

Registration No. 195601000151 (2866-T)

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MEASAT GLOBAL BERHAD
(Incorporated in Malaysia)

195601000151(2866-T), APP-CIU-FINANCIAL STATEMENT CA 2016 (LIMITED BY SHARE/GUARANTEE) 200.00
199201016302(207805-X), APP-CIU-FINANCIAL STATEMENT CA 2016 (PRIVATE LIMITED) 50.00
19901023518(309199-V), APP-CIU-FINANCIAL STATEMENT CA 2016 (PRIVATE LIMITED) 50.00
201601003111(1178037-K), APP-CIU-FINANCIAL STATEMENT CA 2016 (PRIVATE LIMITED) 50.00

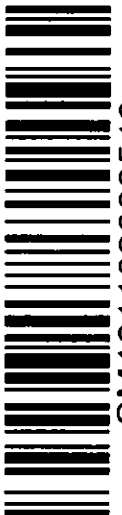
STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2019

These financial statements and reports of the Company with *Qualified/Unqualified Auditor's Report for the financial year ended **31 December 2019** were tabled at the Annual General Meeting/Adjourned Annual General Meeting held on **20 July 2020**.


Director/ Secretary
GOH WAI PING (F)
(MAICSA NO.: 7019625)
(Practicing Certificate
No. 201908000985)

*Delete whichever is inapplicable



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Registration No.

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MEASAT GLOBAL BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2019

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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 2019.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Tun Haji Mohammed Hanif bin Omar
Simon Cathcart
Ashwin A/L Kumar Das
Lee Soo Yee
Shaharul Rezza Bin Hassan (appointed on 14 October 2019)

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, provision of satellite bandwidth capacity and provision of broadband services. 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
Profit for the financial year	<u>31,869</u>	<u>193,777</u>

SHARE CAPITAL

During the financial year, the Company had:-

- (a) on 30 January 2019 partially redeemed 244 Non-Cumulative Redeemable Convertible Preference Shares ("MGB RM NCRCPs") out of the outstanding 246 fully paid-up MGB RM NCRCPs held by MEASAT Global Network Systems Sdn. Bhd. ("MGNS") in the share capital of the Company, at a total redemption amount of RM2.4 million; and
- (b) on 27 September 2019 issued and allotted to MAI Holdings Sdn. Bhd. ("MAIH"), its ultimate holding company, 9,000 USD Redeemable Preference Shares ("MGB USD RPS") in the capital of the Company at an issue price of the RM equivalent of USD10,000 per MGB USD RPS totaling USD90 million (equivalent to RM376.2 million).

RESERVES AND PROVISIONS

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

MEASAT GLOBAL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' BENEFITS

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

Since the end of the financial year, no Director has received or become entitled to receive a benefit (other than benefits shown under Note 8 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings required to be kept under Section 59 of the Companies Act 2016 ("CA2016"), none of the Directors who held office at the end of the financial year held any interest in shares, options over shares and debentures in the Company or its related corporations, during the financial year.

DIVIDENDS

The Directors declared and paid the following dividends in respect of the financial year ended 31 December 2019:

	RM'000
1 st interim single tier preference dividend of RM250,243.00 per share, paid on 24 January 2019	61,560
1 st interim single tier ordinary dividend of approximately 1 sen per share, paid on 29 July 2019	4,100
2 nd interim single tier preference dividend of 1 sen per share, paid on 29 July 2019	*
2 nd interim single tier ordinary dividend of approximately 33 sen per share, paid on 27 September 2019	129,567
3 rd interim single tier preference dividend of RM6,666.95 per share, paid on 27 September 2019	13
	<u>195,240</u>

* Single tier preference dividend is RM0.02.

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2019.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 8 to the financial statements.

MEASAT GLOBAL BERHAD
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DIRECTORS' REPORT (CONTINUED)

INDEMNITY AND INSURANCE COSTS

The Directors of the Group and of the Company were insured against certain liabilities under a Directors' and Officers' liability insurance policy maintained as a group basis under MEASAT Global Berhad for a maximum of RM50.0 million for any one claim and in aggregate. During the financial year, the Group and the Company paid an aggregate of RM80,570 premium in respect of such policy.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and the Company were prepared, 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 impairment and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and the Company had been written down to an amount which the current assets might be expected so to realise.

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

- (a) which would render the amounts written off for bad debts or the amount of the allowance for impairment 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 and the Company to meet its obligations when they fall due.

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

- (a) any charge on the assets of the Group and 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 and 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.

MEASAT GLOBAL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

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 and the Company for the financial year in which this Report is made except for the impact arising from COVID-19 pandemic as disclosed in Note 33 to the financial statements.

SUBSIDIARIES

Details of subsidiaries are set out in Note 15 to the financial statements.

