



BRITISH AMERICAN
TOBACCO
MALAYSIA

DUNHILL



KENT



BENSON & HEDGES



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British American Tob

Best in Corporate Governance
Credit Lyonnais Securities Asia,
April 2001

**Top 10 for Malaysia's Best
Managed Companies**
Finance Asia, April 2001

**Highest Return on Equity
(ROE) of 138.7 per cent**
Malaysian Business,
16 October 2001

acco Malaysia

Top Value Creator In Asia
Asian Wall Street Journal,
14 December 2001

Best in Corporate Governance-
Malaysia
The Asset, December 2001

Overall Best Managed
Company in Malaysia
for 2001
*AsiaMoney, December 2001/
January 2002*



2001 Annual Report Design Rationale

We accept that ours is a controversial industry and that the risks associated with smoking drive the issues we face. Changing external expectations also demand that we manufacture and market our products responsibly – that is, only to adults who have chosen to smoke and who understand the risks that come with smoking.

In trying to be responsible, we listen and respond to the views and expectations of our stakeholders in society, ranging from regulators to consumers to employees to pressure groups.

The design we have chosen for the 2001 Annual Report features an arrangement of the senses necessary for effective and transparent dialogue and engagement with our stakeholders: touch, sight, speech, listening and direction - composed from a work of cubist art. The use of this unconventional depiction of the senses reflects our awareness that stakeholders hold many different views, perceptions, and attitudes towards the tobacco industry. Open-mindedness and a willingness to listen and respond are therefore crucial for us to be recognised as a responsible company.

The use of building blocks carries through from the theme of the 2000 Annual Report which reflect that:

- We have the right foundation and formula for sustainable growth and provide equitable returns to shareholders
- We have a strong and diversified international portfolio of brands to suit a variety of consumer tastes and preferences
- We are flexible and innovative to adapt to change and take advantage of new technologies and business models

The colours reflect strength, confidence, modernity, dynamism and vigour.

Highlights



**BRITISH AMERICAN
TOBACCO**
MALAYSIA

	Year ended 31.12.01	Versus year ended 31.12.00
Profit Before Taxation	RM840.3 million	+20%
Net Earnings Per Share	213 sen	+20%
Net Dividend Per Share	245 sen	+44%

- **Continuous robust financial performance.**
- **Dunhill continues to lead the market.**
- **Board of Directors recommends a record final dividend of 104 sen net per share for financial year ended 31 December 2001.**

Of The Year

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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Forty First Annual General Meeting of British American Tobacco (Malaysia) Berhad (BATM) will be held on Wednesday, 17 April 2002 at 11.00 am at the Kristal Ballroom, Hilton Petaling Jaya, No 2 Jalan Barat, 46200 Petaling Jaya, Selangor, Malaysia for the transaction of the following business:

1. To receive and adopt the audited financial statements for the financial year ended 31 December 2001 and the reports of the Directors and Auditors thereon. (Resolution 1)
2. To sanction the declaration and payment of a final dividend. (Resolution 2)
3. To re-elect the following Directors who retire in accordance with Articles 97 (1) and (2) of the Company's Articles of Association:

Mr Donald Stuart Watterton (Resolution 3)
Dato' Dr Mohd Noor bin Ismail (Resolution 4)
Mej Jen (Rtd) Dato' Haji Fauzi bin Hussain (Resolution 5)
Mr James Campbell Irvine (Resolution 6)
4. To re-appoint PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 7)
5. As special business, to consider and, if thought fit, pass the following ordinary resolutions:

(i) **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR BATM AND ITS SUBSIDIARIES TO ENTER INTO RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WITH RELATED PARTIES (PROPOSED RENEWAL OF THE RECURRENT RPT MANDATE)** (Resolution 8)

"THAT the mandate granted by the shareholders of the Company on 28 November 2001 pursuant to paragraph 10.09 of the Listing Requirements of the Kuala Lumpur Stock Exchange, authorising the Company and its subsidiaries (BATM Group) to enter into the recurrent transaction of a revenue or trading nature as set out in paragraph 2.2 of the Circular to Shareholders dated 26 March 2002 with the related parties mentioned therein which are necessary for the BATM Group's day-to-day operations, be and is hereby renewed provided that:

- (i) the transactions are in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and
- (ii) the disclosure of the aggregate value of the transactions conducted during a financial year will be disclosed in the annual report for the said financial year,

AND THAT the authority conferred by such renewed mandate shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting (AGM) of the Company following the forthcoming AGM at which the Proposed Renewal of the Recurrent RPT Mandate is approved, at which time it will lapse, unless by a resolution passed at the AGM, the mandate is again renewed;
- (ii) the expiration of the period within the next AGM of the Company after the forthcoming AGM is required to be held pursuant to Section 143 (1) of the Companies Act, 1965 (Act) (but shall not extend to such extension as may be allowed pursuant to Section 143 (2) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Proposed Renewal of the Recurrent RPT Mandate.”

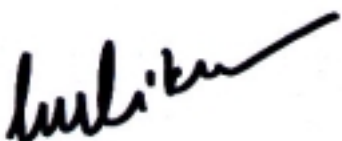
(ii) AUTHORITY TO DIRECTORS TO ISSUE SHARES

(Resolution 9)

“THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10 per cent of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Kuala Lumpur Stock Exchange and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.”

6. To consider any other business of which due notice shall have been given.

By Order of the Board



CHRISTINE LEE OI KUAN
Secretary
LS006859

Petaling Jaya
26 March 2002

Notes:

1. A member entitled to attend and vote at the general meeting is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company and the provisions of Section 149 (1) (b) of the Companies Act, 1965 shall not apply to the Company. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account with ordinary shares of the Company standing to the credit of the said securities account.
2. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.
3. The Proxy Form must be deposited at the Registered Office of the Company at Virginia Park, Jalan Universiti, 46200 Petaling Jaya, Selangor not less than forty-eight (48) hours before the time fixed for the meeting or any adjournment thereof.
4. Explanatory Note on Special Business
The Ordinary Resolution proposed under item 5 (i) is to renew the shareholders’ mandate granted by the shareholders of the Company at the last EGM held on 28 November 2001. The proposed renewal of the shareholders’ mandate will enable BATM and its subsidiaries (BATM Group) to enter into any of the recurrent transactions of a revenue or trading nature which are necessary for the BATM Group’s day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

The Ordinary Resolution proposed under item 5 (ii), if passed, will empower the Directors to issue shares in the Company up to an amount not exceeding in total ten (10) per cent of the issued capital of the Company for such purposes as they consider would be in the interest of the Company in order to avoid any delay and cost involved in convening a general meeting to approve such issue of shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

Statement

Accompanying Notice of Annual General Meeting

1. Pursuant to Paragraph 8.28(2) of the Kuala Lumpur Stock Exchange Listing Requirements Directors who are standing for re-election at the Forty First Annual General Meeting of the Company are as follows:

Pursuant to Articles 97 (1) and (2) of the Company's Articles of Association

- (a) Mr Donald Stuart Watterton
- (b) Dato' Dr Mohd Noor bin Ismail
- (c) Mej Jen (Rtd) Dato' Haji Fauzi bin Hussain
- (d) Mr James Campbell Irvine

2. Details of attendance of Directors at Board Meetings.

There were six (6) Board Meetings held during the financial year ended 31 December 2001. Details of attendance of the Directors are set out in the Profile of Board of Directors appearing on pages 14 to 15 of the Annual Report.

3. Place, Date and Time of Board Meetings.

All Board Meetings during the financial year ended 31 December 2001 were held at the Board Room, Virginia Park, Jalan Universiti, 46200 Petaling Jaya, Selangor. The date and time of the Board Meetings held were as follows :

Date of Meeting	Time
21 February 2001	11.00 am
17 April 2001	2.30 pm
29 May 2001*	2.30 pm
30 July 2001	11.00 am
10 September 2001*	2.30 pm
29 October 2001	12.30 pm

* Special Board Meeting

Statement

Accompanying Notice of Annual General Meeting

4. Further details of Directors seeking re-election at the Forty First Annual General Meeting.

Name	Mr Donald Stuart Watterton	Dato' Dr Mohd Noor bin Ismail DSIJ, JMN, PIS, PPT
Age	54	68
Nationality	British	Malaysian
Qualification	Fellow of The Institute of Chartered Accountants in England and Wales	<ul style="list-style-type: none"> Diploma in Agriculture, Universiti Pertanian Malaysia Bachelor of Science in Agriculture, Louisiana State University, USA Master of Science in Agriculture, Louisiana State University, USA Advance Management Programme, Harvard Business School, USA Doctor of Business and Administration, University of Action Learning Buckingham, UK
Position on the Board of Directors	Executive Director	Non-Executive Director
Date first appointed to the Board of Directors	3 November 1999	9 June 1988
Number of Board meetings attended in the financial year	6/6	6/6
Membership of Board Committees	Member of Remuneration Committee	Member of Audit and Remuneration Committees
Occupation	Managing Director of British American Tobacco (Malaysia) Berhad	Executive Director
Working Experience	<ul style="list-style-type: none"> Travelling Auditor, British American Tobacco Co Ltd. Chief Accountant, Nigerian Tobacco Company Finance Director, Suomen Tupakka (now BAT Finland) Managing Director, W.D. & H.O. Wills (New Zealand) Managing Director, Nigerian Tobacco Company Director, British American Tobacco Company Limited <ul style="list-style-type: none"> Finance Director New Business Development Director Special Projects Director Human Resource, Corporate Affairs, Legal & Secretarial Director Chief Executive, W.D. & H.O. Wills Holdings Limited 	<ul style="list-style-type: none"> Assistant Agriculture Officer, Jabatan Pertanian Negeri Johor Deputy Farm Director, Universiti Pertanian Malaysia (now known as Universiti Putra Malaysia) Professor and Deputy Vice Chancellor, Universiti Pertanian Malaysia Group Managing Director, Kumpulan FIMA Berhad Executive Director, Kumpulan FIMA Berhad
Any other directorships in public companies	Nil	<ul style="list-style-type: none"> Kumpulan FIMA Berhad Nationwide Express Courier Services Berhad Malaysian Transnational Trading (MATTRA) Corporation Berhad FIMA Corporation Berhad Ladang Perbadanan – FIMA Berhad
Securities holdings in BATM and its subsidiaries	BATM (2,000 shares)	BATM (1,000 shares)
Any family relationship with director and/or major shareholder of BATM	Nil	Nil
Any conflict of interest with BATM	Nil	Nil
List of convictions for offences within the past 10 years other than traffic offences, if any	Nil	Nil

Statement

Accompanying Notice of Annual General Meeting

Name	Mej Jen (Rtd) Dato' Haji Fauzi bin Hussain DPKK, DIMP, PAT, JMN, DJN, JBS, JMK, KMN	Mr James Campbell Irvine
Age	62	42
Nationality	Malaysian	British
Qualification	<ul style="list-style-type: none"> Graduate from Command and Staff – College Indonesia Joint Services Staff – College Australia 	<ul style="list-style-type: none"> Bachelor of Science (Honours), University of Manchester Institute of Science and Technology Associate of the Chartered Institute of Management Accountants, UK
Position on the Board of Directors	Non-Executive Director	Executive Director
Date first appointed to the Board of Directors	15 September 1994	3 November 1999
Number of Board of Directors meetings attended in the financial year	6/6	6/6
Membership of the Board Committees	Member of Audit and Remuneration Committees	Nil
Occupation	Company Director	Finance Director of British American Tobacco (Malaysia) Berhad
Working Experience	<ul style="list-style-type: none"> He has served many years in the military and Ministry of Defence as:- Officer Cadet Training, Port Dickson (January 1960 to December 1961) - Platoon Commander, Company Second-in-Command, Regimental Signals Officer and Battalion Edjutant 4th Battalion, Royal Malay Regiment (December 1961 to July 1965) -Staff Officer Grade III, Ministry of Defence (November 1965 to December 1966) -Helicopter Flying Training at US Army Flying Training School at Fort Wolters, Texas and Fort Rucker, Alabama, USA (January 1967 to October 1967) - Helicopter pilot in Peninsular Malaysia, Sabah and Sarawak (October 1967 to September 1970) -Commander of the 5th Squadron, RMAF, Labuan (September 1970 to March 1971) - Officer-in-charge Air Operations Centre, Air Headquarters, Ministry of Defence (March 1972 to December 1972) - Base Commander, RMAF, Kuching (January 1973 to August 1974)-Base Commander, RMAF Base, Butterworth (August 1974 to December 1979) -Assistant Chief of Air Force Plans and Operations, Air Staff Division, Ministry of Defence (January 1980 to October 1982) - Commander, Air Force Operational Headquarters (November 1982 to January 1985)-Deputy Commander, Headquarters Integrated Air Defence System (which comprises elements of Air Force units of Singapore, UK, Australia, New Zealand and Malaysia) (February 1985 to January 1987) -Commander, Air Training Command (January 1987 to May 1990) - Commander, Air Support Command (June 1990 to December 1990) - Commander, Air Defence Command (December 1990 to March 1993) -Deputy Chief of Air Force, Air Force Headquarters, Ministry of Defence (March 1993 to November 1994) Director of Lembaga Tabung Angkatan Tentera (LTAT) and Director of Armitage Shanks 	<ul style="list-style-type: none"> Internal Auditor, British Petroleum p.l.c. Operations Accountant, British Petroleum China International Auditor, British American Tobacco Company Limited Audit Manager, Malaysian Tobacco Company Berhad Finance Manager, British American Tobacco Espana Finance Director, British American Tobacco China Finance Director, W.D. & H.O. Wills (New Zealand) General Manager, W.D. & H.O. Wills (Papua New Guinea) Limited Regional Manager, Asia Pacific, British American Tobacco p.l.c.
Any other directorships in public companies	South Peninsular Industries Berhad	Tien Wah Press Holdings Berhad
Securities holdings in BATM and its subsidiaries	BATM (1,000 shares)	BATM (1,000 shares)
Any family relationship with director and/or major shareholder of BATM	Nil	Nil
Any conflict of interest with BATM	Nil	Nil
List of convictions for offences within the past 10 years other than traffic offences, if any	Nil	Nil



The conferment of the Corporate Sectorial Award for Consumer Products (Main Board) to British American Tobacco Malaysia by the Kuala Lumpur Stock Exchange marks the first time that a multinational corporation has been presented this distinction.

Financial Calendar

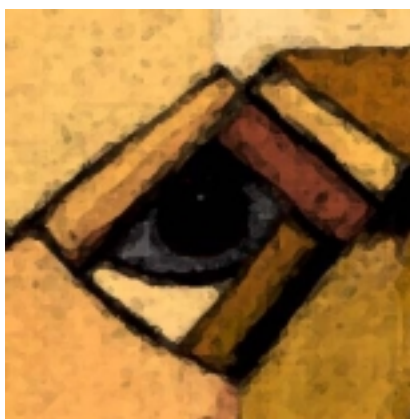
First Quarter Results	17 April 2001
2000 Final Dividend Paid	11 May 2001
Second Quarter Results	30 July 2001
2001 Interim Dividend Paid	29 August 2001
Third Quarter Results	29 October 2001
2001 Special Dividend Paid	10 December 2001
Financial Year End	31 December 2001
Release of Financial Year Results	21 February 2002
Issue of 2001 Annual Report	26 March 2002
41 st Annual General Meeting	17 April 2002
Proposed Date for Payment of 2001 Final Dividend	14 May 2002

Group Financial Highlights

		Financial year from 1.1.01 to 31.12.01 RM'000	Financial year from 1.1.00 to 31.12.00 RM'000
Revenue		3,010,370	2,772,008
Profit Before Taxation		840,302	701,185
Net Profit for the Financial Year		607,695	505,958
Shareholders' Funds		572,304	627,038
Net Earnings as a Percentage of Shareholders' Funds	(%)	106.2	80.7
Earnings Per Share	(sen)	213	177
Net Dividend Per Share	(sen)	245.4	170.0



Corporate Information



REGISTERED OFFICE

Virginia Park, Jalan Universiti,
46200 Petaling Jaya,
Selangor.
Tel: 03-7956 6899
Fax: 03-7955 8416
Homepage: www.batmalaysia.com

SECRETARY

Linda G. Oliveiro
(resigned on 1.8.2001)

Christine Lee Oi Kuan
(appointed on 1.8.2001)

REGISTRAR

M & C Services Sdn Bhd
20th Floor, Plaza Permata,
(formerly known as IGB Plaza),
Jalan Kampar, Off Jalan Tun Razak,
50400 Kuala Lumpur.
Tel: 03- 4041 2188
Fax: 03-4043 9233

AUDITORS

PricewaterhouseCoopers

PRINCIPAL BANKERS

Citibank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad



Corporate Profile

About Us

British American Tobacco Malaysia

British American Tobacco Malaysia arose from the merger of the tobacco businesses of Rothmans of Pall Mall (Malaysia) Berhad and Malaysian Tobacco Company Berhad on 3 November 1999. The merger brought together two established companies, pooling talent, experience and an unrivalled portfolio of highly successful international brands to create the largest tobacco company in the country.

Today, we are the clear market leader of the Malaysian cigarette industry, with nearly 70 per cent share of the market, and currently rank amongst the top 10 companies on the Kuala Lumpur Stock Exchange. British American Tobacco Holdings (Malaysia) B.V. is the largest shareholder in the Company with a 50 per cent shareholding. Other major shareholders include Employees Provident Fund Board and Amanah Raya Nominees (Tempatan) Sdn. Bhd. – Skim Amanah Saham Malaysia.

British American Tobacco Malaysia manufactures and markets high quality tobacco products designed to meet diverse consumer preferences. Our portfolio includes well-established international names such as Dunhill, Kent, Benson & Hedges, Peter Stuyvesant, Lucky Strike, and Pall Mall.

We have a combined history of almost 90 years in Malaysia, going back to 1912 when our first trading office was set up in Kuala Lumpur. This wealth of expertise, coupled with leading edge technology and efficient systems and processes employed in all aspects of our business activities, position us well to meet the challenges of the future.

Currently, we employ about 1,400 people who are involved in the full spectrum of the tobacco industry, from leaf buying and processing to manufacturing, marketing and distribution. Our comprehensive distribution network spans the length and breadth of the country, ensuring that our brands are available everywhere in Malaysia.

We aim to maintain our leadership of the industry through increasing our share of the tobacco business and satisfying consumer demands better and more profitably than our competitors. In meeting these goals, we ensure that we market responsibly, and in a manner sensitive to our environment. For us, leadership goes beyond just market share; it has also to be about qualitative leadership – in our eyes, and in the eyes of our stakeholders. While tobacco can be a controversial product, it is also an important industry, one that has a role to play in contributing to the growth and development of the community in which it operates. We are committed to fulfilling that role.

www.batmalaysia.com

British American Tobacco p.l.c.

British American Tobacco p.l.c. is the world's most international tobacco group – with an active presence in 180 nations, a global market share of 15 per cent and market leader in more than 50 countries.

We are a major international fast moving consumer goods company, with a strong portfolio of international, regional and national brands, in Virginia and American blend cigarettes. We are proud of our strong reputation for high quality brands, and with a diversified global portfolio of over 300 brands, we offer something for every taste.

Our leading international brands are Dunhill, Lucky Strike, Kent, State Express 555, Benson & Hedges, Rothmans, Pall Mall, Peter Stuyvesant, Kool, Viceroy, Winfield and John Player Gold Leaf. Leading regional and national brands include Belmont, Derby, Free, Hollywood, GPC, Courtleigh and Ardath.

As a global organisation, operating in richly diverse cultures and economies, we rely on exceptional individuals, entrusted with significant responsibility and autonomy, to exercise their own judgement and skills in operating the business in each country and culture, within a common framework of guiding principles. British American Tobacco's highly multicultural style is reflected in our staffing around the world. The Group employs almost 90,000 people globally with over 60 nationalities working outside their country of origin.

www.bat.com



Board of Directors

Tan Sri Abu Talib bin Othman
(Chairman)



Donald Stuart Watterton
(Managing Director)



Tan Sri Kamarul Ariffin bin Mohamed Yassin
(Non-Executive Director)



Dato' Dr Mohd Noor bin Ismail
(Non-Executive Director)



Mej Jen (Rtd) Dato' Haji Fauzi bin Hussain
(Non-Executive Director)



Oh Chong Peng
(Non-Executive Director)



STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement sets out the responsibilities of the Directors in relation to the audited financial statements.

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the results of the Group and the Company for the financial year then ended. In preparing those financial statements, the Directors are required to:



- select appropriate accounting policies and apply them consistently, subject to any material departures being disclosed and explained in the financial statements;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless they consider that to be inappropriate.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1965. They are also responsible for taking reasonable steps to safeguard the assets of the Group and the Company, and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to the prevention and detection of fraud and other irregularities.

The Directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.

The Directors consider that they have pursued the actions necessary to meet their responsibilities as set out in this statement.

Profile of Board of Directors

Tan Sri Abu Talib bin Othman (63), (Malaysian) (Independent Non-Executive Director)
PMN, PSM, SIMP, SSSA, DGSM, DPMS, DMPN, DCSM, JSM, KMN, PPT
Chairman

Tan Sri Abu Talib bin Othman was appointed Chairman of the then Rothmans of Pall Mall (Malaysia) Berhad in 1994, now British American Tobacco (Malaysia) Berhad. He qualified as a barrister-at-law from Lincoln's Inn, United Kingdom. Tan Sri Abu Talib has over 37 years of working experience, of which 31 years were spent in the Judicial and Legal Service, Malaysia. He was the Attorney-General of Malaysia from 1980 to his retirement in October 1993. Tan Sri Abu Talib is presently a Director of several public listed companies such as Tan & Tan Developments Berhad, Sapura Telecommunications Berhad, Alliance Bank Malaysia Berhad, IGB Corporation Berhad, MUI Continental Insurance Berhad, Sime Darby Berhad, Alliance Unit Trust Management Berhad (formerly known as Multi-Purpose Unit Trust Management Berhad) and Alliance Merchant Bank Berhad. He is the Chairman of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Tan Sri Abu Talib bin Othman has attended six Board meetings in the financial year.

Donald Stuart Watterton (54), (British) (Non Independent Executive Director)
Managing Director

Mr Donald Stuart Watterton was appointed a Director of British American Tobacco (Malaysia) Berhad in November 1999. He is a Fellow of the Institute of Chartered Accountants in England and Wales. He joined British American Tobacco p.l.c. in 1972 and has worked in many countries around the world. From 1988 – 1995, Mr Watterton was a Director of British American Tobacco Company Limited, and prior to joining British American Tobacco (Malaysia) Berhad as Managing Director, he was the Chief Executive for W.D. & H.O. Wills Holdings Limited. He is also a member of the Remuneration Committee of the Company. Mr Donald Stuart Watterton has attended six Board meetings in the financial year.

