

18. ACCOUNTANTS' REPORT (*Cont'd*)

F.4 TRSB

	As at 31 January		As at 31 December			As at
	1996	1997	1997	1998	1999	30 September 2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fixed Assets	375,483	392,234	337,075	280,280	196,042	161,825
Total Current Assets	209,237	173,066	199,838	287,479	345,890	388,217
Total Current Liabilities	431,245	386,144	422,525	534,315	580,806	604,617
Net Current Liabilities	(222,008)	(213,078)	(222,687)	(246,836)	(234,916)	(216,400)
Long-Term Loan	-	(26,125)	(18,625)	(11,125)	(3,625)	-
Deferred Taxation	(32,757)	(33,265)	(19,265)	(19,265)	-	-
Finance Lease and Hire Purchase Creditors	(1,825)	(1,700)	(534)	(27)	-	-
Deferred Income	(1,922)	(990)	-	-	-	-
Net Assets/(Liabilities)	116,971	117,076	75,964	3,027	(42,499)	(54,575)
Represented by:						
Share Capital	5,000	5,000	5,000	5,000	5,000	5,000
Unappropriated Profit/ (Accumulated Loss)	111,971	112,076	70,964	(1,973)	(47,499)	(59,575)
Shareholders' Equity/(Capital Deficiency)	116,971	117,076	75,964	3,027	(42,499)	(54,575)

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18. ACCOUNTANTS' REPORT (Cont'd)**F.5 TSAT**

	As at 31 December				As at 30 September 2000	
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000
Fixed Assets	16,237	15,511	14,119	12,680	11,271	10,042
Expenditure Carried Forward	11,756	14,723	-	-	-	-
Current Assets	1,786	478	452	110	103	91
Current Liabilities	27,720	29,504	31,172	30,533	30,625	30,809
Net Current Liabilities	(25,934)	(29,026)	(30,720)	(30,423)	(30,522)	(30,718)
Net Assets/(Liabilities)	2,059	1,208	(16,601)	(17,743)	(19,251)	(20,676)
Represented By:						
Share Capital	39,706	39,706	39,706	39,706	39,706	39,706
Accumulated Loss	(37,647)	(38,498)	(56,307)	(57,449)	(58,957)	(60,382)
Shareholders' Equity/ (Capital Deficiency)	2,059	1,208	(16,601)	(17,743)	(19,251)	(20,676)

F.6 TIME dotNet

	As at 30 September 2000 RM'000
Property, Plant and Equipment	24,519
Expenditure Carried Forward	4,330
Development Expenditure	156
Current Assets	2,095
Current Liabilities	32,584
Net Current Liabilities	(30,489)
	(1,484)
Represented by:	
Share capital *	-
Accumulated loss	(1,484)
Capital deficiency	(1,484)

* Paid up capital of TIME dotNet is RM2.

Note:

TIME dotNet was incorporated on 7 March 2000 and its first set of accounts was drawn up for the period ended 30 September 2000.

18. ACCOUNTANTS' REPORT (Cont'd)**G. PROFORMA STATEMENTS OF ASSETS AND LIABILITIES**

The proforma statements of assets and liabilities of the TIME dotCom and its subsidiaries as at 30 September 2000 incorporating the balance sheets of TIME dotCom, TT dotCom, TWSB, TRSB, TSAT and TIME dotNet have been prepared, for illustrative purposes, on the assumption that the restructuring and flotation scheme as mentioned under section B.2 of this report had been effected on 30 September 2000.

The following should be read in conjunction with the notes as presented in section I.

		Proforma		Audited
	Note	Group	Company	Company
		RM'000	RM'000	RM'000
ASSETS				
Property, plant and equipment	I.4	89,041	558	558
Investment in subsidiaries	I.5	-	5,261,830	-
Telecommunications network	I.6	4,000,540	-	-
Expenditure carried forward	I.7	10,923	-	-
Goodwill on consolidation		907,851	-	-
CURRENT ASSETS				
Inventories	I.8	22,321	-	-
Trade receivables	I.9	271,623	-	-
Other receivables, deposits and prepayments	I.10	246,414	18,106	18,106
Amount owing by other related companies	I.11	504	-	969,796
Short term deposits with licensed banks		260,158	1,100	1,100
Cash on hand and at banks		513,279	498,579	130
		1,314,299	517,785	989,132
CURRENT LIABILITIES				
Trade payables		196,343	-	-
Other payables and accrued expenses	I.10	324,848	40,371	234,205
Amount owing to holding company	I.11	39,581	12,981	12,981
Amount owing to other related companies	I.11	10,475	38	38
Amount owing to affiliated company		23,821	-	-
Short term borrowings	I.12	-	-	750,000
Tax liabilities		803	-	-
		595,871	53,390	997,224
Net Current Assets/(Liabilities)		718,428	464,395	(8,092)
		5,726,783	5,726,783	(7,534)
SHAREHOLDERS' FUNDS				
Share capital	I.13	2,530,775	2,530,775	1,000
Share premium	I.14	3,204,542	3,204,542	-
Accumulated loss		(8,534)	(8,534)	(8,534)
Shareholder's Funds/(Capital Deficiency)		5,726,783	5,726,783	(7,534)

