

Company No.

2866	T
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**MEASAT GLOBAL BERHAD**

(Formerly known as Malaysian Tobacco Company Berhad)  
(Incorporated in Malaysia)

**STATUTORY FINANCIAL STATEMENTS**

**31 DECEMBER 2003**

Company No.

2866	T
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## MEASAT GLOBAL BERHAD

(Formerly known as Malaysian Tobacco Company Berhad)  
(Incorporated in Malaysia)

### DIRECTORS' REPORT

The Directors hereby submit their Report to the members together with the audited financial statements of the Group and Company for the financial year ended 31 December 2003.

#### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the Group include the operation of a regional satellite network. There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year. The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements.

#### CHANGE OF NAME

On 23 July 2003, the Company changed its name from Malaysian Tobacco Company Berhad to MEASAT Global Berhad.

#### FINANCIAL RESULTS

	<u>Group</u> RM'000	<u>Company</u> RM'000
Net loss for the year	<u>(1,806)</u>	<u>(240)</u>

#### DIVIDENDS

No dividend has been paid or declared by the Company since 31 December 2002. The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2003.

#### RESERVES AND PROVISIONS

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

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## MEASAT GLOBAL BERHAD

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### DIRECTORS' REPORT (CONTINUED)

#### SIGNIFICANT EVENT

On 2 December 2003, the public shareholding spread was met following the placement by MEASAT Global Network Systems Sdn. Bhd., the holding company, of 80,000,000 ordinary shares of RM0.78 each in the Company representing approximately 20.51% of the total issued and paid-up share capital of the Company. Trading of the Company's shares resumed on 8 December 2003 on the Malaysia Securities Exchange Berhad (formerly known as Kuala Lumpur Stock Exchange Berhad).

#### DIRECTORS

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

Datuk Umar bin Haji Abu  
Augustus Ralph Marshall  
Ramli bin Ibrahim

Tan Poh Keat

(appointed on 17 December 2003)

Dato' Dr Idris bin Ibrahim

(appointed on 17 December 2003)

*(alternate to Tan Poh Keat)*

In accordance with Article 96 of the Company's Articles of Association, Tan Poh Keat who was appointed during the period, retires at the forthcoming Annual General Meeting and, being eligible, offers himself for election.

In accordance with Article 91 of the Company's Articles of Association, Augustus Ralph Marshall, retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

#### 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 and options over 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 a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 6 to the financial statements in relation to Directors' remuneration.

#### DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the Register of Directors' shareholdings and interests, none of the Directors in office at the end of the financial year held any interest in shares, options over shares and debentures in the Company and its related corporations during the year.

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## MEASAT GLOBAL BERHAD

(Formerly known as Malaysian Tobacco Company Berhad)

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### DIRECTORS' REPORT (CONTINUED)

#### STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

- (a) 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
- (b) 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 have 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:

- (a) 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
- (b) which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

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 substantially affect the ability of the Group or the 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 the 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 the 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.

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## MEASAT GLOBAL BERHAD

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### DIRECTORS' REPORT (CONTINUED)

#### STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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 the Company for the financial year in which this Report is made.

#### ULTIMATE HOLDING COMPANY

The Directors regard MAI Holdings Sdn. Bhd., a company incorporated in Malaysia, as the ultimate holding company.

#### AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 28 April 2004.

DATUK UMAR BIN HAJI ABU  
CHAIRMAN

RAMLI BIN IBRAHIM  
DIRECTOR

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## MEASAT GLOBAL BERHAD

(Formerly known as Malaysian Tobacco Company Berhad)  
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### INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

	<u>Note</u>	<u>Group</u>		<u>Company</u>	
		<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
		RM'000	RM'000	RM'000	RM'000
Revenue	5	126,714	95,135	0	0
Cost of services		(76,250)	(57,299)	0	0
Gross profit		50,464	37,836	0	0
Other operating income		2,556	9,928	512	7,435
Selling and administrative expenses		(21,986)	(11,935)	(623)	(1,015)
Profit/(loss) from operations	6	31,034	35,829	(111)	6,420
Finance cost	7	(29,504)	(14,344)	0	0
Profit/(loss) from ordinary activities before taxation		1,530	21,485	(111)	6,420
Taxation	8	(3,336)	(32,120)	(129)	(2,090)
Net (loss)/profit for the year		<u>(1,806)</u>	<u>(10,635)</u>	<u>(240)</u>	<u>4,330</u>
Loss per share					
- Basic (sen)	9	<u>(0.46)</u>	<u>(3.27)</u>		
- Diluted (sen)		<u>*N/A</u>	<u>*N/A</u>		

\* N/A – not applicable

The notes on pages 11 to 39 form part of these financial statements.

## MEASAT GLOBAL BERHAD

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## BALANCE SHEETS AS AT 31 DECEMBER 2003

	<u>Note</u>	<u>Group</u>		<u>Company</u>	
		<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
		RM'000	RM'000	RM'000	RM'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	10	624,743	333,385	0	0
Goodwill on consolidation	11	1,186,589	1,186,589	0	0
Investment in subsidiaries	12	0	0	1,463,395	1,463,395
Long term trade receivable	13	30,780	15,105	0	0
		<u>1,842,112</u>	<u>1,535,079</u>	<u>1,463,395</u>	<u>1,463,395</u>
<b>CURRENT ASSETS</b>					
Trade and other receivables	14	23,937	51,985	101	33
Deposits with licensed banks	22	58,579	173,728	19,283	19,620
Cash and bank balances	22	8,539	616	35	271
		<u>91,055</u>	<u>226,329</u>	<u>19,419</u>	<u>19,924</u>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	15	17,904	28,305	3,053	3,371
Taxation		616	563	616	563
		<u>18,520</u>	<u>28,868</u>	<u>3,669</u>	<u>3,934</u>
<b>NET CURRENT ASSETS</b>		<b>72,535</b>	<b>197,461</b>	<b>15,750</b>	<b>15,990</b>
<b>NON-CURRENT LIABILITIES</b>					
Borrowings (secured and interest bearing)	16	418,833	238,120	0	0
Deferred tax liabilities	17	33,200	30,000	0	0
		<u>452,033</u>	<u>268,120</u>	<u>0</u>	<u>0</u>
		<u>1,462,614</u>	<u>1,464,420</u>	<u>1,479,145</u>	<u>1,479,385</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	18	304,148	304,148	304,148	304,148
Merger reserve	19	554,802	554,802	554,802	554,802
General reserves	20	15,899	15,899	15,899	15,899
Retained earnings	21	587,765	589,571	604,296	604,536
		<u>1,462,614</u>	<u>1,464,420</u>	<u>1,479,145</u>	<u>1,479,385</u>

The notes on pages 11 to 39 form part of these financial statements.