IMMEDIATE HOLDING AND ULTIMATE HOLDING COMPANIES

The Directors regard MGNS as the immediate holding company and MAIH as the ultimate holding company. Both companies are incorporated and domiciled in Malaysia.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 7 to the financial statements.

AUDITORS

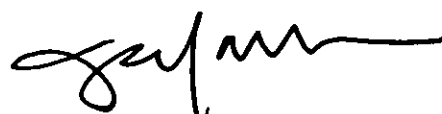
The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF1146), have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 26 June 2020.

Signed on behalf of the Board of Directors:



ASHWIN A/L KUMAR DAS
DIRECTOR



SHAHARUL REZZA BIN HASSAN
DIRECTOR

Kuala Lumpur

MEASAT GLOBAL BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	<u>Note</u>	<u>Group</u>		<u>Company</u>	
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
		RM'000	RM'000	RM'000	RM'000
Revenue	5	545,419	558,498	192,540	42,990
Cost of services		(216,361)	(246,027)	-	-
Gross profit		329,058	312,471	192,540	42,990
Other operating income	6	380	2,226	-	-
Selling and administrative expenses		(190,419)	(140,720)	(329)	(565)
Profit from operations	7	139,019	173,977	192,211	42,425
Finance income	9(a)	11,977	10,024	2,117	188
Finance costs	9(b)	(56,072)	(79,551)	(54)	-
Profit before tax		94,924	104,450	194,274	42,613
Tax expense	10	(63,055)	(46,129)	(497)	(26)
Profit for the financial year		31,869	58,321	193,777	42,587
Other comprehensive (expense)/income:					
<i>Items that may be subsequently reclassified to profit or loss</i>					
Currency translation differences		(3,977)	6,703	-	-
Total comprehensive income for the financial year		27,892	65,024	193,777	42,587

The notes on pages 13 to 74 form part of these financial statements.

MEASAT GLOBAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

		<u>Group</u>		<u>Company</u>	
	<u>Note</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
		RM'000	RM'000	RM'000	RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	11	1,538,096	1,513,786	-	-
Right-of-use assets	12	91,903	-	-	-
Prepaid lease	13	1,233	1,259	-	-
Goodwill	14	1,186,857	1,186,857	-	-
Investment in subsidiaries	15	-	-	1,463,902	1,463,902
Financial assets at fair value through other comprehensive income	16	-	-	128,340	-
Derivative financial assets	17	-	1,176	-	-
Deferred tax assets	18	54,456	80,816	-	-
		<u>2,872,545</u>	<u>2,783,894</u>	<u>1,592,242</u>	<u>1,463,902</u>
CURRENT ASSETS					
Trade and other receivables	19	104,754	190,955	387	7
Amounts due from subsidiaries	20	-	-	-	5
Tax recoverable		5	706	-	-
Derivative financial assets	17	2,059	-	-	-
Deposits, cash and bank balances	21	709,895	491,317	249,030	5,099
		<u>816,713</u>	<u>682,978</u>	<u>249,417</u>	<u>5,111</u>
CURRENT LIABILITIES					
Payables and accruals	22	325,345	304,656	175	116
Amounts due to subsidiaries	20	-	-	120	-
Borrowings	23	396,535	219,200	-	-
Derivative financial liabilities	17	1,858	3,228	-	-
Taxation		2,437	-	119	3
		<u>726,175</u>	<u>527,084</u>	<u>414</u>	<u>119</u>

MEASAT GLOBAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019 (CONTINUED)

		<u>Group</u>		<u>Company</u>	
	<u>Note</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
		RM'000	RM'000	RM'000	RM'000
NET CURRENT ASSETS		90,538	155,894	249,003	4,992
NON-CURRENT LIABILITIES					
Payables and accruals	22	39,497	48,358	-	-
Borrowings	23	1,168,056	944,393	376,254	-
Derivative financial liabilities	17	2,645	3,985	-	-
		<u>1,210,198</u>	<u>996,736</u>	<u>376,254</u>	<u>-</u>
		<u>1,752,885</u>	<u>1,943,052</u>	<u>1,464,991</u>	<u>1,468,894</u>
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDER OF THE COMPANY					
Share capital		304,148	304,148	304,148	304,148
Redeemable preference shares	24	20	2,460	20	2,460
Merger relief	25	554,802	554,802	554,802	554,802
General reserve	26	15,899	15,899	15,899	15,899
Foreign currency translation reserve	27	80,940	84,917	-	-
Retained earnings		<u>797,076</u>	<u>980,826</u>	<u>590,122</u>	<u>591,585</u>
		<u>1,752,885</u>	<u>1,943,052</u>	<u>1,464,991</u>	<u>1,468,894</u>

The notes on pages 13 to 74 form part of these financial statements.

