekom Malaysia (UK) Limited*/**	– United Kingdom
TM (Hong Kong) Limited*/**	– Hong Kong
TM (USA) Inc.*/**	– United States of America

* Inactive as at 31 December 2001

Audited by a member firm of PricewaterhouseCoopers

** Not audited by member firms of PricewaterhouseCoopers

Amounts less than 0.1 million in their respective currency

USD	US Dollar
STR	Pound Sterling
HKD	Hong Kong Dollar
TK	Bangladesh Taka
CED	Ghanaian Cedi
GFR	Guinea Franc
MKW	Malawi Kwacha
SLR	Sri Lanka Rupee

(b) Amount owing by subsidiary companies

The amount owing by subsidiary companies represents advances for working capital purposes. These advances are unsecured and bear interest ranging from 0% to 8.0% (2000: 0% to 8.0%) with no fixed repayment terms. However, the Company has indicated that it will not demand substantial repayment within the next twelve months.

Notes to the Financial Statements for the year ended 31 December 2001

TELEKOM MALAYSIA BERHAD

18. ASSOCIATED COMPANIES

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Investment, at cost (quoted):				
Overseas	198.9	198.9	—	—
Investments, at cost (unquoted):				
Malaysia	11.1	10.5	9.7	9.1
Overseas	1,389.3	2,072.6	10.3	10.3
	1,599.3	2,282.0	20.0	19.4
Goodwill written-off	(761.1)	(1,027.1)	—	—
	838.2	1,254.9	20.0	19.4
Group's share of post acquisition profits less losses	202.5	(20.4)	—	—
	1,040.7	1,234.5	20.0	19.4
Share of net assets of associated companies	25.8	25.2	2.0	25.2
Amount owing by associated companies (sub-note a)				
TOTAL INTEREST IN ASSOCIATED COMPANIES	1,066.5	1,259.7	22.0	44.6
Market value of quoted investment	15.2	23.3	—	—

The associated companies are as follows:

Name of Company	% of Shareholdings		Principal Activities
	2001	2000	
GITN Sdn. Bhd.	45	45	Integrated telecommunication network infrastructure
Itopia Inc.	16.5	25.3	Research and development of telecommunication products
MYSPEED.COM Sdn. Bhd.	15	15	E-commerce services
Sistem Iridium Malaysia Sdn. Bhd.	40	40	Wireless communications services
Associates held through Telekom Multi-Media Sdn. Bhd.			
Mahirnet Sdn. Bhd.	49	49	Distance learning services
Mutiara.Com Sdn. Bhd.	30	30	Information technology and telecommunications infrastructure
Associates held through TM International Sdn. Bhd.			
Digital Phone Company Limited	—	49.99	Mobile telecommunication services
Cambodia National Communication Inc.*	42	42	Trunk land mobile radio services
Samart Corporation Public Company Limited	19.73	24.46	Telecommunication and broadcasting services

18. ASSOCIATED COMPANIES (continued)

Name of Company	% of Shareholdings		Principal Activities
	2001	2000	
Associate held through Telekom Malaysia-Africa Sdn. Bhd. Thintana Communications Lc.	40	40	Investment holding
Associate held through G-Com Limited Ghana Telecommunications Company Limited (sub-note b)	30	30	Telecommunication and related services
Associate held through Thintana Communications Lc. Telkom SA Limited	30	30	Telecommunication and related services

All associated companies are incorporated in Malaysia except the following:

Name of Company	Place of Incorporation
Cambodia National Communication Inc.*	– Cambodia
Digital Phone Company Limited	– Thailand
Ghana Telecommunications Company Limited	– Ghana
Itopia Inc.	– United States of America
Samart Corporation Public Company Limited	– Thailand
Thintana Communications Lc.	– United States of America
Telkom SA Limited	– South Africa

All associated companies have co-terminous financial year end with the Company except for MYSPEED.COM Sdn. Bhd. and Telkom SA Limited with financial year ends on 31 January and 31 March respectively.

* Inactive as at 31 December 2001

(a) Amount owing by associated companies

The amount owing by associated companies are unsecured and interest free with no fixed repayment terms. However, the Company has indicated that it will not demand substantial repayment within the next twelve months.