Tan Sri Kamarul Ariffin bin Mohamed Yassin (67), (Malaysian) (Independent Non-Executive Director)
PSM

Tan Sri Kamarul Ariffin bin Mohamed Yassin was appointed a Non-Executive Director of the then Rothmans of Pall Mall (Malaysia) Berhad in December 1979, now British American Tobacco (Malaysia) Berhad. He qualified as a barrister-at-law from Lincoln's Inn, United Kingdom. Tan Sri Kamarul Ariffin was formerly a Senator and has held various positions in many organisations such as the Executive Chairman of Bank Bumiputra Malaysia Berhad, Chairman of Asean Banking Council and President of the National Chamber of Commerce and Industry. Currently, Tan Sri Kamarul Ariffin is the Executive Chairman of Utusan Melayu (Malaysia) Berhad and a Director of Dutch Baby Milk Industries (M) Berhad. He is a member of the Audit Committee and Remuneration Committee of the Company. Tan Sri Kamarul Ariffin bin Mohamed Yassin has attended five Board meetings in the financial year.

Dato' Dr Mohd Noor bin Ismail (68), (Malaysian) (Non Independent Non-Executive Director)
DSIJ, JMN, PIS, PPT

Dato' Dr Mohd Noor bin Ismail was appointed a Non-Executive Director of the then Rothmans of Pall Mall (Malaysia) Berhad in June 1988, now British American Tobacco (Malaysia) Berhad. He holds a Diploma in Agriculture from Universiti Pertanian Malaysia (now known as Universiti Putra Malaysia), Bachelor and Master of Science in Agriculture from the Louisiana State University, USA and Doctor of Business and Administration from the University of Action Learning Buckingham, United Kingdom. In 1982, he attended the Advanced Management Programme (AMP) at Harvard Business School, USA. Dato' Dr Mohd Noor began his career as an Assistant Agriculture Officer in Jabatan Pertanian Negeri Johor and then as Deputy Farm Director in Universiti Pertanian Malaysia. He was a professor and Deputy Vice Chancellor in Universiti Pertanian Malaysia before joining the FIMA Group as Managing Director. Dato' Dr Mohd Noor currently also sits as a Director of five other public companies namely, Kumpulan FIMA Berhad, FIMA Corporation Berhad, Ladang Perbadanan – FIMA Berhad, Nationwide Express Courier Services Berhad and Malaysian Transnational Trading (MATTRA) Berhad. He is a member of the Audit Committee and Remuneration Committee of the Company. Dato' Dr Mohd Noor bin Ismail has attended six Board meetings in the financial year.

Mej Jen (Rtd) Dato' Haji Fauzi bin Hussain (62), (Malaysian) (Independent Non-Executive Director)
DPKK, DIMP, PAT, JMN, DJN, JBS, JMK, KMN

Mej Jen (Rtd) Dato' Haji Fauzi bin Hussain was appointed a Non-Executive Director of the then Rothmans of Pall Mall (Malaysia) Berhad in September 1994, now British American Tobacco (Malaysia) Berhad. He is a graduate from Command and Staff – College Indonesia and Joint Services Staff – College Australia. Dato' Haji Fauzi has since 1960, served many years in the military and the Ministry of Defence as Platoon Commander, Base Commander and in other significant roles. He was Joint-Chairman of the planning and execution of air exercises with Thailand and Indonesia and was also involved in the training and operations along the border of Malaysia and Thailand. Dato' Haji Fauzi was formerly on the Board of Lembaga Tabung Angkatan Tentera (LTAT) and Armitage Shanks and currently sits on the Board of South Peninsular Industries Berhad. He is a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Mej Jen (Rtd) Dato' Haji Fauzi bin Hussain has attended six Board meetings in the financial year.

Note : All the mentioned Directors on pages 14 and 15 have no conflict of interest with British American Tobacco (Malaysia) Berhad or any relationship with any Director and/or substantial shareholder nor have they any convictions for offences within the past 10 years.

Oh Chong Peng (57), (Malaysian) (Independent Non-Executive Director)

Mr Oh Chong Peng was appointed a Non-Executive Director of the then Rothmans of Pall Mall (Malaysia) Berhad in January 1998, now British American Tobacco (Malaysia) Berhad. He undertook his accountancy training in London and qualified as a Chartered Accountant of England and Wales (1969). Mr Oh joined Coopers & Lybrand in London in 1969 and in Malaysia in 1971. He was a partner of Coopers & Lybrand Malaysia from 1974 until his retirement in 1997. Mr Oh is currently the Non-Executive Chairman of RHB Management Company Sdn. Bhd. and a Non-Executive Director of several public listed companies, such as Star Publications (Malaysia) Berhad (1987), Powertek Berhad (1997), Land & General Berhad (1999), Rashid Hussain Berhad (1998), RHB Capital Berhad (1998), RHB Bank Berhad (1998), Rashid Hussain Berhad (1998), RHB Insurance Berhad (1998), Rashid Hussain Securities Sdn. Bhd. (2000), Nanyang Press Holdings Berhad (2001) and Renong Berhad (2001). He is also a Council member of the Malaysian Association of Certified Public Accountants (MACPA) (1981); a Trustee of the Huaren Education Foundation (1993); and a Government appointed member of the Labuan Offshore Financial Services Authority (LOFSA) (1996). His past appointments included being the Government appointed Member of the Kuala Lumpur Stock Exchange (1990-1996); a President of the MACPA (1994 to 1996); and a Director of United Malayan Banking Corporation Berhad (now merged with RHB Bank Berhad) (1985 to 1990). He is a member of the Audit Committee and Remuneration Committee of the Company. Mr Oh Chong Peng has attended six Board meetings in the financial year.

Johann Roelofse (54), (South African) (Non Independent Non-Executive Director)

Mr Johann Roelofse was appointed a Director in December 2000. He holds a Bachelor of Commerce degree from the University of Stellenbosch, South Africa and a Bachelor of Computationis degree from the University of South Africa. Mr Roelofse is also a member of the South African Institute of Chartered Accountants. He joined British American Tobacco South Africa as Project Accountant in 1978. He has held significant positions in the Finance Division from Finance Manager to Finance Director. Mr Roelofse was the Audit Manager to Theron, Humphrey & Fick and Financial Manager for Bonuskor Limited. He is a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Mr Johann Roelofse has attended four Board meetings in the financial year.

James Campbell Irvine (42), (British) (Non Independent Executive Director)**Finance Director**

Mr James Campbell Irvine was appointed a Director of British American Tobacco (Malaysia) Berhad in November 1999. He holds a Bachelor of Science (Honours) UK degree and is an Associate of the Chartered Institute of Management Accountants, UK. Mr Irvine joined British American Tobacco as International Auditor in 1986 and has served in the operating companies of Central America and South America. He has held significant positions in Spain, China, Malaysia, New Zealand and Papua New Guinea. Prior to his appointment with British American Tobacco (Malaysia) Berhad as Finance Director, Mr Irvine was the Regional Manager for Asia Pacific. He also sits on the Board of Tien Wah Press Holdings Berhad and Peter Stuyvesant Travel Services Sdn. Bhd. Mr James Campbell Irvine has attended six Board meetings in the financial year.

Chan Choon Ngai (46), (Malaysian) (Non Independent Executive Director)**Operations Director**

Mr Chan Choon Ngai was appointed a Director of the then Rothmans of Pall Mall (Malaysia) Berhad, now British American Tobacco (Malaysia) Berhad in October 1995. He holds a Bachelor of Science in Mechanical Engineering degree from the University of Birmingham, UK. He joined Rothmans of Pall Mall (Malaysia) Berhad in 1979 and held various significant positions in the production division namely as Production Director and Factory Manager. Effective July 2000, Mr Chan was appointed as the Operations Director of the British American Tobacco (Malaysia) Berhad. Presently, he also sits on the Board of Directors of Tien Wah Press Holdings Berhad. Mr Chan Choon Ngai has attended six Board meetings in the financial year.

Dr Syed Hussain bin Syed Husman, (44), (Malaysian) (Non Independent Executive Director)**PMC, JP****Human Resources and Government Affairs Director**

Dr Syed Hussain bin Syed Husman was appointed a Director of the then Rothmans of Pall Mall (Malaysia) Berhad, now British American Tobacco (Malaysia) Berhad in November 1997. He holds Bachelor and Masters degrees in Business Administration from the Western Illinois University, USA and has a Doctorate of Philosophy in Labour Relations from Warnborough, Oxford, UK. Dr Syed Hussain was also appointed a Fellow of the Malaysian Institute of Human Resources Management in 2000, a Justice of Peace in July 2000, an Associate member of the Commonwealth Magistrates and Judges Association in 2001 and an employers representative to the Industrial Court by the Ministry of Human Resources for 2001-2003. He joined Rothmans of Pall Mall (Malaysia) Berhad in January 1997, as Director, Human Resources & Public Affairs. Prior to his appointment with British American Tobacco (Malaysia) Berhad, Dr Syed Hussain was the Human Resources and External Affairs Director to Procter & Gamble Malaysia/Singapore and Group Human Resources Manager of ICI Group of Companies. In April 2001, he was designated as Director, Human Resources and Government Affairs. Dr Syed Hussain also sits on the Board of Directors of Peter Stuyvesant Travel Services Sdn. Bhd. He is a member of the Remuneration Committee of the Company. Dr Syed Hussain bin Syed Husman has attended six Board meetings in the financial year.

Dato' Phan Boon Siong (42), (Malaysian) (Non Independent Executive Director)**DIMP, SMP****Marketing Director**

Dato' Phan Boon Siong was appointed a Director of the then Rothmans of Pall Mall (Malaysia) Berhad, now British American Tobacco (Malaysia) Berhad in November 1997. He qualified with a Bachelor of Economics from Universiti Kebangsaan Malaysia and also holds a Masters in Business Administration from Cranfield, Institute of Technology-School of Management, (UK). Dato' Phan joined Rothmans of Pall Mall (Malaysia) Berhad in March 1984, and has held various significant positions in Brand and Trade Marketing. Effective 7 February 2001, he was made Marketing Director of British American Tobacco (Malaysia) Berhad, responsible for overseeing all activities relating to trade marketing and distribution, and brand marketing. Dato' Phan Boon Siong has attended five Board meetings in the financial year.

Top Team Members



▶
Thye Heng Ong
@ Teh Heng Ong



▶
Sharifah Rozita
binti Syed Sulaiman



▶
Zainal Arifin
bin Khalid

Donald Stuart Watterton
Managing Director

James Campbell Irvine
Finance Director

Chan Choon Ngai
Operations Director

Dato' Phan Boon Siong
Marketing Director

Dr Syed Hussain bin Syed Husman
Human Resources and Government Affairs
Director

Thye Heng Ong
@ Teh Heng Ong
Plant Integration Director

Sharifah Rozita binti Syed Sulaiman
Corporate and Regulatory Affairs Director

Zainal Arifin bin Khalid
Information Technology Director

Profile of Top Team Members

Thye Heng Ong @ Teh Heng Ong (51)

Plant Integration Director

Mr Thye Heng Ong @ Teh Heng Ong joined Malaysian Tobacco Company Berhad in April 1976, and has held various significant positions in the Production Division as Leaf Processing Manager, Factory Manager and Production Director. In 1990, he was the Factory Manager for British American Tobacco, Hong Kong. Mr Thye Heng Ong @ Teh Heng Ong was appointed Plant Integration Director of British American Tobacco (Malaysia) Berhad in November 1999.

Sharifah Rozita binti Syed Sulaiman (44)

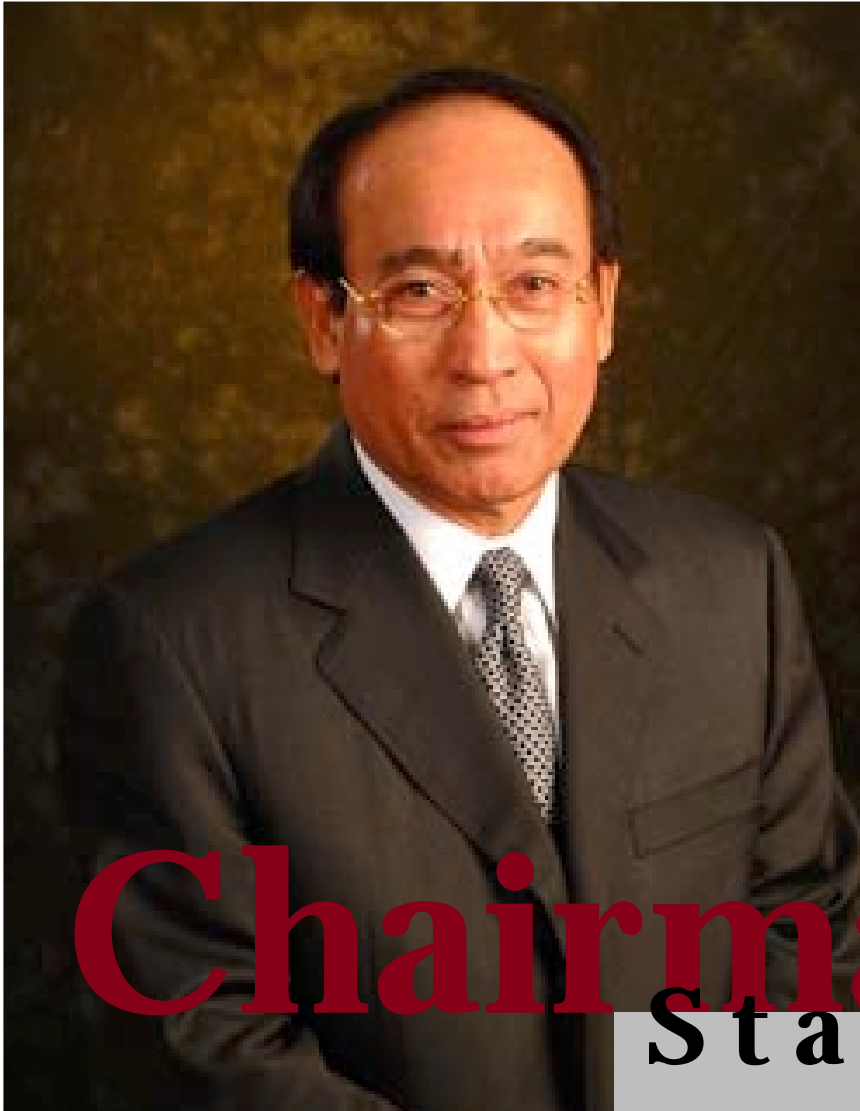
Corporate and Regulatory Affairs Director

Puan Sharifah Rozita binti Syed Sulaiman joined Malaysian Tobacco Company Berhad in September 1996 as Corporate and Regulatory Affairs Director. Prior to her appointment with Malaysian Tobacco Company Berhad, she was the Southeast Asia region Communications Manager of Otis Elevator. Puan Sharifah Rozita spent 10 years with the New Straits Times Group as a journalist before joining Esso Malaysia as Communications Manager, and Burson-Marsteller as Head of the Corporate and Government Relations Division. Puan Sharifah Rozita binti Syed Sulaiman was appointed Corporate and Regulatory Affairs Director of British American Tobacco (Malaysia) Berhad in November 1999.

Zainal Arifin bin Khalid (44)

Information Technology Director

Encik Zainal Arifin bin Khalid joined Malaysian Tobacco Company Berhad in 1983, and worked in both the Information Technology and Marketing Departments before joining Nestle Malaysia Berhad in 1990. In 1991, he re-joined Malaysian Tobacco Company Berhad as Management Services Manager. In 1996, Encik Zainal Arifin assumed the role of Head of ASEAN IT that provided IT shared services to all the markets of British American Tobacco within ASEAN. In late 1998, he was seconded to Thailand as Country Manager for British American Tobacco (UK and Export) Ltd. until October 2000, when he returned to Malaysia. Encik Zainal Arifin bin Khalid was appointed Information Technology Director, British American Tobacco (Malaysia) Berhad in January 2001.



Chairman's Statement

The Group has continued to perform strongly, despite significant challenges posed by both domestic as well as global developments.

On behalf of the Board of Directors, I am pleased to present the annual report of British American Tobacco (Malaysia) Berhad for the financial year ended 31 December 2001.

For the year under review, Group turnover amounted to RM3.01 billion, up by nine per cent from the previous year. Net profit attributable to shareholders amounted to RM608 million, an increase of 20 per cent from 2000.

The Board of Directors has recommended a final net dividend of 104.4 sen per share, giving a total net dividend proposed and declared for the financial year of 245.4 sen per share.

Trends and Development

I am pleased to report that the Group has continued to perform strongly, despite significant challenges posed by both domestic as well as global developments.

This performance is attributable to realisation of synergy benefits, lower costs and improved margins. It also reflects the resilience of our brand portfolio, marketing strategies and fundamental efficiencies in our operations.

During the year, Dunhill maintained its dominant position, growing its market share and posting marginally higher volumes than in 2000. Kent continued to strengthen its brand attributes and acceptance among its target segment.

We have also taken steps to strengthen the position of Perilly's in the value for money segment, which continued to be affected by the contraband cigarette market.

As we are all aware, the Malaysian cigarette market underwent two consecutive years of upward taxation revisions in the 2001 and 2002 National Budgets. Manufacturers, including British American Tobacco Malaysia, have had no choice but to subsequently increase the price of cigarettes and this has affected the overall volume growth of the Malaysian cigarette market. We will continue to make representations to the Government to consider a more systematic and predictable tax structure that will contribute to better business planning and help contain the problem of contraband cigarettes.

In 2001, the global cigarette industry saw the launch of the new International Tobacco Products Marketing Standards, which redefined the way cigarettes are marketed around the world. These global Standards are a response to society's expectations of a responsible tobacco company in the 21st century. These Standards, which prescribe the minimum to be used in all our communications to consumers, are extremely challenging, but we are confident of implementing them without compromising British American Tobacco Malaysia's competitive advantage.

During the year, the investing community recognised our standing in creating value and on the issue of good corporate governance. In *Credit Lyonnais Securities Asia's* well-publicised Corporate Governance Survey 2001, British American Tobacco Malaysia was singled out for its independence, discipline, responsibility and fairness in treatment of shareholders. In *Finance Asia's* survey of Asia's Best Companies for 2001, we came among the top 10 for Malaysia's Best Managed Companies. The survey invited investors in 10 Asian countries to rate the companies that have shown consistently high quality management decisions and were best at strategic implementation. *AsiaMoney* in its December 2001/January 2002 issue placed British American Tobacco Malaysia at the top of its list of Overall Best Managed Company for 2001, and third among those with the Overall Best Investor Relations for the year.

The *Asian Wall Street Journal*, together with the Chicago-based research company Holt Value Associates, in its 14 December 2001 edition, cited British American Tobacco Malaysia as Asia's biggest Value Creator. This recognition is more noteworthy given the gruelling criteria used in the research, where hundreds of Asia's best and biggest companies had to show double-digit cash returns on investment for three consecutive years, increase sales at an average double-digit pace in the same period, and attain double-digit share price gains.

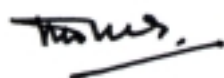
Such accolades affirm the increasing recognition among our stakeholders of our positive management of the business, and of our reputation as the market leader.

Outlook

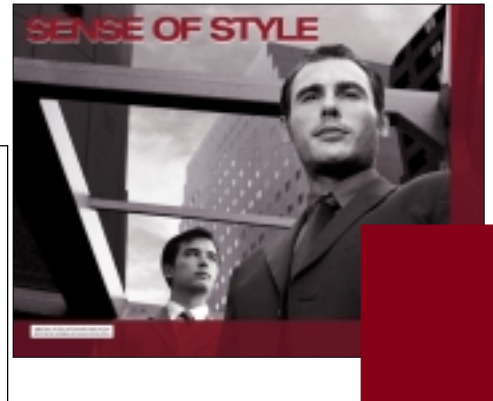
It has been an especially demanding year on all aspects of the business. The economic prospects of 2002 and implications for the Malaysian cigarette industry remain uncertain at this stage. Nevertheless, I am confident that we have all the fundamental strengths to successfully meet the challenges ahead.

Appreciation

On behalf of the Board, I wish to express our appreciation to the management and staff for their dedication and commitment in the performance of their duties during the year, to our customers and distributors for their continued support and loyalty to the Company, and to the authorities for their guidance and assistance. I wish to also record my thanks to my fellow Directors for their advice and support.



Tan Sri Abu Talib bin Othman
Chairman



DUNHILL



Managing

Director's Review

Overall trading conditions of the Malaysian cigarette market remained difficult in 2001.



KENT

Overview

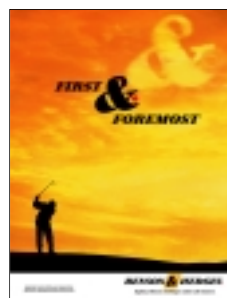
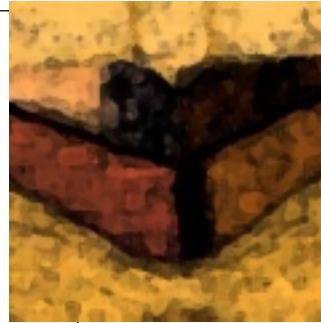
The Business Environment

The overall trading conditions of the Malaysian cigarette market remained difficult in 2001. Two consecutive years of tax increases in October 2000 and 2001, plus a relatively stagnant economic environment have encouraged the growth of contraband cigarettes, effectively dampening the legal market's attempt to recover to pre-1997 volume levels.

We ended 2001 with a total domestic sales volume down 3.5 per cent from the previous year. This performance was largely attributable to the shrinking volume of our value for money brand, Perilly's, which continued to be severely affected by the increasing presence of contraband cigarettes in the rural areas.

We remain concerned over the problem of contraband cigarettes and urge stronger enforcement action against smuggling activities, which continue to threaten the competitiveness of the legitimate cigarette companies.

For the third consecutive year, adverse weather conditions seriously affected the local tobacco crop harvest in 2001. The crop shortfall had a significant financial impact on the Company, amounting to more than RM35 million in the form of assistance to tobacco farmers and cost of additional leaf imports.





Marketing

Market Leadership

Dunhill continued to perform well in 2001, growing its market share by nearly one per cent from the previous year. This trend, given the overall market conditions, shows the brand's unassailable position in the industry. During the year, its sponsorship activities remained focused on soccer and providing the best entertainment.

In line with the new International Tobacco Products Marketing Standards, Dunhill launched its pack of 10 cigarettes - the smallest allowed under the Standards - in July in key urban areas. Dunhill 10s saw nation-wide distribution in November, and by year-end had gained an excise share of nearly two per cent. The lights and menthol lights variants of Dunhill maintained their positions in the market, and we will be investing more effort in growing them in specific retail segments in the course of the coming year.

