

MEASAT GLOBAL BERHAD
(2866-T)
INCORPORATED IN MALAYSIA

QUARTERLY REPORT FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2004

Announcement

The Board of Directors of MEASAT Global Berhad ("MEASAT Global" or "Company") hereby announce the following unaudited consolidated results for the second quarter and half year ended 30 June 2004.

Unaudited Condensed Consolidated Income Statements

| | Note | <u>INDIVIDUAL QUARTER</u> | | <u>CUMULATIVE QUARTER</u> | |
|--|------|---|---|--|--|
| | | <u>QUARTER ENDED 30.06.2004</u> RM'000 | <u>QUARTER ENDED 30.06.2003</u> RM'000 | <u>PERIOD ENDED 30.06.2004</u> RM'000 | <u>PERIOD ENDED 30.06.2003</u> RM'000 |
| Revenue | 8 | 31,838 | 31,210 | 63,978 | 62,537 |
| Cost of services | | <u>(18,733)</u> | <u>(19,335)</u> | <u>(37,558)</u> | <u>(39,513)</u> |
| Gross profit | | 13,105 | 11,875 | 26,420 | 23,024 |
| Other operating income | | 475 | 752 | 835 | 1,780 |
| Selling and administrative expenses | | <u>(6,704)</u> | <u>(4,158)</u> | <u>(14,463)</u> | <u>(9,405)</u> |
| Profit from operations | 8 | 6,876 | 8,469 | 12,792 | 15,399 |
| Finance costs | | <u>(2,955)</u> | <u>(16,427)</u> | <u>(5,971)</u> | <u>(22,937)</u> |
| Profit/(loss) from ordinary activities before taxation | | 3,921 | (7,958) | 6,821 | (7,538) |
| Taxation | 17 | <u>(1,341)</u> | <u>(35)</u> | <u>(2,360)</u> | <u>(170)</u> |
| Net profit/(loss) | | <u>2,580</u> | <u>(7,993)</u> | <u>4,461</u> | <u>(7,708)</u> |
| Earnings per share (sen): | 25 | | | | |
| - Basic | | <u>0.66</u> | <u>(2.05)</u> | <u>1.14</u> | <u>(1.98)</u> |
| - Diluted | | <u>N/A *</u> | <u>N/A *</u> | <u>N/A *</u> | <u>N/A *</u> |

N/A * : Not applicable

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Unaudited Condensed Consolidated Balance Sheet

| | AS AT 30.06.2004 (Unaudited) | AS AT 31.12.2003 (Audited) |
|--|------------------------------------|----------------------------------|
| Note | RM'000 | RM'000 |
| Non-Current Assets | | |
| Property, Plant and Equipment | 704,790 | 624,743 |
| Long Term Trade Receivable | 25,935 | 30,780 |
| Goodwill on Consolidation | 1,186,589 | 1,186,589 |
| | <u>1,917,314</u> | <u>1,842,112</u> |
| Current Assets | | |
| Trade and Other Receivables | 37,141 | 23,937 |
| Deposits with Licensed Banks | 69,701 | 58,579 |
| Cash and Bank Balances | 15,829 | 8,539 |
| | <u>122,671</u> | <u>91,055</u> |
| Current Liabilities | | |
| Trade and Other Payables | 17,458 | 17,904 |
| Taxation | 615 | 616 |
| | <u>18,073</u> | <u>18,520</u> |
| Net Current Assets | 104,598 | 72,535 |
| Non-Current Liabilities | | |
| Borrowings | 21 519,350 | 418,833 |
| Deferred tax liabilities | 17 35,487 | 33,200 |
| | <u>554,837</u> | <u>452,033</u> |
| | <u>1,467,075</u> | <u>1,462,614</u> |
| Capital and Reserves | | |
| Share Capital | 304,148 | 304,148 |
| Reserves | | |
| - General Reserves | 15,899 | 15,899 |
| - Merger Reserve | 554,802 | 554,802 |
| - Retained Earnings | 592,226 | 587,765 |
| | <u>1,467,075</u> | <u>1,462,614</u> |
| | RM | RM |
| Net Tangible Assets per Share (NTA) | <u>0.72</u> | <u>0.71</u> |