(b) On 18 August 2000, Telekom Malaysia Group (TM) paid a sum of USD50.0 million (RM190.0 million) to the Government of Ghana (GoG) as deposit for the proposed acquisition of additional 15% equity interest in Ghana Telecommunications Company Limited (GT) in accordance with the terms and conditions of the Head of Agreement (HoA) entered into between TM and GoG dated 10 August 2000. The deadline to conclude the transaction lapsed on 19 February 2002 and consequently the deposit payment of USD50.0 million as disclosed in note 22 to the financial statements, becomes due and payable to TM under the terms and conditions of the HoA. TM has commenced negotiation with GoG on the terms and conditions in respect of the said refund.

Consequent to the above, the Technical and Consultancy Services Agreement (“TCSA”) between GT and TM for the provision of technical and operational expertise from TM to GT which expired on 19 February 2002, is not renewed. The amount due from GT for services rendered under this agreement as at 31 December 2001 was approximately USD6.0 million.

Notes to the Financial Statements for the year ended 31 December 2001

TELEKOM MALAYSIA BERHAD

19. INVESTMENTS

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Investments in International Satellite Organisations, at cost	133.5	160.8	132.6	160.8
Investments in unquoted shares, at cost	62.3	61.6	56.0	56.0
	195.8	222.4	188.6	216.8
Allowance for permanent diminution in value	(90.3)	(77.7)	(90.3)	(77.7)
TOTAL INVESTMENTS AFTER ALLOWANCE	105.5	144.7	98.3	139.1

20. LONG TERM RECEIVABLES

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Staff loans (sub-note a)	747.9	731.5	747.8	731.5
Amount receivable within twelve months included under other receivables	(100.6)	(90.6)	(100.6)	(90.6)
	647.3	640.9	647.2	640.9
Other long term receivables	10.5	—	9.8	—
TOTAL LONG TERM RECEIVABLES	657.8	640.9	657.0	640.9

(a) Staff loans amounting to RM100.0 million (2000: RM244.8 million) have been assigned to secure the Company's borrowings from Cagamas Berhad.

21. INVENTORIES

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
At cost:				
Cables and wires	27.8	36.5	27.8	36.4
Network materials	29.2	40.5	29.2	40.5
Telecommunication equipment	20.1	31.6	17.2	13.1
Spares and others	55.3	41.7	21.3	18.0
	132.4	150.3	95.5	108.0
At net realisable value:				
Spares and others	21.0	6.1	—	—
TOTAL INVENTORIES	153.4	156.4	95.5	108.0



22. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Receivables from telephone customers	2,971.5	2,425.3	1,674.9	1,730.4
Receivables from non-telephone customers	1,516.3	1,717.9	1,342.9	1,452.1
Receivables from subsidiary companies	—	—	639.1	310.8
	4,487.8	4,143.2	3,656.9	3,493.3
Advance rental billings	(451.4)	(339.2)	(507.1)	(371.8)
	4,036.4	3,804.0	3,149.8	3,121.5
Allowance for doubtful debts	(1,485.2)	(915.4)	(722.3)	(540.0)
Total trade receivables after allowance	2,551.2	2,888.6	2,427.5	2,581.5
Prepayments	556.3	548.5	534.7	537.7
Deposit for additional investment in an associated company (refer to note 18b to the financial statements)	190.0	190.0	190.0	190.0
Other receivables	438.1	350.2	337.2	264.4
Other receivables from subsidiary companies	—	—	45.8	33.3
TOTAL TRADE AND OTHER RECEIVABLES AFTER ALLOWANCE	3,735.6	3,977.3	3,535.2	3,606.9

23. SHORT TERM INVESTMENTS

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Shares quoted on The Kuala Lumpur Stock Exchange	222.5	166.2	222.5	166.2
TOTAL SHORT TERM INVESTMENTS	222.5	166.2	222.5	166.2
Market value of quoted shares	222.5	174.1	222.5	174.1

Notes to the Financial Statements for the year ended 31 December 2001

TELEKOM MALAYSIA BERHAD

24. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Deposits with:				
Licensed banks	932.1	810.2	646.3	586.3
Licensed finance companies	306.8	135.2	294.6	95.0
Other financial institutions	1,166.6	1,249.4	1,092.4	1,224.7
Total Deposits	2,405.5	2,194.8	2,033.3	1,906.0
Cash and bank balances	121.6	65.9	77.2	23.6
Bank overdrafts	(7.0)	(45.0)	—	—
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE YEAR	2,520.1	2,215.7	2,110.5	1,929.6

The bank overdrafts were unsecured and interests were payable at rates which varied according to the lenders' prevailing base lending rates. Interest rates during the period ranged from 6.0% to 7.0% (2000: 6.5% to 7.65%) per annum except for overseas subsidiary companies where the interest rates ranged from 19.0% to 46.0% (2000: 21.0% to 30.0%) per annum.

25. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Trade payables	2,249.0	2,373.1	1,479.2	1,660.5
Duties and other taxes payable	198.2	102.8	132.5	77.8
Finance cost payable	128.8	278.1	127.9	255.5
Deposits and trust monies	130.0	132.4	120.1	122.4
Other non trade payables	562.5	279.0	390.2	271.4
TOTAL TRADE AND OTHER PAYABLES	3,268.5	3,165.4	2,249.9	2,387.6

26. CASH FLOWS FROM OPERATING ACTIVITIES

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Receipts from customers	8,988.5	7,313.1	7,568.0	6,321.5
Payments to suppliers and employees	(4,230.3)	(3,130.9)	(3,384.8)	(2,253.3)
Payment of finance cost	(689.8)	(463.3)	(664.2)	(428.0)
Payment of income taxes	(785.2)	(754.0)	(769.8)	(733.2)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	3,283.2	2,964.9	2,749.2	2,907.0



27. CASH FLOWS USED IN INVESTING ACTIVITIES

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Disposal of property, plant and equipment	34.0	—	32.8	—
Purchase of property, plant and equipment	(2,709.9)	(2,456.6)	(1,895.4)	(1,898.4)
Disposal of investment	32.6	11.3	32.6	11.0
Purchase of investment	(85.0)	(4.9)	(83.3)	(4.9)
Investment in new subsidiary companies	—	—	(4.5)	(0.1)
Acquisition of an associated company	—	(0.1)	—	(0.1)
Additional investment in an associated company	(0.6)	(208.5)	(0.6)	(0.8)
Deposit for additional investment in an associated company	—	(190.0)	—	(190.0)
Disposal of an associated company	927.6	225.2	—	225.2
Repayment from subsidiary companies	—	—	926.1	—
Advances to subsidiary companies	—	—	(294.8)	(1,211.9)
Repayment from associated companies	0.4	18.3	0.4	18.3
Advances to associated companies	(1.0)	(5.2)	(0.1)	(5.2)
Repayments of loans by employees	100.6	91.2	100.6	90.6
Loans to employees	(119.6)	(84.1)	(119.6)	(84.1)
Interest received	128.6	88.7	99.7	85.0
Dividend received	3.7	3.0	38.1	18.2
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES	(1,688.6)	(2,511.7)	(1,168.0)	(2,947.2)

28. CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Issue of share capital	140.9	621.1	140.9	621.1
Issue of share capital to minority interest	4.8	—	—	—
Proceeds from borrowings	829.3	1,324.8	489.0	1,324.8
Repayment of borrowings	(2,033.5)	(906.0)	(1,807.8)	(564.5)
Dividends paid to shareholders	(222.4)	(307.9)	(222.4)	(307.9)
Dividends paid to minority interest	(4.9)	—	—	—
TOTAL CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	(1,285.8)	732.0	(1,400.3)	1,073.5

Notes to the Financial Statements for the year ended 31 December 2001

TELEKOM MALAYSIA BERHAD

29. NON-CASH TRANSACTIONS

Principal non-cash transactions during the year are as follows:

	The Company	
	2001 RM	2000 RM
(a) Capitalisation of loans and advances into paid up capital of subsidiary companies	318.3	—
(b) Transfer of property, plant and equipment in lieu of cash injection into paid up capital of a new subsidiary company	15.9	—

30. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below is other significant related party transaction and balance.

In 1996, Daewoo-Peremba Construction J/V (D-PC J/V) was awarded the contract for the construction of Menara Telekom at an estimated contract value of RM572.4 million. Dato' Dr. Mohd Munir bin Abdul Majid, a Director of the Company is also a Director of Peremba Construction Sdn. Bhd. since 13 August 1999. Peremba Construction Sdn. Bhd. is a partner of the D-PC J/V. Progress billings from D-PC J/V during the year amounted to RM28.9 million (2000: RM53.2 million) remained outstanding as at 31 December 2001. This transaction has been entered in the normal course of business and at negotiated terms.