18. ACCOUNTANTS' REPORT (Cont'd)**H. PROFORMA CONSOLIDATED CASH FLOW STATEMENT**

The proforma consolidated cash flow statement of TIME dotCom Group for the period 1 January 2000 to 30 September 2000 set out below has been prepared for illustrative purposes only on the assumption that the restructuring and flotation scheme as mentioned under section B.2 of this report had been effected on 31 December 1999.

The proforma consolidated cash flow statement has been prepared based on the audited accounts of TIME dotCom and its respective subsidiary for the year ended 31 December 1999 and for the period 1 January 2000 to 30 September 2000.

	Note	Proforma Group RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation		(21,756)
Adjustments for:		
Amortisation of:		
Telecommunications network and capitalised interest		48,572
Preliminary and pre-operating expenses		10,203
Depreciation of property, plant and equipment		20,974
Provision for doubtful debts		21,612
Amounts written off:		
Telecommunications network		4,304
Property, plant and equipment		46
Write back of telecommunications networks and capitalised interest		(43,693)
Interest income		(8,359)
Interest expense		58,497
		<hr/>
Operating profit before working capital changes		90,400
Decrease in inventories		3,662
Increase in receivables		(38,573)
Increase in payables		35,531
		<hr/>
Net Cash Generated From Operating Activities		91,020
		<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Telecommunications network		(54,272)
Property, plant and equipment		(14,908)
Expenditure carried forward		(4,479)
		<hr/>
Net Cash Used In Investing Activities		(73,659)
		<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of hire purchase creditors		(181)
Interest received		4,659
		<hr/>
Net Cash Generated From Financing Activities		4,478
		<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS		21,839
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		751,598
		<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	I.16	<u>773,437</u>

18. ACCOUNTANTS' REPORT (*Cont'd*)

I. NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES**I.1 RESTRAINING ORDER AND DEBT RESTRUCTURING SCHEME**

In 1998, TIME Engineering Berhad ("TIME"), the Company and eight (8) other related companies (collectively referred to as "the Scheme Companies") were granted a restraining order from the High Court of Malaya under Section 176 (10) of the Companies Act, 1965. The order restrains all further actions and proceedings or the institution or commencement of any proceedings against the Scheme Companies for a period of nine (9) months from the date of the order.

The restraining order obtained on 14th July, 1998 was extended to 24th January, 2001 to facilitate the finalisation and implementation of a debt restructuring scheme ("Scheme") formulated by the Corporate Debt Restructuring Committee ("CDRC") as announced by TIME on 28th January, 2000.

The Scheme consists of four (4) essential features:

- The Company will be restructured so as to own 100% of the equity holdings of four (4) of the other Scheme Companies involved in the telecommunications business namely TT dotCom Sdn Bhd (formerly known as TIME Telecommunications Sdn Bhd), TIME Wireless Sdn Bhd, TIME Reach Sdn Bhd and TIMESat Sdn Bhd (collectively referred to as the "Telcos").
- The creditors of the Scheme Companies involved will be categorised into three (3) main groupings to effect the debt restructuring. These groupings are:
 - TIME company level secured creditors;
 - TIME company level unsecured creditors;
 - All creditors of the other Scheme Companies involved (secured, corporate guaranteed and unsecured).
- The listing of the Company's shares on the Main Board of the Kuala Lumpur Stock Exchange ("KLSE").
- Sale of a significant stake in the Company by TIME to a strategic partner.

The Securities Commission has on 28th June, 2000 granted conditional approval to TIME on the implementation of the Scheme and the listing of the Company on the Main Board of the KLSE.