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Unaudited Condensed Consolidated Statement of Changes in Equity

| | Issued and fully paid ordinary shares of RM0.78 | | Non-distributable Merger reserve | Distributable | | Total |
|---|--|------------------|-------------------------------------|---------------------|----------------------|-----------|
| | Number of shares | Nominal value | | General reserves | Retained earnings | |
| | ('000) | (RM'000) | (RM'000) | (RM'000) | (RM'000) | (RM'000) |
| Period ended 30/06/2004 | | | | | | |
| Balance as at 1 January 2004 | 389,933 | 304,148 | 554,802 | 15,899 | 587,765 | 1,462,614 |
| -Net profit for the period | - | - | - | - | 4,461 | 4,461 |
| Balance as at 30 June 2004 | 389,933 | 304,148 | 554,802 | 15,899 | 592,226 | 1,467,075 |
| Period ended 30/06/2003 | | | | | | |
| Balance as at 1 January 2003 -as previously reported | 389,933 | 304,148 | 554,802 | 15,899 | 619,571 | 1,494,420 |
| -prior year adjustment | - | - | - | - | (30,000) | (30,000) |
| -as restated | 389,933 | 304,148 | 554,802 | 15,899 | 589,571 | 1,464,420 |
| -Net profit for the period | - | - | - | - | (7,708) | (7,708) |
| Balance as at 30 June 2003 | 389,933 | 304,148 | 554,802 | 15,899 | 581,863 | 1,456,712 |

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Unaudited Condensed Consolidated Cash Flow Statement

| | CUMULATIVE QUARTER | |
|--|----------------------------|----------------------------|
| | PERIOD ENDED 30.06.2004 | PERIOD ENDED 30.06.2003 |
| | RM'000 | RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net profit /(loss) for the period | 4,461 | (7,708) |
| Adjustments for : | | |
| - Depreciation of property, plant and equipment | 28,244 | 28,353 |
| - Taxation | 2,360 | 170 |
| - Interest income | (822) | (1,765) |
| - Finance costs | 5,971 | 22,937 |
| | <u>40,214</u> | <u>41,987</u> |
| (Increase)/decrease in trade and other receivables | (13,227) | 29,500 |
| Decrease in long term trade receivable | 4,845 | (20,520) |
| Decrease in trade and other payables | (382) | (3,452) |
| Net cash from operations | <u>31,450</u> | <u>47,515</u> |
| -Interest income received | 842 | 1,940 |
| -Interest expense paid | (9,565) | - |
| -Payment of profit instalments on Islamic Private Debt Securities ("IPDS") | - | (15,820) |
| -Taxes paid | (9) | (73) |
| Net cash flow from operating activities | <u>22,718</u> | <u>33,562</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (102,484) | (86,027) |
| Net cash flow from investing activities | <u>(102,484)</u> | <u>(86,027)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net proceeds from drawdown | 98,178 | - |
| Debt issue costs relating to refinancing | - | (9,973) |
| IPDS related fee | - | (2,375) |
| Unclaimed dividends remitted (in respect of year 2000) | - | (266) |
| Net cash flow from financing activities | <u>98,178</u> | <u>(12,614)</u> |
| Net increase/(decrease) in cash and cash equivalents | 18,412 | (65,079) |
| Cash and cash equivalents at beginning of the period | 67,118 | 174,344 |
| Cash and cash equivalents at end of the period | <u>85,530</u> | <u>109,265</u> |

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**PART B – Explanatory Notes in Compliance with Listing Requirements of Bursa Malaysia Securities Berhad
Under Part A of Appendix 9B**

1. Basis of preparation

The quarterly condensed financial report of MEASAT Global and its subsidiaries (collectively the “Group”) has been prepared in accordance with MASB 26 “Interim Financial Reporting” and Paragraph 9.22 of the Bursa Malaysia Securities Berhad (“Bursa Securities”) Listing Requirements. The quarterly condensed financial report should be read in conjunction with the Group’s audited financial statements for the year ended 31 December 2003.