31. COMMITMENTS

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
(a) Property, plant and equipment				
Commitments in respect of expenditure contracted for	3,896.6	4,002.2	3,326.8	2,166.7
Commitments in respect of expenditure approved but not contracted for	12.2	432.5	—	243.8

At 31 December 2001, there exists a potential claim for recovery of loss and expenses totalling to RM527.5 million that may increase the commitments for the construction of Menara Telekom. The Directors, based on professional opinion received, are of the view that the Company has a good case to dispute and/or contest a substantial portion of the claim.

31. COMMITMENTS (continued)

	The Company	
	2001	2000
	Future	Future
	minimum	minimum
	lease	lease
	payments	payments
	RM	RM
(b) Non-cancellable operating lease commitments		
Not later than one year	53.2	51.4
Later than one year and not later than five years	226.4	220.9
Later than five years	146.6	205.3
	426.2	477.6

The above lease payments relate to the non-cancellable operating lease of a telecommunication tower from a wholly owned subsidiary company.

32. CONTINGENT LIABILITIES (Unsecured)

- (a) At 31 December 2001, the Group and the Company had contingent liabilities in respect of:
- Guarantees issued to banks amounting to USD32.0 million (RM121.6 million) (2000: USD26.0 million (RM98.8 million)) for banking facilities extended to overseas subsidiary companies.
 - A performance bond guarantee of RM15.0 million (2000: RM15.0 million) issued in favour of a principal of a contract obtained in the ordinary course of the business.
- (b) A claim against a wholly owned subsidiary company, Telekom Multi-Media Sdn. Bhd. was initiated on 9 January 2001. The claim, which the plaintiff is seeking, is for damages of RM105.7 million for loss of profits and Canadian Dollars 0.9 million for expenses incurred. The Directors, based on the legal opinion received, are of the view that the Company has a reasonably good case to dispute and/or contest the claim by the plaintiff. There has been no material development since then.
- (c) An overseas associated company, Ghana Telecommunications Company Limited of which the Group has an effective shareholding of 25.5% had been penalised for non-achievement of several performance targets as set out under its Telecommunication Licence on 27 December 2001. The associated company had subsequently appealed against the penalty and is now seeking to negotiate for an amicable settlement. Financially, the total exposure to the Group is estimated to be in the range of RM30.0 million to RM60.0 million.

Apart from the above, the Directors are not aware of any other proceedings pending against the Company and/or its subsidiary companies or of any facts likely to give rise to any proceedings which might materially affect the position or business of the Company and/or its subsidiary companies.

There were no other contingent liabilities or material litigations or guarantees other than those arising in the ordinary course of the business of the Group and the Company and on these no material losses are anticipated.

Notes to the Financial Statements for the year ended 31 December 2001

TELEKOM MALAYSIA BERHAD

33. SEGMENTAL ANALYSIS

	Operating Income RM	Profit Before Taxation RM	Assets Employed RM
By Activity			
2001			
Telecommunication	9,256.2	2,358.8	26,713.1
Non-telecommunication	417.0	84.8	675.0
	9,673.2	2,443.6	27,388.1
2000			
Telecommunication	8,305.3	1,158.2	26,610.8
Non-telecommunication	510.4	92.6	656.1
	8,815.7	1,250.8	27,266.9
By Geographical Location			
2001			
Malaysia	9,179.5	1,528.7	25,296.4
Overseas*	493.7	914.9	2,091.7
	9,673.2	2,443.6	27,388.1
2000			
Malaysia	8,503.9	1,217.6	25,372.0
Overseas*	311.8	33.2	1,894.9
	8,815.7	1,250.8	27,266.9

* The Group has operations in Sri Lanka, Bangladesh, Thailand, Cambodia, Ghana, Republic of Guinea, Malawi, South Africa and United States of America.

34. CURRENCY

All amounts are expressed in Ringgit Malaysia (RM) unless otherwise stated.



Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

TELEKOM MALAYSIA BERHAD

We, Dato' Ir. Muhammad Radzi bin Haji Mansor and Dato' Dr. Md Khir bin Abdul Rahman being two of the Directors of Telekom Malaysia Berhad, state that, in the opinion of the Directors, the financial statements on pages 188 to 228 are drawn up so as to exhibit a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2001 and of the results and the cash flows of the Group and of the Company for the year ended on that date in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

In accordance with a resolution of the Board of Directors dated 26 February 2002.