As part of the implementation of the Scheme, the following significant events occurred:

- On 8th July, 2000, Khazanah Nasional Berhad ("Khazanah") signed an agreement with TIME under which Khazanah will take up a 30% equity interest in the Company in two tranches (referred to as "Khazanah Transactions") as follows:
 - i) Khazanah will buy 506.16 million shares of RM1 each representing 20% of the enlarged share capital of the Company for a cash consideration of RM1,518 million; and
 - ii) TIME will issue to Khazanah RM784.5 million 3-year zero coupon nominal value irredeemable exchangeable secured bonds ("ESB") at RM606.68 million which is exchangeable and secured upon 253.08 million shares in the Company, representing 10% stake in the enlarged issued and paid-up capital of the Company. Khazanah shall be entitled to exercise such rights as would be held by a shareholder in respect of the 253.08 million shares in the Company secured against the ESB.

The Khazanah Transactions are subject to and conditional, inter alia, upon the following:

- i) approvals and confirmations being obtained from the relevant parties, including those of the regulatory authorities; and
- ii) completion of the Scheme.

18. ACCOUNTANTS' REPORT (Cont'd)

- On 12th July, 2000, the Scheme Companies received the requisite majority approval of the scheme creditors in number as well as value at their respective court-convened meetings. for the implementation of the Scheme.
- At the Extraordinary General Meeting and Warrant Holders Meeting held on 13th September, 2000, the Scheme was approved by the shareholders and warrant holders of TIME.
- As approved by the shareholder at the Extraordinary General Meeting held on 3rd October, 2000, the authorised share capital of the Company was increased from RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each to RM5,000,000,000 by the creation of an additional 4,995,000,000 ordinary shares of RM1.00 each.
- On 7th November, 2000, the court had granted a conditional order to the Scheme whereby the Scheme may be sanctioned by the court so as to be binding on each and every one of the Scheme Companies and their respective scheme creditors subject to the fulfillment of the condition that the proposed public issue/offer of shares in the Company pursuant to its proposed listing on the KLSE be underwritten.
- On 24th November, 2000, TIME and the Company signed an underwriting agreement with ten underwriters for the underwriting of 487.54 million ordinary shares of RM1.00 each of the Company at an issue/offer price of RM3.30 per share.
- On 5th December, 2000, TIME obtained approvals from the Securities Commission for the issuance of RM784.5 million ESB to Khazanah.
- On 26th December, 2000, the following were completed:
 - i) The acquisitions by the Company of the entire equity interest in the Telcos for a total purchase consideration of RM923.706 million satisfied by the issue of 923.706 million new ordinary shares of RM1.00 each in the Company, credited as fully paid up at par. Consequently, the Telcos became wholly owned subsidiaries of the Company. The Company and the Telcos are hereinafter collectively referred to as "TIME dotCom Group".
 - ii) The assumption by TIME of the debts of TIME dotCom Group under the Scheme of RM3,945,832,278. This amount assumed by TIME did not include the existing amount owing by TIME dotCom Group directly to TIME of RM348,327,084.
 - iii) The novation by the Telcos all the debts owing to TIME after (ii) above of RM3,350,325,597 to the Company, resulting in the total amount owing by the Company to TIME of RM4,294,159,362
 - iv) The issue by the Company of 1,431,386,454 new ordinary shares of RM1.00 each credited as fully paid up to TIME in satisfaction of the total amount owing by the Company to TIME on the basis of one (1) new ordinary share in the Company for every RM3.00 debt owing to TIME.
 - v) The issue by each Telcos of one new ordinary share of RM1.00 each credited as fully paid up to the Company for every RM1.00 debt owing to the Company in satisfaction of the total amount owing by the respective Telcos to the Company after the novation in (iii) above.
 - vi) The issue by TIME of RM86,208,185 nominal value 5-year 2% irredeemable convertible loan stocks 2000/2005 in full satisfaction of the same amount owing by TIME to its unsecured scheme creditors.
 - vii) The issue by TIME of RM3,945,832,278 nominal value 2-year zero coupon redeemable promissory notes 2000/2002 in full satisfaction of the same amount owing by TIME to the scheme creditors arising from the assumption of debts in (ii) above.
 - viii) The issue by the Company of 546 new ordinary shares of RM1.00 each at RM3.30 per ordinary share to TIME for cash.

18. ACCOUNTANTS' REPORT (Cont'd)

With the completion of the above, the issued and fully paid up share capital of the Company was increased from RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each to RM2,356,093,000 comprising 2,356,093,000 ordinary shares of RM1.00 each. The newly issued ordinary shares rank pari passu in all respect with the existing ordinary shares of the Company.

