

Company No.

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MEASAT GLOBAL BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2007

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Company No.

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MEASAT GLOBAL 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 the Company for the financial year ended 31 December 2007.

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 and investment holding. There have been no significant changes in the nature of the principal activities of the Group and the Company during the financial year. The principal activities of the subsidiaries are disclosed in Note 15 to the financial statements.

FINANCIAL RESULTS

	<u>Group</u> RM'000	<u>Company</u> RM'000
Net profit/(loss) for the year	41,716	(922)

DIVIDEND

No dividend has been paid or declared by the Company since the end of previous financial year. The Directors do not recommend the payment of any dividend in respect of the financial year ended 31 December 2007.

RESERVES AND PROVISIONS

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

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
Datuk Ramli bin Ibrahim
Augustus Ralph Marshall
Khairussaleh bin Ramli
Zam Ariffin bin Ismail
(alternate to Khairussaleh bin Ramli)

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MEASAT GLOBAL BERHAD
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DIRECTORS' REPORT (CONTINUED)

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Group and the Company is a party, being arrangements with the object or objects of enabling Directors of the Group and the Company to acquire benefits by means of the acquisition of shares and options over shares in, or debentures of the Group and 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 Group and 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 8 to the financial statements.

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 financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets of the Group and 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 the Company had been written down to an amount which they might be expected so to realise.

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DIRECTORS' REPORT (CONTINUED)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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 the 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 the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the 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 except as disclosed in Note 28 to the financial statements.

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.

In the opinion of the Directors:

- (a) the results of the Group's and the 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.

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DIRECTORS' REPORT (CONTINUED)

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 14 April 2008.



DATUK UMAR BIN HAJI ABU
CHAIRMAN



DATUK RAMLI BIN IBRAHIM
DIRECTOR

Kuala Lumpur

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MEASAT GLOBAL BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	<u>Note</u>	<u>Group</u>	<u>Company</u>
		<u>2007</u>	<u>2006</u>
		RM'000	RM'000
Revenue	6	187,256	137,429
Cost of services		(127,334)	(65,812)
Gross profit		59,922	71,617
Other operating income	7	5,599	7,442
Selling and administrative expenses		(42,156)	(50,374)
Profit/(loss) from operations	8	23,365	28,685
Finance costs	10	(5,404)	18,400
Profit/(loss) from ordinary activities before taxation		17,961	47,085
Taxation	11	23,755	13,084
Net profit/(loss) for the year		<u>41,716</u>	<u>60,169</u>
Earnings per share			
- Basic and diluted (sen)	12	<u>10.70</u>	<u>15.43</u>

The notes on pages 11 to 45 form part of these financial statements.

MEASAT GLOBAL BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS AS AT 31 DECEMBER 2007

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	13	1,316,478	1,189,433	0	0
Goodwill	14	1,186,589	1,186,589	0	0
Investment in subsidiaries	15	0	0	1,463,395	1,463,395
		<u>2,503,067</u>	<u>2,376,022</u>	<u>1,463,395</u>	<u>1,463,395</u>
CURRENT ASSETS					
Trade and other receivables	16	21,535	22,726	98	77
Tax recoverable		796	0	50	0
Amount due from subsidiary	17	0	0	11,157	11,157
Deposits with licensed banks	24	15,352	8,465	2,765	3,754
Cash and bank balances	24	73,332	94,369	53	26
		<u>111,015</u>	<u>125,560</u>	<u>14,123</u>	<u>15,014</u>
CURRENT LIABILITIES					
Other payables	18	56,825	55,905	720	745
Borrowings (secured and interest bearing)	19	90,287	223,154	0	0
Taxation		621	577	621	565
		<u>147,733</u>	<u>279,636</u>	<u>1,341</u>	<u>1,310</u>
NET CURRENT (LIABILITIES)/ ASSETS					
		(36,718)	(154,076)	12,782	13,704
NON-CURRENT LIABILITIES					
Borrowings (secured and interest bearing)	19	671,035	484,876	0	0
Other payables	18	196,680	157,152	0	0
Deferred taxation	20	5,290	28,290	0	0
		<u>873,005</u>	<u>670,318</u>	<u>0</u>	<u>0</u>
		<u>1,593,344</u>	<u>1,551,628</u>	<u>1,476,177</u>	<u>1,477,099</u>
CAPITAL AND RESERVES					
Share capital		304,148	304,148	304,148	304,148
Merger reserve	22	554,802	554,802	554,802	554,802
General reserve		15,899	15,899	15,899	15,899
Retained earnings		718,495	676,779	601,328	602,250
		<u>1,593,344</u>	<u>1,551,628</u>	<u>1,476,177</u>	<u>1,477,099</u>

The notes on pages 11 to 45 form part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

Group	Issued and fully paid ordinary shares of RM0.78 each	Number of shares '000	Nominal value RM'000	Non- distributable Merger reserve RM'000	General reserve RM'000	Distributable Retained earnings RM'000	Total RM'000
As at 1 January 2006		389,933	304,148	554,802	15,899	616,610	1,491,459
Net profit for the year		0	0	0	0	60,169	60,169
As at 31 December 2006		<u>389,933</u>	<u>304,148</u>	<u>554,802</u>	<u>15,899</u>	<u>676,779</u>	<u>1,551,628</u>
As at 1 January 2007		389,933	304,148	554,802	15,899	676,779	1,551,628
Net profit for the year		0	0	0	0	41,716	41,716
As at 31 December 2007		<u>389,933</u>	<u>304,148</u>	<u>554,802</u>	<u>15,899</u>	<u>718,495</u>	<u>1,593,344</u>

The notes on pages 11 to 45 form part of these financial statements.

MEASAT GLOBAL BERHAD
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STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

Company	Issued and fully paid ordinary shares of RM0.78 each	Number of shares '000	Nominal value RM'000	Non- distributable Merger reserve RM'000	General reserve RM'000	Distributable Retained earnings RM'000	Total RM'000
At 1 January 2006		389,933	304,148	554,802	15,899	603,034	1,477,883
Net loss for the year		0	0	0	0	(784)	(784)
As at 31 December 2006		<u>389,933</u>	<u>304,148</u>	<u>554,802</u>	<u>15,899</u>	<u>602,250</u>	<u>1,477,099</u>
At 1 January 2007		389,933	304,148	554,802	15,899	602,250	1,477,099
Net loss for the year		0	0	0	0	(922)	(922)
As at 31 December 2007		<u>389,933</u>	<u>304,148</u>	<u>554,802</u>	<u>15,899</u>	<u>601,328</u>	<u>1,476,177</u>

The notes on pages 11 to 45 form part of these financial statements.