DATO' IR. MUHAMMAD RADZI BIN HAJI MANSOR

Chairman

DATO' DR. MD KHIR BIN ABDUL RAHMAN

Chief Executive

Statutory Declaration

TELEKOM MALAYSIA BERHAD

I, Gazali bin Harun, being the Officer primarily responsible for the financial management of Telekom Malaysia Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 188 to 228 are correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly
declared at Kuala Lumpur
this 26 February 2002)

GAZALI BIN HARUN

Before me:

T. THANAPALASINGAM

Commissioner for Oaths

Kuala Lumpur



Report of the Auditors to the Members of Telekom Malaysia Berhad (Company No. 128740-P)

T E L E K O M M A L A Y S I A B E R H A D

We have audited the financial statements set out on pages 188 to 228. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with approved Auditing Standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the matters required by section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Group and Company as at 31 December 2001 and of the results and the cash flows of the Group and Company for the year ended on that date;

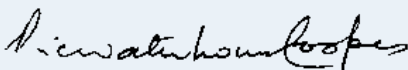
and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

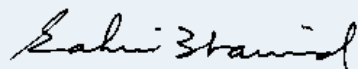
The names of the subsidiary companies of which we have not acted as auditors are indicated in note 17 to the financial statements. We have considered the financial statements of these subsidiary companies and the auditors' reports thereon.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any material qualification and did not include any comment made under subsection (3) of section 174 of the Act.



PRICEWATERHOUSECOOPERS
(AF: 1146)
Chartered Accountants



ABDUL RAHIM HAMID
[904/3/02(J/PH)]
Partner

Kuala Lumpur
Date: 26 February 2002



General Information as at 31 December 2001

T E L E K O M M A L A Y S I A B E R H A D

1. Telekom Malaysia Berhad is a public limited liability Company, incorporated and domiciled in Malaysia, and listed on the Main Board of the Kuala Lumpur Stock Exchange.
2. The address of the registered office of the Company is:
Tingkat 2, Ibupejabat Telekom Malaysia
Jalan Pantai Baharu
50672 Kuala Lumpur
3. The principal office and place of business of the Company is:
Ibupejabat Telekom Malaysia
Jalan Pantai Baharu
50672 Kuala Lumpur
4. The average number of employees at the end of the financial year amounted to:

	2001	2000
Group	32,694	31,702
Company	24,754	25,554

Shareholding Statistics as at 20 March 2002

TELEKOM MALAYSIA BERHAD

Analysis of Shareholdings

Share Capital

Authorised Share Capital : 5,000,000,001

Issued and Fully Paid-up Capital : 3,141,078,881

Class of Shares : 3,141,078,881 ordinary shares of RM1 each and 1 (one) Special Rights Redeemable Preference Share of RM1 each and fully paid.

Voting Rights : One vote per ordinary share.

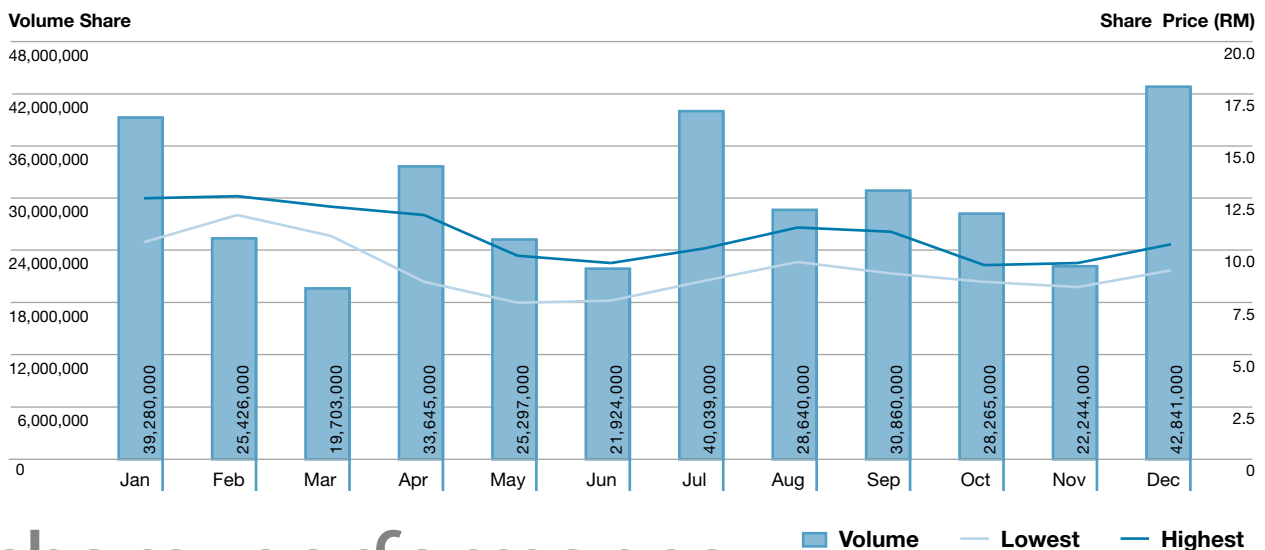
The Special Share has no voting right other than those referred to in note 9 (a) to the financial statements.