I.2 BASIS OF PREPARATION OF PROFORMA STATEMENT OF ASSETS AND LIABILITIES

The proforma statement of assets and liabilities have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards of the Malaysian Accounting Standards Board ("MASB").

I.3 SIGNIFICANT ACCOUNTING POLICIES
Basis of Accounting

The statements of assets and liabilities have been prepared under the historical cost convention.

Property, Plant and Equipment and Depreciation

Freehold land is not depreciated while leasehold land and buildings are amortised over the unexpired lives of the leases.

Depreciation of other property, plant and equipment is computed generally on the straight-line method at rates based on the estimated useful lives of the various assets:

Buildings	2%
Renovations	20%
Motor vehicles	20%
Office equipment, furniture and fittings	5% - 50%
Loose tools	10% - 50%
Computer systems	10% - 33 1/3%
Telecommunications equipment	10%

Basis of Consolidation

The Proforma Group's statement of assets and liabilities include the statement of assets and liabilities of the Company and all its subsidiaries on the assumption that the restructuring scheme as mentioned in section B.2 of this report, had been effected on 30 September 2000. All significant inter-company transactions and balances are eliminated on consolidation.

Investment in Subsidiaries

Investment in subsidiaries, which is eliminated on consolidation, is stated in the Proforma Company's statement of assets and liabilities at cost. Provision for diminution in value is made when the directors consider there is a permanent impairment in the value of the investments.

18. ACCOUNTANTS' REPORT (Cont'd)**Telecommunications Network****(a) Network cost**

This comprises construction costs, materials, consultancy, borrowing and other related costs incurred in connection with the construction of the telecommunications network.

The telecommunications network is constructed under the following telecommunications licences granted by the then Ministry of Energy, Communications and Multimedia:

	Licence period	Commencing
Domestic	20 years	June 1994
International	20 years	December 1994
Mobile	20 years	December 1993
Payphone	15 years	January 1989
Class license – Application service	Renewable annually	August 2000

The Ministry of Energy, Communications and Multimedia ("the Ministry") had on 1 December 1999, advised CDRC in writing that, in principle, the Ministry does not expect any problem to arise in renewing the subsidiary's payphone licence which is due to expire in December 2003.

The construction of the telecommunications network is carried out in phases based generally on geographical areas as determined by the directors. The commissioning of the network is accordingly carried out at the completion of each phase of construction. Pre commissioning network cost is not amortised. Commissioned network cost relating to payphone licence is amortised on a straight line basis over seven years while commissioned network cost/Internet Services Provision ("ISP") infrastructure cost relating to other licences is amortised to each balance sheet date over the duration of the licence period/estimated useful lives of 14 years (for ISP infrastructure) in accordance with the following formula:

<u>Cumulative revenue to date</u>		Commissioned
Projected total revenue	X	network cost/
during the licence period/		ISP infrastructure
estimated useful lives		cost

(b) Post commissioning interest capitalised

This represents interest on loans obtained to finance the construction of the commissioned phases of the network incurred subsequent to commissioning until full repayment of such loans other than that relating to the payphone licence which is charged to the profit and loss account as incurred. Capitalised interest is amortised to each balance sheet date over the duration of the licence period in accordance with the following formula:

<u>Cumulative revenue to date</u>		Projected total post
Projected total revenue	X	commissioning
during the licence period		interest to be incurred

18. ACCOUNTANTS' REPORT (Cont'd)

The capitalisation of post commissioning interest in this manner represents a departure from the provisions of International Accounting Standard 23 "Capitalisation of Borrowing Costs". However, the directors are of the opinion that this accounting policy matches more appropriately the Proforma Group's interest charges incurred on borrowings for the construction of the telecommunications network with its revenue during the licence period, having regard to:

- the nature of the licences being close ended;
- the terms of the licences requiring the Proforma Group to finance the construction of the telecommunications network; and
- the significance of interest charges as an integral cost component in the set up of the telecommunications business under the licences.

(c) Projected total revenue during the licence period/estimated useful lives

The projected total revenue during the licence period/estimated useful lives is based on directors' best estimate and is reviewed by the directors at least once every three years. These projections were last reviewed by the directors during the period ended 30 September 2000.

(d) Projected total post commissioning interest to be incurred

The projected total post commissioning interest to be incurred is based on directors' best estimate and is reviewed by the directors at least once every three years. These projections were last reviewed by the directors during the period ended 30 September 2000.