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## MEASAT GLOBAL BERHAD

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### STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

Group	Issued and fully paid ordinary shares of RM0.78 each		Non- distributable Merger reserve RM'000	Distributable		Total RM'000
	Number of shares '000	Nominal value RM'000		General reserves RM'000	Retained earnings RM'000	
As at 1 January 2002	202,500	157,950	0	15,899	600,206	774,055
Net profit for the year						
- as previously reported	0	0	0	0	19,365	19,365
- prior year adjustment	0	0	0	0	(30,000)	(30,000)
- as restated	202,500	157,950	0	15,899	589,571	763,420
Issue of 187,433,155 ordinary shares of RM0.78 each at a premium of RM2.96	187,433	146,198	554,802	0	0	701,000
As at 31 December 2002	<u>389,933</u>	<u>304,148</u>	<u>554,802</u>	<u>15,899</u>	<u>589,571</u>	<u>1,464,420</u>
As at 1 January 2003						
- as previously reported	389,933	304,148	554,802	15,899	619,571	1,494,420
- prior year adjustment	0	0	0	0	(30,000)	(30,000)
- as restated	389,933	304,148	554,802	15,899	589,571	1,464,420
Net loss for the year	0	0	0	0	(1,806)	(1,806)
As at 31 December 2003	<u>389,933</u>	<u>304,148</u>	<u>554,802</u>	<u>15,899</u>	<u>587,765</u>	<u>1,462,614</u>

The notes on pages 11 to 39 form part of these financial statements.

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**MEASAT GLOBAL BERHAD**

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**STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003 (CONTINUED)**

<u>Company</u>	<u>Issued and fully paid ordinary shares of RM0.78 each</u>		<u>Non- distributable Merger reserve RM'000</u>	<u>Distributable</u>		<u>Total RM'000</u>
	<u>Number of shares '000</u>	<u>Nominal value RM'000</u>		<u>General reserves RM'000</u>	<u>Retained earnings RM'000</u>	
As at 1 January 2002	202,500	157,950	0	15,899	600,206	774,055
Issue of 187,433,155 ordinary shares of RM0.78 each at a premium of RM2.96	187,433	146,198	554,802	0	0	701,000
Net profit for the year	0	0	0	0	4,330	4,330
As at 31 December 2002	<u>389,933</u>	<u>304,148</u>	<u>554,802</u>	<u>15,899</u>	<u>604,536</u>	<u>1,479,385</u>
At 1 January 2003	389,933	304,148	554,802	15,899	604,536	1,479,385
Net loss for the year	0	0	0	0	(240)	(240)
As at 31 December 2003	<u>389,933</u>	<u>304,148</u>	<u>554,802</u>	<u>15,899</u>	<u>604,296</u>	<u>1,479,145</u>

The notes on pages 11 to 39 form part of these financial statements.

## MEASAT GLOBAL BERHAD

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## CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

	Note	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net (loss)/profit for the year		(1,806)	(10,635)	(240)	4,330
Adjustments for:					
Allowance for doubtful debts		165	0	0	0
Depreciation of property, plant and equipment		56,664	37,855	0	0
Finance cost		29,504	14,344	0	0
Interest income		(2,527)	(9,911)	(512)	(7,435)
Taxation		3,336	32,120	129	2,090
Unrealised exchange loss		0	3	0	0
		<u>85,336</u>	<u>63,776</u>	<u>(623)</u>	<u>(1,015)</u>
Decrease/(increase) in trade and other receivables		27,663	(14,465)	(63)	0
(Increase)/decrease in long term trade receivable		(15,675)	7,268	0	0
(Decrease)/increase in trade and other payables		(3,317)	2,099	(53)	(2)
Net cash from operations		<u>94,007</u>	<u>58,678</u>	<u>(739)</u>	<u>(1,017)</u>
Interest income received		2,748	10,909	508	8,545
Payment of profit instalments on Islamic Private Debt Securities ("IPDS")		(15,821)	(10,250)	0	0
Interest paid		(5,946)	0	0	0
Taxation paid		(83)	(2,786)	(76)	(2,757)
Net cash flow from operating activities		<u>74,905</u>	<u>56,551</u>	<u>(307)</u>	<u>4,771</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment		(347,133)	(1,388)	0	0
Acquisition of subsidiaries		0	(653,584)	0	(758,245)
Net cash flow from investing activities		<u>(347,133)</u>	<u>(654,972)</u>	<u>0</u>	<u>(758,245)</u>

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**MEASAT GLOBAL BERHAD**

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**CASH FLOW STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003 (CONTINUED)**

	<u>Note</u>	<u>Group</u>		<u>Company</u>	
		<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
		RM'000	RM'000	RM'000	RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Net proceeds from drawdown of borrowings		667,643	0	0	0
Repayment of borrowings		(500,000)	0	0	0
IPDS related fee		(2,375)	(600)	0	0
Dividends paid (in respect of year 2000)		0	(1)	0	(1)
Unclaimed dividends remitted (in respect of year 2000)		(266)	0	(266)	0
Net cash flow from financing activities		<u>165,002</u>	<u>(601)</u>	<u>(266)</u>	<u>(1)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(107,226)</b>	<b>(599,022)</b>	<b>(573)</b>	<b>(753,475)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>174,344</b>	<b>773,366</b>	<b>19,891</b>	<b>773,366</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>22</b>	<b><u>67,118</u></b>	<b><u>174,344</u></b>	<b><u>19,318</u></b>	<b><u>19,891</u></b>

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## MEASAT GLOBAL BERHAD

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### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003

#### 1 GENERAL INFORMATION

The principal activity of the Company is investment holding.