Distribution of Shareholdings

Size of Shareholdings

	Shareholders				Shares			
	Malaysian		Foreign		Malaysian		Foreign	
	No	%	No	%	No	%	No	%
Less than 1,000	604	2.45	662	2.68	227,159	0.01	277,273	0.01
1,000 – 10,000	19,977	80.92	1,528	6.19	47,133,906	1.50	4,176,191	0.13
10,001 – 100,000	941	3.81	395	1.60	26,948,740	0.86	16,618,018	0.53
100,001 – 157,053,943 (5% of paid-up capital)	238	0.96	339	1.37	491,358,560	15.64	186,534,760	5.94
157,053,943 and above	4	0.02	—	—	2,367,804,274	75.38	—	—
TOTAL	21,764	88.16	2,924	11.84	2,933,472,639	93.39	207,606,242	6.61

2001 Monthly Trading Volume & Highest-Lowest Share Price



share performance

■ Volume — Lowest — Highest



List of Top 30 Shareholders as at 20 March 2002

TELEKOM MALAYSIA BERHAD

No.	Name	Share Held	Percentage (%)
1.	Khazanah Nasional Berhad	1,108,335,990	35.29
2.	Minister of Finance	650,394,784	20.71
3.	Employees Provident Fund Board	357,393,500	11.38
4.	Bank Negara Malaysia	251,680,000	8.01
5.	Permodalan Nasional Berhad	154,231,000	4.91
6.	Amanah Raya Nominees (Tempatan) Sdn. Bhd. <i>Amanah Saham Malaysia</i>	31,370,000	1.00
7.	Malaysia Nominees (Tempatan) Sendirian Berhad <i>Great Eastern Life Assurance (Malaysia) Berhad (MLF)</i>	22,439,920	0.71
8.	Bank Simpanan Nasional	19,822,000	0.63
9.	Amanah Raya Nominees (Tempatan) Sdn. Bhd. <i>Sekim Amanah Saham Nasional</i>	13,627,000	0.43
10.	Kumpulan Wang Amanah Pencen	12,291,000	0.39
11.	HSBC Nominees (Asing) Sdn. Bhd. <i>Abu Dhabi Investment Authority</i>	9,877,000	0.31
12.	Amanah Raya Nominees (Tempatan) Sdn. Bhd. <i>Amanah Saham Wawasan 2020</i>	9,856,000	0.31
13.	Kumpulan Wang Amanah Pencen	7,216,000	0.23
14.	Arab-Malaysian Nominees (Tempatan) Sdn. Bhd. <i>Arab-Malaysian Trustee Bhd. for BHLB Pacific Dana Al-Ihsan</i>	6,759,000	0.22
15.	Pertubuhan Keselamatan Sosial	5,948,500	0.19
16.	Kumpulan Wang Amanah Pencen	5,626,000	0.18
17.	Lembaga Tabung Angkatan Tentera	5,517,000	0.18
18.	Citicorp Nominees (Asing) Sdn. Bhd. <i>American International Assurance Company Limited (P Core)</i>	4,867,311	0.15
19.	Kumpulan Wang Amanah Pencen	4,721,000	0.15
20.	Lembaga Tabung Haji	4,583,500	0.15
21.	Citicorp Nominees (Asing) Sdn. Bhd. <i>CB LDN for Sticing Shell Pensioenfonds</i>	4,570,000	0.15
22.	Malaysia Nominees (Tempatan) Sendirian Berhad <i>Great Eastern Life Assurance (Malaysia) Berhad (MLF2)</i>	4,526,000	0.14