Goodwill on Consolidation

Goodwill arising on consolidation represents the excess of the purchase price over the fair value of the net tangible assets of subsidiaries. Goodwill on consolidation is written down only when there is a permanent impairment in its carrying value.

Expenditure Carried Forward

Expenditure carried forward comprises preliminary and pre-operating expenses. Preliminary and pre-operating expenses are written off or amortised evenly over a period not exceeding 60 months upon commencement of commercial operations.

Inventories

Inventories are valued at the lower of cost (determined on the moving - average method) and net realisable value. The costs of spares, phone cards and trading merchandise comprise the original purchase price plus costs of bringing these inventories to location.

In arriving at net realisable value, due allowance is made for obsolete and slow moving inventories.

Receivables

Bad debts are written off while provision for doubtful debts is made based on possible losses which may arise from non-collection of certain receivables accounts.

18. ACCOUNTANTS' REPORT (Cont'd)



DIRECTORS' REPORT

Registered Office:-
Level 11, Wisma TIME
249, Jalan Tun Razak
50400 Kuala Lumpur

15 January 2001

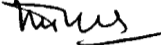
The Shareholders,
TIME dotCom Berhad

Dear Sir/Madam

On behalf of the Directors of TIME dotCom, I report after due inquiry that during the period from the 30 September 2000 (being the date to which the last audited accounts of TIME dotCom Group have been made) up to 15 January 2001 (being a date not earlier than fourteen days before the issue of this Prospectus):-

- (a) the business of TIME dotCom Group has, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited account of TIME dotCom Group which have materially and adversely affected the trading or the value of the assets of the TIME dotCom Group;
- (c) the current assets of TIME dotCom Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) save as disclosed in Section 16.4 in page 187 of this Prospectus, there are no contingent liabilities have arisen by reason of any guarantees or indemnities given by the TIME dotCom Group; and
- (e) save as disclosed in Section 10 in page 47 and in the Accountants' Report in Section 18 in page 194 this Prospectus, there have been no changes in published reserves or any unusual factors affecting the profit of the TIME dotCom Group.

Yours faithfully
**For and on behalf of the Board of Directors
of TIME dotCom Berhad**


Tan Sri Abu Talib bin Othman
Chairman

18. ACCOUNTANTS' REPORT (Cont'd)**I.4 PROPERTY, PLANT AND EQUIPMENT****Proforma Group**

	Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
Freehold land	14,554	-	14,554
Land under long lease	90	20	70
Land under short lease	7,467	1,811	5,656
Land and buildings under long lease	350	18	332
Land and buildings under short lease	8,982	1,077	7,905
Buildings	7,707	1,081	6,626
Buildings and renovations	11,536	10,078	1,458
Motor vehicles	24,526	21,130	3,396
Office equipment, furniture and fittings	47,968	34,325	13,643
Loose tools	25,393	23,189	2,204
Computer systems	60,339	37,151	23,188
Telecommunications equipment	16,233	6,224	10,009
	<u>225,145</u>	<u>136,104</u>	<u>89,041</u>

Proforma Company/Audited Company

	Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
Motor vehicles	190	105	85
Office equipment, furniture and fittings	526	202	324
Computer systems	296	147	149
	<u>1,012</u>	<u>454</u>	<u>558</u>

The net book value of leasehold land and buildings of the Proforma Group are as follows:

	Proforma Group RM'000
Unexpired lease period as at 30 September 2000:	
Land under long lease	
81 - 85 years	<u>70</u>
Land under short lease	
11 - 15 years	<u>5,656</u>
Land and buildings under long lease	
71 - 75 years	<u>332</u>
Land and buildings under short lease	
31 - 35 years	1,577
36 - 40 years	2,833
41 - 45 years	2,850
46 - 50 years	<u>645</u>
	<u>7,905</u>
	<u>13,963</u>

18. ACCOUNTANTS' REPORT (Cont'd)**I.5 INVESTMENT IN SUBSIDIARIES**

	Proforma Company RM'000
Unquoted shares, at cost	5,215,101
Amount owing by subsidiaries	46,729
	<u>5,261,830</u>

The subsidiaries are listed under section B.4.

Amount owing by subsidiaries mainly represents payments made on behalf. These amounts are interest free with no fixed terms of repayments.