2. Qualification of preceding annual financial statements

There was no qualification to the preceding annual financial statements.

3. Seasonal / cyclical factors

The operations of the Group were not affected by seasonality and cyclical factors during the quarter under review.

4. Unusual items

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows during the quarter under review.

5. Material changes in estimates of amounts reported

There were no changes in estimates of amounts reported in prior financial years that had a material effect in the quarter under review.

6. Movements in debt and equity securities

During the quarter under review, there were no issuances, repurchases, resale and repayments of debt and equity securities.

7. Dividends paid

There were no dividends paid during the financial period ended 30 June 2004.

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**PART B – Explanatory Notes in Compliance with Listing Requirements of Bursa Malaysia Securities Berhad
Under Part A of Appendix 9B**

8. Segment results and 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 period is as follows:

| <u>Business segments</u> | <u>INDIVIDUAL QUARTER</u> | | <u>CUMULATIVE QUARTER</u> | |
|-------------------------------|--------------------------------|--------------------------------|-------------------------------|-------------------------------|
| | <u>QUARTER ENDED 30.6.2004</u> | <u>QUARTER ENDED 30.6.2003</u> | <u>PERIOD ENDED 30.6.2004</u> | <u>PERIOD ENDED 30.6.2003</u> |
| | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> |
| <u>Revenue</u> | | | | |
| Satellite network operations | 31,838 | 31,210 | 63,978 | 62,537 |
| Other operations | - | - | - | - |
| | <u>31,838</u> | <u>31,210</u> | <u>63,978</u> | <u>62,537</u> |
| <u>Segment Results</u> | | | | |
| Satellite network operations | 6,714 | 7,926 | 12,473 | 13,816 |
| Other operations | (306) | (201) | (503) | (184) |
| Segment total | <u>6,408</u> | <u>7,725</u> | <u>11,970</u> | <u>13,632</u> |
| Interest income | 468 | 744 | 822 | 1,767 |
| Inter segment elimination | - | - | - | - |
| Profit from operations | <u>6,876</u> | <u>8,469</u> | <u>12,792</u> | <u>15,399</u> |

9. Valuations of property, plant and equipment

There were no revaluations of property, plant and equipment during the six months ended 30 June 2004. As at 30 June 2004, all property, plant and equipment were stated at cost less accumulated depreciation.

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Under Part A of Appendix 9B

10. Material events subsequent to the end of the financial period

There were no material events subsequent to the end of the quarter except for the following off-balance sheet instruments which were entered into by BSS based on the underlying liability of the Group's borrowings which consist of USD250 million Syndicated Loan Facilities:

a) Interest rate swap (“IRS”)

IRS agreements with total notional principal of USD90 million to mitigate the risks of interest rate fluctuations.

b) Cross currency swap (“CCS”)

CCS agreements with total notional principal of RM130 million to hedge local currency borrowings to mitigate the foreign currency exchange risks.

11. Changes in the composition of the Group

There have been no changes in the composition of the Group during the quarter under review.

12. Contingent liabilities and contingent assets

There have been no changes in the contingent liabilities as disclosed in the audited annual financial statements for the financial year ended 31 December 2003. There were no contingent assets as at the date of this quarterly report.

13. Capital commitments

Capital commitments for property, plant and equipment not provided for in the financial statements as at 30 June 2004 are as follows:

| | RM'000 |
|---------------------------------|----------------|
| Approved and contracted for | 269,990 |
| Approved but not contracted for | 67,170 |
| | <u>337,160</u> |

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PART B – Explanatory Notes in Compliance with Listing Requirements of Bursa Malaysia Securities Berhad
Under Part A of Appendix 9B

14. Review of performance of current quarter (“2Q 2004”) and financial year to date (“YTD 2004”) against immediate preceding quarter (“1Q 2004”), corresponding preceding quarter (“2Q 2003”) and year to date (“YTD 2003”).