The principal activities of the Group include the operation of a regional satellite network. The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements. There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

The number of employees in the Group as at the end of the year amounted to 81 (2002:78). There are no employees in the Company as at the end of the year as it is managed by its wholly-owned subsidiary.

The immediate holding company is MEASAT Global Network Systems Sdn. Bhd., and the ultimate holding company is MAI Holdings Sdn. Bhd., both of which are incorporated in Malaysia.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Board of the Malaysia Securities Exchange Berhad (previously known as Kuala Lumpur Stock Exchange).

The address of the registered office of the Company is:

Level 39, Menara Maxis  
Kuala Lumpur City Centre  
50088 Kuala Lumpur

The address of the principal place of business of the Company is:

Level 7, Menara Maxis  
Kuala Lumpur City Centre  
50088 Kuala Lumpur

#### 2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management policy seeks to ensure that the Group effectively manages and minimises the financial risks arising from its business activities, namely foreign exchange, interest rate and credit risks.

##### (a) Foreign Currency Exchange Risk

The Group's foreign exchange risk exposures are managed within its framework of controls that minimises the short-term impact of foreign currency rate fluctuations.

However, as most of the Group's foreign currency transactions are currently conducted in US Dollars, which has a fixed exchange rate relative to the Ringgit Malaysia, the exposure to foreign currency rate fluctuations is minimal.

**MEASAT GLOBAL BERHAD**

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)****2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****(b) Interest Rate Risk**

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account its ongoing business activities. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

**(c) Credit Risk**

The Group is exposed to credit risk related losses in the event of non-performance by its customers. The Group controls its credit risks by the application of credit approvals and requires its customers to place security deposits as security for the performance of customers' obligations. Trade receivables are monitored on an ongoing basis.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 of the Company have been prepared under the historical cost convention. The financial statements comply with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The new accounting standards adopted in these financial statements are as follows:

- MASB 25 "Income Taxes"
- MASB 27 "Borrowing Costs"
- MASB 29 "Employee Benefits"

With the exception of MASB 25, adoption of the new standards have no significant changes that affect the net profit or shareholder's equity as the Group was already following the recognition and measurement principles in those standards. The effects of the adoption of MASB 25 are disclosed in Note 28 to the financial statements.

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 use of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results could differ from those estimates.

**MEASAT GLOBAL BERHAD**

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)****3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(b) Basis of consolidation**

Subsidiaries are those enterprises 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 the subsidiaries acquired or disposed of 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 the subsidiaries' identifiable net assets at the date of acquisition is reflected as goodwill on consolidation. See accounting policy Note (o) on goodwill.

All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless cost 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.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets.

**(c) Property, plant and equipment**

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

The property, plant and equipment are depreciated based on the straight line method to write off the cost of each asset to its residual values over its estimated useful life. The principal annual depreciation rates used are as follows:

Buildings	2%
Telecommunications equipment	8% - 10%
Office equipment	15%
Furniture and fittings and renovations	15%
Computers	20%
Motor vehicles	20%

Depreciation on capital work-in-progress in respect of MEASAT-3 and satellite facilities commences when the assets are ready for their intended use.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)****3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(c) Property, plant and equipment (continued)**

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note (p) on impairment of assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit/(loss) from operations.

Repairs and maintenance are charged to the income statement during the period in which they are incurred.

**(d) Taxation**

Current tax expense is determined according to the tax laws of each jurisdiction in which the Company operates and include all taxes based upon the taxable profits including withholding tax payables.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

**(e) Foreign currencies****(i) Reporting of currency**

The financial statements are presented in Ringgit Malaysia.

**(ii) Foreign currency transactions and balances**

Foreign currency transactions are translated into Ringgit Malaysia at exchange rates ruling at the transaction dates. Foreign currency monetary assets and liabilities at the balance sheet date are translated into Ringgit Malaysia at exchange rates ruling at that date.

Exchange differences arising from the settlement of foreign currency transactions and the translation of foreign currency monetary assets and liabilities are included in the income statement.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)****3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(e) Foreign currencies (continued)****(iii) Closing rates**

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

<u>Foreign currency</u>	<u>31.12.2003</u>	<u>31.12.2002</u>
1 US Dollar	RM3.8	RM3.8

**(f) Investment in subsidiaries**

Subsidiaries are those enterprises in which the Company has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Investment in subsidiaries is 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. See accounting policy Note (p) on impairment of assets.

External costs directly attributable to an acquisition of subsidiary, other than costs of issuing shares and other capital instruments, is included as part of the cost of acquisition.

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

**(g) Cash and cash equivalents**

For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand and bank, deposits with licensed banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(h) Revenue recognition**

Revenue is recognised upon the performance of services. Amount invoiced in advance of the performance period is recorded as deferred income in the balance sheet.

Other operating income earned by the Group and the Company are recognised on the following bases:

- (i) Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.
- (ii) Dividend income is recognised when the right to receive payment is established.

**(i) Receivables**

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 during the financial year in which they are identified.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)****3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(j) Financial instruments**

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

Fair value estimation for disclosure purposes

In assessing the fair value of financial instruments, the Group and the Company make certain assumptions and apply the discounted cash flow method to discount future cash flows to determine the fair value of financial instruments. The fair values of financial liabilities are estimated by discounting future cash flows at current market interest rates available to the Group and the Company.

The fair values for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

**(k) Payables**

Trade and other payables, including accruals represent liabilities for goods and services provided to the Group and the Company prior to the end of the financial year and which are unpaid.

**(l) Borrowings****(i) Classification**

Borrowings are initially recognised based on the proceeds received, net of issue costs incurred. Borrowings are stated at amortised cost using the effective yield method.

Deferred issue cost represents debt establishment costs incurred on securing the Group's borrowing facilities and are stated at cost less amounts allocated to borrowings upon drawdown, for which the benefits extend to periods beyond the accounting period in which they are incurred. The allocated amounts to borrowings are subsequently amortised to the income statement.

Interest is accrued over the period it becomes due and is recorded as part of other accruals.

**(ii) Capitalisation of borrowing cost**

Borrowing costs incurred to finance the construction of property, plant and equipment are capitalised as part of the cost of the property, plant and equipment during the period of time that is required to complete and prepare the property, plant and equipment for its intended use. All other borrowing costs are expensed.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)****3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(m) Share capital****(i) Classification**

Ordinary shares with discretionary dividends are both classified as equity.