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MEASAT GLOBAL BERHAD
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CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit/(loss) for the year	41,716	60,169	(922)	(784)
Adjustments for:				
Depreciation of property, plant and equipment	115,158	60,494	0	0
Finance charges	59,418	17,328	0	0
Unrealised foreign exchange gain	(43,333)	(37,265)	0	0
Realised foreign exchange gain on borrowings	(8,085)	0	0	0
Interest income	(3,120)	(5,663)	(103)	(218)
Taxation	(23,755)	(13,084)	0	0
Gain from disposal of property, plant and equipment	(23)	(5)	0	0
Allowance for doubtful debts	0	594	0	0
	<u>137,976</u>	<u>82,568</u>	<u>(1,025)</u>	<u>(1,002)</u>
Changes in working capital:				
(Increase)/decrease in trade and other receivables	(4,658)	3,789	(21)	14
(Decrease)/increase in other payables	(28,302)	32,330	(25)	219
Net cash generated from/(used in) operations	105,016	118,687	(1,071)	(769)
Interest income received	3,151	5,679	103	233
Taxation refund/(paid)	3	(326)	6	(50)
Net cash flow from/(used in) operating activities	<u>108,170</u>	<u>124,040</u>	<u>(962)</u>	<u>(586)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	329	219	0	0
Purchase of property, plant and equipment	(148,209)	(311,638)	0	0
Loan to subsidiary	0	0	0	(11,157)
Net cash flow used in investing activities	<u>(147,880)</u>	<u>(311,419)</u>	<u>0</u>	<u>(11,157)</u>

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MEASAT GLOBAL BERHAD
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CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

	<u>Note</u>	<u>Group</u>	<u>Company</u>
		<u>2007</u>	<u>2006</u>
		RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in debt service reserve account		(15,612)	(28,961)
Proceeds from drawdown of borrowings		515,661	210,327
Other payable		(1,130)	157,152
Repayments of borrowings		(428,713)	(98,651)
Interest paid		(55,173)	(45,916)
Commitment and other fees paid on borrowings		(2,165)	(842)
Net cash flow from financing activities		<u>12,868</u>	<u>193,109</u>
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		(26,842)	5,730
CURRENCY TRANSLATION DIFFERENCES		(2,920)	3,949
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		<u>54,828</u>	<u>45,149</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	24	<u><u>25,066</u></u>	<u><u>54,828</u></u>
		<u><u>3,780</u></u>	<u><u>15,523</u></u>
		<u><u>2,818</u></u>	<u><u>3,780</u></u>

The notes on pages 11 to 45 form part of these financial statements.

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MEASAT GLOBAL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007

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 and investment holding.

The principal activities of the subsidiaries are disclosed in Note 15 to the financial statements. There have been no significant changes in the nature of the principal activities of the Group and the Company during the financial year.

The immediate holding company is MEASAT Global Network Systems Sdn. Bhd., and the ultimate holding company is MAI Holdings Sdn. Bhd. Both of these companies 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 Bursa Malaysia Securities Berhad.

The registered office of the Company is at:

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

The principal place of business of the Company is at:

MEASAT Teleport and Broadcast Centre
63000 Cyberjaya
Malaysia

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 currency risk, interest rate risk, credit risk and liquidity risk.

(a) Currency Risk

The foreign exchange risk of the Group arises primarily from foreign currency transactions conducted in US Dollars. The Group manages its exposure to foreign currency rate fluctuation through foreign exchange contracts and cross currency swap agreements.

MEASAT GLOBAL BERHAD

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Interest Rate Risk

The Group is exposed to interest rate risk arising from assets and liabilities bearing variable interest rates. To mitigate interest rate fluctuation, the Group actively monitors the market and endeavour to manage its interest rate exposure through the use of derivative instruments such as interest rate swap.

(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 on-going basis.

The Group seeks to invest cash assets safely and profitably. The Group has no significant concentration of credit risk except that the majority of its deposits are placed with major financial institutions in Malaysia.

(d) Liquidity Risk

The Group has cash and bank balances and deposits placed with creditworthy licensed banks and financial institutions. The Group manages its liquidity risks by placing such balances on varying maturities to meet capital requirements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards ("FRS") - MASB Approved Accounting Standard in Malaysia for Entities Other than Private Entities.

The financial statements have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

The preparation of financial statements in conformity with the above approved accounting standards requires the use of certain critical accounting 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 and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or area where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

MEASAT GLOBAL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Standards and amendments to published standards that are effective

The new accounting standards and amendments to published standards effective for the Group's and the Company's financial year beginning on 1 January 2007 are as follows:

FRS 6	"Exploration for the Evaluation of Mineral Resources" – This standard is not applicable to the Group and the Company.
FRS 117	"Leases" - The impact of the adoption of this standard is not material to the Group and the Company.
FRS 124	"Related Party Disclosures" - Requires the identification of related parties and some other related party disclosure. This is disclosed in Note 26 to the financial statements.
Amendments to FRS 119	"Employee benefits - Actuarial Gains and Losses, Group Plans and Disclosures" – In relation to the option of an alternative recognition approach for actuarial gains and losses. These amendments do not have an impact to the Group and the Company.
TR i – 1	"Accounting for Zakat on Business" - This standard is not applicable to the Group and the Company.
TR i – 2	"Ijarah" – This standard is not applicable to the Group and the Company.

All changes in accounting policies, where applicable have been made in accordance with the transitional provisions in the respective standards and amendments to published standards. All standards and amendments to published standards, where applicable adopted by the Group and the Company require retrospective application.

(c) Standards that are relevant for the Group's and the Company's operations, not yet effective and have not been early adopted

The new standards which are effective for accounting periods beginning on or after 1 July 2007 and hence mandatory for the Group and the Company's financial year beginning on 1 January 2008, which the Group and the Company had not early adopted, are as follows:

FRS 107	"Cash Flow Statements"
FRS 112	"Income Taxes"
FRS 118	"Revenue"
FRS 120	"Accounting for Government Grants and Disclosure of Government Assistance"
FRS 134	"Interim Financial Reporting"
FRS 137	"Provisions, Contingent Liabilities and Contingent Assets"
FRS 139	"Financial Instruments – Recognition and Measurement" (effective date yet to be determined by Malaysian Accounting Standards Board ("MASB"))

FRS 107, FRS 118, FRS 134 and FRS 137 have no significant changes compared to the original standards.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (c) Standards that are relevant for the Group's and the Company's operations, not yet effective and have not been early adopted (continued)

FRS 112 "Income Taxes" - This revised standard removes the requirements that prohibit recognition of deferred tax on unutilised reinvestment allowances or other allowances in excess of capital allowances. The Group and the Company will apply this standard in the financial year ending 31 December 2008. The impact of adoption of this standard is set out in Note 4 (b).

FRS 120 "Accounting for Government Grants and Disclosure of Government Assistance" – This revised standard allows the alternative treatment of recording non-monetary government grant at nominal amount on initial recognition. The Group and the Company will apply this standard, if applicable, in the financial year ending 31 December 2008.

FRS 139 "Financial Instruments: Recognition and Measurement" (effective date yet to be determined by MASB). This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group and the Company have applied the transitional provision in FRS 139 which exempts entities from disclosing the possible impact arising from the initial application of this standard on the financial statements of the Group. The Group and the Company will apply this standard when effective.

With the exception of FRS 112 and FRS 139, the above standards are not anticipated to have significant impact to the financial position of the Group and the Company.