I.6 TELECOMMUNICATIONS NETWORK**Proforma Group**

	Domestic and international RM'000	Mobile RM'000	Payphone RM'000	ISP infrastructure RM'000	Total RM'000
Cost	2,515,065	1,387,176	374,375	24,297	4,300,913
Accumulated amortisation	40,665	31,248	228,460	-	300,373
Net book value	<u>2,474,400</u>	<u>1,355,928</u>	<u>145,915</u>	<u>24,297</u>	<u>4,000,540</u>
Comprises as follows:					
Network cost :					
Commissioned network	2,001,618	959,637	374,375	476	3,336,106
Network in progress	123,505	162,088	-	23,821	309,414
	2,125,123	1,121,725	374,375	24,297	3,645,520
Less : Cumulative amortisation	(31,607)	(23,671)	(228,460)	-	(283,738)
	2,093,516	1,098,054	145,915	24,297	3,361,782
Post commissioning interest capitalised	389,942	265,451	-	-	655,393
Less : Cumulative amortisation	(9,058)	(7,577)	-	-	(16,635)
	380,884	257,874	-	-	638,758
	<u>2,474,400</u>	<u>1,355,928</u>	<u>145,915</u>	<u>24,297</u>	<u>4,000,540</u>

Included in mobile telecommunications network are assets amounting to RM40,515,000 of which title has been retained by the suppliers and is in the process of being transferred to the subsidiary.

18. ACCOUNTANTS' REPORT (Cont'd)

A subsidiary has given an undertaking not to dispose of or encumber its assets, in favour of the trustee for the holders of USD250 million nominal value zero coupon redeemable secured bonds 1996/2001 issued by TIME. The assets of this subsidiary include the telecommunications network constructed under the domestic and international licenses.

Projected total revenue and projected total post commissioning interest to be incurred during the licence period

During the financial period 1 January 2000 and 30 September 2000, a review was undertaken by the directors of the subsidiaries with consultation of independent advisers and consequently, a revision was made to the projected total revenue and the projected total post commissioning interest to be incurred during the licence period of the subsidiaries' telecommunications (domestic, international and mobile) licences.

The projected total revenue and the projected total post commissioning interest to be incurred during the licence period form the basis of amortisation of the subsidiaries' telecommunications (domestic, international and mobile) network.

In carrying out the review, the directors of the subsidiaries have taken into consideration the Scheme formulated by the CDRC as fully explained in Section I.1 as well as the overall general improvement in the economic environment.

The effect of this accounting change on the accounts of the subsidiaries is a reduction in both the cumulative amortisation of commissioned network (RM34,861,000) and cumulative amortisation of post commissioning interest capitalised (RM8,832,000) as at 31 December 1999 totalling RM43,693,000. The decrease is reflected in the proforma consolidated profit and loss account as an exceptional item for the period 1 January 2000 to 30 September 2000 as summarised in Section E.1.

With effect from 1 January 2000, the amortisation of commissioned network and post commissioning interest capitalised is based on the revised projections made by the directors.

I.7 EXPENDITURE CARRIED FORWARD

	Proforma Group RM'000
Preliminary and pre-operating expenses	
At cost	72,880
Less : Cumulative amortisation	<u>(61,957)</u>
	<u>10,923</u>

I.8 INVENTORIES

	Proforma Group RM'000
Inventories - at cost:	
Trading merchandise	2,051
Spares	17,625
Phone cards	<u>2,645</u>
	<u>22,321</u>

18. ACCOUNTANTS' REPORT (Cont'd)

I.9 TRADE RECEIVABLES

	Proforma Group RM'000
Trade receivables	375,152
Less : Provision for doubtful debts	<u>(103,529)</u>
	<u>271,623</u>

**I.10 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS/
OTHER PAYABLES AND ACCRUED EXPENSES**

Other receivables, deposits and prepayments of the Proforma Group and the Proforma Company /Audited Company include accrued interest income receivable of RM30,468,825 and RMNil respectively.

Included in other payables and accrued expenses of the Audited Company is accrued interest expense payable on the short term borrowings of RM209,123,000.

I.11 RELATED COMPANY BALANCES

The Company is a subsidiary of TIME, a company incorporated in Malaysia, which is also regarded by the directors as the ultimate holding company.

Proforma Group

The amount owing by/to the holding and other related companies arose mainly from trade transactions and payments made on behalf. These amounts are interest free with no fixed terms of repayment.

Proforma Company

The amount owing to the holding and other related companies arose mainly from payments made on behalf. These amounts are interest free with no fixed terms of repayments.

Audited Company

The amount owing by other related companies arose mainly from intercompany advances and expenses paid on behalf by the Company. These balances do not have any fixed repayment terms. Intercompany advances are advances made by the Company from its short term borrowings obtained to finance the telecommunications business of other related companies.