**(ii) Dividends**

Dividends on ordinary shares are recognised as liabilities when declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date but as an appropriation from retained earnings to a 'proposed dividend reserve'. When the dividend is payable, it will be accounted for as a liability.

**(n) Leases****(i) Finance leases**

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charges is charged to the income statement over the lease period.

Property, plant and equipment acquired under finance leases is depreciated over the estimated useful life of the asset. Where there is no reasonable certainty that the ownership will be transferred to the Group, the asset is depreciated over the shorter of the lease term and its estimated useful life.

**(ii) Operating leases**

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

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

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)****3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(o) Goodwill**

Goodwill represents the excess of the cost of acquisition of subsidiaries over the Group's share of the fair value of their identifiable net assets at the date of acquisition.

Goodwill on consolidation is reported in the balance sheet as a permanent intangible asset in the balance sheet. At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amounts.

**(p) Impairment of assets**

Property, plant and equipment and other non-current assets, including intangible assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount.

The recoverable amount is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

**(q) Employee benefits****(i) Short term employee benefits**

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

**(ii) Post-employment benefit**Defined contribution plan

The Group contributes to the Employees Provident Fund. The Group's contributions to defined contribution plan are charged to income statement in the period to which they relate. Once the contributions have been paid, the Group has no further obligations.

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### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)

#### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Segment reporting

Segment reporting is presented for enhanced assessment of the Group risk and returns. Business segments provide services that are different from those of other business segments. Geographical statements provide services within a particular economic environment that is subject to risk and returns that are different from those components operating in other economic environments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and segment liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between group enterprises within a single segment.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)****4 SEGMENT REPORTING**

The main business segment of the Group is the satellite network operations of a subsidiary company, Binariang Satellite Systems Sdn Bhd ("BSS") and investment holding. Segmental reporting for the financial year is as follows:

## (a) Primary reporting format - business segments

	<u>Satellite operations</u> RM'000	<u>Investment holding</u> RM'000	<u>Group</u> RM'000
<b><u>Year ended 31.12.2003</u></b>			
<u>Business segments</u>			
<b>Revenue</b>			
Total revenue	126,714	0	126,714
<b>Result</b>			
Segment result	29,163	(656)	28,507
Interest income			2,527
Profit from operations			31,034
Finance cost			(29,504)
Profit before taxation			1,530
Taxation			(3,336)
Loss after taxation			(1,806)
There is no inter-segment revenue.			
<b>Other information</b>			
Segment assets	727,153	1,206,014	1,933,167
Segment liabilities	(14,797)	(3,107)	(17,904)
Unallocated liabilities			(452,649)
			(470,553)
Capital expenditure	(347,133)	0	(347,133)
Depreciation	(56,664)	0	(56,664)

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)****4 SEGMENT REPORTING (CONTINUED)****(a) Primary reporting format - business segments (continued)**

	<u>Satellite operations</u> RM'000	<u>Investment holding</u> RM'000	<u>Group</u> RM'000
<b><u>Year ended 31.12.2002</u></b>			
<b><u>Business segments</u></b>			
<b>Revenue</b>			
Total revenue	95,135	0	95,135
<b>Result</b>			
Segment result	26,590	(672)	25,918
Interest income			9,911
Profit from operations			35,829
Finance cost			(14,344)
Profit before taxation			21,485
Taxation			(32,120)
Loss after taxation			(10,635)
There is no inter-segment revenue.			
<b>Other information</b>			
Segment assets	554,879	1,206,529	1,761,408
Segment liabilities	(24,888)	(3,417)	(28,305)
Unallocated liabilities			(268,683)
			(296,988)
Capital expenditure	(1,388)	0	(1,388)
Depreciation	(37,855)	0	(37,855)

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## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)

## 4 SEGMENT REPORTING (CONTINUED)

## (b) Secondary reporting format – geographical segment

The Group's business segments operate in 2 main geographical areas shown below, which consists of the rental of satellite transponders.

	<u>Revenue</u> RM'000	<u>Total assets</u> RM'000	<u>Capital expenditure</u> RM'000
<u>Year ended 31.12.2003</u>			
Malaysia	93,870	501,336	347,133
Philippines	15,694	0	0
Other countries	17,150	0	0
Unallocated assets*	0	1,431,831	0
	<u>126,714</u>	<u>1,933,167</u>	<u>347,133</u>
<u>Year ended 31.12.2002</u>			
Malaysia	59,994	275,276	1,388
Philippines	22,223	0	0
Other countries	12,918	0	0
Unallocated assets*	0	1,486,132	0
	<u>95,135</u>	<u>1,761,408</u>	<u>1,388</u>

\* Included in unallocated assets are the net book value of the satellites of RM245,242,000 (2002 : RM299,543,000) and goodwill. These satellites are used, or are intended for use, for transmission to multiple geographical areas and therefore cannot be allocated between geographical segments.

In determining the geographical segments of the Group, revenue is based on the country in which the customer is located. There are no inter segment revenue. Total assets and capital expenditure are based on where the assets are located.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)**

5 REVENUE

	<u>Group</u>	
	<u>2003</u>	<u>2002</u>
	RM'000	RM'000
Transponder lease rental fee	126,714	95,135

6 PROFIT/(LOSS) FROM OPERATIONS

	<u>Group</u>		<u>Company</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) from operations is stated after charging/(crediting):				
Auditors' remuneration				
- statutory audit	72	72	21	21
- others	18	75	18	62
Allowance for doubtful debts	165	0	0	0
Directors' remuneration				
- fees	137	116	97	116
- other allowances	49	0	49	0
Rental of building expenses				
- related parties	596	415	0	7
- others	653	429	0	0
Rental of motor vehicles				
- related party	117	76	0	0
- others	10	0	0	0
Staff cost	9,237	4,622	0	80
Depreciation of property, plant and equipment	56,664	37,855	0	0
Interest income				
- related party	0	(348)	0	0
- others	(2,527)	(9,563)	(512)	(7,435)
Rental income – related party	(25)	(17)	0	0
Unrealised exchange loss	0	3	0	0

The contributions by the Group to the Employees Provident Fund, included in staff cost amounted to RM703,000 (2002:RM402,000).