List of Top 30 Shareholders as at 20 March 2002

TELEKOM MALAYSIA BERHAD

No.	Name	Share Held	Percentage (%)
23.	Kerajaan Negeri Perak Darul Ridzuan	4,500,000	0.14
24.	Universal Trustee (Malaysia) Berhad <i>BHLB Pacific High Growth Fund</i>	4,446,000	0.14
25.	Kumpulan Wang Amanah Pencen	4,340,000	0.14
26.	Citicorp Nominees (Tempatan) Sdn. Bhd. <i>Aetna Universal Insurance Berhad (Inv-IL Par)</i>	4,235,000	0.13
27.	Kumpulan Wang Amanah Pencen	4,211,000	0.13
28.	Kumpulan Wang Amanah Pencen	4,206,000	0.13
29.	HSBC Nominees (Asing) Sdn. Bhd. <i>Stichting Pensioenfonds Abp</i>	4,183,000	0.13
30.	Kumpulan Wang Amanah Pencen	3,995,000	0.13
TOTAL		2,729,768,505	86.89

Substantial Shareholders Holdings (5% and Above)

No.	Name	Share Held	Percentage (%)
1.	Khazanah Nasional Berhad	1,108,335,990	35.29
2.	Minister of Finance	650,394,784	20.71
3.	Employees Provident Fund Board	357,393,500	11.38
4.	Bank Negara Malaysia	251,680,000	8.01
TOTAL		2,367,804,274	75.39

Shareholders and Investor Information

TELEKOM MALAYSIA BERHAD

Registrar

Tenaga Koperat Sdn. Bhd. (118401-V)
20th Floor, Plaza Permata (formerly known as IGB Plaza)
Jalan Kampar
Off Jalan Tun Razak
50400 Kuala Lumpur
Tel : 03-4041 6522
Fax : 03-4042 6352

Listing

The Company's shares are listed on the Kuala Lumpur Stock Exchange in Malaysia.

Malaysian Taxes On Dividend

Malaysia practised an imputation system in the distribution of the dividends whereby the income tax paid by a company is imputed to dividends distributed to shareholders.

Malaysian income tax is deducted or deemed to have been deducted at corporate tax rate which is currently at 28% from dividends paid by a company residing in Malaysia.

The income tax deducted or deemed to have been deducted from dividend is accounted for by the income tax of the company. There is no further tax or withholding tax on the payment of dividends to all shareholders.

The Annual Report is available to the public who are not shareholders of the Company, by writing to:

General Manager, Corporate Communications Unit
Corporate Affairs Division
Telekom Malaysia Berhad (128740-P)
1st Floor, Ibupejabat Telekom Malaysia
Jalan Pantai Baharu
50672 Kuala Lumpur
Fax : 03-7957 4747

Net Book Value of Land & Buildings as at 31 December 2001

TELEKOM MALAYSIA BERHAD

Location	Freehold		Leasehold		Excepted Land*		Net Book Value of Land	Net Book Value of Buildings
	No. of Lots	Area ('000 sq ft)	No. of Lots	Area ('000 sq ft)	No. of Lots	Area ('000 sq ft)	RM (million)	RM (million)
1. Federal Territory								
a. Kuala Lumpur	15	1,154	5	411	–	–	126.8	718.6
b. Labuan	–	–	–	–	–	–	–	9.4
2. Selangor	9	8,720	16	25,429	97	16,698	106.5	177.3
3. Perlis	–	–	4	52	14	750	0.4	5.8
4. Perak	4	17	12	505	119	7,780	40.8	88.0
5. Pulau Pinang	2	5	18	1,402	60	15,431	7.6	44.4
6. Kedah	7	535	12	1,335	55	2,818	11.2	81.5
7. Johor	5	106	25	1,293	138	14,097	4.3	98.5
8. Melaka	2	3	14	738	38	4,457	1.0	45.0
9. Negeri Sembilan	19	47,565	9	321	71	9,371	52.3	37.2
10. Terengganu	–	–	13	713	41	6,285	1.3	46.4
11. Kelantan	–	–	8	356	41	2,234	0.8	24.4
12. Pahang	5	80	25	1,420	98	8,409	3.6	95.7
13. Sabah	–	–	13	140	76	26,290	7.2	91.0
14. Sarawak	5	202	27	861	109	10,284	26.1	115.3
15. Sri Lanka	7	92	–	–	–	–	5.7	7.2
16. Malawi	–	–	21	92	–	–	–	1.0
17. Republic of Guinea	60	4,881	–	–	–	–	7.7	14.7
18. Bangladesh	7	357	–	–	–	–	0.9	1.3
19. South Africa	7	58	–	–	–	–	2.2	2.0
20. Cambodia	–	–	–	–	–	–	–	1.6
Total	154	63,775	222	35,068	957	124,904	406.4	1,706.3