The interest incurred by the Company on its short term borrowings are recoverable from these other related companies. Included in amount owing by other related companies is interest receivable of RM240,792,506.

The amount owing to holding and other related companies arose mainly from payments made on behalf. These amounts are interest free with no fixed terms of repayments.

18. ACCOUNTANTS' REPORT (Cont'd)**I.12 SHORT TERM BORROWINGS**

	Audited Company RM
Fixed rate promissory notes	250,000
Bridging loan facility	500,000
	<u>750,000</u>

The above borrowings are secured by corporate guarantees from the holding company and an irrevocable undertaking from the Company to assign the proceeds from the proposed flotation (aborted in the previous financial year) to the facility agent. The fixed rate promissory notes and bridging loan facility bear interest at the rates ranging from 8.5% to 12.95% per annum.

The promissory notes are also secured by an agreement entered into by the Company, the holding company and one of the Company's subsidiary (collectively referred to as "the Assignors") whereby the Assignors assign to the facility agent any proceeds from the issue of securities and/or the disposal of assets by the Assignors.

I.13 SHARE CAPITAL

	Proforma Group and Proforma Company RM'000	Audited Company RM'000
Authorised:		
Ordinary shares of RM1.00 each	5,000,000	5,000
Issued and fully paid:		
Ordinary shares of RM1.00 each	2,530,775	1,000

I.14 SHARE PREMIUM

Share premium arose from the issue of shares in connection with the restructuring and flotation scheme of the Company, net of listing expenses of RM60,000,000.

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18. ACCOUNTANTS' REPORT (Cont'd)**I.15 DEFERRED ASSETS/(LIABILITIES)**

As mentioned in Section I.3, the tax effects of timing differences which would give rise to net future tax benefits are recognised generally on actual realisation. As at 30 September 2000, the estimated amount of deferred taxation calculated at applicable tax rate which is not recognised in the accounts, is as follows:

	Deferred Asset/(Liability)	
	Proforma	Proforma
	Group	Company/
	RM'000	Audited
		Company
		RM'000
Tax effects of timing differences in respect of the excess of book depreciation over tax capital allowances	-	38
Tax effects of timing differences in respect of the excess of tax capital allowances over book depreciation	(522,653)	-
Tax effects of unabsorbed capital allowances and unutilised tax losses	939,802	1,890
Others	(180,600)	-
Net Deferred Asset	<u>236,549</u>	<u>1,928</u>

The unabsorbed capital allowances and unutilised tax losses are subject to the agreement with the Inland Revenue Board.

I.16 CASH AND CASH EQUIVALENTS

	Proforma
	Group
	RM'000
Short term deposits with licensed banks	260,158
Cash on hand and at banks	513,279
	<u>773,437</u>

I.17 CAPITAL COMMITMENTS

	Proforma
	Group
	RM'000
Approved and contracted for :	
Purchase and construction of telecommunications infrastructure	176,945
Supply, installation, testing, commissioning, maintenance and support of ISP infrastructure	15,881
	<u>192,826</u>
Approved but not contracted for :	
Purchase and construction of telecommunications infrastructure	76,337
	<u>269,163</u>

18. ACCOUNTANTS' REPORT (Cont'd)

I.18 COMMITMENTS

	Proforma Group RM'000
Non cancelable commitments for rental of office premises, lease of computer equipment and computer network setting up :	
Payable within 1 year	11,806
Payable between 2 and 3 years	5,559
Payable after 3 years	2,384
	<u>19,749</u>

On 12 May 2000, one of the Company's subsidiary entered into an agreement with Projek Lebuhraya Utara-Selatan Bhd ("PLUS") on wayleave and right of use pertaining to telecommunications facilities of the North-South Expressway ("PLUS Agreement") for a fee equal to an annual sum of RM10,800,000 for the calendar year 2000 with an incremental amount of 5% compounded annually up to the calendar year 2014. Thereafter the annual sum will remain at RM4,240,000 until the expiry of the agreement.

The PLUS Agreement shall be terminated upon the expiration of the concession agreement on 30 May 2020 as awarded by the Government of Malaysia to PLUS ("PLUS Concession") unless renewed by the Government of Malaysia (in which event the agreement shall terminate upon the renewed term of the PLUS Concession).

Under the PLUS Agreement, the subsidiary has an option (exercisable within 30 months from 12 May 2000) to purchase from PLUS the telecommunications facilities at a purchase price of RM180,000,000.