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)**

**7 FINANCE COST**

	<u>Group</u>	
	<u>2003</u>	<u>2002</u>
	RM'000	RM'000
Profit instalments on IPDS	9,931	13,744
IPDS related fee	2,375	600
Interest expense – licensed banks	5,369	0
IPDS deferred issue cost	10,528	0
Amortisation of deferred issue cost	664	0
Other finance cost	637	0
	<u>29,504</u>	<u>14,344</u>

**8 TAXATION**

	<u>Group</u>		<u>Company</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	RM'000	RM'000	RM'000	RM'000
<u>In respect of current year</u>				
Malaysian income tax	143	2,104	136	2,074
Deferred tax	3,200	30,000	0	0
	<u>3,343</u>	<u>32,104</u>	<u>136</u>	<u>2,074</u>
<u>In respect of prior year</u>				
Malaysian income tax	(7)	16	(7)	16
	<u>3,336</u>	<u>32,120</u>	<u>129</u>	<u>2,090</u>

The current taxation for the Company is in respect of tax charge on interest income. The current taxation for the Group is in respect of rental income and interest income.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)**

**8 TAXATION (CONTINUED)**

The explanation of the relationship between the Malaysian tax rate and effective tax rate is as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	%	%	%	%
Malaysian tax rate	28	28	(28)	28
Tax effects of:				
- expenses not deductible for tax purposes	360	8	150	5
- previously unrecognised capital allowances	0	113	0	0
- previously unrecognised temporary differences	(170)	0	(6)	0
Effective tax rate	<u>218</u>	<u>149</u>	<u>116</u>	<u>33</u>

As at 31 December 2003, the investment allowances carried forward of a subsidiary for which the related tax effects have not been included in the financial statements, amount to:

	<u>2003</u>	<u>2002</u>
	RM'000	RM'000
Investment allowances	<u>688,115</u>	<u>688,115</u>

The amount of investment allowances of a subsidiary carried forward are subject to agreement with the tax authorities and the benefits of these allowances carried forward will only be obtained if the subsidiary derives future assessable income of a nature and of an amount sufficient for these allowances to be utilised.

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## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)

## 9 LOSS PER SHARE

Basic loss per share of the Group is calculated by dividing the net loss for the year by the weighted average number of ordinary shares in issue during the year.

	<u>2003</u>	<u>Group</u> <u>2002</u>
Net loss for the year (RM'000)	(1,806)	(10,635)
Weighted average number of ordinary shares in issue ('000)	389,933	324,717
Basic loss per share (sen)	<u>(0.46)</u>	<u>(3.27)</u>

## 10 PROPERTY, PLANT AND EQUIPMENT

	<u>As at</u> <u>1.1.2003</u> RM'000	<u>Additions</u> RM'000	<u>Depreciation</u> <u>charge for</u> <u>the year</u> RM'000	<u>As at</u> <u>31.12.2003</u> RM'000
<u>Group</u>				
<u>2003</u>				
<u>Net book value</u>				
Buildings	24,025	0	(556)	23,469
Telecommunications equipment	306,659	25	(55,234)	251,450
Office equipment	480	109	(209)	380
Furniture and fittings and renovations	1,663	222	(364)	1,521
Computers	355	147	(232)	270
Motor vehicles	203	0	(69)	134
	<u>333,385</u>	<u>503</u>	<u>(56,664)</u>	<u>277,224</u>
Capital work-in-progress	0	347,519	0	347,519
	<u>333,385</u>	<u>348,022</u>	<u>(56,664)</u>	<u>624,743</u>

Borrowing costs of RM889,000 (2002: Nil) arising on financing specifically entered into for the construction of MEASAT-3 were capitalised during the year and included in 'capital work-in-progress'.

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## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)

## 10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Group</u>	<u>Cost</u> RM'000	<u>Accumulated depreciation</u> RM'000	<u>Net book value</u> RM'000
<u>At 31 December 2003</u>			
Buildings	27,794	(4,325)	23,469
Telecommunications equipment	660,433	(408,983)	251,450
Office equipment	3,236	(2,856)	380
Furniture and fittings and renovations	3,101	(1,580)	1,521
Computers	1,286	(1,016)	270
Motor vehicles	387	(253)	134
	<u>696,237</u>	<u>(419,013)</u>	<u>277,224</u>
Capital work-in-progress	347,519	0	347,519
	<u>1,043,756</u>	<u>(419,013)</u>	<u>624,743</u>
	<u>Cost</u> RM'000	<u>Accumulated depreciation</u> RM'000	<u>Net book value</u> RM'000
<u>Group</u>			
<u>At 31 December 2002</u>			
Buildings	27,794	(3,769)	24,025
Telecommunications equipment	660,408	(353,749)	306,659
Office equipment	3,127	(2,647)	480
Furniture and fittings and renovations	2,879	(1,216)	1,663
Computers	1,139	(784)	355
Motor vehicles	387	(184)	203
	<u>695,734</u>	<u>(362,349)</u>	<u>333,385</u>

The buildings are located on a piece of land leased from a third party.

The property, plant and equipment of a subsidiary have been pledged as security for the borrowings as disclosed in Note 16 to the financial statements.

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### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)

#### 11 GOODWILL

	<u>Group</u>	
	<u>2003</u>	<u>2002</u>
	RM'000	RM'000
<u>Cost</u>		
As at 1 January	1,186,589	0
Acquisition of subsidiaries	0	1,186,589
As at 31 December	<u>1,186,589</u>	<u>1,186,589</u>

#### 12 INVESTMENT IN SUBSIDIARIES

	<u>Company</u>	
	<u>2003</u>	<u>2002</u>
	RM'000	RM'000
Unquoted shares, at cost	1,451,000	1,451,000
Acquisition costs	12,395	12,395
	<u>1,463,395</u>	<u>1,463,395</u>

The acquisition costs relate to direct expenses incurred in the acquisition of a subsidiary.

The investment in subsidiaries indirectly held by a subsidiary, have been pledged as security for the borrowings as disclosed in Note 16 to the financial statements.