No revaluation has been made on any of the land and buildings.

* Excepted land are lands situated outside the Federal Territory which are either alienated land, reserved land owned by the Federal Government or land occupied, used, controlled and managed by the Federal Government for federal purposes (in Melaka, Pulau Pinang, Sabah and Sarawak) as set out in Section 3(2) of the Telecommunication Services (Successor Company) Act, 1985. The Government has agreed to lease these land to Telekom Malaysia Berhad for a term of 60 years with an option to renew, under article 85 and 86 of the Federal Constitution.

This page has been intentionally left blank.



proxy form

TELEKOM MALAYSIA BERHAD

I/We _____

of _____

being a Member/Members of **Telekom Malaysia Berhad** hereby appoint _____

of _____

or failing him _____

of _____

or failing him, the Chairman of the Meeting, as my/our proxy to vote for me/us on my/our behalf at the Seventeenth Annual General Meeting of the Company to be held at the Legend Grand Ballroom, 9th Floor, The Legend Hotel, 100 Jalan Putra, 50350 Kuala Lumpur on Tuesday, 21 May 2002 at 10.00 a.m. and at any adjournment thereof.

My/Our proxy is to vote as indicated below:

Resolutions	For	Against
1. Adoption of Accounts and Reports for the year ended 31 December 2001 - Ordinary Resolution 1		
2. Declaration of final dividend of 10 sen per share (less 28% Malaysian Income Tax) and special dividend of 5 sen per share (less 28% Malaysian Income Tax) - Ordinary Resolution 2		
3. Re-election of Directors under Article 103:- (i) Y.B. Tuan Joseph Salang Gandum - Ordinary Resolution 3 (ii) Dato' Dr. Mohd Munir bin Abdul Majid - Ordinary Resolution 4 (iii) Y.B. Dato' Ir. Haji Mohd Zin bin Mohamed - Ordinary Resolution 5		
4. Approval of Directors' fees and remuneration - Ordinary Resolution 6		
5. Appointment of Messrs. PricewaterhouseCoopers as Auditors of the Company - Ordinary Resolution 7		
6. Special Business: - Section 132D, Companies Act 1965 Issuance of New Shares - Ordinary Resolution 8		

(Please indicate with an "X" in the spaces provided how you wish your vote to be cast. If you do not do so, the Proxy will vote or abstain from voting at his discretion.)

Signed this _____ day of _____ 2002

No. of Shares	CDS Account No.

Signature/Common Seal of Appointer

Notes:

1. A member entitled to attend and vote at the above Meeting is entitled to appoint a proxy to attend and vote in his stead. A Proxy need not be a member of the Company.
2. The instrument appointing the proxy shall be in writing under the hand of the appointer or his attorney duly appointed under a power of attorney or if such appointee is a corporation, either under its common seal or under the hand of an attorney duly appointed under a power of attorney.
3. The instrument appointing the proxy must be deposited at the office of the Share Registrar, Tenaga Koperat Sdn. Bhd., 20th Floor, Plaza Permata (formerly known as IGB Plaza), Jalan Kampar, off Jalan Tun Razak, 50400 Kuala Lumpur not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

1. Fold here

2. Fold here

The Share Registrar
TENAGA KOPERAT SDN. BHD.
20th Floor, Plaza Permata (formerly known as IGB Plaza)
Jalan Kampar off Jalan Tun Razak
50400 Kuala Lumpur

3. Fold here