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MEASAT GLOBAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY								
	Issued and fully paid ordinary shares		Issued and fully paid non-cumulative redeemable convertible preference shares ("NCRCPs")		Foreign currency translation reserve	Merger relief	General reserve	Retained earnings	Total
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000					
Group									
As at 1 January 2019	389,933	304,148	*	2,460	84,917	554,802	15,899	980,826	1,943,052
Change in accounting policies (Note 32)	-	-	-	-	-	-	-	(20,379)	(20,379)
Restated total equity at 1 January 2019	389,933	304,148	*	2,460	84,917	554,802	15,899	960,447	1,922,673
Total comprehensive (expense)/ income for the financial year	-	-	-	-	(3,977)	-	-	31,869	27,892
Dividends for the financial year (Note 28)	-	-	-	-	-	-	-	(195,240)	(195,240)
Redemption of NCRCPs (Note 24)	-	\$	#	(2,440)	-	-	-	(\$)	(2,440)
As at 31 December 2019	389,933	304,148	%	20	80,940	554,802	15,899	797,076	1,752,885
As at 1 January 2018	389,933	304,148	*	2,460	78,214	554,802	15,899	965,505	1,921,028
Total comprehensive income for the financial year	-	-	-	-	6,703	-	-	58,321	65,024
Dividends for the financial year (Note 28)	-	-	-	-	-	-	-	(43,000)	(43,000)
As at 31 December 2018	389,933	304,148	*	2,460	84,917	554,802	15,899	980,826	1,943,052

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MEASAT GLOBAL BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY							
	Issued and fully paid ordinary shares		Issued and fully paid NCRCPs		Merger relief RM'000	General reserve RM'000	Retained earnings RM'000	Total RM'000
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000				
Company								
As at 1 January 2019	389,933	304,148	*	2,460	554,802	15,899	591,585	1,468,894
Total comprehensive income for the financial year	-	-	-	-	-	-	193,777	193,777
Dividends for the financial year (Note 28)	-	-	-	-	-	-	(195,240)	(195,240)
Redemption of NCRCPs (Note 24)	-	\$	#	(2,440)	-	-	(\$)	(2,440)
As at 31 December 2019	389,933	304,148	%	20	554,802	15,899	590,122	1,464,991
As at 1 January 2018	389,933	304,148	*	2,460	554,802	15,899	591,998	1,469,307
Total comprehensive income for the financial year	-	-	-	-	-	-	42,587	42,587
Dividends for the financial year (Note 28)	-	-	-	-	-	-	(43,000)	(43,000)
As at 31 December 2018	389,933	304,148	*	2,460	554,802	15,899	591,585	1,468,894

Number of NCRCPs redeemed is 244

% Number of NCRCPs as at 31 December 2019 is 2

* Number of NCRCPs as at 1 January/31 December 2018 and 1 January 2019 is 246

\$ Denotes RM2.44

The notes on pages 13 to 74 form part of these financial statements.

MEASAT GLOBAL BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	<u>Note</u>	<u>Group</u>		<u>Company</u>	
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
		RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the financial year		31,869	58,321	193,777	42,587
Adjustments for:					
Dividend income		-	-	(192,540)	(42,990)
Property, plant and equipment					
- depreciation		171,123	207,533	-	-
- write-off		5	-	-	-
- gain on disposal		(7)	-	-	-
- impairment loss		-	45,000	-	-
Right-of-use assets					
- depreciation		35,504	-	-	-
- impairment loss		53,500	-	-	-
Finance costs		73,442	73,815	7,255	-
Unrealised foreign exchange gain		(50,943)	(27,974)	(7,201)	-
Interest income		(11,977)	(10,024)	(2,117)	(188)
Tax expenses		63,055	46,129	497	26
Allowance for impairment of trade receivables		6,960	6,840	-	-
Reversal of allowance for impairment of trade receivables		(332)	-	-	-
Amortisation of prepaid lease payments		26	25	-	-
Fair value gain on derivatives		(3,586)	(2,097)	-	-
Investment in redeemable preference shares written-off		-	-	-	302
Operating cash flows before working capital changes		368,639	397,568	(329)	(263)
Changes in working capital:					
Trade and other receivables		75,666	(52,064)	-	3
Amount due from subsidiaries		-	-	5	-
Payables and accruals		27,747	49,113	59	(92)
Amount due to subsidiaries		-	-	120	-
Cash flows generated from/ (used in) operations		472,052	394,617	(145)	(352)
Dividend received		-	-	192,540	42,990
Interest received		11,949	10,450	1,738	186
Tax paid		(34,265)	(24,225)	(388)	(27)
Tax refunded		771	-	6	-
Net cash flows from operating activities		450,507	380,842	193,751	42,797