Details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Group's interest</u>		<u>Principal activities</u>
		<u>2003</u>	<u>2002</u>	
		%	%	
<u>Directly held by the Company</u>				
Binariang Satellite Systems Sdn Bhd ("BSS")	Malaysia	100	100	Satellite network operations
<u>Indirectly held through its subsidiary, BSS</u>				
MEASAT Networks Limited	Bermuda	100	100	Dormant
MEASAT International (L) Ltd	Labuan	100	0*	Dormant
MEASAT International (South Asia) Ltd	Mauritius	100	0*	Dormant

\* On 1 October 2003 and 18 November 2003, BSS incorporated two new subsidiaries, MEASAT International (L) Ltd and MEASAT International (South Asia) Ltd with issued and paid up share capital of USD1.00 and USD2.00 respectively.

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## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)

## 13 LONG TERM TRADE RECEIVABLE

A subsidiary has entered into agreements, which has restructured the repayments of the outstanding balances due from a trade receivable, where the outstanding balances which are due and receivable after 12 months from the balance sheet date are classified as long term trade receivable. These outstanding balances are unsecured, non-interest bearing and are due for quarterly repayments from 1 Jan 2005 to 1 Jan 2008.

The outstanding balances which were due for repayments within the next twelve months amounted to RM9.7 million (2002: 35.1 million) are recorded as current trade receivables.

The fair value of long term trade receivable as at the balance sheet date is as follows:

<u>Group</u>	<u>2003</u>		<u>2002</u>	
	<u>Carrying amount</u> RM'000	<u>Fair value</u> RM'000	<u>Carrying amount</u> RM'000	<u>Fair value</u> RM'000
Long term trade receivable	30,780	28,778	15,105	14,813

The carrying amount of this long term trade receivable at the balance sheet date was not reduced to its estimated fair value as the Directors are of the opinion that the amounts will be repaid in full on their due dates.

## 14 TRADE AND OTHER RECEIVABLES

	<u>Group</u>		<u>Company</u>	
	<u>2003</u> RM'000	<u>2002</u> RM'000	<u>2003</u> RM'000	<u>2002</u> RM'000
Trade receivables				
- related parties	6,811	5,445	0	0
- non related parties	23,045	44,065	0	0
Less: Allowance for doubtful debts	(10,255)	(10,090)	0	0
	19,601	39,420	0	0
Other receivables	1,033	1,638	101	33
Deposits	639	585	0	0
Prepayments	2,664	10,342	0	0
	23,937	51,985	101	33

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)**

14 **TRADE AND OTHER RECEIVABLES (CONTINUED)**

	<u>Group</u>	
	<u>2003</u>	<u>2002</u>
	RM'000	RM'000

The currency exposure profile of trade receivables is as follows:

- Ringgit Malaysia	9,866	5,645
- US Dollar	9,735	33,775
	<u>19,601</u>	<u>39,420</u>

Credit terms of trade receivables range from payment in advance to 30 days credit. The outstanding balances from a trade receivable were restructured as disclosed in Note 13 to the financial statements.

Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers, who are regionally dispersed, cover a broad spectrum of broadcasting and telecommunication services.

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 all credit and recovery risks which are inherent in the Group's trade receivables.

15 **TRADE AND OTHER PAYABLES**

	<u>Group</u>		<u>Company</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	RM'000	RM'000	RM'000	RM'000
Non trade payables	52	1,836	0	265
Accrued charges	7,229	7,914	3,053	3,106
Profit instalments on IPDS	0	5,890	0	0
Deferred income	8,887	9,817	0	0
Deposits from customers	1,723	2,810	0	0
Amount due to related parties	13	38	0	0
	<u>17,904</u>	<u>28,305</u>	<u>3,053</u>	<u>3,371</u>

Credit terms of non trade payables and amount due to related parties granted to the Group varies from no credit to 30 days credit.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)**

16 **BORROWINGS (SECURED AND INTEREST BEARING)**

	<u>2003</u>	<u>Group</u> <u>2002</u>
	RM'000	RM'000
<u>Payable after 12 months</u>		
IPDS - Al Bai Bithaman Ajil	0	238,120
Syndicated Loan Facilities	418,833	0
	<u>418,833</u>	<u>238,120</u>

During the year, the Group had repurchased the RM250 million IPDS and cancelled the undrawn IPDS of RM950 million. The repurchase was financed by way of a local currency bridging loan facility of RM250 million. The RM250 million local currency bridging loan facility was subsequently refinanced through the USD250 million Equivalent Syndicated Loan Facilities ('Facilities') comprising a USD150 million facility and a RM380 million facility.

The above borrowings are stated net of deferred issue cost of RM22.0 million (2002: RM11.9 million).

The currency exposure profiles of total borrowings are as follows:

	<u>2003</u>	<u>Group</u> <u>2002</u>
	RM'000	RM'000
Ringgit Malaysia	176,320	250,000
USD	264,513	0
	<u>440,833</u>	<u>250,000</u>

Following is an analysis of the total borrowings by:

	<u>2003</u>	<u>Group</u> <u>2002</u>
	RM'000	RM'000
<u>Maturity</u>		
- later than 1 year but not more than 5 years	293,889	250,000
- later than 5 years	146,944	0
	<u>440,833</u>	<u>250,000</u>

**MEASAT GLOBAL BERHAD**

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)****16 BORROWINGS (SECURED AND INTEREST BEARING) (CONTINUED)**

The Facilities are repayable over a period of 5 years commencing 2006.

The weighted average interest rate per annum of the borrowings was 3.9%(2002: 8.2%).

The Facilities are secured against assets of the subsidiary and corporate guarantee from the Company.

The terms of Facilities require deposits to be placed in the debt service reserve accounts with a licensed bank to meet debt servicing requirements.

The terms of the Facilities require the subsidiary to maintain certain financial covenants.