Kent has shown significant quality growth since its re-launch in February 2001, and by year-end had obtained a 1.3 per cent national retail share. This is a commendable showing given that it is a completely new product from its previous namesake. Research also showed that Kent had scored impressively on its image attributes, reaching its target adult consumers with its younger, more contemporary and international positioning. The gap between Kent and its key competitors continued to narrow across all segments of the market nation-wide.

We also launched our Kent Academy to train our field staff on key aspects of the brand. Given the importance of Kent to our brand portfolio, we need to ensure our people are well trained to manage this brand for the future. We are confident the Academy provides the right vehicle for continuous learning. In the coming year, our focus for Kent remains on increasing the rate of brand adoption by the target segment of younger adult smokers in the urban areas.

Another major event in our portfolio building activities was the October launch of Pall Mall, offering an international proposition for the value for money segment. The positioning of Pall Mall to reach younger adult, urban-based smokers should augment our strength in the value for money category.

Our trade marketing activities were focused on strengthening and enhancing the efficiency of our distributors' systems and processes.



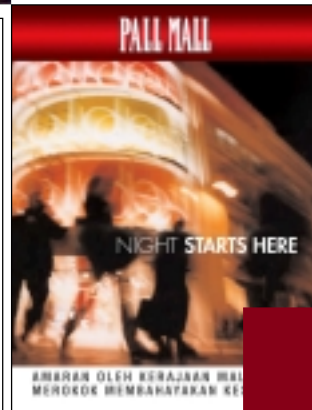
The distribution of Pall Mall exceeded that of our competitor brands, and at the close of 2001, it had captured an encouraging share of the market in a relatively short period of time. We will continue to ensure Pall Mall receives the necessary support to maintain its growth momentum in the coming year and enhance its presence among the target smoker segment.

Our established brand in the value for money category, Perilly's, continued to suffer the effects of the economic slowdown, the high influx of contraband cigarettes and aggressive competitor activities. While a number of tactical activities were carried out during the year - with encouraging results - to defend Perilly's position in the market, our biggest challenge is to arrest its decline. To this end, we launched a new look Perilly's in January 2002 which we believe will strengthen the brand's competitive edge.

Peter Stuyvesant, which maintained its share of the market in 2001, saw changes in its pack design in September. These changes have been well received by the brand's consumers, and we will continue to build on these improvements. Benson & Hedges maintained its presence through its focused golf sponsorship activities at 18 golf clubs nation-wide.

With a slightly declining trend, the challenge for Benson & Hedges in the immediate future is to maintain brand loyalty among its current franchise of smokers, and enhance its appeal to the younger adult consumer.

During the year, our trade marketing activities were focused on strengthening and enhancing the efficiency of our distributors' systems and processes, and their readiness and capability to perform as partners for growth. In December 2001, we launched our trade loyalty programme involving more than 600 retailers in the Klang Valley. We received positive feedback on the partnership programme, and we expect to extend it to many more retailers during 2002.



Corporate

New International Marketing Standards

During the year, we saw a profound development in the global tobacco industry: the new International Tobacco Products Marketing Standards, launched by the three largest international tobacco groups - British American Tobacco, Philip Morris and Japan Tobacco.

The Standards are the minimum for the marketing of tobacco products, which we at British American Tobacco Malaysia fully support and endorse. They cover all consumer communications that aim at encouraging adult smokers to select one particular brand in preference to another. The communications include the content, the type of media (e.g. print, television, radio), promotions and events, sponsorships and packaging, sales and distribution. Given the health risks associated with smoking, we believe that tobacco products should be marketed in a responsible manner - to adults who choose to smoke and who are aware of the possible implications of smoking on their health. The new Standards require that reasonable measures are taken to ensure that the promotion and distribution of tobacco products are directed at adult smokers and should be consistent with the principle of informed adult choice. Details of these Standards are published on our website www.batmalaysia.com.

In addition to requiring health warnings to be placed on various forms of advertising and communications activities carrying tobacco brand names, there are also restrictions on sponsorship activities. Communications or activities that do not comply with these Standards will be voluntarily phased out by 31 December 2002, at the latest. This deadline is necessary to ensure that contractual obligations are met or resolved so as not to inconvenience any party.

In Malaysia, the members of the Confederation of Malaysian Tobacco Manufacturers (CMTM) - British American Tobacco Malaysia, JT International, and Philip Morris - have adopted the Standards and placed restrictions on communication activities using tobacco brand names. Together with the existing Control of Tobacco Products Regulations under the Food Act 1983, the regulatory environment for marketing of tobacco products has become more challenging.

We devoted significant energy and effort during the year to align our marketing activities to be compliant with the Standards. Our challenge as a Company was to re-define our marketing to allow us to continue satisfying consumer needs and grow our brands, and still meet reasonable stakeholder expectations on how we should market our products. After 2002, there will no longer be mass advertising of sponsored activities associated with tobacco brand names. Dunhill will also cease to sponsor the telecast of international and local football matches. The 2002 Football World Cup will be the last of any international soccer championship telecast sponsored by Dunhill.

We believe that
tobacco products
should be marketed
in a responsible
manner.



Due to contractual obligations however, Dunhill remains a sponsor of the Football Association of Malaysia (FAM) until the end of 2004. Spectators at FAM soccer matches, such as the Malaysia Cup, will therefore still see Dunhill material in the stadium and on the shirts of the competing teams, until then.

Corporate Social Reporting

The global marketing Standards were but one element of a process of continuous business change for us at British American Tobacco Malaysia. During the year, we became part of the first group of 13 British American Tobacco companies to embark on Corporate Social Reporting. Social Reporting is a relatively new business practice and requires us to engage our stakeholders - ranging from Government, employees, to trade, consumer and non-government organisations - in open, honest and constructive dialogue over various issues surrounding our business.

Our social performance will be objectively audited and independently verified, in accordance with credible internationally endorsed standards, the AA1000. Developed by the Institute of Social & Ethical Accountability, based in the United Kingdom, the AA1000 is recognised as the most appropriate means for a company to demonstrate social responsibility to its stakeholders across a broad range of issues.

Over time, the Social Reporting process will require us to ensure that our activities are in line with stakeholder expectations of a responsible company. Being a structured framework, it will also allow us to be recognised as a responsible company. Social Reporting is a process of incremental rather than absolute continuous improvement. We believe that ultimately, it will result in less questioning of our right to exist, thus improving our long-term shareholder value.

In responding to stakeholder expectations, we will use the most appropriate solutions to local corporate and social issues, and which are consistent with the global approach. We have already held dialogues with our first group of stakeholders, during which the identified key issues were underage youth smoking, consumer information and responsible marketing. Our first formal Social Report will be published in May 2002, detailing the dialogue outcome, our response and commitment.



Social Reporting is a relatively new business practice and requires us to engage our stakeholders in open, honest and constructive dialogue.

Human Resources

Guiding Principles

Key priorities in our human resources development area in 2001 were the laying of a foundation for a strong corporate culture, upgrading critical skills and forging strategic relationships.

We ran a series of workshops to create an awareness and passion for The 'Guiding Principles' (Open Minded, Strength From Diversity, Freedom Through Responsibility and Enterprising Spirit) which represent the four pillars of our corporate culture. During these workshops, which involved staff at all levels, employees worked to align personal values with the corporate vision, thus facilitating collective action necessary to manage change.

The viability of the business rests on ensuring future leaders had the necessary skills to manage the Company in an increasingly challenging environment. In 2001, the first regional British American Tobacco Senior Management Excellence Programme was carried out in concert with INSEAD in Singapore. We sent 10 senior managers to the programme, whose regional concentration allowed them to receive international management learning within a localised context. We will continue sending our key staff to training programmes designed to create a core of skilled future managers for the Company.

During the year, we successfully concluded a new three-year Collective Agreement between British American Tobacco Malaysia and the British American Tobacco Malaysia Employees Union. This agreement was achieved in a record time of two months, which speaks well of the management-union relations in the Company.

The events of 11 September 2001 had an impact on virtually every aspect of business around the world. We gave special attention to reviewing and enhancing the safety and security of our people and products, which included new and additional measures to manage potential external threats, and improve arrangements with our distributors, vendors and transport operators.

We also held occupational health awareness campaigns, which included clinical screening and presentations by various specialists. Medical absenteeism was maintained at two per cent and medical costs are on a downward trend.

Adjustments to our corporate structure, coupled with systems improvements saw a further rationalisation of 24 employees through voluntary redundancies. At the same time however, different business needs also saw us recruiting high calibre mid-career professionals and Management Trainees to strengthen our executive team.





Operations

Maintaining Excellence

A number of challenges were in store for our manufacturing operations in 2001. We ceased production at our Sungei Besi plant in January and completed transfer of all activities to the Petaling Jaya factory by February. We successfully commissioned our new primary manufacturing facilities, which are equipped with state of the art tobacco processing technology, such as air drying of tobacco, and a computerised control system. The technology we now have - the first of its kind for any British American Tobacco factory in the region - heightens our competitive edge and ability to ensure product quality, cost and efficiency, and to respond to changing future market needs.

Refurbishment of the head office, which began in August 2000, was completed in February 2001, and the completely new working environment had been well received by employees. We continued refurbishing various parts of the Petaling Jaya plant to ensure proper facilities for an efficient and productive working environment.

During the year, we reorganised our supply chain management to facilitate e-commerce initiatives on global procurement of direct and indirect materials, and vendors' management of wrapping material stocks. We are confident that such measures will enhance the efficiency and effectiveness of our purchasing and procurement as well as inventory management activities.

In 2001, we invested a total of RM6.4 million on Environment, Health and Safety (EHS) measures, which included a new effluent treatment plant, air treatment facilities, new machinery safety features, and fire protection and lighting systems. The effluent treatment plant was completed in November 2001.

For the sixth consecutive year, our green leaf threshing plant in Shah Alam, Selangor was awarded the global British American Tobacco EHS Merit Award for achieving zero accidents. Safety being at the core of our operations, we held various training and education activities in the area of safety, including the EHS discovery and awareness week, a forklift safety course, defensive driving programmes and briefings to contractors on the Company's EHS requirements.

It is a tribute to our employees that despite the challenges posed by the myriad of activities during 2001, our operations function was able to renew their ISO 9002 certification for another year.

Information Technology

Infrastructure Enhancements

We continued to review our information technology (IT) facilities to ensure we were abreast of the rapid developments in this sector to meet current as well as future needs. In May, we completed our effort to outsource programming support and database administration to British American Tobacco's Group Services Delivery Centre (GSDC). The GSDC is a Multimedia Super-Corridor (MSC) status company, based in Kuala Lumpur, which offers shared IT services such as manufacturing resources planning software and global messaging. Basic systems technical support was contracted out to a third party in July 2001.

This effectively moved our IT function away from being "computer support" people to business technologists for the Company, focusing on a greater strategic role, identifying areas in which technology could enhance returns, or even drive new and better business measures, and overall, delivering added value to the Company.

Website

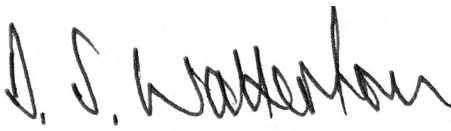
In March 2001, we launched our website, www.batmalaysia.com. This is part of an on-going effort to facilitate communication between British American Tobacco Malaysia and the general public. The website contains corporate information, including our latest financial results, stock price, developments in the industry, job vacancies, and our position on smoking and health issues. There is also a facility for readers to send enquiries on corporate issues via e-mail from the website, which is reviewed and refreshed on a continuous basis.



Conclusion

The implementation of the new International Marketing Standards and the Corporate Social Reporting process marked a new era for the tobacco industry. Our strategies to maintain and grow our market position have to take into account of and respond to reasonable expectations of society of a responsible tobacco company.

We ended 2001 on a strong and encouraging footing. We also begin 2002 marking our 90th year of presence in the country, which represents a considerable period of experience, knowledge and expertise not commonplace among many companies in Malaysia. We will put such experience to good use in ensuring our continued leadership of the market.



D. S. Watterton
Managing Director

We also begin 2002 marking our 90th year of presence in the country. This is a considerable history of experience, knowledge and expertise not commonplace among many industries in Malaysia. We will put such history to good use in ensuring our continued leadership of the market.



Finance

Director's Review



Growth in Malaysia was affected by the difficult global economic environment. This environment was further aggravated by the September 11 attacks. Despite these challenging economic conditions, we have managed to achieve satisfactory profit growth and our performance for 2001 is very much in line with market expectations.

Import and excise duty for tobacco products increased by 20 per cent in the 2002 National Budget. In response to the duty increase, retail prices across the industry increased between 20 to 40 sen per pack in October 2001. This was the second tax increase in consecutive years. Tax rates have increased by approximately 78 per cent since 1998. Industry volumes have yet to recover to their 1997 levels. Despite lower volumes, Group indirect taxes incurred on excise, sales tax and uplift of duty were up 15 per cent to approximately RM1 billion. This does not include RM232 million in direct taxes.

Accounting Policies

In January 2001, the Kuala Lumpur Stock Exchange (KLSE) released its revamped listing requirements to better enhance corporate governance and transparency and promote overall investor confidence. We fully support the KLSE initiatives and have included the required statements in this year's annual report.

For the preparation of this year's financial statements, we have adopted all the relevant Malaysian Accounting Standards Board (MASB) standards. This includes an additional eleven new standards (MASB Standards 14 to 24) on top of those adopted last year. We have decided to adopt early in this year's annual report, MASB Standard 19 and 20 which will only be effective for periods beginning on or after 1 July 2001 and MASB Standard 24 which will only be effective for periods beginning on or after 1 January 2002. The additional disclosure on financial instruments is in line with our support for greater transparency and disclosure to our shareholders.

We have managed to achieve satisfactory profit growth and our performance for 2001 is very much in line with market expectations.

Group Results

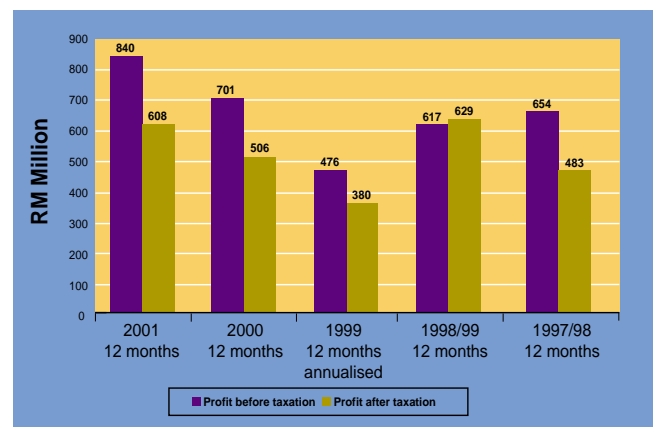
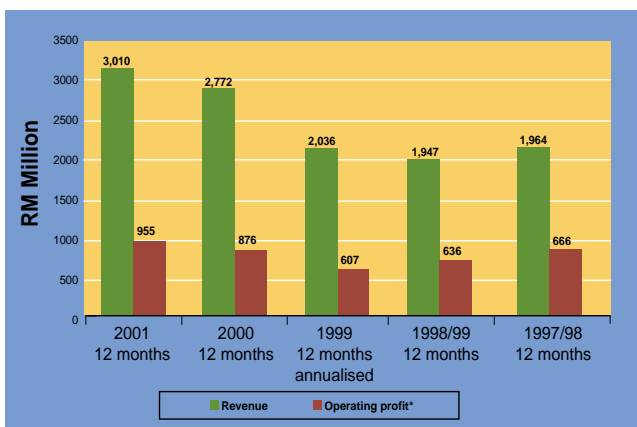
The Group continues to achieve profit growth through active management of the key value drivers of the business whilst maximising the realisation of the synergies from the merger.

Consolidated Income Statement *			
	2001	2000	Increase/ (Decrease)
	RM million	RM million	%
Revenue	3,010	2,772	9
Operating profit	955	876	9
Rationalisation expenses	-	(50)	(100)
Depreciation and amortisation	(61)	(70)	(12)
Finance cost	(57)	(58)	(2)
	837	698	20
Share of results from associated companies	3	3	-
Profit before taxation	840	701	20
Taxation	(232)	(195)	19
Profit after taxation	608	506	20
Retained earnings b/f	473	480	(2)
Available for appropriation	1,081	986	10
Dividends	(662)	(513)	29
Retained earnings	418	473	(12)

* KLSE format

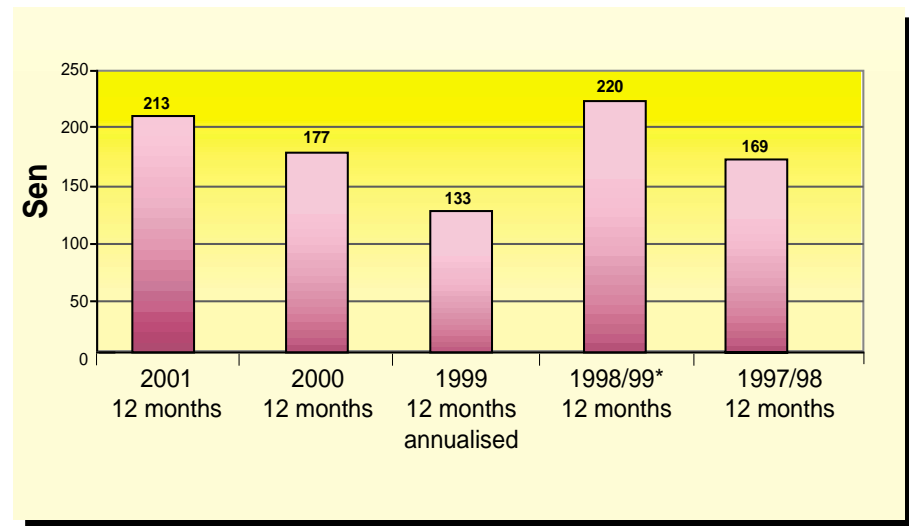
The higher operating profits were principally due to the price increases in 2000 and 2001 and lower costs arising from the realisation of cost synergies, partially offset by lower volumes and additional leaf costs. It was necessary to import additional leaf to supplement the local crop and provide assistance to tobacco farmers at a cost of over RM35 million. Marketing considerations deemed this vital to ensure quality and continuity of supply. Contract manufacture contributed RM32 million and RM26 million to 2000 and 2001 operating profits. The lower contribution for 2001 is partially attributed to lower volumes. The contract manufacture business remains volatile. A capacity reservation fee of RM53 million was received. Product cost and manufacturing efficiency improved over the financial year with the closure of the Sungai Besi facility, rationalisation of blends and the investment in modern machinery. These cost efficiencies will continue in 2002.

The profit before tax for 2001 of RM840 million was higher because of the higher operating profits, and rationalisation expenses of RM50 million in 2000 not incurred in 2001. The profit after tax for 2001 was RM608 million, a 20 per cent increase from 2000.



* Operating profit is before interest expense, depreciation, amortisation and exceptional items.

Earnings Per Share (EPS)



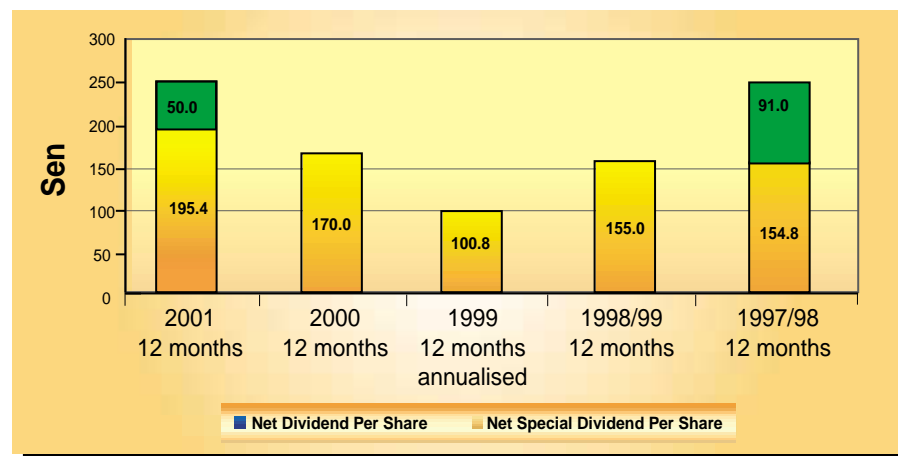
* Tax free year.

The EPS for 2001 is 213 sen, a 20 per cent increase over the previous year. This reflects the continued improvements in operating profit, active surplus fund placement and corporate tax management.

Net Dividends

We are always seeking ways to improve shareholder value and reward our shareholders through higher share price and dividends. On 10 December 2001, we made a special dividend payment of 50 sen net per share. This special dividend is to return to our shareholders, cash in excess of our operating requirements.

Subject to shareholders' approval, we are recommending a final dividend of 104.4 sen net per share. Together with the interim dividend of 91 sen net per share paid in August and special dividend of 50 sen net per share paid in December, the total dividend for the year amounts to 245.4 sen net per share. This translates to a 44 per cent growth over the previous year and a net dividend yield of approximately seven per cent. Our policy remains to continue distributing dividends to shareholders from funds in excess of our operating requirements.



In accordance with MASB Standard 19 "Events After the Balance Sheet Date", the Group has changed its accounting policy to recognise dividend as a liability after approval by shareholders at the Annual General Meeting. As a consequence, the dividend proposed in 2000 has been restated. Note 23 in the financial statements sets out details on the change in accounting treatment.

Cash Flow			
	2001	2000	Favourable/ (Adverse) %
	RM million	RM million	
Cash from operations	972	865	12
Income taxes paid	(371)	(113)	(228)
(Purchase)/ Cash proceeds from other investments	(1)	37	(68)
Net capital expenditure	(109)	(68)	(60)
Investment returns/Finance costs	(43)	(50)	14
Repayment of bank borrowings	-	(50)	100
Dividends paid	(662)	(513)	(29)
(Decrease)/ Increase in cash and cash equivalents	(215)	108	(299)

Group Cash Flow

The table above summarises the Group's cash flow for the year, compared to the previous reporting period.

Cash from operations when compared to 2000 was higher by 12 per cent due to higher overall profitability.

This increase was offset by significantly higher income tax paid as a result of the phasing in tax payments between 2000 and 2001.

In addition, intensive capital investment in property, plant and equipment for the plant integration exercise resulted in a net outflow of RM109 million.

Higher dividend payments for the year of RM662 million included the special dividend payment amounting to RM143 million. We are confident that this payment will in no way impact our ability to meet our future commitments, including the repayment of our bonds in 2004 and 2007.

During the year, we streamlined some of the Company's internal processes by implementing an innovative cash management system and outsourced some of the manual payable processes. This has brought about greater efficiency and better utilisation of working capital.