MEASAT GLOBAL BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	<u>Note</u>	<u>Group</u>		<u>Company</u>	
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
		RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from disposal of property, plant and equipment	10	-	-	-	-
Purchase of property, plant and equipment		(321,201)	(8,572)	-	-
Increase in deposit with maturity more than three months		-	(76)	-	-
Investment in redeemable preference share		-	-	(128,340)	-
Net cash flows used in investing activities		(321,191)	(8,648)	(128,340)	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase in debt service reserve account ("DSRA")		(2,784)	(10,408)	-	-
Increase in deposits with maturity more than 3 months		(78)	-	-	-
Repayment of performance incentives		(7,342)	(6,227)	-	-
Repayment of bank borrowings		(175,031)	(158,010)	-	-
Repayment of lease liabilities		(68,583)	(25,751)	-	-
Interest paid		(40,652)	(44,284)	-	-
Commitment and other fees paid on borrowings		(3,499)	(1,377)	-	-
Repayment of advances from subsidiaries		-	-	-	(125)
Dividends paid		(65,660)	(43,000)	(65,660)	(43,000)
Proceeds from issues of redeemable preference share		246,620	-	246,620	-
Redemption of redeemable preference share		(2,440)	-	(2,440)	-
Proceeds from drawdown of borrowings		208,097	-	-	-
Net cash flows from/(used in) financing activities		88,648	(289,057)	178,520	(43,125)

MEASAT GLOBAL BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	<u>Note</u>	<u>Group</u>		<u>Company</u>	
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
		RM'000	RM'000	RM'000	RM'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		217,964	83,137	243,931	(328)
EFFECTS OF EXCHANGE RATE CHANGES		(2,248)	2,185	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		425,026	339,704	5,099	5,427
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	21	<u>640,742</u>	<u>425,026</u>	<u>249,030</u>	<u>5,099</u>

Non-cash transactions

Out of the total proceeds from the issuance of USD RPS, RM129.58 million has been paid directly by MAIH to the ordinary shareholders and redeemable preference shareholder of the Company to settle the dividend payable by the Company. The remaining balance of RM246.62 million is received in cash by the Company.

The notes on pages 13 to 74 form part of these financial statements.

MEASAT GLOBAL BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

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, provision of satellite bandwidth capacity and provision of broadband services.

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 Directors regard MGNS as the immediate holding company and MAIH, as the ultimate holding company. Both companies are incorporated and domiciled in Malaysia.

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The address of the registered office of the Company is as follows:

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

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

MEASAT Teleport and Broadcast Centre
63000 Cyberjaya
Malaysia

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied 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 Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the CA2016 in Malaysia.

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 MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

MEASAT GLOBAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

Standards, amendments to published standards that are effective and applicable to the Group and the Company

The Group and the Company have applied the following standards and amendments for the first time for the financial year beginning on 1 January 2019:

- MFRS 16 'Leases'
- Amendments to MFRS 9 'Prepayment Features with Negative Compensation'
- IC Interpretation 23 'Uncertainty over Income Tax Treatments'
- Annual improvements to MFRS 2015 – 2017 Cycle

The Group and the Company have adopted MFRS 16 for the first time in the 2019 financial statements, which resulted in changes in accounting policies. The detailed impact of change in accounting policies is set out in Note 32.

Other than that, the adoption of other amendments listed above did not have any impact on the current period or any prior period and is not likely to affect future periods.

Standards and amendments to published standards that are applicable to the Group and the Company but not yet effective

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2019. None of these is expected to have a significant effect on the consolidated financial statements of the Group and the Company, except the following set out below:

- Amendments to MFRS 3 'Definition of a Business' (effective 1 January 2020) revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

In addition, the revised definition of the term 'outputs' is narrower, focusses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Standards and amendments to published standards that are applicable to the Group and the Company but not yet effective (continued)

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2019. None of these is expected to have a significant effect on the consolidated financial statements of the Group and the Company, except the following set out below (continued):

- The amendments introduce an optional simplified assessment known as 'concentration test' that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

Amendments to MFRS 101 and MFRS 108 'Definition of Material'

The amendments shall be applied prospectively.

(b) Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition related costs are directly expensed as incurred.

The excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is recorded 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 statement of comprehensive income. See accounting policy Note 2(d) on goodwill.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(b) Basis of consolidation (continued)**

Inter-company transactions, balances and gains or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the statements of comprehensive income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to statements of comprehensive income.

(c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Freehold land is not depreciated as it has an infinite life. Other property, plant and equipment are depreciated on the straight line method to write-off the cost of each category of assets 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 are depreciated over their useful lives as follows:

	Years
Buildings	50
Telecommunications equipment	10 - 17.6
Office equipment	6.67
Furniture, fittings and renovations	6
Computers	3 - 5
Motor vehicles	5

Capital work-in-progress comprising mainly telecommunications equipment under construction are not depreciated until they are ready for their intended use.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date.

At each reporting 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 2(r) on impairment of non-financial assets.

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

(d) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

The Group allocates goodwill to its satellite operations. See accounting policy Note 2(r) on impairment of non-financial assets.

(e) Financial assets

Classification

The Group and the Company classify its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ('OCI') or through profit or loss), and
- those to be measured at amortised cost

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets (continued)

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group and the Company measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ('FVTPL'), transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ('SPPI').