- (d) Standards, amendments to published standards and Interpretation Committee ("IC") Interpretations that are not relevant or material for the Group's and the Company's operations, not yet effective and had not been early adopted

The new standards, amendments to published standards and IC Interpretations that are not relevant or material for the Group's and the Company's operations, which are not yet effective and had not been early adopted, are as follows:

FRS 111	"Construction Contracts"
Amendments to FRS 121	"The Effects of Changes in Foreign Rates – Net Investment in Foreign Operations"
IC Interpretation 1	"Changes in Existing Decommissioning, Restoration & Similar Liabilities"
IC Interpretation 2	"Members' Shares in Co-operative Entities & Similar Instruments"
IC Interpretation 5	"Rights to Interest arising from Decommissioning, Restoration & Environmental Rehabilitation Funds"
IC Interpretation 6	"Liabilities arising from Participating in a Specific Market - Waste Electrical & Electronic Equipment"
IC Interpretation 7	"Applying the Restatement Approach under IAS 29 - Financial Reporting in Hyperinflationary Economics"
IC Interpretation 8	"Scope of FRS 2"

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (d) Standards, amendments to published standards and Interpretation Committee ("IC") Interpretations that are not relevant or material for the Group's and the Company's operations, not yet effective and had not been early adopted (continued)

FRS 111 "Construction Contracts" has no significant changes compared to the original standards.

Amendments to FRS 121 "The Effects of Changes in Foreign Rates – Net Investment in Foreign Operations" – The amendments to this standard requires exchange differences on monetary items that form part of the net investment in a foreign operation to be recognised in equity instead of in profit or loss regardless of the currency in which these items are denominated in.

IC Interpretation 1 "Changes in Existing Decommissioning, Restoration & Similar Liabilities" – This IC Interpretation deals with changes in the estimated timing or amount of the outflow of resources required to settle the obligation or a change in the discount rate.

IC Interpretation 2 "Members' Shares in Co-operative Entities & Similar Instruments" – This IC Interpretation deals with liability or equity classification of financial instruments which give the holder the right to request redemption, but subject to limits on whether it will be redeemed.

IC Interpretation 5 "Rights to Interest arising from Decommissioning, Restoration & Environmental Rehabilitation Funds" – This IC Interpretation deals with accounting in the financial statements of a contributor for its interests arising from decommissioning funds.

IC Interpretation 6 "Liabilities arising from Participating in a Specific Market - Waste Electrical & Electronic Equipment" – This IC Interpretation provides guidance on the recognition, in the financial statements of producers, of liabilities for waste management under the European Union Directive in respect of sales of historical household equipment.

IC Interpretation 7 "Applying the Restatement Approach under IAS 29 – Financial Reporting in Hyperinflationary Economics" - This IC Interpretation provides guidance on how to apply the requirements of FRS 129 in a reporting period in which an entity identifies the existence of hyperinflationary in the economy of its functional currency, when that economy was not hyperinflationary in the prior period.

IC Interpretation 8 "Scope of FRS 2" – This IC Interpretation clarifies that FRS 2 "Share – based Payment" applies even in the absence of specifically identifiable goods or services.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(e) Basis of consolidation**

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 enterprises in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are excluded from consolidation from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

The Group has taken advantage of the exemption provided by FRS 122₂₀₀₄ and FRS 3 "Business Combination" to apply these standards prospectively. Accordingly, business combinations entered into prior to the respective effective dates have not been restated to comply with these standards.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair values of the Group's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement. See accounting policy Note (q) on goodwill.

Intragroup transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless they relate to impairment of the assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by 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 as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary is recognised in the consolidated income statement.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment

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

Freehold land is not depreciated as it has an infinite life. Other property, plant and equipment are depreciated based on the straight-line basis to write off the cost of each asset to its residual values over its estimated useful life. Satellites, tracking facilities and other ground equipment are included as part of telecommunications equipment.

The property, plant and equipment were depreciated over their useful life as follows:

	Years
Buildings	50
Telecommunications equipment	10 - 15
Office equipment	6.67
Furniture, fittings and renovations	6.67
Computers	3 - 5
Motor vehicles	5

Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date. If the residual value of an asset increases to an amount equal or greater than the asset's carrying amount, the asset's depreciation charge is nil unless and until its residual value subsequently decreases to an amount below the asset's carrying amount.

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 (r) 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.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(g) Taxation**

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

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. However deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at that time of the transaction affects neither accounting nor taxable profit or loss.

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

Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

(h) Foreign currencies**(i) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) 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.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(h) Foreign currencies (continued)****(iv) Closing rates**

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

<u>Foreign currency</u>	<u>31.12.2007</u>	<u>31.12.2006</u>
	RM	RM
1 US Dollar ("USD")	3.31	3.53

(i) Investment in subsidiaries

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 (r) on impairment of assets.

External costs directly attributable to an acquisition of subsidiaries, other than costs of issuing shares and other capital instruments, are 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.

(j) Cash and cash equivalents

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

(k) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the performance of services in the ordinary course of the Group's activities. Deferred revenue includes invoices billed in advance of the performance period which is recorded as advance billings in the balance sheet.

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

- (i) Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the prevailing interest rates; and
- (ii) Rental income is recognised on accrual basis in accordance with the substance of the relevant agreements.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Receivables

Trade and other receivables are carried at invoiced amount less an estimate made for doubtful debts based on a review of outstanding amounts at the financial year end. The allowance is established when there is objective evidence that the Group and the Company will not be able to collect all amounts due according to the original terms of receivable. Bad debts are written off when they are identified.

(m) Financial instruments

(i) Financial instruments recognised on the balance sheet

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.

(ii) Financial instruments not recognised on the balance sheet

The Group is a party to financial instruments that comprise interest rate and cross currency interest rate swap contracts. These financial instruments are not recognised in the financial statements on inception.

Interest rate and cross currency interest rate swap contracts

Interest rate and cross currency interest rate swap contracts are designed to manage the Group's exposure and to protect the Group from movements in interest rates and currency exchange rates. The notional principal of these contracts are off balance sheet. Any differential to be paid or received on these contracts in relation to borrowings to finance the construction of property, plant and equipment are capitalised as part of the cost of property, plant and equipment. All other gains or losses are recognised as component of interest income or expense over the period of the contract. Gains and losses on early termination of these contracts or on repayment of the borrowings are taken to the income statement.

Fair value estimation for disclosure purposes

In assessing the fair value of financial instruments, the Group makes certain assumptions and apply the discounted value of future cash flow method to determine the fair value of financial instruments. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rates available to the Group for similar financial instruments.

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

(n) 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.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(o) Borrowings****(i) Classification**

Borrowings are initially recognised based on the proceeds received, net of deferred 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. It is stated at cost and 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, classified as part of other accruals.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(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 charged to the income statement.

(p) Share capital**(i) Classification**

Ordinary shares with discretionary dividends are classified as equity.

(ii) Dividends to shareholders of the Company

Dividends on ordinary shares are recognised as liabilities in the period in which they are declared.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(q) Goodwill**

Goodwill represents the excess of the cost of acquisition of subsidiaries over the fair value of the Group's share of the identifiable net assets at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses, if any. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. The Group allocates goodwill to its satellite operations. See accounting policy Note (r) on impairment of assets.

(r) Impairment of assets

Assets that have an indefinite useful life are not subjected to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An 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 fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows (cash-generating units).

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. Impairment losses on goodwill are not reversed. In respect of other assets, 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.