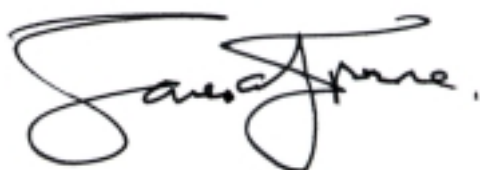
Treasury Operations

The Treasury function is responsible for managing financial risks arising from the underlying operations through proactive management of cash flow, interest rates and currency exposures. The ultimate objective is to enhance the economic value of the Group by protecting the business through managing exposures and financial resources. One of the key objectives of treasury is to ensure that the AAA rating of the bonds is maintained. I am pleased to inform you that the Rating Agency of Malaysia in their last review in October 2001, reaffirmed this AAA rating.

The Board of Directors review and agree the overall treasury policies and procedures, delegating the appropriate authority to the Treasury Committee. The Finance Director chairs the Treasury Committee. Both the financing and risk management functions are carried out under defined policies, procedures and limits. The Treasury function, with the Treasury Committee formulates operating strategies in support of these policy guidelines.

Clear parameters have been established, including levels of authority, on the type and use of financial instruments to manage the financial risks facing the Group. Transactions are only undertaken if these relate to underlying exposures and speculation is not permitted. The Treasury function provides regular reports to senior management and Treasury operations are subject to periodic independent reviews and audits, both internal and external.

The scope and sophistication of Treasury operations will continue to increase but within the operating requirements of the business and Treasury policy.



James Campbell Irvine
Finance Director

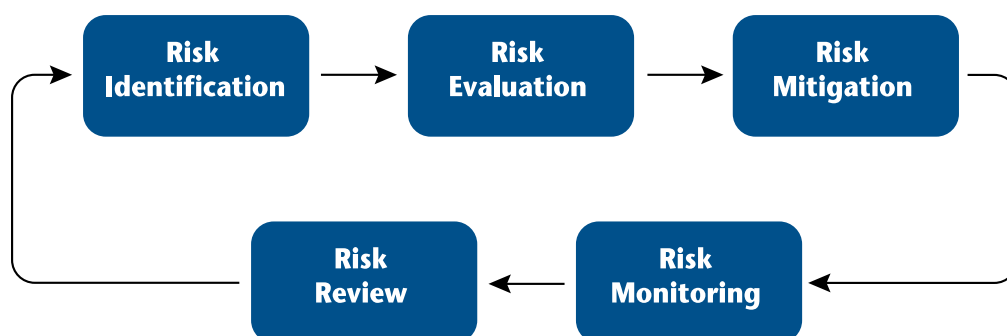
Report on Corporate Risk Management

Risk Management

The Company's Corporate Risk Management team was formed in August 2000 and headed by the Finance Director. The Company adopts a proactive approach to managing its business risks in a rapidly changing business environment which is principally aimed at:

- Ensuring the continuity of supply of its products to the consumers at all times
- Protecting its assets and reputation
- Preserving the safety and health of its employees
- Ensuring that the Company's operations do not impact negatively on its neighbours
- Protecting the interests of all other stakeholders
- Ensuring compliance with the Malaysian Code of Corporate Governance, British American Tobacco p.l.c guidelines and all applicable Malaysian laws
- Promoting an effective risk awareness culture where risk management is an integral aspect of the Company's management systems.

The programme goes through a five phase process, starting from risk identification, evaluation, mitigation, monitoring and review, which is as follows:



In the risk identification process, all possible risks are identified and analysed. That includes risks that are not directly quantifiable in financial terms such as Corporate Image, Environment, Health and Safety issues (EHS), Information and Communications Technology (ICT), product quality issues, competitors' activities, contraband and counterfeiting issues.

		LIKELIHOOD		
		L	M	H
SEVERITY	H	HIGH	HIGH	HIGH
	M	MEDIUM	MEDIUM	HIGH
	L	LOW	LOW	MEDIUM



This categorisation will enable the Company to allocate its resources to deal with the different levels of business risks.

Promotion of Risk Awareness

In support of the Company's efforts to promote a risk awareness culture, the Risk Management team communicates the Company's risk management programme to the appropriate levels of employees and other stakeholders via the appropriate channels.

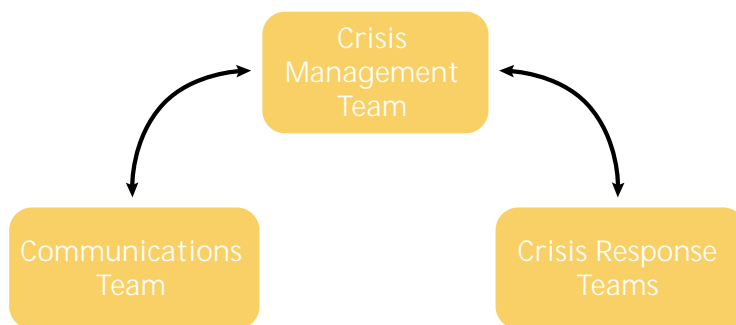
Employees are also encouraged to give feedback on risk management issues and make suggestions for improvement.

Crisis Management Team

There is also a Crisis Management team with the responsibility to ensure speedy resolution in case of a crisis.

The Crisis Management team is the highest decision making authority with the Crisis Response teams and Communications team reporting to the Crisis Management team.

Crisis Management Organisation



Benefits

Since its inception in year 2000, the Risk Management team has implemented the following systems:

- Risk register and its supporting risk mitigation action plans
- Register of Top Ten Business Risks which is on the corporate radar screen of the top management team of the Company
- Business Continuity Plan
- Risk awareness programmes for senior Managers and middle Managers
- Risk Management Manual

The successful implementation of a risk management programme has enabled the Company to manage its risks effectively.

Environment, Health and Safety (EHS)

The Company is committed to good safety and environmental practices, and has implemented an integrated management system for its EHS programme. Progress on various initiatives are periodically monitored by management using a Road Map.

The Green Leaf Threshing Plant located at Shah Alam, Selangor was awarded the British American Tobacco EHS Merit Award for achieving zero accident in the past six years.

The Company is committed to helping the Government in reducing the effects of global warming as part of its social responsibility and has identified two suitable sites in Peninsular Malaysia for its afforestation programme.

Analysis of Shareholdings

ANALYSIS OF SHAREHOLDINGS as at 28 February 2002

Share Capital	
Authorised Share Capital	: 770,000,000 Ordinary Shares of RM0.50 per share.
Issued and Fully Paid-Up Share Capital	: 285,530,000 Ordinary Shares of RM0.50 per share.
Voting Right	: One voting right for one Ordinary Share.

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	Number of Shareholders	% of Shareholders	Number of Shares Held	% of Issued Capital
Less than 1,000	1,101	27.74	354,798	0.12
1,000 – 10,000	2,086	52.56	6,785,128	2.38
10,001 – 100,000	626	15.77	20,830,493	7.30
100,001 to less than 5% of issued shares	153	3.85	76,271,781	26.71
5% and above of issued shares	3	0.08	181,287,800	63.49
Total	3,969	100.00	285,530,000	100.00

DIRECT AND INDIRECT INTERESTS OF DIRECTORS

Tan Sri Abu Talib bin Othman	1,000
Tan Sri Kamarul Ariffin bin Mohamed Yassin	1,000
Dato' Dr Mohd Noor bin Ismail	1,000
Mej Jen (Rtd) Dato' Haji Fauzi bin Hussain	1,000
Chan Choon Ngai	1,000
Oh Chong Peng	1,000
Dato' Phan Boon Siong	1,000
Dr Syed Hussain bin Syed Husman	1,000
Donald Stuart Watterton	2,000
James Campbell Irvine	1,000
Johann Roelofse	1,000

Shareholdings in which the Director is deemed to have an interest:

Tan Sri Kamarul Ariffin bin Mohamed Yassin	3,320
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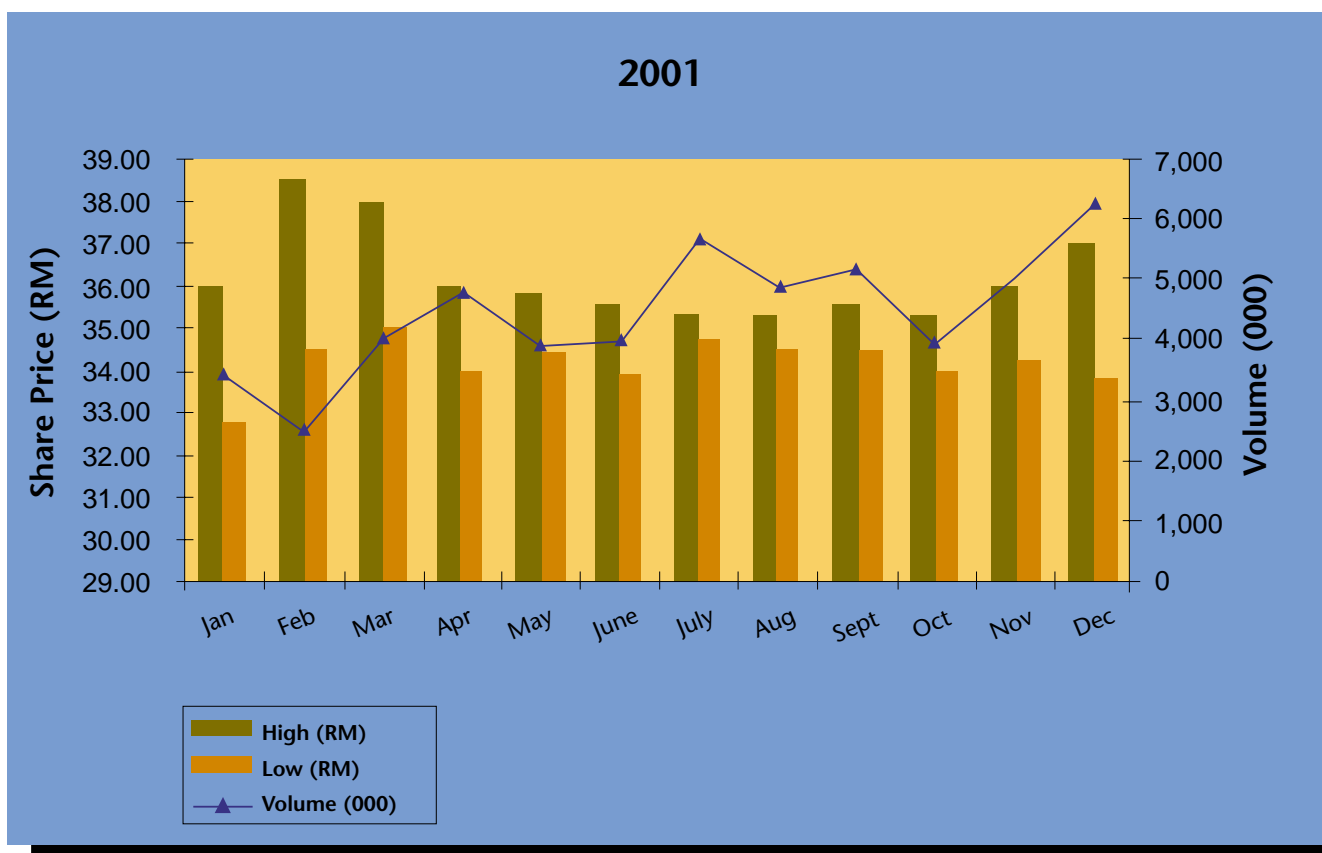
SUBSTANTIAL SHAREHOLDERS as at 28 February 2002

	Names of Shareholders	Number of Shares Held	% of Issued Capital
1.	British American Tobacco Holdings (Malaysia) B.V.	142,765,000	50.00
2.	Employees Provident Fund Board	23,982,400	8.40
3.	Amanah Raya Nominees (Tempatan) Sdn. Bhd. – Amanah Saham Malaysia	14,540,400	5.09

THIRTY LARGEST SHAREHOLDERS
as at 28 February 2002

	NAMES OF SHAREHOLDERS	NUMBER OF SHARES HELD	% of ISSUED CAPITAL
1	BRITISH AMERICAN TOBACCO HOLDINGS (MALAYSIA) B.V.	142,765,000	50.00
2	EMPLOYEES PROVIDENT FUND BOARD	23,982,400	8.40
3	AMANAH RAYA NOMINEES (TEMPATAN) SDN. BHD. - AMANAH SAHAM MALAYSIA	14,540,400	5.09
4	AMANAH RAYA NOMINEES (TEMPATAN) SDN. BHD. - SKIM AMANAH SAHAM BUMIPUTERA	13,700,000	4.80
5	PERMODALAN NASIONAL BERHAD	10,386,600	3.64
6	AMANAH RAYA NOMINEES (TEMPATAN) SDN. BHD. - SEKIM AMANAH SAHAM NASIONAL	3,500,000	1.23
7	HSBC NOMINEES (ASING) SDN. BHD. - EMERGING MARKETS GROWTH FUND	3,098,500	1.09
8	HSBC NOMINEES (ASING) SDN. BHD. - ABU DHABI INVESTMENT AUTHORITY	1,933,594	0.68
9	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD - GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (MLF)	1,883,200	0.66
10	UOBM NOMINEES (ASING) SDN. BHD. - BANKERS TRUST COMPANY FOR THE GENESIS GROUP TRUST EMPLOYEE BENEFIT PLANS	1,248,100	0.44
11	HSBC NOMINEES (ASING) SDN. BHD. - BBH (LUX) SCA FOR FIDELITY FUNDS ASEAN	1,213,400	0.42
12	CARTABAN NOMINEES (ASING) SDN. BHD. - GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION PTE. LTD. FOR GOVERNMENT OF SINGAPORE (C)	1,176,200	0.41
13	CITICORP NOMINEES (ASING) SDN. BHD. - FLED NOMS FOR PHILIPS PENSION FUNDS	982,000	0.34
14	HSBC NOMINEES (ASING) SDN. BHD. - MINeworker's PENSION SCHEME	867,455	0.30
15	HSBC NOMINEES (ASING) SDN. BHD. - STICHTING PENSIOENFONDS ABP	866,800	0.30
16	HSBC NOMINEES (ASING) SDN. BHD. - COAL STAFF SUPERANNUATION SCHEME TRUSTEES LIMITED	776,969	0.27
17	UNIVERSITI MALAYA	751,680	0.26
18	CARTABAN NOMINEES (ASING) SDN. BHD. - SSBT FUND PD01 FOR MORGAN STANLEY DEAN WITTER INVESTMENT MANAGEMENT EMERGING MARKETS TRUST	742,600	0.26
19	HSBC NOMINEES (ASING) SDN. BHD. - CAPITAL INTERNATIONAL EMERGING MARKETS INVESTMENT FUND	673,400	0.24
20	CITICORP NOMINEES (ASING) SDN. BHD. - CBHK FOR KUWAIT INVESTMENT AUTHORITY (FUND 203)	650,000	0.23
21	ABN AMRO NOMINEES (ASING) SDN. BHD. - ABN AMRO GLOBAL CUSTODY NV FOR ABN AMRO FUND GLOBAL EMERGING MARKET EQUITY	620,000	0.22
22	HSBC NOMINEES (ASING) SDN. BHD. - CHASE MANHATTAN TRUSTEES LIMITED FOR OVERSEAS LARGER COMPANIES TRUST	610,300	0.21
23	SBBAM NOMINEES (TEMPATAN) SDN. BHD. - EMPLOYEES PROVIDENT FUND BOARD	603,000	0.21
24	AMANAH RAYA NOMINEES (TEMPATAN) SDN. BHD. - AMANAH SAHAM WAWASAN 2020	592,000	0.21
25	MENTERI KEWANGAN MALAYSIA SECTION 29 (SICDA)	570,591	0.20
26	CITICORP NOMINEES (ASING) SDN. BHD. - TNTC FOR ALLIANCE CAPITAL GROUP TRUST	564,400	0.20
27	THE CENTRAL DEPOSITORY (PTE) LIMITED	559,392	0.19
28	HSBC NOMINEES (ASING) SDN. BHD. - JPMCB FOR POST OFFICE PENSION PLAN (POPTL)	538,000	0.19
29	HSBC NOMINEES (ASING) SDN. BHD. - CMB LDN FOR TRUSTEES OF THE BT PENSIONS SCHEME	537,400	0.19
30	HSBC NOMINEES (ASING) SDN. BHD. - CMBI FOR DEKA TEAM EMERGING MARKETS	516,623	0.18
	TOTAL	231,450,004	81.06

Share Price Information



* Source: Bloomberg

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
High (RM)	36.00	38.50	38.00	36.00	35.75	35.50	35.25	35.25	35.50	35.25	36.00	37.00
Low (RM)	32.75	34.50	35.00	34.00	34.50	34.00	34.75	34.50	34.50	34.00	34.25	33.75
Volume ('000)	3,450	2,490	4,050	4,830	3,950	4,020	5,700	4,910	5,200	3,960	5,040	6,290

Five Year Financial Highlights

	Financial year from 1.1.01 to 31.12.01 RM'000	Financial year from 1.1.00 to 31.12.00 RM'000	Financial period from 1.4.99 to 31.12.99 RM'000	Financial year from 1.4.98 to 31.3.99 RM'000	Financial year from 1.4.97 to 31.3.98 RM'000
Revenue	3,010,370	2,772,008	1,545,152	1,947,190	1,963,619
Profit from operations	893,750	756,568	331,739	616,936	652,051
Finance cost	(56,870)	(57,905)	(10,184)	-	-
Share of results of an associated company	3,422	2,522	759	(293)	1,482
Profit before taxation	840,302	701,185	322,314	616,643	653,533
Net profit for the financial year	607,695	505,958	226,610	628,574	482,546
Net annual dividends	557,925	485,401	287,814	442,572	442,001
Net special dividends	142,765	-	-	-	259,832
Share capital	142,765	142,765	142,765	142,765	142,765
Shareholders' funds	572,304	627,038	428,881	644,843	458,270
Property, plant and equipment	562,221	490,643	495,317	215,926	179,075
Associated company & unquoted investments	24,526	23,398	23,907	23,383	25,285
Goodwill on consolidation	499,042	520,894	542,746	-	-
Trademarks	2,072	2,072	2,072	2,072	2,072
Current assets	625,845	860,968	836,322	673,590	680,624
Total assets	1,713,706	1,897,975	1,900,364	914,971	887,056
Non-current liabilities	757,642	757,642	757,642	4,970	4,868
Current liabilities	383,760	513,295	713,841	265,158	423,918
Total liabilities	1,141,402	1,270,937	1,471,483	270,128	428,786
Earnings per share	(sen) 213	177	79	220	169
Net dividend per share	(sen) 245.4	170.0	100.8	155.0	245.8
Net returns on shareholders' funds	(%) 106.2	80.7	52.8	97.5	105.3
Net tangible asset backing per share	(RM) 0.25	0.36	(0.41)	2.25	1.60
Current assets ratio	(:1) 1.6	1.7	1.2	2.5	1.6
Number of employees	1,421	1,346	1,555	1,326	1,416

Corporate Governance

Since the issuance of the Malaysian Code on Corporate Governance (Code) in March 2000, British American Tobacco (Malaysia) Berhad (the Company) and its group of companies (the Group) have formulated a code of corporate governance which sets out the principles and best practices to be applied in the Group's operations. The principles are based on those on which the Code is based, namely those of transparency, integrity and accountability, with the ultimate objective of realising long term shareholder value, while taking into account the interests of other stakeholders.

The Listing Requirements of Kuala Lumpur Stock Exchange which came into effect in June 2001 (KLSE Listing Requirements) made it mandatory for listed companies to disclose their compliance with the Code. Set out below is a statement of how the Group has applied the principles and complied with the best practices provisions laid down in the Code throughout the 12 months ended 31 December 2001.

BOARD OF DIRECTORS

The Board

An effective Board leads and controls the Group, and has established terms of reference to assist in the discharge of this responsibility. All Directors are from diverse professional backgrounds with a wide range of business and financial experience relevant to lead a fast moving consumer goods company and as such, are able to bring an independent judgement to bear on issues of strategy, performance, resources and standards of conduct. A brief description of the background of each Director is presented from pages 14 to 15.

Where appropriate, the Board has set up committees, all of which have terms of reference to govern their responsibilities. All Board committees report to the Board.

The Board meets at least four times a year, with additional meetings convened when necessary. During the 12 months ended 31 December 2001, six Board meetings were held and a majority of the Directors attended all the meetings held during the period.

Board Balance

The Board currently has 11 members, comprising six Non-Executive Directors (including the Chairman) and five Executive Directors. Of the six Non-Executive Directors, four are independent.

There is a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The Managing Director has the principal responsibility of reporting, clarifying and communicating matters to the Board.

There is also proper balance in the Board because of the presence of Independent Non-Executive Directors of the calibre necessary to carry sufficient weight in Board decisions. Although all Directors have an equal responsibility for the Group's operations, the role of these Independent Non-Executive Directors is particularly important in ensuring that the strategies proposed by the executive management are fully discussed and examined, with due regard to risk management. The decisions are arrived at after taking into account the long term interests, not only of the shareholders, but also of employees, customers, suppliers,

and the many communities in which the Group conducts its business.

Tan Sri Kamarul Ariffin bin Mohamad Yassin has been appointed by the Board as the senior Independent Non- Executive Director of the Board to whom any concerns may be conveyed.

Supply of Information

A Board report is issued in sufficient time prior to a Board meeting to enable the Directors to review and consider the agenda items to be discussed at the Board meeting. The Board report includes, among others, the following details:

- major operational and financial issues;
- product quality measures; and
- market shares and market responses to the Group's strategies.

In addition, there is a schedule of matters reserved specifically for the Board's decision including the approval of the annual company plan, major acquisitions or disposal of a business or assets and changes to management and control structure of the Group, namely, key policies, procedures and authority limits.

The Board has also approved a procedure for Directors, whether as a full Board or in their individual capacity, to take independent advice, where necessary, in the furtherance of their duties at the Group's expense.

All Directors have access to the advice and services of the Company Secretary.

Appointments to the Board

The Code endorses as good practice, a formal procedure for appointments to the Board, with a nomination committee to make recommendations to the Board and assessing Directors on an on-going basis. The Code, however, states that this procedure may be performed by the Board as a whole, although as a matter of good practice, it recommends that this responsibility be delegated to a committee.

All Directors were previously involved in the process of assessing existing Directors and identifying, nominating, recruiting, appointing and orientating new Directors but the Board has reviewed this position and set up a Nomination Committee on 21 February 2002, comprising three Non-Executive Directors, namely Tan Sri Abu Talib bin Othman, Mej Jen (Rtd) Dato' Haji Fauzi bin Hussain and Mr Johann Roelofse. Tan Sri Abu Talib bin Othman and Mej Jen (Rtd) Dato' Haji Fauzi bin Hussain are Independent Directors. The Chairman of the Nomination Committee is Tan Sri Abu Talib bin Othman.

The Nomination Committee recommends to the Board suitable candidates for appointment as Directors and Directors to fill the seats on committees of the Board. In addition, the Nomination Committee assesses the effectiveness of the Board, the committees of the Board and the contribution of each individual Director.