**17 DEFERRED TAXATION**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relates to the same tax authority. The following amounts, determined after the appropriate offsetting, are shown in the balance sheet:

	<u>2003</u>	<u>Group</u> <u>2002</u>
	RM'000	RM'000
Deferred tax assets	36,856	38,982
Deferred tax liabilities	(70,056)	(68,982)
	<u>(33,200)</u>	<u>(30,000)</u>
As at 1 January	(30,000)	0
(Charged)/credited to income statement:		
- property, plant and equipment	(5,848)	(28,414)
- others	2,648	(1,586)
	<u>(33,200)</u>	<u>(30,000)</u>
<u>Deferred tax assets</u>		
Property, plant and equipment	35,794	38,536
Others	1,062	446
	<u>36,856</u>	<u>38,982</u>

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)**

17 DEFERRED TAXATION (CONTINUED)

	<u>Group</u>	
	<u>2003</u>	<u>2002</u>
	RM'000	RM'000
<u>Deferred tax liabilities</u>		
Property, plant and equipment	70,056	66,950
Others	0	2,032
	<u>70,056</u>	<u>68,982</u>

18 SHARE CAPITAL

Group and Company

	<u>2003</u>		<u>2002</u>	
	'000	RM'000	'000	RM'000
<u>Authorised ordinary shares of RM0.78 each:</u>				
As at 1 January	402,500	313,950	202,500	157,950
Created during the year	0	0	200,000	156,000
As at 31 December	<u>402,500</u>	<u>313,950</u>	<u>402,500</u>	<u>313,950</u>
<u>Paid up and issued ordinary shares of RM0.78 each:</u>				
As at 1 January	389,933	304,148	202,500	157,950
Issued during the year	0	0	187,433	146,198
As at 31 December	<u>389,933</u>	<u>304,148</u>	<u>389,933</u>	<u>304,148</u>

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### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)

#### 19 MERGER RESERVE

On 8 May 2002, the Company had issued 187,433,155 new ordinary shares of RM0.78 each at an issue price of RM3.74 per ordinary shares to part finance the acquisition of a subsidiary company, BSS. In accordance with the merger relief provision of Section 60(4) of the Companies Act, 1965, the share premium in relation to these shares is recorded as merger reserve.

	<u>Group and Company</u>	
	<u>2003</u>	<u>2002</u>
Number of ordinary shares issued on 8 May 2002	187,433,155	187,433,155
	RM'000	RM'000
Value of ordinary shares issued at RM3.74 each	701,000	701,000
Par value of ordinary shares at RM0.78 each	(146,198)	(146,198)
Merger reserve	<u>554,802</u>	<u>554,802</u>

#### 20 GENERAL RESERVES

This comprises distributable reserve allocated out from retained earnings in prior years.

#### 21 RETAINED EARNINGS

Subject to the agreement of the tax authorities, the Company has sufficient tax credits and exempt profits to frank the payment of future dividends as follows:

- (a) approximately RM307,149,000 (2002:RM306,892,000) under Section 108 of the Income Tax Act, 1967;
- (b) approximately RM9,040,000 (2002:RM9,040,000) under Section 35 of the Promotion of Investments Act, 1986;
- (c) approximately RM11,925,000 (2002:RM11,925,000) under Schedule 7A of the Income Tax Act, 1967;
- (d) approximately RM457,000 (2002:RM457,000) under Income Tax (Exemption) (No.48) Order 1997; and
- (e) approximately RM16,569,000 (2002:RM16,569,000) under Section 12 of the Income Tax (Amendment) Act, 1999.

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### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)

#### 22 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at end of the financial year comprise:

	<u>Group</u>		<u>Company</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	58,579	173,728	19,283	19,620
Cash and bank balances	8,539	616	35	271
	<u>67,118</u>	<u>174,344</u>	<u>19,318</u>	<u>19,891</u>

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

- Ringgit Malaysia	46,837	144,131	19,318	19,891
- US Dollar	20,281	30,213	0	0
	<u>67,118</u>	<u>174,344</u>	<u>19,318</u>	<u>19,891</u>

	<u>Group</u>		<u>Company</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	%	%	%	%
Effective interest rate on deposits:				
Deposits with licensed banks	<u>2.3</u>	<u>2.5</u>	<u>2.6</u>	<u>2.6</u>

Included in the Group's deposits with licensed banks are deposits amounting to RM8,314,256 (2002: RM10,250,000) which have been placed into a debt service reserve account as disclosed in Note 16 to the financial statements. Other deposits with the licenced banks of the Group and the Company have an average maturity of 13 days (2002: 18 days).

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### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)

#### 23 CAPITAL COMMITMENTS

	<u>2003</u>	<u>Group</u> <u>2002</u>
	RM'000	RM'000
Authorised capital expenditure for property, plant and equipment not provided for in the financial statements:		
Approved and contracted for	358,180	0
Approved but not contracted for	39,200	0
	<u>397,380</u>	<u>0</u>

#### 24 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 and balances.

The immediate holding company of the Company is MEASAT Global Network Systems Sdn Bhd ("MGNS") while the ultimate holding company is MAI Holdings Sdn Bhd ("MAI Holdings"), both companies are incorporated in Malaysia and ultimately controlled by Ananda Krishnan Tatparanandam ("TAK").

Certain entities controlled by Usaha Tegas Sdn Bhd ("UTSB") or TAK (collectively "they") or in which they have a deemed interest or over which they have significant influence have entered into transactions with the Company. UTSB is ultimately controlled by the trustee of a trust, the beneficiaries of which are members of the family of TAK and charity.

Telekom Malaysia Berhad ("TMB"), a substantial shareholder of the Company, and a wholly-owned subsidiary of TMB, have also entered into transactions with the Company.

Transactions with the above related parties were contracted in the ordinary course of business and on normal commercial terms. The significant related party transactions are disclosed as follows:

	<u>2003</u>	<u>Group</u> <u>2002</u>
	RM'000	RM'000
(a) Transponder lease rental charged to:		
- MEASAT Broadcast Network Systems Sdn. Bhd.	45,133	30,061
- Maxis Broadband Sdn. Bhd.	16,818	9,414
- Communication and Satellite Services Sdn Bhd	866	510
- Astro Network India Pte Ltd	384	9
- Telekom Malaysia Berhad *	796	0
- Celcom Transmission (M) Sdn Bhd *	491	0
	<u>491</u>	<u>0</u>

\* The value of the lease rental is pro-rated for the period since TMB became a shareholder of the Company.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)****24 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)**

	<u>2003</u>	<u>Group</u> <u>2002</u>
	RM'000	RM'000
(b) Management fees charged by:		
- UTSB Management Sdn. Bhd.	1,680	1,120
(c) Marketing, consultancy and related services charged by:		
- Paxys Pty. Ltd.	1,697	560
(d) Rental of building and related services charged by:		
- UTSB Management Sdn. Bhd.	0	358
- Tanjong City Centre Property Management Sdn. Bhd.	820	50
(e) Interest income charged to:		
- MEASAT Broadcast Network Systems Sdn.Bhd.	0	348

**25 CONTINGENT LIABILITIES (UNSECURED)**

Pursuant to an arrangement between a subsidiary company, BSS and Maxis Management Services Sdn Bhd ("MMSSB"), BSS is to indemnify MMSSB against all costs incurred in respect of bringing a claim against an individual, in his capacity as the landlord of certain rented properties, for refund of security deposits on the said rented properties amounting to RM131,800 and also to indemnify MMSSB against a counter-claim for RM974,200 being costs claimed to be incurred by the landlord for furnishing apartments which were not subsequently taken up by MMSSB for BSS.