(s) 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. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(t) Segment reporting**

Segment reporting is presented for enhanced assessment of the Group's risk and returns. A business segment is a group of assets and operations engaged in providing products or services that are subject to risk and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are 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 intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

(u) 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.

(v) Contingent liabilities

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation.

A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)**4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENT**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 3(r). The recoverable amount of the cash-generating unit was determined based on the value-in-use calculation. The calculation requires the use of estimates as set out in Note 14.

Certain assumptions relating to judgemental parameters such as future economic growth, future growth in satellite provision services, future inflationary rates, appropriate discount rates are required in order to project the future cash flows of the business operations. These judgments are based on the historical track record and expectations of future events that are believed to be reasonable under the current circumstances.

(b) Taxation

The Company is subject to income tax under the Malaysian Income Tax Act 1967 (the "Act") as well as tax laws under foreign countries' jurisdictions in which certain subsidiaries operate in. In arriving to the Group's and the Company's provision for income tax, judgement is involved in determining the computation amongst others in the quantifying of allowable deductible expenses under the Act namely capital allowances, previous years business losses and uncollectible revenue or bad debts. Ultimate tax determination is subject to the Inland Revenue Board's final assessment. The Group and the Company recognises liabilities for expected tax issues based on estimates and judgement of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. This involves judgments regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)**4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT (CONTINUED)****(b) Taxation (continued)**

Under the current treatment of FRS 112₂₀₀₄ "Income Taxes", Investment Allowances ("IA") available has not been recognised as disclosed in Note 20 to the financial statements. Had the Group early adopted the revised standard FRS 112 "Income Taxes" using the tax credit approach whereby the tax benefit is fully recognised upon acquisition of assets, the effect of the change in accordance with FRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors" would be as follows:

	<u>Before restatement</u> RM'000	<u>Effect of change in policy</u> RM'000	<u>Restated</u> RM'000
<u>Group</u>			
<u>Balance Sheet</u>			
<u>At 1 January 2007</u>			
Retained earnings	676,779	31,163	707,942
Deferred taxation liability/(assets)	28,290	(31,163)	(2,873)
<u>At 31 December 2007</u>			
Retained earnings	718,495	8,163	726,658
Deferred taxation liability/(assets)	5,290	(8,163)	(2,873)
<u>Income Statements</u>			
<u>Year ended 31 December 2007</u>			
Taxation	23,755	(23,000)	755
Net profit for the year	41,716	(23,000)	18,716

(c) Estimated useful lives and residual values of property, plant and equipment

The Group regularly reviews the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the property, plant and equipment balance.

The residual values of property, plant and equipment are reviewed and adjusted as appropriate at each balance sheet date based on factors such as readily available market information. A reduction in the estimated residual values of property, plant and equipment would increase the recorded depreciation and decrease the property, plant and equipment balance.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT (CONTINUED)

(d) Contingent liabilities

Determination of the treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and experts internal and external to the Group for matters in the ordinary course of business. This is disclosed in Note 28 to the financial statements.

5 SEGMENT REPORTING

(a) Primary reporting format - business segment

The business segment of the Group consists of the provision of satellite network operation. Consequently, the segment reporting for business segment is the same as the financial statements reported for the Group.

(b) Secondary reporting format – geographical segment

The Group's business segment operates in 2 main geographical areas as shown below:

<u>Group</u>	<u>Revenue</u>	<u>Total assets</u>	<u>Capital expenditure</u>
<u>Year ended 31.12.2007</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysia	155,971	213,383	7,909
Philippines	10,199	339	0
Other countries	21,086	4,625	0
Unallocated assets*	0	2,395,735	234,600
	<u>187,256</u>	<u>2,614,082</u>	<u>242,509</u>
<u>Year ended 31.12.2006</u>			
Malaysia	105,455	225,559	4,367
Philippines	12,077	219	0
Other countries	19,897	4,117	0
Unallocated assets*	0	2,271,687	340,975
	<u>137,429</u>	<u>2,501,582</u>	<u>345,342</u>

* Included in unallocated assets are the net book value of the satellites (including work in progress) of RM1,209,146,000 (2006: RM1,085,098,000) and goodwill of RM1,186,589,000 (2006: RM1,186,589,000). 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 is 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 2007 (CONTINUED)

6 REVENUE

	<u>2007</u>	<u>Group</u> <u>2006</u>
	RM'000	RM'000
Transponder lease rental and related fees	187,256	137,429

7 OTHER OPERATING INCOME

	<u>Group</u>		<u>Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	RM'000	RM'000	RM'000	RM'000
Rental income – related companies	2,233	1,779	0	0
Interest income	3,120	5,663	103	218
Others	246	0	0	0
	<u>5,599</u>	<u>7,442</u>	<u>103</u>	<u>218</u>

8 PROFIT/(LOSS) FROM OPERATIONS

	<u>Group</u>		<u>Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) from operations is stated after charging/(crediting):				
Auditors' remuneration				
- statutory audit	87	87	23	23
- others	42	36	42	36
Depreciation of property, plant and equipment	115,158	60,494	0	0
Gain on disposal of property, plant and equipment	(23)	(5)	0	0
Directors' remuneration				
- fees	335	335	245	245
- other emoluments	128	98	95	78
Rental of building	204	203	0	0
Rental of land	25	33	0	0
Allowance for doubtful debts				
- trade receivables	0	463	0	0
- other receivables	0	131	0	0
Foreign exchange losses				
- realised	410	55	0	0
- unrealised	2,596	4,580	0	0
Staff cost (Note 9)	<u>17,210</u>	<u>14,990</u>	<u>0</u>	<u>0</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)

9 STAFF COST

	<u>Group</u>	
	<u>2007</u>	<u>2006</u>
	RM'000	RM'000
Salaries, wages and bonus	11,630	10,096
Employees Provident Funds	1,401	951
Other employee benefits	4,179	3,943
	<u>17,210</u>	<u>14,990</u>

Staff cost excludes directors' remuneration disclosed in Note 8 to the financial statements.

10 FINANCE COSTS

	<u>Group</u>	
	<u>2007</u>	<u>2006</u>
	RM'000	RM'000
Amortisation of deferred issue cost	(9,661)	(1,955)
Commitment fees and other fees	(1,443)	(1,586)
Interest expense charged by licensed banks	(48,314)	(13,787)
Foreign exchange gain		
- realised	8,085	3,043
- unrealised	45,929	32,685
	<u>(5,404)</u>	<u>18,400</u>

11 TAXATION

	<u>Group</u>		<u>Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	RM'000	RM'000	RM'000	RM'000
<u>In respect of current year:</u>				
Malaysian income tax				
- Current	(6)	(265)	0	0
- Over provision in prior year	761	0	0	0
Deferred tax (Note 20)				
- Origination and reversal of temporary differences	23,000	13,349	0	0
	<u>23,755</u>	<u>13,084</u>	<u>0</u>	<u>0</u>

The current taxation for the Group is in respect of tax charge on rental income. There is no taxation charge in respect of business income due to the utilisation of unabsorbed capital allowances and investment allowances of a subsidiary.