The Board, through the Nomination Committee, reviews annually its required mix of skills, expertise, attributes and core competencies from its Directors and succession plans for members of the Board.

As an integral element of the process of appointing new Directors, the Nomination Committee will ensure that there is an orientation and education programme for new Directors with respect to the business and management of the Group. Directors will also receive such further training that may be required from time to time to keep them abreast with relevant changes in laws and regulations, and the business environment.



Corporate Governance

Re-election

In accordance with the Company's Articles of Association (Articles), all Directors who are appointed by the Board are subject to election by shareholders at the first opportunity after their appointment. The Articles also provide that at least one third of the remaining Directors be subject to re-election by rotation at each Annual General Meeting provided always that all Directors including the Managing Director shall retire from office at least once every three years but shall be eligible for re-election.

DIRECTORS' REMUNERATION

Level and Make-up

The Company has adopted the objective as recommended by the Code to determine the remuneration of the Directors so as to ensure that the Company attracts and retains the Directors needed to run the Group successfully. The component parts of their remuneration are structured so as to link rewards to corporate and individual performance in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the individual Non-Executive Director concerned.

Procedure

The Remuneration Committee comprises six Non-Executive Directors, namely Tan Sri Abu Talib bin Othman, Tan Sri Kamarul Ariffin bin Mohamed Yassin, Dato' Dr Mohd Noor bin Ismail, Mej Jen (Rtd) Dato' Haji Fauzi bin Hussain, Mr Oh Chong Peng and Mr Johann Roelofse and two Executive Directors, namely Mr Donald Stuart Watterton and Dr Syed Hussain bin Syed Husman. Tan Sri Abu Talib bin Othman is the Chairman of the Remuneration Committee.

The Committee is responsible for recommending to the Board the policy framework on terms of employment of and on all elements of the remuneration of Executive Directors and members of the top team of the Company. The Remuneration Committee is authorised to approve the annual bonus and salary increment of the Executive Directors and other members of the top team of the Company and to review and recommend to the Board the remuneration of the Non-Executive Directors. Executive Directors abstain from the deliberations and voting in respect of their remuneration. Non-Executive Directors' remuneration will be a matter to be decided by the Board as a whole with the Director concerned abstaining from deliberations and voting on decisions in respect of his individual remuneration.

The Remuneration Committee has held three meetings during the period which were attended by all members.

Remuneration Package

The remuneration package of Directors is as follows:

- (a) **Basic Salary**
The Remuneration Committee recommends to the Board the basic salary (which is inclusive of statutory employer contributions to the Employees Provident Fund) for the Executive Directors after taking into account the performance of the Director, the inflation price index and information from independent sources on the rates of salary for similar jobs in a selected group of comparable companies.
- (b) **Fees**
The Board proposes an aggregate annual fee for Non-Executive Directors to be divided amongst the Non-Executive Directors as the Board may decide and such fee is tabled to the shareholders of the Company for their approval.
- (c) **Bonus Scheme**
The Group sets up a bonus scheme for all employees including the Executive Directors. The criteria for the scheme is the level of profit achieved from the Group's businesses against targets, together with an assessment of each individual's performance. Bonuses payable to Executive Directors are reviewed by the Remuneration Committee and approved by the Board.
- (d) **Benefits in Kind**
Other customary benefits (such as car and medical) are made available to Directors as appropriate.
- (e) **Pension Arrangements**
Contributions are made to the Employees Provident Fund and the Group operates a defined retirement benefit plan in respect of all Malaysian resident Executive Directors.
- (f) **Service Contract**
The notice period for the termination of the contract of service of local Executive Directors by the Company is 12 months and by the said Directors is six months.

Directors' Remuneration

The details of the remuneration of Directors for the financial year ended 31 December 2001 are as follows:

Directors	Fees	Salaries	Other emoluments*	Benefits in-kind**	Total
	(RM)	(RM)	(RM)	(RM)	(RM)
Non-Executive					
Tan Sri Abu Talib bin Othman	250,008	-	-	27,757	277,765
Tan Sri Kamarul Ariffin bin Mohamed Yassin	26,500	-	-	-	26,500
Dato' Dr Mohd Noor bin Ismail	26,500	-	-	-	26,500
Mej Jen (Rtd) Dato' Haji Fauzi bin Hussain	26,500	-	-	-	26,500
Oh Chong Peng	26,500	-	-	-	26,500
Johann Roelofse#	-	-	-	-	-
Executive					
Donald Stuart Watterton	-	1,583,492	649,185	363,413	2,596,090
James Campbell Irvine	-	897,379	333,910	279,333	1,510,622
Chan Choon Ngai***	-	497,700	327,376	36,137	861,213
Dr Syed Hussain *** bin Syed Husman	-	434,700	285,647	63,038	783,385
Dato' Phan Boon Siong***	-	439,800	280,438	39,509	759,747

* Other emoluments include: bonuses, incentives, retirement benefits, provisions for leave and allowances.

** Benefits in kind include: rental payments, motor vehicle, club membership and personal expenses.

*** In addition, Chan Choon Ngai, Dr Syed Hussain bin Syed Husman and Dato' Phan Boon Siong were paid their final entitlements from an incentive scheme which was set up by Rothmans of Pall Mall (Malaysia) Berhad before the merger amounting to RM328,877, RM277,699 and RM332,583 respectively. The said incentive scheme has now been discontinued.

Johann Roelofse is a representative of British American Tobacco p.l.c and draws his remuneration from British American Tobacco (Investments) Limited.

Corporate Governance

Gratuity

A gratuity payment of RM2,851,900 was approved by the Board as appreciation for a former Executive Director's long service to the Group.

SHAREHOLDERS

Dialogue between the Company and investors

The Company recognises the importance of being accountable to its investors and as such has maintained an active and constructive communication policy that enables the Board and management to communicate effectively with its investors, stakeholders and the public generally.

The Managing Director and Finance Director hold discussions with analysts and shareholders in the evening of the same day after each quarter's announcement of results to the Kuala Lumpur Stock Exchange. Presentations will be made or road-shows undertaken, as appropriate, to explain the Group's strategy, performance and major developments. However, any information that may be regarded as undisclosed material information about the Group will not be given to any single shareholder or shareholder group.

In addition, the Group has established a web-site at www.batmalaysia.com which shareholders can access for information. The Group's quarterly, half yearly and annual results announcements and press releases are also posted on the Group's web-site.

Annual General Meeting

At each Annual General Meeting, the Board presents a comprehensive report on the progress and performance of the business and encourages shareholders to participate in the question and answer session. Executive Directors and, where appropriate, the Chairman of the Board Committees are available to respond to shareholders' queries during the meeting. Where appropriate, the Chairman will undertake to provide a written answer to any significant question that cannot be readily answered on the spot.

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting and the Chairman declares the number of proxy votes received both for and against each separate resolution.

The Company will provide shareholders upon request with a summary of the discussion at the Annual General Meeting.

ACCOUNTABILITY AND AUDIT

Audit Committee

The Audit Committee of the Board comprises six Non-Executive Directors with Tan Sri Abu Talib bin Othman as Chairman. The composition of the Audit Committee can be found on page 48 of the annual report.

The Audit Committee met five times during the period and all members attended the meetings. During these meetings, the Committee carried out the duties as set out on pages 51 and 52 of the annual report.

Financial Reporting

In presenting the annual financial statements and quarterly announcements to shareholders, the Board aims to present a clear, balanced and understandable assessment of the Group's position and prospects. The Statement by Directors pursuant to section 169 of the Companies Act, 1965 is set out on page five of Financial Statements.

Internal Control

The Board acknowledges their responsibilities for the Group's systems of internal control covering not only financial controls but also operational and compliance controls as well as risk management. The internal control system involves each business and key management from each business, including the Board, and is designed to meet the Group's particular needs and to manage the risks to which it is exposed. The systems can therefore only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Group's internal audit provides independent and objective reports on the Group's management, records, accounting policies and controls to the Audit Committee. The internal audits include evaluation of the processes by which risks are identified, assessed and managed and ensure that controls which are instituted are appropriate and can effectively address acceptable risk exposures. The Group's internal audit also ensures that recommendations to improve controls are followed through by management.

Relationship with the auditors

The role of the Audit Committee in relation to the external auditors is stated on pages 50 to 52 of the annual report.

COMPLIANCE WITH THE CODE

The Group has complied with the Code throughout the financial year ended 31 December 2001 except for the setting up of the Nomination Committee which was done on 21 February 2002. In the areas of environmental and social responsibility, reports on such areas have been made as disclosed on pages 34 and 35 of the annual report.

Statement of Directors' responsibility for preparing the financial statements

The Directors are required by the Companies Act, 1965 to prepare financial statements which are in accordance with applicable approved accounting standards and give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year.

In preparing the financial statements, the Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured that applicable accounting standards have been followed; and
- prepared the financial statements on the going concern basis, unless they consider that to be inappropriate.

The Directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets.

Statement Of Internal Controls

Introduction

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. The KLSE Listing Requirements require directors of listed companies to include a statement in their annual reports on the state of their internal controls. The KLSE's *Statement on Internal Control: Guidance for Directors of Public Listed Companies (Guidance)* provides guidance for compliance with these requirements. Set out below is the Board of Directors' Internal Control Statement, which has been prepared in accordance with the Guidance.

Responsibility

The Board of Directors recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal control and risk management, and for reviewing the adequacy and integrity of those systems. It should be noted, however, that such systems are designed to manage rather than eliminate risks that may impede the achievement of the Group's business objectives. The systems can therefore only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Group has in place an on-going process for identifying, evaluating, monitoring and managing significant risks that may affect the achievement of business objectives throughout the year under review and up to the date of this report. This process is regularly reviewed by the Board via the Audit Committee, which dedicates separate time for discussion of this matter.

Risk Management Framework

Risk management is firmly embedded in the Group's management system and is every employee's responsibility. During the year, the Risk Manager conducted a series of briefings on risk management for senior managers as part of the Group's efforts to foster a proactive risk management culture.

In September 2001, the Risk Management Team and management jointly updated the risk register and risk mitigation action plans. Selected business continuity plans (or contingency plans) were also tested to enhance the Group's crisis preparedness.

The Audit Committee was briefed by the Risk Manager on the progress in February and October 2001.



Control Self-Assessment

Central to the Group's internal control and risk management systems is its Control Self-Assessment (CSA) process, which it has developed and continues to improve over time. A Key Control Checklist is developed and sets out the various key controls and process requirements across all functions and is updated annually taking into consideration the changing risk profiles as dictated by changes in the business environment, strategies and functional activities from time to time. All business units are required to document the controls and processes for managing the risks and assess their effectiveness on an annual basis. The Key Control Checklist and trend analysis are reported to the Audit Committee.

Other key elements of internal control

Apart from the above, the other key elements of the Group's internal control systems which has been reviewed by the Board are described below:

- clearly defined delegation of responsibilities to committees of the Board and to management including charters, organisation structures and appropriate authority levels;
- clearly documented internal policies and procedures are in place and regularly updated to reflect changing risks or resolve operational deficiencies. All standards, policies and guidelines are approved by the Board and cases of non-compliance reported to the Board by exception. Reliance is also placed on the Internal Audit function as well as the CSA approach mentioned above;
- regular and comprehensive information provided to management for monitoring of performance against strategic plan, covering all key financial and operational indicators. On a quarterly basis, the Managing Director reviews with the Board on all issues covering, but not restricted to, strategy, performance, resources and standards of business conduct;
- detailed budgeting process established requiring all business units to prepare budgets annually which are discussed and approved by the Board;
- effective reporting systems which expose significant variances against budgets and plan are in place to monitor performance. Key variances are followed up by management and reported at the Board; and
- regular meetings are held between the Finance Director and analysts with a formal presentation conducted on the day the financial results are released after Board's approval to ensure a transparent relationship and open dialogue with investors and shareholders.

The system of internal control was satisfactory and has not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

Tan Sri Abu Talib bin Othman
(Chairman)
Independent Non-Executive Director

Tan Sri Kamarul Ariffin bin Mohamed Yassin
Independent Non-Executive Director

Dato' Dr Mohd Noor bin Ismail
Non Independent Non-Executive Director

Mej Jen (Rtd) Dato' Haji Fauzi bin Hussain
Independent Non-Executive Director

Oh Chong Peng
Independent Non-Executive Director

Johann Roelofse
Non Independent Non-Executive Director

Report of the Audit Committee

Terms of Reference

The terms of reference of the Audit Committee are set out on pages 50 to 52.

Membership and Meetings

The Audit Committee comprises six Non-Executive Directors, four of whom are Independent Directors.

Tan Sri Abu Talib bin Othman is the Chairman of the Audit Committee. The composition of the Audit Committee is as above.

The Audit Committee had five meetings during the year, which were attended by all members. The Group's Finance Director and the Group's external auditor attended all meetings. Other members of senior management attended some of these meetings upon invitation by the Chairman of the Audit Committee.

Summary of Activities

During the year, the Audit Committee carried out its duties as set out in the terms of reference.

Other main issues reviewed and discussed by the Audit Committee were as follows:

- the Risk Management Policy and framework adopted by the Group to identify and manage key business risks as well as to monitor the readiness and currency of risk mitigating measures;
- the effectiveness of the Group's security measures to minimise the Group's exposure to potential losses;
- the additional disclosure requirements in accordance with the KLSE Listing Requirements; and
- the Group's procedures in respect of recurrent related party transactions (RPTs) to satisfy itself that the procedures were sufficient to ensure that the RPTs were not more favourable to the Related Parties than those generally available to the public and not detrimental to the minority shareholders.

Internal Audit function

The Group has a well established Internal Audit Department, which reports to the Audit Committee and assists the Board of Directors in monitoring and managing risks and internal controls. The Audit Committee approves the internal audit plan during the first Audit Committee meeting each year. The scope of Internal Audit covers the audits of all units and operations, including subsidiaries. A general computer controls review of the Group's IT systems was also jointly conducted with PricewaterhouseCoopers during the year. In addition, the Group's network security was also reviewed by a third party IT vendor.

The Internal Audit Department has adopted a risk-based approach towards the planning and conduct of audits which is consistent with the Group's established framework in designing, implementing and monitoring of its control systems. The Group's established monitoring process and controls self-assessment approach is in alignment with the practice of generating an embedded risk management capability and acceptable risk culture within the organisation.

Other main activities performed by the Internal Audit Department are as follows:

- review of the approval procedures in respect of RPTs; and
- review of the framework and processes adopted by the Group to meet corporate and social reporting initiatives.

The system of internal control was satisfactory and has not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

Terms of reference of the Audit Committee

A. Membership

The Audit Committee shall comprise of at least three Directors, the majority of whom are Independent.

The Chairman of the Company shall be the Chairman of the Audit Committee provided that he is an Independent Non-Executive Director.

The Company Secretary shall be the Secretary of the Audit Committee.

At least one member of the Audit Committee shall be a member of the Malaysian Institute of Accountants or alternatively a person who must have at least three years' working experience and have passed the examinations specified in Part 1 of the 1st schedule of the Accountants Act, 1967 or is a member of one of the associations specified in Part II of the said schedule.

No alternate Director shall be appointed as a member of the Audit Committee. The Board shall review the terms of office and performance of the members of the Audit Committee at least once every three years to determine whether the members have carried out their duties in accordance with their terms of reference.

In the event of any vacancy in the Audit Committee resulting in the non compliance of the KLSE Listing Requirements, the Board shall fill the vacancy within three months from the date of the vacancy.

B. Meetings and Minutes

The Audit Committee shall meet at least four times annually. However at least once a year, the Audit Committee shall meet with the external auditors without Executive Directors being present.

A majority of the members in attendance must be Independent Directors in order to form a quorum for the meeting.

Other than in circumstances which the Chairman considers inappropriate, the Finance Director and external auditors shall normally be entitled to attend any meeting of the Audit Committee and to make known their views on any matter under consideration by the Audit Committee, or which in their opinion, should be brought to the Audit Committee's attention. Non-member Directors and employees of the Company shall not attend unless specifically invited by the Audit Committee.

The Company Secretary shall record, prepare and circulate the minutes of the meetings of the Audit Committee and ensure that the minutes are properly kept and produced for inspection if required.

The Audit Committee shall report to the Board and its minutes will be tabled to and noted by the Board.

C. Authority

The Audit Committee is authorised by the Board to review any activity within the Audit Committee's terms of reference. It is authorised to seek any information it requires from any Director or member of management and has full and unrestricted access to any information pertaining to the Group and the management, and all employees of the Group are required to comply with the requests made by the Audit Committee.

The Audit Committee is authorised by the Board to obtain external professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

In the event that any member of the Audit Committee shall need to seek external professional advice in furtherance of his duties, he shall first consult with and obtain the prior approval of the Chairman of the Audit Committee.

The Audit Committee shall have direct communication channels and be able to convene meetings with the external auditors excluding the attendance of the non-independent members of the Audit Committee, whenever deemed necessary.

The Head of Internal Audit shall report directly to the Audit Committee and shall have direct access to the Chairman of the Audit Committee on all matters of control and audit. All proposals by management regarding the appointment, transfer and removal of the Head of Internal Audit of the Group shall require prior approval of the Audit Committee. Any inappropriate restrictions on audit scope are to be reported to the Audit Committee.

D. Duties

1. To review the quarterly, half-yearly and annual financial statements of the Company, focusing particularly on:
 - any significant changes to accounting policies and practices;
 - significant adjustments arising from the audits;
 - compliance with accounting standards and other legal requirements; and
 - the going concern assumption;
2. To review any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
3. To consider annually the Business Risk Management Framework adopted within the Group and to be satisfied that the methodology employed allows the identification, analysis, assessment, monitoring and communication of risks in a regular and timely manner that will allow the Group to minimise losses and maximise opportunities;
4. To ensure that the system of internal control is soundly conceived and in place, effectively administered and regularly monitored;
5. To cause reviews to be made of the extent of compliance with established internal policies, standards, plans and procedures including for example, the Group's Standards of Business Conduct;
6. To obtain assurance that proper plans for control have been developed prior to the commencement of major areas of change within the Group;

Terms of reference of the Audit Committee

7. To be satisfied that the strategies, plans, manning and organisation for internal auditing are communicated down through the Group. Specifically:
 - to review the internal audit plans and to be satisfied as to their consistency with the Business Risk Management Framework used, adequacy of coverage and audit methodologies employed;
 - to be satisfied that the internal audit function within the Group has the proper resources and standing to enable them to complete their mandates and approved audit plans;
 - review status reports from internal audit and ensure that appropriate action is taken on the recommendations of the internal audit function. To recommend any broader reviews deemed necessary as a consequence of the issues or concerns identified;
 - review any appraisal or assessment of the performance of the members of the internal audit function, approve any appointment or termination of senior staff members of the internal audit function and inform itself of any resignations of internal audit staff members and reasons thereof;
 - ensure internal audit has full, free and unrestricted access to all activities, records, property and personnel necessary to perform its duties; and
 - request and review any special audit which it deems necessary;
8. To review with the external auditor the nature and scope of the audit plan, audit report, evaluation of internal controls and co-ordination of the external auditors. The Audit Committee will consider a consolidated opinion on the quality of external auditing at one of its meetings;
9. To review any matters concerning the appointment and re appointment, audit fee and any questions of resignation or dismissal of the external auditors;
10. To review and evaluate factors related to the independence of the external auditors and assist them in preserving their independence;
11. To be advised of significant use of the external auditors in performing non-audit services within the Group, considering both the types of services rendered and the fees, such that their position as auditors are not deemed to be compromised;
12. To review the external auditors' findings arising from audits, particularly any comments and responses in management letters as well as the assistance given by the employees of the Group in order to be satisfied that appropriate action is being taken;
13. To recommend to the Board steps to improve the system of internal control derived from the findings of the internal and external auditors and from the consultations of the Audit Committee itself;
14. To review with the external auditors the Statement of Internal Controls of the Group for inclusion in the annual report;
15. To prepare the annual Audit Committee report to the Board which includes the composition of the Audit Committee, its terms of reference, number of meetings held, a summary of its activities and the existence of an internal audit function and summary of the activities of that function for inclusion in the annual report;
16. To review the Board's statements on compliance with the Malaysian Code of Corporate Governance (Code) for inclusion in the annual report; and
17. To act on any other matters as may be directed by the Board.

Particulars of Properties

The properties held by the Group and Company at 31 December 2001 are as follows:

Location	Date of acquisition	Usage	Approx. age of building (years)	Land/ Built-up area (square metres)	Net book value RM'000
Freehold					
No. 2, Jalan Tun Perak, Kuala Lumpur	24.11.73	office	35	198.72	2,302
Lot 6B, B1-B3, Jalan Tun Abdul Razak Off Susur 3, Johor Bahru, Johor	11.4.84	shop and office	9	143.07	269
No. 36 & 36A, Jalan Lengkok Canning, Ipoh Garden, Ipoh, Perak	30.11.89	shop and office	13	143.07	123
No. 27, Jalan SS26/8, Taman Mayang Jaya, Petaling Jaya, Selangor	22.4.93	shop and office	10	272.00	601
No. A79, Jalan Telok Sisek, Kuantan, Pahang	28.4.94	shop and office	10	110.59	256
B1-1, B1-2, B2-1, B2-2, Megan Phileo Promenade, 189 Jalan Tun Razak, Kuala Lumpur	28.12.95	office	5	789.50	2,976
178-3, Jalan Sungai Besi, Kuala Lumpur	1.12.60	offices & factory	53	42,799.00	56,578
Leasehold					
Lots 122 and 124, Jalan Universiti, Petaling Jaya, Selangor (99 year leases expiring on 8.4.2062 and 29.9.2060 respectively)	30.9.61	factory, office and stores	40	46,905.44	76,252
Lots P.T. 683-685, 687-689, Mukim Panchor, Daerah Kemumin, Kawasan Perindustrian Pengkalan Chepa II, Kota Bharu, Kelantan (66 year lease expiring 25.7.2048)	26.7.82	industrial land, stores and office	14	29,952.00	6,805
Lot 2948, Country Lease No. 135345103 Mukim of Keningau, Sabah (99 year lease expiring 31.7.2062)	22.11.95	stores, office and residence	9	8,093.71	2,559
No. 2, Jalan Foochow, Kuching, Sarawak (999 year lease expiring 31.12.2923)	3.10.91	shop and office	12	156.10	266
No. 120, Jalan Semangat, Petaling Jaya, Selangor (99 year lease expiring 12.7.2061)	24.5.93	office and stores	26	6,119.00	6,255
Lot 1, Block A Hong Tong Centre, Miles 4, Penampang, Kota Kinabalu, Sabah (99 year lease expiring 31.12.2080)	30.9.99	shop and office	8	136.56	529
No. 8, Jalan Melaka Raya 13, Taman Melaka Raya, Melaka (99 year lease expiring 7.7.2093)	30.3.96	shop and office	7	143.00	342

Particulars of Properties

Location	Date of acquisition	Usage	Approx. age of building (years)	Land/ Built-up area (square metres)	Net book value RM'000
Leasehold					
L.O. 76/65, Kawasan Perindustrian Batu Tiga, Shah Alam, Selangor Darul Ehsan (99 year lease expiring 30.7.2066)	8.9.67	offices & factory	34	40,603.00	23,624
No. 14, Taman Beriawa, Jalan Sekolah Vokasional, Keningau, Sabah (99 year lease expiring 31.12.2071)	31.5.84	residence	17	598.00	120
GM9, Lot 1709, Semerak, Pasir Puteh, Kelantan (33 year lease expiring 23.9.2017)	24.9.84	residence	15	10,380.00	177
Lots 2430 & 2431, HS(M) 6/83 Mukim Wakaf Delima, Wakaf Bharu, Kelantan (45 year lease expiring 3.1.2029)	4.1.84	offices & stores	35	10,465.00	976
CL 135328764 Keningau, Sabah (60 year lease expiring 31.12.2046)	6.5.88	offices & stores	13	27,721.00	539
K.M.5.5, Jalan Bukit Kayu Hitam, Changloon, Kedah (30 year lease expiring 6.7.2021)	7.7.91	offices & agricultural land	13	285,510.00	521

Principal Offices

British American Tobacco (Malaysia) Berhad

Head Office

Virginia Park
Jalan Universiti
46200 Petaling Jaya
Selangor
Tel : (03) 7956 6899 / 7491 7100
Fax : (03) 7955 8416

Tobacco Importers and Manufacturers Sdn. Bhd.