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. The Group and the Company reclassify debt investments when and only when their business model for managing those assets changes.

There are two measurement categories into which the Group and the Company classify its debt instruments:

(i) Financial assets at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in other income. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets (continued)

Debt instruments (continued)

ii) Financial assets at fair value through other comprehensive income ('FVOCI')

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of comprehensive income.

Equity instruments

The Group and the Company subsequently measure all equity investments at fair value. Where the Group's and the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's and the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of comprehensive income.

Subsequent measurement - Impairment of financial assets

• **Impairment for debt instruments and financial guarantee contracts**

The Group and the Company assess on a forward looking basis the expected credit loss ('ECL') associated with their debt instruments carried at amortised cost and at FVOCI and financial guarantee contracts issued. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group and the Company have three types of financial instruments that are subject to the ECL model:

- Trade receivables
- Other receivables and deposits
- Amount due from subsidiaries

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets (continued)

Subsequent measurement - Impairment of financial assets (continued)

• **Impairment for debt instruments and financial guarantee contracts (continued)**

While cash at bank and deposits are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group and the Company expect to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Simplified approach for trade receivables

The Group and the Company apply the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables.

General 3-stage approach for other receivables, deposits and amounts due from subsidiaries

At each reporting date, the Group and the Company measures ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

(f) Investment in subsidiaries

Investment in subsidiaries is stated 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 2(r) on impairment of non-financial assets.

External costs directly attributable to 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 disposal proceeds and the carrying amount is recognised in the statement of comprehensive income.

Redeemable preference shares of a subsidiary are classified as equity investment according to the economic substance of the particular investment.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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 the 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 (and tax laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

The measurement of deferred tax liabilities and deferred tax assets shall reflect the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority or either the taxable entity or different taxable entities when there is an intention to settle the balances on a net basis.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank and deposits with licensed banks that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value. For the purposes of the statement of cash flows, cash and cash equivalents are presented net of deposits with maturity more than three months or those in debt service reserve account ("DSRA").

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

The Group and the Company classify their financial liabilities in the following categories: at FVTPL, other financial liabilities at amortised cost and financial guarantee contracts. Management determines the classification of its financial liabilities at initial recognition. The Group and the Company have not issued any financial guarantee contracts.

(i) Payables

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year. Otherwise, they are presented as non-current liabilities.

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(ii) Borrowings

Classification

Borrowings are initially recognised based on the proceeds received, net of deferred issue costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the final amount paid to discharge the borrowing and the initial proceeds is recognised in the statement of comprehensive income over the borrowing period using the effective interest method.

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

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 reporting date.

Capitalisation of borrowing costs

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 statement of comprehensive income.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(j) Leases**Accounting policies applied from 1 January 2019

From 1 January 2019, leases are recognized as right-of-use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date). Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

(i) Lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

(ii) ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received; and
- Any initial direct costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

(iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase and extension options if the group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leases (continued)

Accounting policies applied from 1 January 2019 (continued)

(iii) Lease liabilities (continued)

The Group presents the lease liabilities within borrowings in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in the statement of profit or loss.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(iv) Reassessment of lease liabilities

The Group is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

Accounting policies applied until 31 December 2018

(i) Finance lease

Until 31 December 2018, leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership were classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

(ii) Operating lease

Leases in which a significant (substantially all) portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Provision

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of economic resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(l) Derivative financial instruments

Classification

The Group is a party to financial instruments that comprise interest rate swap contracts, cross currency interest rate swap contracts and par forward contracts.

Interest rate swap contracts, cross currency interest rate swap contracts and par forward contracts

Interest rate swap contracts, cross currency interest rate swap contracts and par forward contracts are designed to manage the Group's exposure and to protect the Group from movements in foreign exchange and interest 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 a 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 statement of comprehensive income.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each reporting date. The unrealised gain or loss on remeasurement and realised gain or loss on settlement is immediately recognised in the statement of comprehensive income.

Fair value estimation

In assessing the fair value of financial instruments, the Group makes certain assumptions and applies the estimated discounted value of future cash flows to determine the fair value of financial instruments. The fair values of financial assets and financial liabilities are estimated by discounting future cash flows at the current 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.

For derivative financial instruments that are measured at fair value, the fair values are determined using a valuation technique which utilises data from recognised financial information sources. Assumptions are based on market conditions existing at each reporting date. The fair value is calculated as the present value of estimated future cash flow using an appropriate market based yield curve.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Share capital

(i) Classification

Ordinary shares and preference shares with discretionary dividends, conversion and redemption at the option of the issuer are classified as equity.

(ii) Dividends to the shareholders of the Company

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

(n) Revenue recognition

Transponder lease services and related fees

The Group principally generates revenue from providing satellite bandwidth capacity including satellite transponder leasing, set-up services and other services such as uplink/downlink support, managed bandwidth services and colocation services.