The Group’s revenue for the quarter under review decreased slightly compared to the immediate preceding quarter, falling from RM32.1 million in 1Q 2004 to RM31.8 million in 2Q 2004. The decrease of RM300,000 was primarily due to the full quarter impact of a reduction in capacity and transponder rate by a key customer in 1Q 2004. The reduction in revenue for the quarter under review occurred despite the addition of long term contracts by two new broadcasting customers based in Malaysia and Vietnam, and the expansion of capacity by existing customers in Malaysia and Singapore. On an ongoing basis, the revenue from the new customers signed during the quarter would largely offset the revenue lost from the reduction in capacity by the key customer. The reduction in revenue in 2Q 2004 when compared to that of 1Q 2004 resulted from a timing mismatch between customers reducing capacity and new customers commencing service.

Over the period under review, the Group’s profit from operations increased by 17%, or RM 1.0 million, to RM6.9 million in 2Q 2004 compared to RM5.9 million in 1Q 2004. The increase in profit from operations was primarily due to a reduction in operating costs of RM1.1 million. Over the same period the Group’s profit before taxation also increased by RM1.0 million to RM 3.9 million in 2Q 2004. After taking into account an increased deferred taxation charge of RM320,000, the Group’s profit after tax increased by RM 700,000 to RM2.6 million in 2Q 2004 compared to RM1.9 million in 1Q 2004.

Compared to the corresponding preceding quarter, the Group recorded a decrease in profit from operations of RM1.6 million from RM8.5 million in 2Q 2003 to RM6.9 million in 2Q 2004. The decrease was primarily due to a net increase in operating expenses of RM1.9 million, lower interest income of RM280,000 and off-set by an increase in revenue of RM630,000.

The Group’s profit before taxation improved significantly compared to the corresponding preceding quarter, moving from a loss of RM8.0 million in 2Q 2003 to a profit of RM3.9 million in 2Q 2004. This improvement was primarily due to the one time write-off of RM10.5 million of capitalised fees from the refinancing undertaken in 2Q 2003, and a decrease in interest expense of RM2.9 million. The Group’s profit after tax increased by RM 10.6 million, improving to a net profit of RM2.6 million in 2Q 2004, compared to a net loss of RM8.0 million in 2Q 2003. The 2Q 2004 result included a deferred tax charge of RM1.3 million.

The Group’s performance year to date also improved substantially compared to the corresponding preceding year to date, increasing from a net loss after taxation of RM7.7 million in YTD 2003 to a profit after taxation of RM4.5 million in YTD 2004. This improvement was the result of an increase in revenue of RM1.4 million and decrease in finance costs of RM17.0 million, offset by an increase in net operating expense of RM3.1 million and a decrease in other income of RM1.0 million. The YTD 2004 result includes a deferred tax charge of RM2.2 million.

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**PART B – Explanatory Notes in Compliance with Listing Requirements of Bursa Malaysia Securities Berhad
Under Part A of Appendix 9B**

15. Prospects relating to financial year 2004

The Board believes that while a strong rebound in the global satellite industry is unlikely in the near future, the recent investments in the sector by major principal investing firms shows a growing level of confidence in the timing and extent of the sector's recovery. The Board continues to believe that the prospects in Asia appear better than those of the global industry due to a growing television industry, expanding mobile economy, and continued market deregulation.

The Board believes that there will be an improvement in the demand for the Group's products and services in 2004, but continued downward pricing pressure across a number of key markets suggests that this recovery will be weaker than first anticipated. As a consequence, the Group will focus on managing the Group's cost base over the remainder of the year. With high levels of utilisation on the existing satellites, the Group's ongoing marketing efforts will focus on meeting existing customer transponder capacity requirements prior to MEASAT-3 launch, attracting key new customers to the MEASAT network, marketing the remaining MEASAT Ku-Band capacity, and developing a new range of value added services for key customer segments (eg Broadcasters).

16. Variance to profit forecast

Not applicable.