Factories

Virginia Park
Jalan Universiti 46200 Petaling Jaya
Selangor
Tel : (03) 7956 6899 / 7491 7100
Fax : (03) 7955 8416

178-3, Jalan Sungai Besi
57100 Kuala Lumpur
Tel : (03) 9221 3066
Fax : (03) 9221 3130

Leaf Processing Plant

Jalan Pelaya 15/1
40000 Shah Alam
Selangor
Tel : (03) 5519 1187 / 5519 1040
Fax : (03) 5510 8886

Commercial Marketers and Distributors Sdn. Bhd.

Head Office

Virginia Park
Jalan Universiti 46200 Petaling Jaya
Selangor
Tel : (03) 7956 6899 / 7491 7100
Fax : (03) 7955 8416

Branch Offices

Penang

155, Jalan Kikik Taman Inderawasih
13600 Prai
Penang
Tel : (04) 398 4310 / 398 4311
Fax : (04) 398 4309

Ipoh

36 & 36A, Jalan Lengkok Canning
Ipoh Garden
31400 Ipoh
Perak
Tel : (05) 547 7878 / 546 2187
Fax : (05) 547 4268

Petaling Jaya

27, Jalan SS 26/8
Taman Mayang Jaya
47301 Petaling Jaya
Selangor
Tel : (03) 7803 5498 / 7803 4704
Fax : (03) 7803 1591

Kuala Lumpur

64, Jalan 1/27F
Pusat Bandar Wangsa Maju
53300 Kuala Lumpur
Tel : (03) 4142 4091 / 4142 4093
Fax : (03) 4142 4045

Melaka

8, Jalan Melaka Raya 13
Taman Melaka Raya
75000 Melaka
Tel : (06) 282 5435 / 284 6593
Fax : (06) 283 5168

Johor Bharu

6B, B1-B3, Jalan Tun Abdul Razak Off Susur 3
80200 Johor Bharu Johor
Tel : (07) 224 1321 / 224 1322
Fax : (07) 224 5117

Kuantan

A79, Jalan Telok Sisek
25000 Kuantan Pahang
Tel : (09) 555 5373 / 555 5831
Fax : (09) 555 5484

Kota Bharu

4959E, Jalan Pengkalan Chepa
15400 Kota Bharu
Kelantan
Tel : (09) 744 6341 / 748 1324
Fax : (09) 744 0522

Principal Offices

Kota Kinabalu

Lot 1, Blok A Hong Tong Centre
Mile 4, Penampang
P.O. Box 11236
88813 Kota Kinabalu
Sabah
Tel : (088) 722 628 / 722 629
Fax : (088) 722 630

Kuching

Lot 8943, Section 64, KTLD
No. 2 Jalan Foochow
93300 Kuching
Sarawak
Tel : (082) 481 884 / 481 886
Fax : (082) 335 490

Luxury Products Division

Suite 1301, 13th Floor Central Plaza
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : (03) 2148 7270
Fax : (03) 2148 8650

Leaf Offices

The Leaf Tobacco Development Corporation of Malaya Sdn. Bhd.

Kota Bharu

Lot No. 2952
Kawasan Perindustrian
Pengkalan Chepa II
Jalan Padang Tembak
16100 Kota Bharu
Kelantan
Tel : (09) 773 6055 / 773 6085
Fax : (09) 773 5855

Changloon

KM 5.5, Bukit Kayu Hitam
06050 Bukit Kayu
Kedah Darulaman
Tel : (04) 922 2802 / 924 2054
Fax : (04) 924 2055

Keningau

Burley Park
Bayangan
P.O. Box 246
89008 Keningau
Sabah
Tel : (087) 391 609
Fax : (087) 391 751

Peter Stuyvesant Travel Services Sdn. Bhd.

B-1-1, B-1-2, B-2-1, B-2-2
Megan Phileo Promenade
189 Jalan Tun Razak
50400 Kuala Lumpur
Tel : (03) 2770 4570 / 2770 4561
Fax : (03) 2161 0440

441-G-8, Pulau Tikus Plaza
Jalan Burma
10350 Pulau Pinang
Tel : (04) 227 8227
Fax : (04) 226 9226

Kent Horizon Tours Sdn. Bhd.

Unit 19A-2-1
Mezzanine Floor
Wisma UOA, Jalan Pinang
50400 Kuala Lumpur
Tel : (03) 2164 8700
Fax : (03) 2164 8743

Commercial Marketers and Distributors Sdn. Bhd.

(Incorporated in Brunei Darussalam)
No. 2, Tingkat 1
Wisma Shahryza
Simpang 24, Jalan Gadong
Kg. Pengkalan
Bandar Seri Begawan BE 3919
Negara Brunei Darussalam
Tel : (673) - 2 - 452 975
Fax : (673) - 2 - 452 974

Financial

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Statements

Directors' Report

DIRECTORS' REPORT

The Directors are pleased to submit their annual report to the members together with the audited financial statements of the Group and Company for the financial year ended 31 December 2001.

PRINCIPAL ACTIVITIES

The Company provides day-to-day administrative and management services to its subsidiaries which are principally engaged in the manufacture, importation and sale of cigarettes, pipe tobaccos, cigars, travel services and luxury consumer products.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit before taxation	840,302	846,819
Taxation	(232,607)	(237,145)
Net profit for the financial year	607,695	609,674

DIVIDENDS

The dividends paid by the Company since 31 December 2000 were as follows:

In respect of the financial year ended 31 December 2000, as shown in the Directors' report of that year:

Final dividend of 126.39 sen gross per share, less tax of 28%, paid on 11 May 2001 259,832

In respect of the financial year ended 31 December 2001:

Interim dividend of 126.39 sen gross per share, less tax of 28%, paid on 29 August 2001 259,832

Special dividend of 69.45 sen gross per share, less tax of 28%, paid on 10 December 2001 142,765

The Directors now recommend the declaration of a final dividend of 145 sen gross per share, less tax of 28%, amounting to RM298,093,320 which, subject to the approval of members at the forthcoming Annual General Meeting of the Company, will be paid on 14 May 2002 to shareholders registered in the Company's Register of Members at the close of business on 26 April 2002.

RESERVES AND PROVISIONS

All material transfers to and from reserves and provisions during the financial year are shown in the financial statements.

DIRECTORS

The Directors who have held office during the financial year since the date of the last report are as follows:

Tan Sri Abu Talib bin Othman (Chairman)
Donald Stuart Watterton (Managing Director)
Tan Sri Kamarul Ariffin bin Mohamed Yassin
Dato' Dr Mohd Noor bin Ismail
Mej Jen (Rtd) Dato' Haji Fauzi bin Hussain
Oh Chong Peng
Chan Choon Ngai
James Campbell Irvine
Dato' Phan Boon Siong
Dr Syed Hussain bin Syed Husman
Johann Roelofse

In accordance with Articles 97 (1) and (2) of the Company's Articles of Association, Dato' Dr Mohd. Noor bin Ismail, Mej Jen (Rtd) Dato' Haji Fauzi bin Hussain, Donald Stuart Watterton and James Campbell Irvine retire by rotation from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Directors' Report

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than the benefits shown in Note 5 to the financial statements) by reason of a contract made by the Company or a related company with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than by virtue of transactions entered into the ordinary course of business as disclosed in Note 27 to the financial statements.

DIRECTORS' INTERESTS IN SHARES

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares in the Company are as follows:

	Number of ordinary shares of 50 sen each in the Company			
	At 1.1.01	Bought	Sold	At 31.12.01
Shareholdings in the name of the Director:				
Tan Sri Abu Talib bin Othman	1,000	-	-	1,000
Tan Sri Kamarul Ariffin bin Mohamed Yassin	1,000	-	-	1,000
Dato' Dr Mohd Noor bin Ismail	1,000	-	-	1,000
Mej Jen (Rtd) Dato' Haji Fauzi bin Hussain	1,000	-	-	1,000
Chan Choon Ngai	1,000	-	-	1,000
Oh Chong Peng	1,000	-	-	1,000
Dato' Phan Boon Siong	1,000	-	-	1,000
Dr Syed Hussain bin Syed Husman	1,000	-	-	1,000
Donald Stuart Watterton	2,000	-	-	2,000
James Campbell Irvine	1,000	-	-	1,000
Johann Roelofse	-	1,000	-	1,000
Shareholdings in which the Director is deemed to have an interest:				
Tan Sri Kamarul Ariffin bin Mohamed Yassin	3,320	-	-	3,320

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets were made out, the Directors took reasonable steps:

- to ascertain that proper action 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
- to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent; or
- which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or
- which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

Directors' Report

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or Company to meet their obligations when they fall due.

At the date of this report, there does not exist:

- a) any charge on the assets of the Group or Company which has arisen since the end of the financial year which secures the liability of any other person; or
- b) any contingent liability of the Group or Company which has arisen since the end of the financial year.

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 which would render any amount stated in the financial statements misleading.

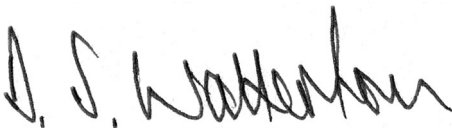
In the opinion of the Directors:

- a) the results of the Group's and Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- b) there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or Company for the financial year in which this report is made.

AUDITORS

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

In accordance with a resolution of the Board of Directors dated 21 February 2002.



Donald Stuart Watterton
Managing Director



James Campbell Irvine
Finance Director

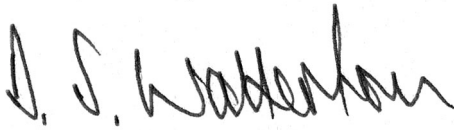
Petaling Jaya

Statement by Directors

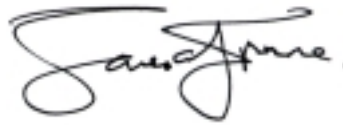
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, DONALD STUART WATTERTON and JAMES CAMPBELL IRVINE, two of the Directors of British American Tobacco (Malaysia) Berhad, state that in the opinion of the Directors, the financial statements set out on pages 8 to 40 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2001 and of the results and cash flows of the Group and Company for the financial 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 21 February 2002.



DONALD STUART WATTERTON
Managing Director



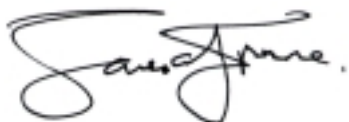
JAMES CAMPBELL IRVINE
Finance Director

Statutory Declaration

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, JAMES CAMPBELL IRVINE, the Director primarily responsible for the financial management of British American Tobacco (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 8 to 40 are, to the best of my knowledge and belief, 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 by the abovenamed James Campbell Irvine at Petaling Jaya, Malaysia on 21 February 2002.



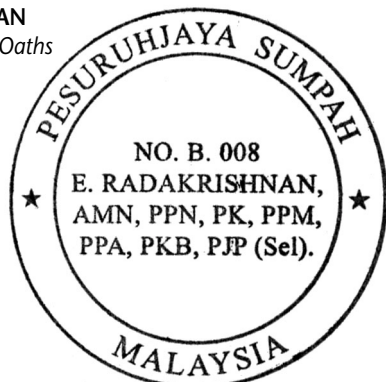
JAMES CAMPBELL IRVINE
Finance Director

Before me:



E. RADAKRISHNAN
Commissioner for Oaths

Petaling Jaya



No. 76, Jalan SS 2/60
47300 Petaling Jaya,
Selangor Darul Ehsan,
Malaysia

Report of the Auditors

To the Members of British American Tobacco (Malaysia) Berhad
(Company No: 4372-M)

We have audited the financial statements set out on pages 8 to 40. 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 statement 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 cash flows of the Group and Company for the financial 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 subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiaries 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 subsidiaries were not subject to any qualification and did not include any comment made under sub-section (3) of Section 174 of the Act.



PricewaterhouseCoopers
[AF:1146]
Chartered Accountants



Thayaparan A/L S Sangarapillai
[2085/09/02 (J)]
Partner of the firm
Kuala Lumpur
21 February 2002

Income Statements

For the Financial Year Ended 31 December 2001

	Note	Group		Company	
		Year ended 31.12.01	Year ended 31.12.00	Year ended 31.12.01	Year ended 31.12.00
		RM'000	RM'000	RM'000	RM'000
Revenue	2	3,010,370	2,772,008	-	-
Cost of sales		(1,726,842)	(1,594,376)	-	-
Gross profit		1,283,528	1,177,632	-	-
Other operating income		73,834	69,180	906,805	748,941
Distribution and marketing costs		(340,879)	(310,390)	-	-
Administrative expenses		(92,084)	(103,221)	(2,649)	(9,186)
Rationalisation expenses	3	-	(50,000)	-	(9,514)
Other operating expenses (including amortisation of goodwill on consolidation of RM21.9 million (2000: RM21.9 million))		(30,649)	(26,633)	(487)	(866)
Profit from operations	4	893,750	756,568	903,669	729,375
Finance cost	6	(56,870)	(57,905)	(56,850)	(57,006)
Share of results of an associated company		3,422	2,522	-	-
Profit from ordinary activities before taxation		840,302	701,185	846,819	672,369
Taxation					
- Company and subsidiaries		(231,643)	(194,431)	(237,145)	(188,449)
- Associated company		(964)	(796)	-	-
	7	(232,607)	(195,227)	(237,145)	(188,449)
Net profit for the financial year		607,695	505,958	609,674	483,920
Earnings per share (sen)	8	213	177	-	-
Net dividends per share (sen)	9	245.4	170.0	245.4	170.0

The accounting policies on pages 13 to 18 and the notes on pages 19 to 40 form an integral part of these financial statements.

Balance Sheets

As at 31 December 2001

	Note	Group		Company	
		2001	2000	2001	2000
		RM'000	RM'000	RM'000	RM'000
Non current assets					
Property, plant and equipment	10	562,221	490,643	34,095	26,157
Trademarks		2,072	2,072	-	-
Goodwill on consolidation	11	499,042	520,894	-	-
Subsidiaries	12	-	-	1,027,456	1,027,456
Associated company	13	23,646	21,418	17,188	17,188
Unquoted investments, at cost		880	1,980	880	1,980
		1,087,861	1,037,007	1,079,619	1,072,781
Current assets					
Inventories	14	379,745	374,622	-	-
Receivables	15	98,932	127,806	375,077	295,763
Short term investments	16	34,127	30,848	-	-
Deposits, cash and bank balances	17	113,041	327,692	635	1,066
		625,845	860,968	375,712	296,829
Current liabilities					
Provisions	18	-	23,624	-	8,438
Payables	19	324,768	291,381	219,772	72,858
Current tax liabilities		58,992	198,290	-	-
		383,760	513,295	219,772	81,296
Net current assets		242,085	347,673	155,940	215,533
		1,329,946	1,384,680	1,235,559	1,288,314
Capital and reserves					
Share capital	20	142,765	142,765	142,765	142,765
Capital reserves	21	11,144	11,144	11,144	11,144
Retained earnings	22	418,395	473,129	331,600	384,355
Shareholders' funds		572,304	627,038	485,509	538,264
Non-current liabilities					
Borrowings (interest bearing)	24	750,000	750,000	750,000	750,000
Provisions	18	7,642	7,642	50	50
		1,329,946	1,384,680	1,235,559	1,288,314

The accounting policies on pages 13 to 18 and the notes on pages 19 to 40 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the Financial Year Ended 31 December 2001

	Note	Issued and fully paid ordinary shares of 50 sen each		Non- distributable	Distributable	Total
		Number of shares	Nominal value	Capital reserves	Retained earnings	
		'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2001						
- as previously reported	23	285,530	142,765	11,144	213,297	367,206
- prior year adjustment		-	-	-	259,832	259,832
- as restated		285,530	142,765	11,144	473,129	627,038
Net profit for the financial year		-	-	-	607,695	607,695
Dividends for financial year ended 31 December 2000						
- final	9	-	-	-	(259,832)	(259,832)
Dividends for financial year ended 31 December 2001:						
- interim	9	-	-	-	(259,832)	(259,832)
- special	9	-	-	-	(142,765)	(142,765)
At 31 December 2001		285,530	142,765	11,144	418,395	572,304
At 1 January 2000						
- as previously reported		285,530	142,765	11,144	192,740	346,649
- prior year adjustment	23	-	-	-	287,814	287,814
- as restated		285,530	142,765	11,144	480,554	634,463
Net profit for the financial year		-	-	-	505,958	505,958
Dividends for nine months ended 31 December 1999						
- final		-	-	-	(287,814)	(287,814)
Dividends for financial year ended 31 December 2000:						
- interim	9	-	-	-	(225,569)	(225,569)
At 31 December 2000		285,530	142,765	11,144	473,129	627,038

The accounting policies on pages 13 to 18 and the notes on pages 19 to 40 form an integral part of these financial statements.

Company Statement of Changes in Equity

For the Financial Year Ended 31 December 2001

	Note	Issued and fully paid ordinary shares of 50 sen each		Non- distributable	Distributable	Total
		Number of shares	Nominal value	Capital reserves	Retained earnings	
		'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2001						
- as previously reported		285,530	142,765	11,144	124,523	278,432
- prior year adjustment	23	-	-	-	259,832	259,832
- as restated		285,530	142,765	11,144	384,355	538,264
Net profit for the financial year		-	-	-	609,674	609,674
Dividends for financial year ended 31 December 2000						
- final	9	-	-	-	(259,832)	(259,832)
Dividends for financial year ended 31 December 2001						
- interim	9	-	-	-	(259,832)	(259,832)
- special	9	-	-	-	(142,765)	(142,765)
At 31 December 2001		285,530	142,765	11,144	331,600	485,509
At 1 January 2000						
- as previously reported		285,530	142,765	11,144	126,004	279,913
- prior year adjustment	23	-	-	-	287,814	287,814
- as restated		285,530	142,765	11,144	413,818	567,727
Net profit for the financial year		-	-	-	483,920	483,920
Dividends for nine months ended 31 December 1999						
- final		-	-	-	(287,814)	(287,814)
Dividends for financial year ended 31 December 2000						
- interim	9	-	-	-	(225,569)	(225,569)
At 31 December 2000		285,530	142,765	11,144	384,355	538,264

The accounting policies on pages 13 to 18 and the notes on pages 19 to 40 form an integral part of these financial statements.

Cash Flow Statements

For the Financial Year Ended 31 December 2001

	Note	Group		Company	
		Year ended 31.12.01	Year ended 31.12.00	Year ended 31.12.01	Year ended 31.12.00
		RM'000	RM'000	RM'000	RM'000
Operating activities					
Cash receipts from customers		3,037,544	2,791,671	-	-
Rental received from subsidiaries		-	-	178	784
Cash paid to suppliers and employees		(2,065,479)	(1,926,833)	(4,537)	(14,964)
Cash from operations	25	972,065	864,838	(4,359)	(14,180)
Income taxes paid		(370,941)	(112,893)	(22)	(352)
Net cash flow from operating activities		601,124	751,945	(4,381)	(14,532)
Investing activities					
Property, plant and equipment					
- additions		(115,268)	(75,161)	(14,406)	(4,440)
- disposals		6,463	7,343	900	4,370
Refund of capital from unquoted investment		1,100	2,235	1,100	2,200
Proceeds from maturity of short term investments		66,200	35,186	-	-
Purchase of short term investments		(68,955)	-	-	-
Interest received		13,754	8,837	276	984
Dividends received from an associated company		230	-	230	-
Dividends received from subsidiaries		-	-	588,945	368,506
Advances from subsidiaries		-	-	146,184	34,250
Net cash flow from investing activities		(96,476)	(21,560)	723,229	405,870
Financing activities					
Dividends paid to shareholders		(662,429)	(513,383)	(662,429)	(513,383)
Interest paid		(56,870)	(58,599)	(56,850)	(57,006)
Repayment of bank borrowings		-	(50,000)	-	-
Net cash flow from financing activities		(719,299)	(621,982)	(719,279)	(570,389)
(Decrease)/Increase in cash and cash equivalents		(214,651)	108,403	(431)	(179,051)
Cash and cash equivalents as at 1 January		327,692	219,289	1,066	180,117
Cash and cash equivalents as at 31 December	17	113,041	327,692	635	1,066

The accounting policies on pages 13 to 18 and the notes on pages 19 to 40 form an integral part of these financial statements.

Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2001

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Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2001

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

A. Basis of preparation

The financial statements of the Group and Company have been prepared under the historical cost convention (as modified for the revaluation of land and buildings), unless otherwise indicated in this summary of significant accounting policies.

The financial statements comply with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act 1965. The Group has implemented, in advance of the effective date, the following approved accounting standards in these financial statements:

(i) Retrospective application

Comparative figures have been adjusted or extended to take into account the requirements of the following new Malaysian Accounting Standards Board (MASB) Standards that have been applied retrospectively:

- MASB Standard 19 "Events After the Balance Sheet Date"
- MASB Standard 20 "Provisions, Contingent Liabilities and Contingent Assets"
- MASB Standard 22 "Segment Reporting"

There are no changes in accounting policy that affect net profit for the financial year as a result of the adoption of the above standards in these financial statements as the Group was already complying with the recognition and measurement principles in those standards.