On 8 October 2001, judgement for the sum of RM131,800 together with interest thereon at 8% per annum from 3 April 1997 to date of full settlement and cost was entered in favour of MMSSB. The counter-claim against MMSSB was also dismissed with costs to be awarded to MMSSB. MMSSB's lawyers are proceeding to tax the costs awarded. The landlord has filed a notice of appeal to the High Court and the appeal is pending. In the meantime, the landlord's application for stay of execution in the Sessions Court was dismissed with costs.

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## MEASAT GLOBAL BERHAD

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### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)

#### 26 FINANCIAL INSTRUMENTS

##### Fair values

The carrying amount of financial assets and liabilities of the Group and the Company at the balance sheet date approximated their fair values, except as disclosed in Note 13 to the financial statements.

##### Credit risks

The Group had no significant concentration of credit risk other than as set out below:

- All deposits are placed with major financial institutions in Malaysia.
- Approximately 67% (2002: 76%) of trade receivables at the balance sheet date was due from a debtor in Philippines.

#### 27 COMPARATIVES

The comparatives has been restated to take into account the effects of adopting MASB 25 "Income Taxes" as explained in Note 28 to the financial statements and to conform to current year presentation.

#### 28 CHANGES IN ACCOUNTING POLICY

During the year, the Group changed its accounting policy to comply with the new MASB Standard, MASB 25 "Income Taxes".

In previous years, deferred tax was recognised for timing differences except where there was reasonable evidence that such timing differences would not reverse in the foreseeable future. The tax effect of timing differences that resulted in debit balance or a debit to the deferred tax balance was not carried forward unless there was reasonable expectation of its realisation.

The potential tax saving relating to a tax loss carry forward was only recognised if there was assurance beyond any reasonable doubt that future taxable income would be sufficient for the benefit of the loss to be realised.

The Group has now changed its accounting policy to recognise deferred tax on temporary differences arising between the amounts attributable to assets and liabilities for tax purposes and their carrying values in financial statements. Deferred tax assets are recognised to the extent that is probable that taxable profit will be available against which deductible temporary differences or unused tax losses can be utilised.

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## MEASAT GLOBAL BERHAD

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### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)

#### 28 CHANGES IN ACCOUNTING POLICY (CONTINUED)

The change in accounting policy has been accounted for retrospectively and has the effect of decreasing the Group's net profit for the year ended 31 December 2002 by RM30 million due to the recognition of deferred tax liability of a subsidiary. The effects of this change in accounting policy on the Group's financial statements are as follows:

	<u>As previously reported</u> RM'000	<u>Effect of change in policy</u> RM'000	<u>As restated</u> RM'000
<u>As at 31 December 2002</u>			
- retained earnings	619,571	30,000	589,571
- deferred tax liabilities	0	(30,000)	(30,000)
<u>Year ended 31 December 2002</u>			
- profit/(loss) for the financial year	<u>19,365</u>	<u>(30,000)</u>	<u>(10,635)</u>

In addition the subsidiary has unutilised Investment Allowance ("IA") estimated at RM688 million at the end of the year, accorded by way of tax incentive under Schedule 7B of the Income Tax Act, 1967. Such IA can be utilised against future statutory business income of the subsidiary arising from its existing satellites. As a consequence thereof, the RM30.0 million deferred taxation liabilities provided in the Group will not materialise as the IA will be utilised against future statutory business income. Notwithstanding this, the amount of RM30.0 million has been taken up as deferred tax liability in the financial statements as MASB 25 does not allow the recognition of deferred tax benefits of IA.

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**MEASAT GLOBAL BERHAD**

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**STATEMENT BY DIRECTORS PURSUANT TO  
SECTION 169(15) OF THE COMPANIES ACT, 1965**

We, Datuk Umar bin Haji Abu and Ramli bin Ibrahim being two of the Directors of MEASAT Global Berhad (formerly known as Malaysian Tobacco Company Berhad), state that, in the opinion of the Directors, the financial statements set out on pages 5 to 39 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 2003, and of its results and cash flows of the Group and Company for the year ended on that date in accordance with the applicable approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965.

In accordance with a resolution of the Board of Directors dated 28 April 2004.

DATUK UMAR BIN HAJI ABU  
CHAIRMAN

RAMLI BIN IBRAHIM  
DIRECTOR

Kuala Lumpur

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

I, Balakrishnan a/l Doraisamy, the officer primarily responsible for the financial management of MEASAT Global Berhad (formerly known as Malaysian Tobacco Company Berhad), do solemnly and sincerely declare that the financial statements set out on pages 5 to 39 are, in my opinion, 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.

BALAKRISHNAN A/L DORAISAMY

Subscribed and solemnly declared by the abovenamed Balakrishnan a/l Doraisamy at Kuala Lumpur in Malaysia on 28 April 2004, before me.

COMMISSIONER FOR OATHS

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
MEASAT GLOBAL BERHAD**

(Formerly known as Malaysian Tobacco Company Berhad)  
(Company No. 2866-T)

We have audited the financial statements set out on pages 5 to 39. 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 2003 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 its 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.

REPORT OF THE AUDITORS TO THE MEMBERS OF  
MEASAT GLOBAL BERHAD (CONTINUED)  
(Formerly known as Malaysian Tobacco Company Berhad)  
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Our auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection 3 of section 174 of the Act.

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants

DATO' AHMAD JOHAN BIN MOHAMMAD RASLAN  
(No. 1867/09/04(J))  
Partner of the firm

Kuala Lumpur  
28 April 2004