The Group recognises revenue when a contractual performance obligation is fulfilled by transferring control over the promised services or products to a customer provided that collectability of the consideration is probable. Revenue is measured based on the transaction price i.e. the consideration agreed in the contract with the customer excluding amounts collected on behalf of third parties such as sales taxes. In determining the transaction price, the Group considers variable and non-cash consideration such as rebates or discounts to the extent that it is highly probable that a significant reversal will not occur.

The Group recognises transponder lease revenue when services are rendered. Revenue from set-up services is recognised at the point in time upon delivery and acceptance of the services by the customers where the control is being transferred to the customers.

The total transaction price of bundled contract is allocated among the individual performance obligations based on their relative standalone selling prices. The stand-alone selling prices are determined based on the observable price at which the Group sells the products and services on a standalone basis. For products and services that are not sold separately (e.g. set-up services), the Group estimates standalone selling prices using other methods such as adjusted market assessment approach, cost plus margin approach or residual approach.

Provision of satellite bandwidth capacity

The Group recognises satellite bandwidth capacity revenue when services are rendered.

To recognise a revenue, the Group would apply the following five step models:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract;
- Recognise revenue when the entity satisfies the performance obligation

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue recognition (continued)

Provision of broadband services

The Group recognises revenue when the services are rendered, when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity. Invoices billed in advance for future performance are recorded as advance billings under other payables in the statement of financial position.

Dividend income

Dividend income is recognised when the right to receive payment is established.

(o) Other operating income

Rental income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

(p) Finance income

Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the effective interest rate over the period to maturity, when it is determined that such income will accrue to the Group and the Company.

(q) 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 each entity operates (the "functional currency"). The Group's financial statements are presented in Ringgit Malaysia ("RM"), which is the Company'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 date of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Foreign currencies (continued)

(iii) Group companies

The results and financial position of all the Group entities that have a different functional currency are translated into the Company's presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income presented are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

(r) Impairment of non-financial assets

Any impairment loss of non-financial assets is charged to the statement of comprehensive income. Impairment losses on goodwill are not reversed. In respect of other non-financial assets, any subsequent increase in recoverable amount is recognised in the statement of comprehensive income to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

(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 the defined contribution plan are charged to the statement of comprehensive income in the period to which they relate. Once the contributions have been paid, the Group has no further obligations.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Contingent assets and liabilities

The Group does not recognise contingent assets and liabilities but discloses their 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.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one of more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors 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 outlined below.

(a) Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(r). The recoverable amount of the CGU 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 provision of satellite services, future inflationary rates and appropriate discount rates are required in order to project the future cash flows of the business operations. These judgements are based on the historical track record and expectations of future events that are believed to be reasonable under the current circumstances.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Recognition of deferred tax assets

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 judgements regarding the future financial performance of the Group. In addition, the recognition of deferred tax assets arising from capital allowances, investment allowances and investment tax allowances are subject to judgement on the ability of the satellites to remain operational given its finite useful life which is highly dependent on its fuel and on board power capacity.

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

The Group reviews annually the estimated useful lives of property, plant and equipment based on factors such as business plans and strategies, expected level of usage and future technological developments. It is possible that 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 carrying value of property, plant and equipment.

The residual values of property, plant and equipment are reviewed and adjusted as appropriate at each reporting date based on factors such as readily available market information.

(d) Extension options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension options was a decrease in lease liabilities and ROU assets of RM209k. Refer to Note 23 for details about the Group's leases.

e) Impairment assets of property, plant and equipment/ROU assets

Property, plant and equipment/ROU assets will be impaired when their carrying amount exceeds recoverable amount. The recoverable amount will be determined based on value in use calculations. These calculations are inherently judgemental and susceptible to change from period to period because they require the Group to make assumptions on the revenue growth and appropriate discount rate.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)**4 FINANCIAL RISK MANAGEMENT**

The Group's activities expose it to a variety of financial risks, including market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. The Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Financial risk management is carried out through risk review, internal control systems and adherence to the Group's risk management policies. The Group does not trade in financial instruments.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of the financial instruments that the Group has will fluctuate because of changes in market prices. The various components of market risk that the Group is exposed to are discussed below.