The tax savings arising from the utilisation of brought forward capital allowances and investment allowances for the Group amounted to RM14,759,000 (2006: RM1,600,000) and RM14,876,000 (2006: RM24,500,000) respectively.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)

11 TAXATION (CONTINUED)

The explanation of the relationship between the tax expense and profit/(loss) from ordinary activities before taxation is as follows:

	Group		Company	
	2007	2006	2007	2006
	%	%	%	%
Numerical reconciliation between the average effective tax rate and the Malaysian tax rate:				
Malaysian tax rate	27	28	(27)	(28)
Tax effects of:				
- current year tax loss not recognised	0	0	27	28
- expenses not deductible for tax purposes	15	17	0	0
- income not subject to tax	(82)	(21)	0	0
- utilisation of previously unrecognised deferred tax assets arising from investment allowances	(83)	(52)	0	0
- effect from change in tax rate	(9)	0	0	0
Average effective tax rate	(132)	(28)	0	0

During the financial year, the Government of Malaysia announced a change in the statutory tax rate from 28% to 27%, 26% and 25% for the Year of Assessments 2007, 2008 and subsequent years respectively.

12 EARNINGS PER SHARE

Basic and diluted earnings per share of the Group is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2007	2006
Net profit for the year (RM'000)	41,716	60,169
Weighted average number of ordinary shares in issue ('000)	389,933	389,933
Basic and diluted earnings per share (sen)	10.70	15.43

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)

13 PROPERTY, PLANT AND EQUIPMENT

<u>Group</u>	As at	<u>Additions</u>	<u>Disposals</u>	<u>Reclassi-</u>	Depreciation	As at
	<u>1.1.2007</u>				<u>charge for</u>	<u>31.12.2007</u>
	RM'000	RM'000	RM'000	fications	the year	RM'000
				RM'000	RM'000	RM'000
<u>2007</u>						
<u>Net book value</u>						
Freehold land	7,631	0	0	0	0	7,631
Buildings	68,775	0	0	0	(1,529)	67,246
Telecommunications equipment	104,907	3,295	(285)	872,448	(112,902)	867,463
Office equipment	1,251	153	(7)	5	(242)	1,160
Furniture, fittings and renovations	1,180	192	0	49	(165)	1,256
Computers	838	194	(5)	0	(285)	742
Motor vehicles	684	0	(9)	0	(35)	640
	<u>185,266</u>	<u>3,834</u>	<u>(306)</u>	<u>872,502</u>	<u>(115,158)</u>	<u>946,138</u>
Capital work-in-progress	1,004,167	238,675	0	(872,502)	0	370,340
	<u>1,189,433</u>	<u>242,509</u>	<u>(306)</u>	<u>0</u>	<u>(115,158)</u>	<u>1,316,478</u>

<u>Group</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
<u>At 31 December 2007</u>			
Freehold land	7,631	0	7,631
Buildings	76,504	(9,258)	67,246
Telecommunications equipment	1,559,041	(691,578)	867,463
Office equipment	4,786	(3,626)	1,160
Furniture, fittings and renovations	3,241	(1,985)	1,256
Computers	2,388	(1,646)	742
Motor vehicles	1,101	(461)	640
	<u>1,654,692</u>	<u>(708,554)</u>	<u>946,138</u>
Capital work-in-progress	370,340	0	370,340
	<u>2,025,032</u>	<u>(708,554)</u>	<u>1,316,478</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)13 **PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

<u>Group</u>	As at	<u>Additions</u>	<u>Disposal</u>	Depreciation	As at
	<u>1.1.2006</u>			<u>charge for</u>	<u>31.12.2006</u>
	RM'000	RM'000	RM'000	the year	RM'000
				RM'000	
<u>2006</u>					
<u>Net book value</u>					
Freehold land	7,631	0	0	0	7,631
Buildings	69,967	327	0	(1,519)	68,775
Telecommunications equipment	160,212	2,982	(10)	(58,277)	104,907
Office equipment	1,227	300	(6)	(270)	1,251
Furniture, fittings and renovations	1,098	476	(193)	(201)	1,180
Computers	772	283	(5)	(212)	838
Motor vehicles	699	0	0	(15)	684
	<u>241,606</u>	<u>4,368</u>	<u>(214)</u>	<u>(60,494)</u>	<u>185,266</u>
Capital work-in-progress	663,193	340,974	0	0	1,004,167
	<u>904,799</u>	<u>345,342</u>	<u>(214)</u>	<u>(60,494)</u>	<u>1,189,433</u>
			<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
			RM'000	RM'000	RM'000
<u>Group</u>					
<u>At 31 December 2006</u>					
Freehold land			7,631	0	7,631
Buildings			76,504	(7,729)	68,775
Telecommunications equipment			683,583	(578,676)	104,907
Office equipment			4,650	(3,399)	1,251
Furniture, fittings and renovations			3,000	(1,820)	1,180
Computers			2,467	(1,629)	838
Motor vehicles			1,205	(521)	684
			<u>779,040</u>	<u>(593,774)</u>	<u>185,266</u>
Capital work-in-progress			1,004,167	0	1,004,167
			<u>1,783,207</u>	<u>(593,774)</u>	<u>1,189,433</u>

Borrowing costs of RM12,477,000 (2006: RM33,699,000) arising from financing specifically entered into for the construction of MEASAT-3 and MEASAT-3a (previously known as MEASAT - 1R) were capitalised during the financial year and included in telecommunication equipment and capital work-in-progress respectively.

The buildings situated at Langkawi with a net book value of RM21,266,000 (2006: RM21,811,000) are located on a piece of land leased from a third party. The lease agreement is pending registration with the relevant authority.

All property, plant and equipment have been pledged as security for the borrowings as disclosed in Note 19 to the financial statements.

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14 GOODWILL

	<u>2007</u>	<u>Group</u> <u>2006</u>
	RM'000	RM'000
<u>Cost</u>		
As at 1 January/31 December	1,186,589	1,186,589

The Group undertakes an annual test for impairment of its cash-generating unit ("CGU"). Based on the impairment test, no impairment loss was required for the carrying amount of goodwill as at 31 December 2007 as its recoverable amount was in excess of its carrying amount.

The recoverable amount of the satellite operations is determined based on the value-in-use calculation. This calculation uses pre-tax cash flow projections based on the most recent financial budget approved by the Board of Directors.

Cash flows beyond the approved financial budget period are extrapolated using the estimated growth rates stated below. The compounded revenue growth rate is estimated based on past historical track record and estimated future events under current circumstances determined for the next 15 years based on the finite life of the existing satellites. Subsequent to the finite life of the existing satellites, the cash flows are extrapolated using estimated terminal growth rates determined with regard to the market and industry in which the satellite operations operate in and are not expected to exceed the long term average growth rate for the industry and market.

Pre-tax discount rate applied to the cash flow projections are derived from the CGU's pre-tax weighted average cost of capital of the Group at the date of the assessment of the CGU.