J. SUBSEQUENT EVENTS

- (i) As approved by the shareholder at the Extraordinary General Meeting held on 3rd October, 2000, the authorised share capital of the Company was increased from RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each to RM5,000,000,000 by the creation of an additional 4,995,000,000 ordinary shares of RM1.00 each.
- (ii) On 7th November, 2000, the court had granted a conditional order to the Scheme whereby the Scheme may be sanctioned by the court so as to be binding on each and every one of the Scheme Companies and their respective scheme creditors subject to the fulfillment of the condition that the proposed public issue/offer of shares in the Company pursuant to its proposed listing on the KLSE be underwritten.
- (iii) On 24th November, 2000, TIME and the Company signed an underwriting agreement with ten underwriters for the underwriting of 487.54 million ordinary shares of RM1.00 each of the Company at an issue/offer price of RM3.30 per share.
- (iv) On 26th December, 2000, the following, forming part of the Scheme, were completed:
 - a) The acquisitions by the Company of the entire equity interest in the Telcos for a total purchase consideration of RM923.706 million satisfied by the issue of 923.706 million new ordinary shares of RM1.00 each in the Company, credited as fully paid up at par. Consequently, the Telcos became wholly owned subsidiaries of the Company. The Company and the Telcos are hereinafter collectively referred to as "TIME dotCom Group".
 - b) The assumption by TIME of the debts of TIME dotCom Group under the Scheme of RM3,945,832,278. This amount assumed by TIME did not include the existing amount owing by TIME dotCom Group directly to TIME of RM348,327,084.
 - c) The novation by the Telcos all the debts owing to TIME after (b) above of RM3,350,325,597 to the Company, resulting in the total amount owing by the Company to TIME of RM4,294,159,362

18. ACCOUNTANTS' REPORT (Cont'd)

- d) The issue by the Company of 1,431,386,454 new ordinary shares of RM1.00 each credited as fully paid up to TIME in satisfaction of the total amount owing by the Company to TIME on the basis of one (1) new ordinary share in the Company for every RM3.00 debt owing to TIME.
- e) The issue by each Telcos of one new ordinary share of RM1.00 each credited as fully paid up to the Company for every RM1.00 debt owing to the Company in satisfaction of the total amount owing by the respective Telcos to the Company after the novation in (c) above.
- f) The issue by TIME of RM86,208,185 nominal value 5-year 2% irredeemable convertible loan stocks 2000/2005 in full satisfaction of the same amount owing by TIME to its unsecured scheme creditors.
- g) The issue by TIME of RM3,945,832,278 nominal value 2-year zero coupon redeemable promissory notes 2000/2002 in full satisfaction of the same amount owing by TIME to the scheme creditors arising from the assumption of debts in (b) above.
- h) The issue by the Company of 546 new ordinary shares of RM1.00 each at RM3.30 per ordinary share to TIME for cash.

With the completion of the above, the issued and fully paid up share capital of the Company was increased from RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each to RM2,356,093,000 comprising 2,356,093,000 ordinary shares of RM1.00 each. The newly issued ordinary shares rank pari passu in all respect with the existing ordinary shares of the Company.

K. NET TANGIBLE ASSETS COVER

The net tangible assets/(liabilities) per ordinary share of RM1.00 each are as follows:

	Proforma Group RM'000	Proforma Company RM'000	Audited Company RM'000
Shareholders' funds/(Capital deficiency)	5,726,783	5,726,783	(7,534)
Less:			
Expenditure carried forward	10,923	-	-
Goodwill on consolidation	907,851	-	-
	<u>4,808,009</u>	<u>5,726,783</u>	<u>(7,534)</u>
No. of ordinary share of RM1.00 each ('000)	<u>2,530,775</u>	<u>2,530,775</u>	<u>1,000</u>
Net tangible assets/(liabilities) per share (RM)	<u>1.90</u>	<u>2.26</u>	<u>(7.53)</u>

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18. ACCOUNTANTS' REPORT (Cont'd)

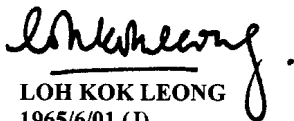
L. AUDITED ACCOUNTS

No audited accounts of TIME dotCom Berhad and its subsidiaries have been prepared in respect of any period subsequent to 30 September 2000.

Yours very truly,



DELOITTE KASSIMCHAN
AF 0080
Public Accountants



LOH KOK LEONG
1965/6/01 (J)
Partner