(ii) Prospective application from 1 January 2001

MASB Standard 21
"Business Combinations"

The Group has taken advantage of the exemption provided to apply this Standard prospectively. Accordingly, business combinations entered into prior to 1 January 2001 have not been restated to comply with this Standard.

MASB Standard 23
"Impairment of Assets"

This Standard does not permit retrospective application.

MASB Standard 24 "Financial Instruments: Disclosure and Presentation"

The Group has taken advantage of the exemption provided to apply this Standard prospectively. Accordingly, the following presentation and disclosures have been adopted in these financial statements:

- classification of non-compound instruments

The liability and equity classification of non-compound instruments (together with the classification of the associated interest, dividends or other distributions) has been applied in accordance with this Standard as of 1 January 2001. No adjustments have been made to classifications adopted in the comparative period.

- disclosures

Comparatives are not disclosed upon first application of MASB Standard 24, as permitted by the Standard.

The preparation of financial statements in conformity with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Actual results could differ from those estimates.

Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2001

B. Group accounting

(i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. Subsidiaries 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.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Subsidiaries are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed off are included from the date of acquisition up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The excess of the cost of acquisition over the fair value of the Group's share of subsidiaries' identifiable net assets at the date of acquisition is reflected as goodwill on consolidation.

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless these losses cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(ii) Associated company

Investment in associated company is accounted for in the consolidated financial statements by the equity method of accounting. Associated company is an enterprise in which the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associated company but not control over those policies.

Equity accounting involves recognising in the income statement the Group's share of the results of the associated company for the financial year. The Group's investment in associated company is carried in the balance sheet at an amount that reflects its share of the net assets of the associated company and includes goodwill on acquisition. Equity accounting is discontinued when carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

Unrealised gains on transactions between the Group and associated company are eliminated to the extent of the Group's interest in the associated company. Where necessary, in applying the equity method, adjustments are made to the financial statements of associated company to ensure consistency of accounting policies with those of the Group.

C. Property, plant and equipment

Freehold land and capital work in progress are not depreciated. All property, plant and equipment are stated at cost or Directors' valuation less accumulated depreciation and impairment losses. Depreciation is provided to their residual values on all other property, plant and equipment on a straight line basis over their estimated useful lives, which are as follows:

Leasehold land	-	35 to 95 years
Buildings	-	35 to 40 years
Machinery and equipment	-	10 to 14 years
Furniture and fittings (including computer equipment and peripherals)	-	various periods not exceeding 10 years
Motor vehicles	-	five years

Small value items are fully depreciated in the year of purchase.

When an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with carrying amount and are included in the income statement.

The Directors have applied the transitional provisions of International Accounting Standards No. 16 (Revised) Property, Plant and Equipment as adopted by MASB which allows the leasehold land and buildings to be stated at their 1983 valuation less depreciation. Accordingly, these valuations have not been updated.

Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2001

D. Trademarks

Trademarks are stated at cost and allowance for diminution in value is made where deemed appropriate.

E. Goodwill

Goodwill represents the excess of the fair value of purchase consideration over the Group's share of the fair value of the identifiable net assets of subsidiaries acquired at the date of acquisition. Goodwill is amortised using the straight line method over 25 years.

The carrying amount of goodwill is reviewed annually and written down for impairment where deemed appropriate.

F. Investments

(i) Subsidiaries

Investments in subsidiaries are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

Investments in other non-current investments are shown at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

Short term investments (within current assets) are carried at the lower of cost (adjusted for the amortisation of premiums or accretion of discounts calculated from the date of purchase to maturity) and market value, determined on an aggregate portfolio basis by category of investment. Market value is determined by quoted market prices or dealer quotes for a category of investment at the close of business on the balance sheet date. Increases or decreases in the carrying amount of marketable securities are credited or charged to the income statement.

On disposal of investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

(ii) Associated company

In the Company's balance sheet, the investment in the associated company is stated at Directors' valuation based on the Company's share of net tangible assets of the associated company.

G. Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less cost of completion and selling expenses. Cost is determined principally on a first-in first-out basis and in the case of manufactured cigarettes, comprises cost of materials, labour and manufacturing overheads.

H. Trade receivables

Trade receivables are carried at invoiced amount less an estimate made for doubtful debts based on a review of outstanding amounts at the year end. Bad debts are written off when identified.

I. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balances with licensed financial institutions, bank overdrafts and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2001

J. Staff retirement benefits

The Group operates a defined benefit plan, the assets of which are held in a separate trustee-administered fund. The pension fund is funded by payments from the relevant Group companies, taking account of the recommendations of an independent qualified actuary.

The retirement accounting cost is assessed using the Projected Unit Credit cost method, one of the methods categorised under the family of Accrued Benefit Valuation method. Under this method, the current service cost is the present value of benefits payable in the future in respect of service in the current period and is charged to the current period's income statement.

The retirement obligation is measured as the present value of benefits payable in future in respect of service to date, using interest rates of government securities which have terms to maturity approximating the terms of the related liability.

All actuarial valuation gains and losses are amortised over the average remaining service lives of employees.

K. Deferred taxation

The tax expense is determined on the basis of tax effect accounting using the liability method. Deferred taxation is recognised for timing differences except where there is reasonable evidence that such timing differences will not reverse in foreseeable future.

Deferred tax benefits are recognised only if there is a reasonable expectation of their realisation.

L. Revenue recognition

Revenue earned from the sale of the Group's products is recognised upon passing of title to the customer, which generally coincides with their delivery and acceptance and after eliminating sales within the Group.

Other revenues earned by the Group are recognised on the following basis:

- Interest income and capacity reservation fee are recognised on an accrual basis.
- Dividend income is recognised when the shareholders' right to receive payment is established.

M. Foreign currencies

(i) Foreign entities

Assets and liabilities of foreign subsidiaries are translated at closing rates for purposes of consolidation. Income statement items are translated at average rates during the financial year and resulting exchange differences are dealt with in equity for the financial year.

(ii) Foreign currency transactions

Foreign currency transactions in Group companies are accounted for at exchange rates ruling at the transaction dates, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Foreign currency monetary assets and liabilities are translated at exchange rates ruling at the balance sheet date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. 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.

Summary of Significant Accounting Policies

For the Financial Year Ended 31 December 2001

(iii) **Closing rates**

The principal closing rates used in translation of foreign currency amounts were as follows:

Foreign currency	31.12.2001	31.12.2000
1 US Dollar	RM 3.800	RM 3.800
1 UK Pound Sterling	RM 5.510	RM 5.399
1 Euro	RM 3.357	RM 3.257
1 Australian Dollar	RM 1.942	RM 1.980
1 Singapore Dollar	RM 2.054	RM 2.162
1 Deutschemark	RM 1.731	RM 1.665
1 Brunei Dollar	RM 2.054	RM 2.162

N. Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, payables and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial instruments not recognised on the balance sheet

(i) **Foreign currency forward contracts**

Foreign currency forward contracts protect the group from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled.

Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transaction, at which time they are included in the measurement of such transactions.

All other exchange gains and losses relating to hedge instruments are recognised in the income statement in the same period as the exchange differences on the underlying hedged items. Gains and losses on contracts which are no longer designated as a hedge are included in the income statement.

(ii) **Interest rate swap contracts**

Any differential to be paid or received on an interest rate swap contract is recognised as a component of interest income or expense over the period of the contract. Gains and losses on early termination of interest rate swaps are taken to the income statement.

Fair value estimation for disclosure purposes

The fair values of investment in associated company and long term debt are based on quoted market prices at the balance sheet date.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

In assessing the value of non-traded derivatives and financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at balance sheet date. Option pricing models and estimated discounted value of future cash flows are used to determine fair value for financial instruments. In particular, the fair value of financial liabilities is estimated by discounting the future cash flows at the current market interest rate available to the Group for similar financial instruments.

The face values, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

O. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

Notes to the Financial Statements

1. GENERAL INFORMATION

The Company provides day-to-day administrative and management services to its subsidiaries which are principally engaged in the manufacture, importation and sale of cigarettes, pipe tobaccos, cigars, travel services and luxury consumer products.

At the end of the financial year, the Group and Company had on its payroll 1,421 (2000: 1,346) and 109 (2000: 113) employees respectively.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of the Kuala Lumpur Stock Exchange.

The address of the registered office and principal place of business of the Company is as follows:

Virginia Park, Jalan Universiti
46200 Petaling Jaya
Selangor Darul Ehsan

2. REVENUE

	Group		Company	
	Year ended 31.12.01 RM'000	Year ended 31.12.00 RM'000	Year ended 31.12.01 RM'000	Year ended 31.12.00 RM'000
Sales of cigarettes, pipe tobacco, cigars and luxury consumer products	3,005,211	2,767,560	-	-
Travel services	5,159	4,448	-	-
	3,010,370	2,772,008	-	-

3. RATIONALISATION EXPENSES

This represents expenditure incurred in the rationalisation of operations following the acquisition of subsidiaries on 3 November 1999.

Notes to the Financial Statements

4. PROFIT FROM OPERATIONS

	Group		Company	
	Year ended 31.12.01	Year ended 31.12.00	Year ended 31.12.01	Year ended 31.12.00
	RM'000	RM'000	RM'000	RM'000
Profit from operations is arrived at:				
After charging:				
Auditors' remuneration:				
- current year	167	167	50	50
- underprovision in respect of prior years	-	12	-	-
- non audit fees	55	55	55	55
Property, plant and equipment:				
- depreciation	39,285	47,771	6,402	3,630
- write off	-	28,000	-	-
Amortisation of goodwill on consolidation	21,852	21,852	-	-
Rental of land and buildings	5,347	5,809	454	571
Inventories written off	9,291	6,300	-	-
Staff costs	64,300	64,812	16,646	17,815
And crediting:				
Dividends from				
- unquoted subsidiaries	-	-	903,519	742,451
- associated company	-	-	230	-
Interest income	14,043	8,392	276	984
Accretion of discounts	524	2,457	-	-
Net realised exchange gain	1,800	1,560	95	181
Capacity reservation fee (note 27 (a) (ii))	53,300	53,300	-	-
Gain on disposal of property, plant and equipment	2,058	3,279	834	3,097
Rental received/receivable from subsidiaries	-	-	178	784

5. DIRECTORS' REMUNERATION

	Group		Company	
	Year ended 31.12.01	Year ended 31.12.00	Year ended 31.12.01	Year ended 31.12.00
	RM'000	RM'000	RM'000	RM'000
Fees	356	346	356	346
Other emoluments	10,022	6,050	4,462	3,406
	10,378	6,396	4,818	3,752

The estimated monetary value of benefits provided to Directors of the Group and Company during the financial year by way of usage of the Group's and Company's assets and other benefits amounted to RM822,000 (2000:RM886,000) and RM734,000 (2000:RM777,000) respectively.

Notes to the Financial Statements

6. FINANCE COST

	Group		Company	
	Year ended 31.12.01	Year ended 31.12.00	Year ended 31.12.01	Year ended 31.12.00
	RM'000	RM'000	RM'000	RM'000
Interest expense on bank overdraft	20	899	-	-
Interest expense on long term borrowings	56,850	57,006	56,850	57,006
	56,870	57,905	56,850	57,006

7. TAXATION

The tax charge on the profit for the financial year consists of the following:

	Group		Company	
	Year ended 31.12.01	Year ended 31.12.00	Year ended 31.12.01	Year ended 31.12.00
	RM'000	RM'000	RM'000	RM'000
In Malaysia				
Income tax – current				
- Company and subsidiaries	231,616	194,404	237,145	188,449
- Associated company	964	796	-	-
	232,580	195,200	237,145	188,449
Outside Malaysia				
Income tax – current				
- Subsidiary company	27	27	-	-
	232,607	195,227	237,145	188,449

8. EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit for financial year by the number of ordinary shares in issue.

	Group	
	Year ended 31.12.01	Year ended 31.12.00
	RM'000	RM'000
Net profit for the financial year (RM'000)	607,695	505,958
Number of ordinary shares of 50 sen each in issue ('000)	285,530	285,530
Earnings per share (sen)	213	177

Notes to the Financial Statements

9. DIVIDENDS

Dividends declared or proposed in respect of the financial year ended 31 December 2001 are as follows:

	Group and Company					
	Year ended 31.12.01			Year ended 31.12.00		
	Gross per share	Net per share	Amount of dividend	Gross per share	Net per share	Amount of dividend
	Sen	Sen	RM'000	Sen	Sen	RM'000
Interim dividend paid	126.4	91.0	259,832	109.7	79.0	225,569
Special dividend paid	69.4	50.0	142,765	-	-	-
Proposed final dividend	145.0	104.4	298,093	126.4	91.0	259,832
	340.8	245.4	700,690	236.1	170.0	485,401

Interim and special dividends are paid and accounted for in shareholders' equity as an appropriation of retained earnings in the financial year.

At the forthcoming Annual General Meeting on 17 April 2002, a final dividend in respect of the financial year ended 31 December 2001 of 145.0 sen gross per share less tax of 28% (2000: 126.4 sen gross per share less tax of 28%) amounting to RM298,093,320 (2000: RM259,832,300) will be proposed for shareholders' approval. These financial statements do not reflect this final dividend which will be accrued as a liability in the financial year ending 31 December 2002 when approved by shareholders. This represents a change in accounting treatment from that of prior years as explained in Note 23.

Notes to the Financial Statements

10. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings RM'000	Machinery And Equipment RM'000	Furniture And Fittings RM'000	Motor Vehicles RM'000	Capital Work In Progress RM'000	Total RM'000
GROUP						
Net book value at 1 January 2000	168,862	260,679	21,015	16,733	28,028	495,317
Additions	1,368	5,434	3,782	3,131	61,446	75,161
Disposals	(1,063)	(1,757)	(599)	(519)	(126)	(4,064)
Write off	-	(28,000)	-	-	-	(28,000)
Reclassifications	6,554	15,164	188	-	(21,906)	-
Depreciation charge	(3,547)	(23,406)	(13,658)	(7,160)	-	(47,771)
Net book value at 31 December 2000	172,174	228,114	10,728	12,185	67,442	490,643
Additions	13,564	33,610	17,287	8,730	42,077	115,268
Disposals	-	(3,273)	(308)	(824)	-	(4,405)
Reclassifications	-	71,192	-	-	(71,192)	-
Depreciation charge	(3,668)	(24,016)	(6,261)	(5,340)	-	(39,285)
Net book value at 31 December 2001	182,070	305,627	21,446	14,751	38,327	562,221
At 31 December 2000						
Cost	185,565	357,141	38,093	52,061	67,442	700,302
Valuation	45,290	-	-	-	-	45,290
Accumulated depreciation	(58,681)	(129,027)	(27,365)	(39,876)	-	(254,949)
Net book value	172,174	228,114	10,728	12,185	67,442	490,643
At 31 December 2001						
Cost	199,129	331,517	53,469	48,381	38,327	670,823
Valuation	45,290	-	-	-	-	45,290
Accumulated depreciation	(62,349)	(25,890)	(32,023)	(33,630)	-	(153,892)
Net book value	182,070	305,627	21,446	14,751	38,327	562,221

Notes to the Financial Statements

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY	Land and Buildings RM'000	Machinery And Equipment RM'000	Furniture And Fittings RM'000	Motor Vehicles RM'000	Capital Work In Progress RM'000	Total RM'000
Net book value at 1 January 2000	15,595	368	5,811	1,424	3,422	26,620
Additions	-	138	3,309	993	-	4,440
Disposals	(1,063)	(23)	(61)	-	(126)	(1,273)
Reclassifications	3,296	-	-	-	(3,296)	-
Depreciation charge	(379)	(30)	(2,645)	(576)	-	(3,630)
Net book value at 31 December 2000	17,449	453	6,414	1,841	-	26,157
Additions	272	31	11,253	2,850	-	14,406
Disposals	-	-	(50)	(16)	-	(66)
Depreciation charge	(421)	(33)	(5,013)	(935)	-	(6,402)
Net book value at 31 December 2001	17,300	451	12,604	3,740	-	34,095
At 31 December 2000						
Cost	17,991	611	13,683	4,611	-	36,896
Valuation	2,643	-	-	-	-	2,643
Accumulated depreciation	(3,185)	(158)	(7,269)	(2,770)	-	(13,382)
Net book value	17,449	453	6,414	1,841	-	26,157
At 31 December 2001						
Cost	18,263	642	30,720	6,583	-	56,208
Valuation	2,643	-	-	-	-	2,643
Accumulated depreciation	(3,606)	(191)	(18,116)	(2,843)	-	(24,756)
Net book value	17,300	451	12,604	3,740	-	34,095

Notes to the Financial Statements

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

GROUP	Freehold land		Long Leasehold Land		Short Leasehold Land	Buildings		Total Land and Buildings
	Cost RM'000	Valuation RM'000	Cost RM'000	Valuation RM'000	Cost RM'000	Cost RM'000	Valuation RM'000	RM'000
Net book value at 1 January 2000	34,556	2,758	16,534	16,976	408	88,952	8,678	168,862
Additions	-	-	-	-	-	1,368	-	1,368
Disposals	-	(726)	-	-	-	-	(337)	(1,063)
Reclassifications	-	-	-	-	-	6,554	-	6,554
Depreciation charge	-	-	(291)	(279)	(12)	(2,428)	(537)	(3,547)
Net book value at 31 December 2000	34,556	2,032	16,243	16,697	396	94,446	7,804	172,174
Additions	-	-	-	-	-	13,564	-	13,564
Depreciation charge	-	-	(301)	(279)	(13)	(2,544)	(531)	(3,668)
Net book value at 31 December 2001	34,556	2,032	15,942	16,418	383	105,466	7,273	182,070
At 31 December 2000								
Cost	34,556	-	17,489	-	502	133,018	-	185,565
Valuation	-	2,032	-	21,574	-	-	21,684	45,290
Accumulated depreciation	-	-	(1,246)	(4,877)	(106)	(38,572)	(13,880)	(58,681)
Net book value	34,556	2,032	16,243	16,697	396	94,446	7,804	172,174
At 31 December 2001								
Cost	34,556	-	17,489	-	502	146,582	-	199,129
Valuation	-	2,032	-	21,574	-	-	21,684	45,290
Accumulated depreciation	-	-	(1,547)	(5,156)	(119)	(41,116)	(14,411)	(62,349)
Net book value	34,556	2,032	15,942	16,418	383	105,466	7,273	182,070

Notes to the Financial Statements

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY	Freehold land		Long Leasehold	Buildings		Total
	Cost RM'000	Valuation RM'000	Land Cost RM'000	Cost RM'000	Valuation RM'000	Land and Buildings RM'000
Net book value at 1 January 2000	455	2,758	1,315	10,435	632	15,595
Disposals	-	(726)	-	-	(337)	(1,063)
Reclassifications	-	-	-	3,296	-	3,296
Depreciation charge	-	-	(18)	(338)	(23)	(379)
Net book value at 31 December 2000	455	2,032	1,297	13,393	272	17,449
Additions	-	-	-	272	-	272
Depreciation charge	-	-	(27)	(377)	(17)	(421)
Net book value at 31 December 2001	455	2,032	1,270	13,288	255	17,300
At 31 December 2000						
Cost	455	-	1,566	15,970	-	17,991
Valuation	-	2,032	-	-	611	2,643
Accumulated depreciation	-	-	(269)	(2,577)	(339)	(3,185)
Net book value	455	2,032	1,297	13,393	272	17,449
At 31 December 2001						
Cost	455	-	1,566	16,242	-	18,263
Valuation	-	2,032	-	-	611	2,643
Accumulated depreciation	-	-	(296)	(2,954)	(356)	(3,606)
Net book value	455	2,032	1,270	13,288	255	17,300

Freehold and leasehold land and buildings were revalued by the Directors on 1 July 1983 based upon independent professional valuation using fair market value on a current use basis.

Additions subsequent to this revaluation are stated at cost.

The net book value of revalued land and buildings of the Group and Company that would have been included in the financial statements, had these assets been carried at cost less accumulated depreciation, are as follows:

	Group		Company	
	2001	2000	2001	2000
	RM'000	RM'000	RM'000	RM'000
Long leasehold land and buildings	2,286	2,962	173	192
Freehold land	273	273	273	273
	2,559	3,235	446	465

Notes to the Financial Statements

11. GOODWILL ON CONSOLIDATION	Group	
	2001	2000
	RM'000	RM'000
Net book value at 1 January	520,894	542,746
Amortisation charge	(21,852)	(21,852)
Net book value at 31 December	499,042	520,894
At 31 December		
Cost	546,388	546,388
Accumulated amortisation	(47,346)	(25,494)
Net book value	499,042	520,894
12. SUBSIDIARIES		
	Company	
	2001	2000
	RM'000	RM'000
Unquoted investments, at cost	1,027,456	1,027,456

Notes to the Financial Statements

12. SUBSIDIARIES (CONTINUED)

The subsidiaries, all of which are wholly-owned, are as follows :

Incorporated in Malaysia

– all audited by PricewaterhouseCoopers

Operating

Commercial Importers and Distributors Sdn. Bhd.
Commercial Marketers and Distributors Sdn. Bhd.

Kent Horizon Tours Sdn. Bhd.
Perilly's Centre Sdn. Bhd.
Peter Stuyvesant Travel Services Sdn. Bhd.
Rothmans Brands Sdn. Bhd.
The Leaf Tobacco Development Corporation of Malaya Sdn. Bhd.
Tobacco Blenders and Manufacturers Sdn. Bhd.

Tobacco Importers and Manufacturers Sdn. Berhad

Winfield Casuals Sdn. Bhd.

Principal Activities

Investment holding
Marketing and importation of cigarettes, pipe tobaccos and cigars and trading of luxury consumer products
Provision of travel services
Provision of advertising and promotional services
Provision of travel services
Holding of trademarks
Development and purchase of tobacco leaf
Manufacture and sale of cigarettes and other tobacco products but ceased operations in 2000
Manufacture and sale of cigarettes and other tobacco related products
Provision of advertising and promotional services

Non-operating

Benson & Hedges Golden Gallery Sdn. Bhd.	Dormant
Borneo Tobacco Co. Sdn. Bhd.	Dormant
Brunei Tobacco and Cigarette Co. Sdn. Bhd.	Dormant
Burley Tobacco Co. Sdn. Bhd.	Dormant
Cigarette Importers and Distributors (Teluk Anson) Sdn. Bhd.	Dormant
Contemporary Force Sdn. Bhd.	Dormant
Dunhill of London (Malaysia) Sdn. Bhd.	Dormant
Gunston Tobacco Co. Sdn. Bhd.	Dormant
Leaf Importers and Blenders Sdn. Bhd.	Dormant
Lucky Strike Originals Sdn. Bhd.	Dormant
Malaysia Cigarette Manufacturers Sdn. Bhd.	Dormant
Martins of Piccadilly, London, Sdn. Bhd.	Dormant
One World GSA Sdn. Bhd.	Dormant
Richard Pullman and Sons Sdn. Bhd.	Dormant
Sabah Tobacco and Cigarette Co. Sdn. Bhd.	Dormant
Sarawak Tobacco Co. Sdn. Bhd.	Dormant
The King Size Tobacco Co. Sdn. Bhd.	Dormant

Incorporated in Singapore

– audited by a member firm of PricewaterhouseCoopers

Non-operating

- Richard Pullman and Sons Pte. Ltd.	Dormant
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Incorporated in Negara Brunei Darussalam

– audited by a member firm of PricewaterhouseCoopers

Operating

Commercial Marketers and Distributors Sdn. Bhd.	Provision of advertising and promotional services
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Notes to the Financial Statements

13. ASSOCIATED COMPANY

	Group	
	2001	2000
	RM'000	RM'000
Quoted shares:		
- at Directors' valuation	17,188	17,188
Share of post-acquisition reserves	6,458	4,230
Group's share of net tangible assets	23,646	21,418

	Company	
	2001	2000
	RM'000	RM'000
Quoted shares:		
- at Directors' valuation	17,188	17,188

The Company holds 25.28% of the equity ordinary shares in the associated company, Tien Wah Press Holdings Berhad, which is listed on the Second Board of the Kuala Lumpur Stock Exchange.