The key assumptions used in the value-in-use calculation are as follows:

	<u>2007</u>	<u>Group</u> <u>2006</u>
	%	%
Average Satellite Utilisation Rate	90	87
Pre-tax Discount Rate	6.3	7.0
Compounded Revenue Growth Rate	4	9
Terminal Growth Rate	1	*

* The impairment test performed for the previous year did not assume terminal cash flows beyond the existing useful lives of satellites in operation as at 31 December 2006. The change in the assumption for the current financial year was based on the premise that the satellite business will continue on a going concern basis beyond the existing satellites' useful lives as replacement satellites are assumed to be commissioned whenever any of the existing satellites have reached the end of its useful life.

The changes in the assumptions for the current year relating to Average Satellite Utilisation Rate and the Compounded Revenue Growth Rate were attributable to the change in the composition of the contracts entered into with customers as a result of the introduction of MEASAT-3.

The Pre-tax Discount Rate has reduced from the previous financial year primarily due to financing activities which occurred during the financial year.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)

14 GOODWILL (CONTINUED)

The Group's review includes an impact assessment of changes in key assumptions in particular the pre-tax discount rate. Based on the sensitivity analysis performed including, a 15% increase in the pre-tax discount rate, management has concluded that no reasonable change in the base case key assumptions would cause the carrying amount of the goodwill to exceed its recoverable amount.

15 INVESTMENT IN SUBSIDIARIES

	<u>Company</u>	
	<u>2007</u>	<u>2006</u>
	RM'000	RM'000
Unquoted shares, at cost	1,463,395	1,463,395

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>2007</u>	<u>2006</u>	
		%	%	
<u>Directly held by the Company</u>				
MEASAT Satellite Systems Sdn. Bhd. ("MSS")	Malaysia	100	100	Satellite network operations and investment holding
<u>Indirectly held through its subsidiary, MSS</u>				
MEASAT Networks Limited	Bermuda	100	100	Dormant
MEASAT International (L) Ltd	Labuan	100	100	Dormant
MEASAT International (South Asia) Ltd *	Mauritius	100	100	Dormant
MEASAT Satellite Indonesia Sdn. Bhd.* (Formerly known as Indo-Sistem Sdn. Bhd.)	Malaysia	100	0	Dormant
<u>Indirectly held through its subsidiary MEASAT International (South Asia) Ltd</u>				
India Malaysia Satellite Company Private Limited *	India	100	100	Dormant

* Not audited by PricewaterhouseCoopers Malaysia.

The investment in subsidiaries indirectly held through a subsidiary of the Company, has been pledged as security for the facilities as disclosed in Note 19 to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)

16 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trade receivables				
- related companies	9,954	2,470	0	0
- others	7,331	5,118	0	0
	<u>17,285</u>	<u>7,588</u>	<u>0</u>	<u>0</u>
Allowance for doubtful debts	(1,080)	(1,080)	0	0
	<u>16,205</u>	<u>6,508</u>	<u>0</u>	<u>0</u>
Other receivables*	2,845	2,593	148	77
Prepayments	2,102	13,413	0	0
Deposits	383	212	0	0
	<u>21,535</u>	<u>22,726</u>	<u>148</u>	<u>77</u>

* Other receivables are stated net of allowance for doubtful debts of RM Nil (2006: RM131,000).

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
The currency exposure profile of trade receivables are as follows:				
- Ringgit Malaysia	16,571	18,390	148	77
- USD	4,964	4,336	0	0
	<u>21,535</u>	<u>22,726</u>	<u>148</u>	<u>77</u>

Credit terms of trade receivables range from payment in advance to 30 days (2006: payment in advance to 30 days).

17 AMOUNT DUE FROM SUBSIDIARY

Amount due from subsidiary represents a loan denominated in Ringgit Malaysia. The loan is interest free, unsecured and has no fixed terms of repayment.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)

18 OTHER PAYABLES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<u>Current</u>				
Non-trade payables	34,200	4,603	0	0
Accrued charges	12,320	10,237	720	745
Advance billings	7,342	21,170	0	0
Advance payments from customers	418	1,425	0	0
Deposits from customers	2,123	18,046	0	0
Amounts due to related companies	422	424	0	0
	56,825	55,905	720	745
<u>Non-current</u>				
Non-trade payable	196,680	157,152	0	0
	253,505	213,057	720	745

The currency exposure profile of other payables are as follows:

- Ringgit Malaysia	14,289	47,903	720	745
- USD	239,216	165,154	0	0
	253,505	213,057	720	745

Credit terms from other payables varies from no credit to 30 days (2006: no credit to 30 days).

Included in other payables are unsecured performance incentives ("PI") of USD55,500,000 (equivalent to RM183,500,000) and a deferred payment of USD12,000,000 (equivalent to RM39,700,000) for MEASAT-3.

USD44,500,000 (equivalent to RM147,100,000) of the PI bears interest at 7% per annum which is payable in arrears commenced on 1 January 2007 and the principal is repayable in twenty four (24) equal instalments over a period of 6 years commencing 1 January 2008.

USD11,000,000 (equivalent to RM36,400,000) of the PI bears interest at 7% per annum which is payable in arrears commenced on 25 January 2007 and repayable in 60 equal instalments over a period of 15 years.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)

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

	<u>2007</u>	<u>Group</u>
	RM'000	2006
		RM'000
Syndicated term loans	270,988	637,400
Export Credit Agency Loan	490,334	0
Bridging loan	0	70,630
	<u>761,322</u>	<u>708,030</u>
The following is an analysis of the borrowings by:		
Current		
- not later than 1 year	90,287	223,154
Non-current		
- later than 1 year but not more than 5 years	573,581	484,876
- later than 5 years	97,454	0
	<u>671,035</u>	<u>484,876</u>
	<u>761,322</u>	<u>708,030</u>

The above borrowings are stated net of deferred issue cost of RM29,493,000 (2006: RM11,133,000).

The syndicated term loans denominated in Ringgit Malaysia and USD are repayable in nine equal instalments over a period of 5 years which commenced on 31 December 2007.

The Export Credit Agency Loan consists of the following facilities:

<u>Facility</u>	<u>Repayment terms</u>
Export-Import Bank of the United States ("EXIM") backed financing for MEASAT-3	<u>Tranche 1</u> 13 semi-annual instalments commenced 31 December 2007 <u>Tranche 2</u> 5 semi-annual instalments commencing 24 June 2012
EXIM backed financing for MEASAT-3a ("M-3a")(formerly known as MEASAT-1R)	15 semi-annual instalments commencing 24 December 2008
M-3a commercial facilities	One-ninth of amount outstanding commencing 31 December 2008

The terms of the borrowings require deposits to be placed in the debt service reserve account with a licensed bank as disclosed in Note 24 to the financial statements to meet debt servicing requirements and to maintain certain financial covenants.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)

19 BORROWINGS (SECURED AND INTEREST BEARING) (CONTINUED)

The borrowings are exposed to the following interest rates:

	<u>2007</u>	<u>Group</u> <u>2006</u>
	%	%
- Syndicated term loans	5.73 - 6.60	5.83 - 7.10
- Export Credit Agency Loan	4.82 - 6.63	Nil
- Bridging loan	Nil	7.10

The weighted average interest rate of the borrowings as at the balance sheet date was 5.45% (2006: 6.62%) per annum.