(i) Foreign exchange risk

The foreign exchange risk of the Group and Company arises from future commercial transactions and recognised assets and liabilities denominated in currencies other than RM which are mainly US Dollar ("USD"), Singapore Dollar ("SGD") and Euro Dollar ("EUR"). The risk is measured using sensitivity analysis and cash flow forecasting. The exposures of the Group and Company to foreign currency risk are as follows:

	<u>2019</u> RM'000	<u>2018</u> RM'000
<u>Group</u>		
<u>USD</u>		
Deposit, cash and bank balances	382,889	236,127
Trade receivables	44,782	55,888
Borrowings	(1,511,422)	(1,066,460)
Payables and accruals	(145,697)	(169,439)
Derivative financial instruments		
- cross currency interest rate swap	(4,038)	(7,213)
- interest rate swap	(465)	1,176
- par forward	2,059	-
	<u>(1,231,892)</u>	<u>(949,921)</u>
<u>SGD</u>		
Borrowings	(52,166)	(95,755)
Cross currency interest rate swap	52,166	95,755
	<u>-</u>	<u>-</u>
<u>EUR</u>		
Deposit, cash and bank balances	574	-
	<u>574</u>	<u>-</u>
<u>Company</u>		
<u>USD</u>		
Borrowings	376,254	-
	<u>376,254</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Sensitivity

The following table demonstrates the sensitivity of the Group's and Company's profit after tax to a reasonably possible change in the USD and EUR against RM, with all other variables held constant.

	<u>2019</u> RM'000	<u>2018</u> RM'000
<u>Group</u>		
<u>USD/RM</u>		
Impact on profit after tax		
- strengthened by 3%	(38,987)	(29,415)
- weakened by 3%	<u>38,987</u>	<u>29,415</u>
<u>EUR/RM</u>		
Impact on profit after tax		
- strengthened by 3%	13	-
- weakened by 3%	<u>(13)</u>	<u>-</u>
<u>Company</u>		
<u>USD/RM</u>		
Impact on profit after tax		
- strengthened by 3%	(11,288)	-
- weakened by 3%	<u>11,288</u>	<u>-</u>

(ii) 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 swaps.

The Group's interest rate risk arises from borrowings. The Group's borrowings at variable rates were denominated in USD, SGD and RM. The Group analyses its interest rate exposure on a dynamic basis.

As at 31 December 2019, the Group has the following variable rate borrowings outstanding:

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	<u>2019</u> RM'000	<u>2018</u> RM'000
Bank borrowings	953,461	960,320
<u>Notional principal amounts:</u>		
- Cross currency interest rate swaps	(51,978)	(95,123)
- Interest rate swaps	(59,054)	(68,724)
Net exposure to interest rate risk	<u>842,429</u>	<u>796,473</u>

Sensitivity

The following table demonstrates the sensitivity of the Group's profit after tax to a 1% change in interest rates, with all other variables held constant.

	<u>2019</u> RM'000	<u>2018</u> RM'000
Impact on profit after tax		
- 1% increase in interest rate	(6,885)	(6,602)
- 1% decrease in interest rate	<u>6,885</u>	<u>6,602</u>

Derivative financial instruments

As at 31 December 2019, the fair value of the derivative financial instruments is RM2,444,000 (2018: RM6,037,000) representing the difference between the fair value of the foreign exchange and interest rates as at 31 December 2019 and the contracted foreign exchange and interest rates at the inception of the instrument. Gains or losses recognised on the cross currency interest rate swap contracts and the interest rate swap contracts will be continuously released to the statement of comprehensive income until the full repayment of the borrowings.

The notional principal amount of the derivative financial instruments outstanding is as follows:

	<u>2019</u> RM'000	<u>2018</u> RM'000
Current	23,920	43,238
Non-current	87,112	120,609
	<u>110,032</u>	<u>163,847</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) 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 services are rendered to customers with an appropriate credit history.

3 customers account for 38% (2018: 56%) of total trade receivables. However, credit risk with respect to trade receivables are limited due to the Group's trade history with these customers, who are regionally dispersed, and these customers provide a broad spectrum of broadcasting and telecommunication services. Trade receivables are monitored on an on-going basis.

The credit quality of financial assets that are neither past due nor impaired as at the end of reporting period can be assessed by reference to historical information about customers default rates.

<u>Trade receivables</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
Customers without external credit rating		
- New customers (within 1 year)	9,111	1,794
- Existing customers with no defaults	73,701	161,914
- Existing customers with history of default	24,941	11,838
	<u>107,753</u>	<u>175,546</u>

Impairment

The Group applies MFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance for all trade receivables. Trade receivables which are in default or credit impaired are assessed individually. Movement of the impairment of trade receivables is as follows:

	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
As at 1 January (based on MFRS 9)	11,838	4,917
Allowance for impairment during the year	6,960	6,840
Reversal of allowance for impairment during the year	(332)	-
Amount written off	-	(11)
Unrealised foreign exchange loss/(gain)	(168)	92
As at 31 December	<u>18,298</u>	<u>11,838</u>

Related parties balances

The Company has no made any payments on behalf of its subsidiaries (2018: RM5,000). The Company monitors the results of its subsidiaries regularly. As at 31 December 2019, the maximum exposure to credit risk is represented by the carrying amount of the receivables in the statement of financial position.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Related parties balances (continued)

Management has taken reasonable steps to ensure that intercompany receivables are stated at the realisable values. The related parties receivables are assessed on individual basis for ECL measurement. As at 31 December 2019, the identified impairment loss was immaterial.