The investment in associated company was revalued by the Directors in 1997 based on the Company's share of the net tangible assets. The surplus on revaluation of RM11,144,000 was credited to capital reserves (Note 21). The market value of this investment at 31 December 2001 was RM12,127,500 (31.12.00: RM15,251,250).

14. INVENTORIES

	Group	
	2001	2000
	RM'000	RM'000
At cost		
Raw materials	310,508	281,996
Work-in-progress	127	8,125
Finished goods	55,901	69,750
Consumable stores	13,209	14,751
	379,745	374,622

Notes to the Financial Statements

15. RECEIVABLES

	Group		Company	
	2001	2000	2001	2000
	RM'000	RM'000	RM'000	RM'000
Trade receivables	51,420	88,094	-	-
Allowance for doubtful debts	(9,206)	(7,217)	-	-
	42,214	80,877	-	-
Dividends due from subsidiaries	-	-	330,090	268,501
Amounts due from related companies	24,558	14,538	-	-
Amounts due from an associated company	-	3,233	-	-
Other receivables	24,560	20,535	10,052	7,941
Tax recoverable	-	-	34,935	19,073
Deposits	1,900	1,767	-	248
Prepayments	5,700	6,856	-	-
	98,932	127,806	375,077	295,763

Trade receivables of the Group as at 31 December 2001 are denominated in Ringgit Malaysia.

Credit terms of trade receivables range from one to 60 days.

Concentration of credit risk with respect to trade receivables is limited due to the Group's large number of customers, who are nationally dispersed. The Group's historical experience in collection of trade receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

16. SHORT TERM INVESTMENTS

	Group	
	2001	2000
	RM'000	RM'000
Debt securities, at cost		
- unquoted in Malaysia	9,769	9,948
- quoted in Malaysia	-	16,110
Accretion of discounts	128	4,790
	9,897	30,848
Corporate bonds, at cost		
- unquoted in Malaysia	24,349	-
Amortisation of premiums	(119)	-
	34,127	30,848

As at 31 December 2000, the market value of debt securities quoted in Malaysia for the Group was RM18,779,000.

Notes to the Financial Statements

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2001	2000	2001	2000
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	98,299	314,782	-	-
Cash and bank balances	14,742	12,910	635	1,066
	113,041	327,692	635	1,066

The currency exposure profile of deposits, cash and bank balances are as follows:

- Ringgit Malaysia	112,595		635	
- US Dollar	319		-	
- Brunei Dollar	127		-	
	113,041		635	

	Group		Company	
	2001	2000	2001	2000
	%	%	%	%
The weighted average interest rates of deposits, with licensed banks that were effective during the period	2.7	2.4	2.3	2.3

Deposits of the Group and Company have an average maturity of 48 days (2000: 21 days) and 11 days (2000: 22 days) respectively.

Notes to the Financial Statements

18. PROVISIONS

	Group		Company	
	Rationalisation Expenses	Retirement Benefits	Rationalisation Expenses	Retirement Benefits
	RM'000	RM'000	RM'000	RM'000
Group				
At 1 January 2000	40,482	7,642	8,575	50
Charged to income statement	50,000	-	9,514	-
Utilised during the year	(66,858)	-	(9,651)	-
At 31 December 2000	23,624	7,642	8,438	50
Charged to income statement	-	-	-	-
Utilised during the year	(23,624)	-	(8,438)	-
At 31 December 2001	-	7,642	-	50
At 31 December 2000				
Current	23,624	-	8,438	-
Non current	-	7,642	-	50
	23,624	7,642	8,438	50
At 31 December 2001				
Current	-	-	-	-
Non current	-	7,642	-	50
	-	7,642	-	50

a) Rationalisation expenses

This represents expenditure incurred in the rationalisation of operations following the acquisition of subsidiaries on 3 November 1999.

b) Retirement benefits

The Company and certain subsidiaries in the Group make contributions to the British American Tobacco Malaysia Retirement Scheme, an approved fund independent of the Group's finances.

The retirement scheme is valued by independent actuaries using the Accrued Benefit Valuation method. The latest actuarial valuation was conducted on 1 December 2000 and this valuation showed that the actuarial value of the net assets held in the fund together with the book provisions in the Group's financial statements, adequately met the actuarial liabilities arising from the retirement scheme as at the valuation date.

Notes to the Financial Statements

19. PAYABLES	Group		Company	
	2001	2000	2001	2000
	RM'000	RM'000	RM'000	RM'000
Trade payables	171,383	157,343	-	-
Trade accruals	51,737	35,620	-	-
Amounts due to subsidiaries	-	-	183,949	37,765
Amounts due to an associated company	3,273	-	-	-
Amounts due to related companies	24,643	43,368	-	529
Other payables	73,732	55,050	35,823	34,564
	324,768	291,381	219,772	72,858

The currency profile of trade payables is as follows:

	Group	Company
	2001	2001
	RM'000	RM'000
- Ringgit Malaysia	154,847	-
- US Dollar	15,266	-
- UK Pound Sterling	1,239	-
- Others	31	-
	171,383	-

Credit terms of trade payables and suppliers of property, plant and equipment granted to the Group vary from no credit to 120 days. Amounts due to subsidiaries and related companies are unsecured, interest free and repayable within one year. The amount due to an associated company is trade in nature.

20. SHARE CAPITAL	Group	
	2001	2000
	RM'000	RM'000
Authorised		
770,000,000 Ordinary shares of 50 sen each	385,000	385,000
Issued and fully paid		
285,530,000 Ordinary shares of 50 sen each	142,765	142,765

Notes to the Financial Statements

21. CAPITAL RESERVES

	Group		Company	
	2001	2000	2001	2000
	RM'000	RM'000	RM'000	RM'000
Capital reserves comprise:				
Share of surplus arising from the revaluation of property, plant and equipment of an associated company	4,974	4,974	-	-
Capitalisation of post-acquisition profits in an associated company	6,170	6,170	-	-
Surplus on revaluation of investment in an associated company	-	-	11,144	11,144
	11,144	11,144	11,144	11,144

The capital reserves are not available for distribution as cash dividends.

22. RETAINED EARNINGS

Subject to the agreement of the Inland Revenue Board, there are sufficient Malaysian (Section 108) tax credits to frank all the retained earnings of the Company at 31 December 2001 if paid out as dividends.

23. PRIOR YEAR ADJUSTMENT

During the financial year, the Group changed its accounting policy with respect to the recognition of liabilities in compliance with the new MASB Standard 19 "Events After the Balance Sheet Date". This change in accounting policy has effect on the accounting treatment for dividends as follows:

Dividends (Note 9)

In previous years, dividends were accrued as a liability when proposed by Directors. The Group has now changed this accounting policy to recognise dividends in shareholders' equity in the period in which the obligation to pay is established in accordance with MASB Standard 19. Therefore, final dividends are now accrued as a liability upon approval by shareholders at the Annual General Meeting.

This change in accounting policy has been accounted for retrospectively.

The effects of the change in accounting policy are as follows:

	As previously reported	Effect of change in policy	As restated
	RM'000	RM'000	RM'000
Group			
At 31 December 1999:			
- retained earnings	192,740	287,814	480,554
At 31 December 2000:			
- retained earnings	213,297	259,832	473,129
- proposed dividends	259,832	(259,832)	-
Company			
At 31 December 1999:			
- retained earnings	126,004	287,814	413,818
At 31 December 2000:			
- retained earnings	124,523	259,832	384,355
- proposed dividends	259,832	(259,832)	-

Notes to the Financial Statements

24. BORROWINGS (INTEREST BEARING)

Pursuant to a Trust Deed dated 22 October 1999, the Company issued RM750,000,000 nominal value redeemable unsecured bonds at par for cash on 2 November 1999 comprising:

- (a) RM300,000,000 nominal value five year redeemable unsecured bonds 1999/2004 which bear interest at 7.1% per annum.
- (b) RM450,000,000 nominal value eight year redeemable unsecured bonds 1999/2007 which bear interest at 7.9% per annum.

Maturity and exposure to interest rate risk of the Group and Company borrowings are as follows:

	Later than 2 years and not later than 5 years	Later than 5 years	Total
	RM'000	RM'000	RM'000
At 31 December 2001			
Before interest rate swaps:			
- fixed	300,000	450,000	750,000
- floating	-	-	-
	300,000	450,000	750,000
After interest rate swaps:			
- fixed	280,000	450,000	730,000
- floating	20,000	-	20,000
	300,000	450,000	750,000

25. CASH FROM OPERATIONS

	Group		Company	
	Year ended 31.12.01	Year ended 31.12.00	Year ended 31.12.01	Year ended 31.12.00
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial year	607,695	505,958	609,674	483,920
Adjustments for:				
Dividend income				
- Unquoted subsidiaries	-	-	(903,519)	(742,451)
- Associated company	-	-	(230)	-
Interest income	(14,043)	(8,392)	(276)	(984)
Accretion of discounts	(524)	(2,457)	-	-
Property, plant and equipment				
- Depreciation	39,285	47,771	6,402	3,630
- Write off	-	28,000	-	-
- Gain on disposal	(2,058)	(3,279)	(834)	(3,097)
Amortisation of goodwill on consolidation	21,852	21,852	-	-
Inventories written off	9,291	6,300	-	-
Finance cost	56,870	57,905	56,850	57,006
Share of results of an associated company	(3,422)	(2,522)	-	-
Taxation	232,607	195,227	237,145	188,449
Changes in working capital:				
- Inventories	(14,414)	13,537	-	-
- Receivables	29,163	21,554	(1,863)	(3,889)
- Payables	9,763	(16,616)	(7,708)	3,236
Cash from operations	972,065	864,838	(4,359)	(14,180)

Notes to the Financial Statements

26. CAPITAL COMMITMENTS

Capital expenditure not provided for in the financial statements are as follows:

	Group		Company	
	2001	2000	2001	2000
	RM'000	RM'000	RM'000	RM'000
Authorised but not contracted for:				
- Property, plant and equipment	-	31,049	-	-

27. SIGNIFICANT RELATED PARTY DISCLOSURES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions. The related party transactions described below were carried out on terms and conditions obtainable in transactions with unrelated parties unless otherwise stated.

- (a) Transactions with member corporations of British American Tobacco p.l.c. (British American Tobacco p.l.c. indirectly through British American Tobacco (Malaysia) B.V., owns fifty percent (50%) equity interest in the Company).

(i) Sales of goods

	Group	
	2001	2000
	RM'000	RM'000
Sales of cigarettes and tobacco products to :		
- British American Tobacco International Limited	72,039	1,606
- British American Tobacco Marketing (Singapore) Pte. Ltd.	47,783	22,024
- British American Tobacco Co. (Hong Kong) Ltd.	21,537	56,459
- B.A.T. China Ltd.	10,559	19,928
- Rothmans Far East Ltd.	2,822	1,297
- Ceylon Tobacco Co. Ltd.	53	30
- PT BAT Indonesia Tbk.	64	124
- The West Indian Tobacco Co. Ltd.	343	247
- B.A.T. (UK & Exports) Ltd.	-	85,435
	155,200	187,150

(ii) Capacity reservation fee

	Group	
	2001	2000
	RM'000	RM'000
Fee received for the guarantee of manufacturing facility from:		
- B.A.T. (UK & Exports) Ltd.	53,300	53,300

Notes to the Financial Statements

27. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)		
(iii) Purchase of goods	Group	
	2001	2000
	RM'000	RM'000
Purchase of leaf, cigarette packaging and wrapping materials and tobacco products from:		
- Export Leaf Tobacco Company	91,521	122,937
- PT BAT Indonesia Tbk.	9,082	-
- Souza Cruz Overseas S.A.	3,108	-
- Brown & Williamson Ltd.	1,054	1,383
- British American Tobacco Marketing (Singapore) Pte. Ltd.	990	-
- Export Leaf Tobacco Co. of Africa (Pvt) Ltd.	696	-
- B.A.T. (UK & Exports) Ltd.	-	2,151
	106,451	126,471
(iii) Purchase of goods	Group	
	2001	2000
	RM'000	RM'000
Purchase of cigarettes:		
- British American Tobacco International Limited	9,814	-
- British American Tobacco Marketing (Singapore) Pte. Ltd.	6,442	-
- British American Tobacco STC (Export) B.V.	2,893	3,561
- B.A.T. (UK & Exports) Ltd.	216	27,069
	19,365	30,630
(iv) Procurement of services	Group	
	2001	2000
	RM'000	RM'000
Procurement of information technology services:		
- British American Tobacco Asia Pac Shared Services Sdn. Bhd.	5,510	4,241
- British American Tobacco (Investments) Ltd.	1,020	3,132
	6,530	7,373

Notes to the Financial Statements

(v) Technical and advisory

Group

	2001	2000
	RM'000	RM'000
Payment of fees for technical and advisory support services:		
- British American Tobacco (Investments) Ltd.	9,742	9,715

(vi) Royalty

Group

	2001	2000
	RM'000	RM'000
Royalty paid/payable to:		
- B.A.T. (UK & Exports) Ltd.	76,229	71,172
- British American Tobacco (Brands) Inc.	4,964	4,286
- The House of Edgeworth Inc.	4,812	4,977
- Riggio Tobacco Corporation Limited	295	-
	86,300	80,435

(b) Transactions with an associated company and subsidiaries of the associated company.

Purchase of goods

Group

	2001	2000
	RM'000	RM'000
Purchase of cigarette packaging and wrapping materials:		
- Tien Wah Press Holdings Berhad	43,928	43,189
- Paper Base Converting Sdn. Bhd.	21,134	20,588
- Interbobbin (Malaysia) Sdn. Bhd.	8,227	6,482
	73,289	70,259

(c) Transactions with companies connected with certain Directors of British American Tobacco (Malaysia) Berhad.

Procurement of services

Group

	2001	2000
	RM'000	RM'000
Procurement of advertising services:		
- Star Publications (Malaysia) Berhad	2,289	1,432
- Nanyang Siang Pau Sdn. Bhd.	104	90
- China Press Berhad	904	410
- Utusan Media Sales Sdn. Bhd.	804	627
- UPD Sdn. Bhd.	3,545	6,107
	7,646	8,666

Nanyang Siang Pau Sdn. Bhd. and China Press Berhad are subsidiaries of Nanyang Press Holdings Berhad. Oh Chong Peng, a Director of the Company, is a Director of Nanyang Press Holdings Berhad. He is also a Director of Star Publications (Malaysia) Berhad and holds equity interest in that company.

Utusan Media Sales Sdn. Bhd. and UPD Sdn. Bhd. are subsidiaries of Utusan Melayu (Malaysia) Berhad. Tan Sri Kamarul Ariffin bin Mohamed Yassin, a Director of the Company, is the Executive Chairman of Utusan Melayu (Malaysia) Berhad and holds equity interest in that company.

Notes to the Financial Statements

28. SEGMENTAL REPORTING

Segmental analysis has not been prepared as the Group is primarily engaged in the manufacture, importation and sales of cigarettes and other tobacco products in Malaysia.

29. FINANCIAL INSTRUMENTS

Treasury Risk Management

The Group is exposed to financial risks arising from its business activities; mainly interest rate risk, exchange risk and credit risk. Straightforward derivative financial instruments are utilised by the Group to lower funding costs, to alter interest rate exposures or to achieve greater certainty of future costs. These instruments are entered in accordance with objectives and policies approved by the Board of Directors that expressly forbid speculative transactions.

The policy restricts the use of derivative instruments to forward foreign exchange contracts, foreign currency and interest rate swaps, forward rate agreements, currency options and caps. In addition to policies, guidelines and exposure limits, a system of authorities and extensive independent reporting covers all major areas of the Group's treasury activities.

Details of instruments used for interest rate and foreign exchange exposure management, together with the information on related exposures are given below.

(a) Interest Rate Risk Management

The Company has an exposure to interest rate fluctuations on its borrowings and manages this by the use of interest rate swaps. The interest rate swap contracts entitle the Company to receive interest at fixed rates on notional principal amounts and obliges it to pay interest at floating rates on the same amounts. Under the interest rate swaps, the Company agrees with other parties to exchange, semi-annually, the differences between fixed rate and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

The floating rates of the Company's interest rate swap contracts are linked to the Kuala Lumpur Inter Bank Offer Rate. At the balance sheet date, the notional principal amounts of the outstanding interest rate swap contracts of the Company amount to RM20.0 million. The remaining terms of these contracts range from two to three years.

The fair value of interest rate swaps is the estimated amount which the Company would expect to pay or receive were it to terminate the swaps at the balance sheet date. This is based on quotations from counterparties. The fair value of outstanding interest rate swap contracts of the Company at the balance sheet date (Note (d)) was a favourable net position of RM357,000.

(b) Currency Exchange Risk Management

The objectives of the Group's foreign exchange policies is to allow the Group to manage exposures that arise from trading activities effectively within a framework of controls that does not expose the Group to unnecessary foreign exchange risks. The Group covers substantially all foreign exchange exposures arising from its foreign currency payables and on cash flows to be used in anticipated transactions denominated in foreign currencies and operate within a specified maximum exposure limit. Under the Group's policy, exposures with a maximum of one-year maturity are generally hedged and this is achieved through the use of forward foreign exchange contracts.

Notes to the Financial Statements

At 31 December 2001, the settlement dates on open forward contracts ranged between 23 January 2002 and 24 September 2002. The contractual exchange rates and amounts of the Group's outstanding contracts are as follows:

Hedged item	Currency to be paid	RM'000 equivalent	Contractual rate
Trade payables USD 3,000,000	US Dollar	11,337	1 USD = RM 3.7790
Future purchases of raw materials over next 6 months USD 11,000,000	US Dollar	41,613	1 USD = RM 3.7830
AUD 600,000	Australian Dollar	1,165	1 AUD = RM 1.9413
Future payment for services in September 2002 GBP 1,500,000	UK Pound Sterling	8,206	1 GBP = RM 5.4706
Future payment of equipment in January 2002 EUR 1,312,712	Euro	4,444	1 EUR = RM 3.3851

The fair value of outstanding forward contracts of the Group at the balance sheet date (Note (d)) was a favourable net position of RM398,000.

The net gain at 31 December 2001 on open contracts which hedge anticipated future foreign currency purchases amounted to RM269,000. These net exchange gains and losses are deferred until the related purchases are transacted, at which time they are included in the measurement of such transactions.

(c) **Credit Risk Management**

The Group is exposed to credit related losses in the event of non-performance by counterparties to financial instruments, but it does not expect any counterparties to fail to meet their obligations given the Group's policy of selecting only counterparties with high credit ratings. The credit exposure of interest rates and foreign exchange contracts is represented by the fair value of contracts with positive fair value at the reporting date.

The Group has no significant concentrations of credit risk. The majority of its deposits are placed with financial institutions, which are creditworthy in Malaysia.

(d) **Fair Values**

The carrying amounts of financial assets and liabilities of the Group and Company at the balance sheet date approximated their fair values except as set out below:

	Note	Group		Company	
		Carrying amount	Fair value	Carrying amount	Fair value
		RM'000	RM'000	RM'000	RM'000
Associated company	13	23,646	12,128	17,188	12,128
Long term loans:					
RM300 million bonds	24	300,000	326,730	300,000	326,730
RM450 million bonds	24	450,000	540,585	450,000	540,585
Derivative financial instruments held to manage interest rates and currency exposures					
Interest rate swaps		-	357	-	-
Foreign currency forward exchange contracts		-	398	-	-

Proxy Form



BRITISH AMERICAN
TOBACCO
MALAYSIA

British American Tobacco (Malaysia) Berhad

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

I/We _____

of _____

being a member/members of the above Company do hereby appoint _____

of _____

or failing him/her _____

of _____

or failing him/her the Chairman of the Meeting as my/our proxy/proxies to vote for me/us and on my/our behalf at the Forty First Annual General Meeting of the Company to be held on Wednesday, 17 April 2002 at 11.00 am and at any adjournment thereof.

My/our proxy is to vote either on a show of hands or on a poll as indicated below with an "X" :

Resolutions	For	Against
Resolution 1 - Adoption of accounts and reports of Directors and Auditors.		
Resolution 2 - Declaration of final dividend.		
Resolution 3 - Re-election of Directors: Mr Donald Stuart Watterton		
Resolution 4 - Dato' Dr Mohd Noor bin Ismail		
Resolution 5 - Mej Jen (Rtd) Dato' Haji Fauzi bin Hussain		
Resolution 6 - Mr James Campbell Irvine		
Resolution 7 - Re-appointment of Auditors.		
Resolution 8 - Proposed renewal of shareholders' mandate for BATM and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with related parties.		
Resolution 9 - Issue of shares pursuant to Section 132D of the Companies Act, 1965.		

Dated this _____ day of _____ 2002.

No. of shares held

Signature of Member (s)

Notes:

1. If there is no indication as to how a Member wishes his/her vote to be cast, the proxy will vote or abstain from voting at his/her discretion. In the event a Member duly executes the Form of Proxy but does not name any proxy, such Member shall be deemed to have appointed the Chairman of the meeting as his/her proxy.
2. A proxy need not be a Member and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
3. A Member entitled to attend and vote at the Meeting is entitled to appoint not more than two(2) proxies to attend and vote in his/her behalf. Where a Member appoints two (2) proxies, the appointment shall be invalid unless the percentage of the shareholding to be represented by each proxy is specified.
4. Where a Member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.
6. All Forms of Proxy must be duly executed and deposited at the Company's Registered Office not less than forty-eight (48) hours before the time set for holding the meeting or adjourned meeting.

Please fold here to seal

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Affix
postage
stamp

Virginia Park
Jalan Universiti
46200 Petaling Jaya
Selangor.

Please fold here to seal