The syndicated term loans and Export Credit Agency Loan are secured against certain assets of a subsidiary of the Company and a corporate guarantee from the Company. All property, plant and equipment and investment in subsidiaries have been pledged as security for the borrowings as disclosed in Note 13 and Note 15 to the financial statements.

The currency exposure profiles of borrowings are as follows:

	<u>2007</u>	<u>Group</u> <u>2006</u>
	RM'000	RM'000
- Ringgit Malaysia	113,234	266,816
- USD	648,088	441,214
	<u>761,322</u>	<u>708,030</u>

20 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 relate to the same tax authority. The following amounts, determined after the appropriate offsetting, are shown in the balance sheet:

	<u>2007</u>	<u>Group</u> <u>2006</u>
	RM'000	RM'000
Deferred tax liabilities	<u>(5,290)</u>	<u>(28,290)</u>
As at 1 January	(28,290)	(41,639)
Credited/(charged) to income statement:		
- property, plant and equipment	22,219	13,150
- others	781	199
	<u>23,000</u>	<u>13,349</u>
	<u>(5,290)</u>	<u>(28,290)</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)

20 DEFERRED TAXATION (CONTINUED)

	<u>2007</u>	<u>Group</u> <u>2006</u>
	RM'000	RM'000
Deferred tax assets		
Property, plant and equipment	65,909	0
Others	1,276	374
	<u>67,185</u>	<u>374</u>
Before offsetting	67,185	374
Offsetting	(67,185)	(374)
	<u>0</u>	<u>0</u>
After offsetting	<u>0</u>	<u>0</u>
Deferred tax liabilities		
Property, plant and equipment	(72,354)	(28,664)
Others	(121)	0
	<u>(72,475)</u>	<u>(28,664)</u>
Before offsetting	(72,475)	(28,664)
Offsetting	67,185	374
	<u>(5,290)</u>	<u>(28,290)</u>
After offsetting	<u>(5,290)</u>	<u>(28,290)</u>

As at 31 December 2007, the Investment Allowances and Investment Tax Allowances available to the Group for which the related deferred tax assets have not been recognised in the financial statements, amounted to:

	<u>2007</u>	<u>Group</u> <u>2006</u>
	RM'000	RM'000
Investment Allowances ("IA")	508,400	563,500
Investment Tax Allowances ("ITA")	788,600	0
	<u>788,600</u>	<u>563,500</u>

The amount of IA and ITA available to the Group are subject to agreement with the tax authorities and the benefits of these allowances will only be obtained if the Group derives future assessable income of a nature and of an amount sufficient for these allowances to be utilised. As a consequence thereof, the RM5,290,000 deferred taxation liability provided for in the Group will not materialise as the IA will be utilised against future statutory business income. Notwithstanding this, the amount of RM5,290,000 has been taken up as deferred tax liability in the financial statements as FRS 112₂₀₀₄ "Income Taxes" does not allow the recognition of deferred tax benefits of IA.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)**21 SHARE CAPITAL**

	<u>2007</u>		<u>Company 2006</u>	
	'000	RM'000	'000	RM'000
<u>Authorised ordinary shares of RM0.78 each:</u>				
As at 1 January/31 December	<u>402,500</u>	<u>313,950</u>	<u>402,500</u>	<u>313,950</u>

22 MERGER RESERVE

	<u>Group and Company</u>	
	<u>2007</u>	<u>2006</u>
Number of ordinary shares issued on 8 May 2002	<u>187,433,155</u>	<u>187,433,155</u>
	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	<u>(146,198)</u>	<u>(146,198)</u>
Merger reserve	<u>554,802</u>	<u>554,802</u>

In accordance with the merger relief provision in Section 60(4) of the Companies Act, 1965, the share premium arising from the share issuance in financial year 2002 for the acquisition of a subsidiary has been recorded as merger reserve.

23 RETAINED EARNINGS

Under the full dividend imputation system, subject to agreement by tax authorities, the Company has sufficient Section 108 tax credits as at 31 December 2007 to frank approximately RM323,763,000 (2006: RM307,923,000) of their retained earnings if paid out as dividends. In addition, the Company also has tax exempt accounts which are available to pay tax exempt dividends up to approximately RM37,993,000 (2006: RM37,993,000).

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)**24 CASH AND CASH EQUIVALENTS**

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

	<u>Group</u>		<u>Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	15,352	8,465	2,765	3,754
Cash and bank balances	73,332	94,369	53	26
	<u>88,684</u>	<u>102,834</u>	<u>2,818</u>	<u>3,780</u>
Deposit in debt service reserve account (Note 19)	(63,618)	(48,006)	0	0
	<u>25,066</u>	<u>54,828</u>	<u>2,818</u>	<u>3,780</u>

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

- Ringgit Malaysia	19,934	50,252	2,818	3,780
- USD	5,132	4,576	0	0
	<u>25,066</u>	<u>54,828</u>	<u>2,818</u>	<u>3,780</u>

	<u>Group</u>		<u>Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	%	%	%	%
Weighted average interest rate on deposits:				
- Deposits with licensed banks	<u>3.8</u>	<u>4.1</u>	<u>3.3</u>	<u>3.2</u>

Deposits with the licensed banks for the Group and the Company have an average maturity of 10 days (2006: 16 days) and cash and bank balances are available at call.

25 CAPITAL COMMITMENTS

	<u>Group</u>	
	<u>2007</u>	<u>2006</u>
	RM'000	RM'000
Authorised capital expenditure for property, plant and equipment not provided for in the financial statements:		
Approved and contracted for	69,700	301,800
Approved but not contracted for	71,200	111,700
	<u>140,900</u>	<u>413,500</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)

26 SIGNIFICANT RELATED PARTY DISCLOSURES

- (i) In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances of the Group

The immediate holding company is MEASAT Global Network Systems Sdn. Bhd., while the ultimate holding company is MAI Holdings Sdn. Bhd. 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 Group. UTSB is ultimately controlled by the trustee of a discretionary trust, the beneficiaries of which are members of the family of TAK and foundations including those for charitable purposes.

Telekom Malaysia Berhad, a major shareholder of the Company and its wholly owned subsidiary, Celcom Transmission (M) Sdn. Bhd., had both entered into transactions with the Group during the financial year.

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 as follows:

	<u>2007</u>	<u>Group</u> <u>2006</u>
	RM'000	RM'000
(a) Transponder lease rental charged to:		
- ASTRO ALL ASIA NETWORKS Plc	34,466	12,935
- MEASAT Broadcast Network Systems Sdn. Bhd.	74,544	45,237
- GOAL TV Asia Ltd	1,228	2,233
- Celestial Movie Channel Ltd	983	690
- Maxis Broadband Sdn. Bhd.	21,377	19,661
- Communications and Satellite Services Sdn. Bhd.	793	717
- Telekom Malaysia Berhad	5,429	7,359
- Celcom Transmission (M) Sdn. Bhd.	5,602	4,409
	<u> </u>	<u> </u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)

26 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

- (i) In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances of the Group (continued)

	<u>2007</u>	<u>Group</u> <u>2006</u>
	RM'000	RM'000
(b) Rental of land and building charged to:		
- Maxis Mobile Sdn. Bhd.	25	25
- MEASAT Broadcast Network Systems Sdn. Bhd.	<u>2,207</u>	<u>1,754</u>
(c) Management fees charged by:		
- UTSB Management Sdn. Bhd.	<u>1,680</u>	<u>1,680</u>

The financial year end balances arising from the above transactions have been included in Notes 16, 17 and 18 to the financial statements.