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PART B – Explanatory Notes in Compliance with Listing Requirements of Bursa Malaysia Securities Berhad
Under Part A of Appendix 9B

17. Taxation

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|------------------------------------|--------------------|-----------|--------------------|-----------|
| | QUARTER | QUARTER | PERIOD | PERIOD |
| | ENDED | ENDED | ENDED | ENDED |
| | 30.6.2004 | 30.6.2003 | 30.6.2004 | 30.6.2003 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>In respect of current year:</u> | | | | |
| - income tax | (36) | (35) | (73) | (70) |
| - deferred taxation | (1,305) | 0 | (2,287) | (100) |
| | (1,341) | (35) | (2,360) | (170) |

The current tax of the Group is in relation to a tax charge on rental income and interest income. There is no taxation charge in respect of business income due to the utilisation of unabsorbed capital allowances. The tax savings for the cumulative quarter ended 30 June 2004 arising from the utilisation of the unabsorbed capital allowances amounted to RM7.4 million.

The effective tax rate of the Group for the current quarter and financial period to date was higher than the statutory tax rate of 28%, primarily due to certain expenses of a subsidiary which are non deductible for tax purposes.

The deferred tax liabilities is in respect of a subsidiary. The subsidiary has unutilised Investment Allowance ("IA") estimated at RM688.1 million at the end of the current quarter, 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 RM35.5 million deferred taxation liabilities provided in the Group, including the current deferred tax charge of RM2.3 million, will not materialise as the IA will be utilised against future statutory business income. Notwithstanding this, the amount of RM35.5 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.

18. Profit/ (loss) on sales of unquoted investments and/or properties

There were no sales of unquoted investments and/or properties during the quarter under review.

19. Quoted securities

There were no quoted securities acquired or disposed during the quarter under review.

20. Status of corporate proposal announced

There were no other corporate proposals announced but not completed at the date of issue of this quarterly report.

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PART B – Explanatory Notes in Compliance with Listing Requirements of Bursa Malaysia Securities Berhad
Under Part A of Appendix 9B

21. Group borrowings

The details of Group borrowings as at 30 June 2004 are as follows:

| | <u>AS AT</u> <u>30.6.2004</u> <u>RM'000</u> | <u>AS AT</u> <u>31.12.2003</u> <u>RM'000</u> |
|------------------------------|---|--|
| <u>Non current liability</u> | | |
| Syndicated Loan Facilities | <u>519,350</u> | <u>418,833</u> |

The Syndicated Loan Facilities represent an equivalent sum of RM539.6 million drawdown from the total available funding of USD250 million, less unamortised costs of RM20.3 million.

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

22. Off balance sheet financial instruments

The Group manages its exposure to market rate movements on its financial liability through the use of the derivative financial instruments which includes interest rate and cross currency swap agreements.

The details of the derivative financial instruments that the Group has entered into are described in Note 10 of this quarterly report.

All the above financial instruments were executed with creditworthy financial institutions with a view to limit the credit risk exposure of the Group.

23. Changes in material litigation

There were no material litigation matters dealt with during the period or pending as at the date of this quarterly report.

24. Dividends

No dividends have been recommended or declared for the current quarter ended 30 June 2004.

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**PART B – Explanatory Notes in Compliance with Listing Requirements of Bursa Malaysia Securities Berhad
Under Part A of Appendix 9B**

25. Earnings per share

Basic earnings per share of the Group are calculated by dividing the net profit for the current quarter/period by the number of ordinary shares in issue during the current quarter/period.

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|-------------------------------|-------------------------------|------------------------------|------------------------------|
| | QUARTER ENDED 30.6.2004 | QUARTER ENDED 30.6.2003 | PERIOD ENDED 30.6.2004 | PERIOD ENDED 30.6.2003 |
| Net profit for the quarter/period (RM'000) | 2,580 | (7,993) | 4,461 | (7,708) |
| Weighted average number of ordinary shares in issue ('000) | 389,933 | 389,933 | 389,933 | 389,933 |
| Basic earnings per share (sen) | <u>0.66</u> | <u>(2.05)</u> | <u>1.14</u> | <u>(1.98)</u> |

By order of the Board

CHUA SOK MOOI
(MAICSA 0777524)
Company Secretary

27 August 2004
Kuala Lumpur