- (ii) Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of that entity, (both executive and non-executive).

The remuneration of directors and other members of key management during the financial year were as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	RM'000	RM'000	RM'000	RM'000
Fees	335	335	245	245
Salaries, wages and bonus	2,654	2,433	0	0
Employees Provident Funds	139	128	0	0
Other benefits/emoluments	<u>1,103</u>	<u>794</u>	<u>95</u>	<u>78</u>
	<u>4,231</u>	<u>3,690</u>	<u>340</u>	<u>323</u>

The key management compensation includes the remuneration of the directors which has also been disclosed in Note 8 to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)**27 FINANCIAL INSTRUMENTS****(a) Interest rate swap and cross currency interest rate swap contracts**

The Group had entered into interest rate swap contracts that oblige it to pay interest at fixed rates of 4.27% and 4.58% per annum on notional principal amounts and entitles it to receive interest at floating rates on the same amounts. Under the interest rate swaps, the Group agrees with other parties to exchange, at quarterly intervals, the differences between fixed rate and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

The Group had entered into cross currency interest rate swap contracts that oblige it to pay floating USD interest for floating RM interest based on the amortisation of outstanding principal amounts matching the repayment profile of the borrowings. In addition, the contracts oblige the Group to pay the USD principal amounts for RM principal amounts, at a pre-determined rate of RM3.40 to USD1.00, which are amortised on semi-annual basis, matching the repayment profile of the borrowings.

The weighted average interest rate of the Group's floating rate borrowings at balance sheet date was 5.45% (2006: 6.62%) per annum (Note 19). After the interest rate swap, the Company's weighted average interest rate at balance sheet date was 5.12% (2006: 6.46%) per annum.

The remaining terms and notional principal amounts of the outstanding interest rate and cross currency interest rate swap contracts of the Group at the balance sheet date, which are denominated in USD, were as follows:

	<u>2007</u> RM'000	<u>2006</u> RM'000
Less than 1 year	76,650	111,439
Later than 1 year and not later than 5 years	229,948	354,053
	<u>306,598</u>	<u>465,492</u>

(b) Fair values**(i) On balance sheet**

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 set out below.

The carrying values of the non-trade payable and long term borrowings of the Group with maturity of more than one year at the balance sheet date are as follows:

	<u>Carrying amounts</u> RM'000	<u>Fair value</u> RM'000
Non-trade payable (Note 18)	196,680	138,226
Long term borrowings	671,035*	640,317
	<u>867,715</u>	<u>778,543</u>

* Excludes deferred issue costs of RM22,622,000.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)**27 FINANCIAL INSTRUMENTS (CONTINUED)****(b) Fair values (continued)****(ii) Off balance sheet**

The financial derivative instruments are used to manage the foreign exchange and interest rate risks associated with the long term foreign currency borrowings. The notional principal amounts of borrowings and its respective net fair value of the financial instruments not recognised on the balance sheet of the Group as at the end of the financial year were as follows:

	Notional principal of borrowings <u>amounts</u> RM'000	Fair value of financial <u>derivatives</u> RM'000
<u>2007</u>		
Interest rate swap	191,042	(1,676)
Cross currency interest rate swap	115,556	9,807
	<u>306,598</u>	<u>8,131</u>

(c) Credit risk

Credit risk arises when derivative instruments are used or sales made on deferred credit terms. The Group seeks to invest cash assets safely and profitably. It also seeks to control credit risk by ensuring that sales of services are made to customers with an appropriate credit history.

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

The recorded allowance for doubtful debts is adequate based on the Group's historical experience in collection of trade receivables. 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.

28 CONTINGENT LIABILITIES

The Malaysian Communications and Multimedia Commission ("MCMC") has notified MEASAT Satellite Systems Sdn. Bhd., a subsidiary of the Company, that it is required to contribute an accumulated amount of RM31,500,000 to the Universal Service Provision Fund for the financial years 2003 to 2006. An estimation of such claims from MCMC, if made for 2007, amounts to approximately RM11,200,000.

The Group has taken legal advice on the applicability of this requirement and has, on the basis of the advice received appealed against the decision of MCMC. In view of the legal advice received, the Directors are of the view that no provision for this contribution is required to be recognised as liability in the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007 (CONTINUED)

29 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 14 April 2008.

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MEASAT GLOBAL BERHAD
(Incorporated in Malaysia)

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

We, Datuk Umar bin Haji Abu and Datuk Ramli bin Ibrahim being two of the Directors of MEASAT Global Berhad, state that in the opinion of the Directors, the financial statements set out on pages 5 to 45 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2007 and of its results and cash flows of the Group and the Company for the year ended on that date in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

In accordance with a resolution of the Board of Directors dated 14 April 2008.



DATUK UMAR BIN HAJI ABU
CHAIRMAN



DATUK RAMLI BIN IBRAHIM
DIRECTOR

Kuala Lumpur

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

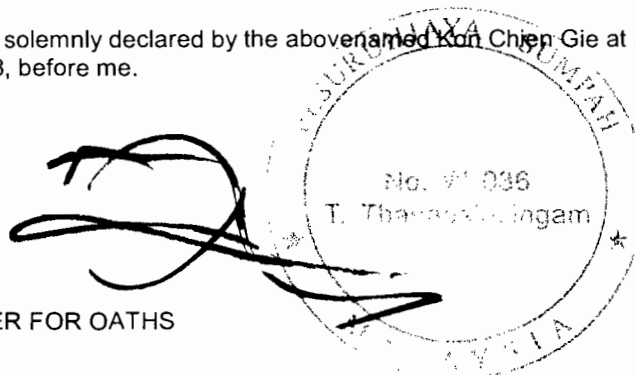
I, Kon Chien Gie, the officer primarily responsible for the financial management of MEASAT Global Berhad, do solemnly and sincerely declare that the financial statements set out on pages 5 to 45 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



KON CHIEN GIE

Subscribed and solemnly declared by the abovesigned Kon Chien Gie at Kuala Lumpur in Malaysia on 14 April 2008, before me.

COMMISSIONER FOR OATHS



100, Jalan Bukit 3
Majlis Perbandaran Yew
Jaya, Majlis Persekutuan
Kuala Lumpur
11000 Kuala Lumpur

**REPORT OF THE AUDITORS TO THE MEMBERS OF
MEASAT GLOBAL BERHAD**
(Company No. 2866-T)

We have audited the financial statements set out on pages 5 to 45. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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 Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities 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 2007 and of the results and cash flows of the Group and Company for the financial year ended on that date;

and

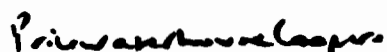
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

The name of subsidiaries of which we have not acted as auditors is indicated in Note 15 to the financial statements. We have considered the financial statements of the subsidiaries and the auditors' reports thereon.

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)
(Company No. 2866-T)

The 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



PAULINE HO
(No. 2684/11/09 (J))
Partner of the firm

Kuala Lumpur
14 April 2008