Other receivables and deposits

The Group and the Company have taken reasonable steps to ensure that other receivables and deposits are stated at the realisable values. The other receivables and deposits are assessed on individual basis for ECL measurement. As at 31 December 2019, the identified impairment loss was immaterial.

Cash at bank and deposits with licensed banks

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
Local licensed banks with external credit rating ⁽¹⁾ :				
- AAA	394,276	193,421	249,030	5,099
- AA2	10,035	28,563	-	-
- A1	-	7,030	-	-
Offshore licensed banks with external credit rating ⁽²⁾ :				
- A1	305,496	261,859	-	-
	<u>709,807</u>	<u>490,873</u>	<u>249,030</u>	<u>5,099</u>

Note:

Source: Ratings provided by:

(1) RAM Rating Services Berhad

(2) Standard & Poor's

The Group and the Company have no significant concentration of credit risk as its cash at bank and deposits are placed with highly rated financial institutions. While cash at bank and deposits are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

(c) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The Group and the Company manage their liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of their financial assets and liabilities.

The table below summarises the Group's and the Company's undiscounted contractual cash flows payable under the financial instruments as at the reporting date. For the cross currency and interest rate swaps, the cash flows have been estimated using forward interest rates applicable at the reporting date.

<u>Group</u>	<u>On demand or within 1 year RM'000</u>	<u>1 - 5 years RM'000</u>	<u>Over 5 years RM'000</u>	<u>Total RM'000</u>
<u>2019</u>				
Trade payables	5,268	-	-	5,268
Accrued charges	19,365	-	-	19,365
Deposits from customers	136,784	-	-	136,784
Bank borrowings				
- Variable rate	428,465	359,466	55,739	843,670
- Fixed rate	37,416	157,804	74,810	270,030
Non-trade payables				
- Fixed rate	12,466	29,037	20,943	62,446
Derivatives				
- Cross currency interest rate swap	2,105	2,252	-	4,357
- Interest rate swap	33	58	-	91
Lease liabilities	59,793	162,783	103,302	325,878
USD redeemable preference shares	-	457,241	-	457,241
	<u>701,695</u>	<u>1,168,641</u>	<u>254,794</u>	<u>2,125,130</u>
<u>2018</u>				
Trade payables	6,294	-	-	6,294
Accrued charges	22,783	-	-	22,783
Deposits from customers	93,523	-	-	93,523
Bank borrowings				
- Variable rate	202,939	461,285	113,824	778,048
- Fixed rate	36,380	155,357	119,104	310,841
Non-trade payables				
- Fixed rate	12,811	35,121	26,275	74,207
Derivatives				
- Cross currency interest rate swap	4,450	5,077	-	9,527
- Interest rate swap	(1,099)	(2,552)	(32)	(3,683)
Finance lease liabilities	34,743	138,971	139,178	312,892
	<u>412,824</u>	<u>793,259</u>	<u>398,349</u>	<u>1,604,432</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

<u>Company</u>	On demand or within <u>1 year</u> RM'000	<u>1 - 5</u> <u>years</u> RM'000	Over <u>5 years</u> RM'000	<u>Total</u> RM'000
<u>2019</u>				
Trade and other payables	175	-	-	175
USD redeemable preference shares	-	457,241	-	457,241
	<u>175</u>	<u>457,241</u>	<u>-</u>	<u>457,416</u>
<u>2018</u>				
Trade and other payables	<u>116</u>	<u>-</u>	<u>-</u>	<u>116</u>

(d) Capital risk management

The Group's and the Company's objective when managing capital is to safeguard the Group's and the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, incur borrowings or issue new shares.

The capital structure for the Group and the Company consists of borrowings, non-trade payables, deposits, cash and bank balances and total equity, comprising issued share capital and retained earnings as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
Borrowings	1,564,591	1,163,593	376,254	-
Non-trade payables	51,058	59,792	-	-
Less: Deposits, cash and bank balances	<u>(709,895)</u>	<u>(491,317)</u>	<u>(249,030)</u>	<u>(5,099)</u>
Net Debt	905,754	732,068	127,224	(5,099)
Total equity	<u>1,752,885</u>	<u>1,943,052</u>	<u>1,464,991</u>	<u>1,468,894</u>
Total capital	<u>2,658,639</u>	<u>2,675,120</u>	<u>1,592,215</u>	<u>1,463,795</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value estimation

(i) Financial instruments carried at amortised cost

The carrying amounts of non-current financial liabilities of the Group and the Company at the reporting date approximated their fair values except as set out below:

<u>Group</u>	<u>Carrying amount RM'000</u>	<u>Fair value RM'000</u>
<u>At 31 December 2019</u>		
Non-trade payables	39,497	42,835
Lease liabilities	<u>224,704</u>	<u>240,601</u>
<u>At 31 December 2018</u>		
Non-trade payables	48,358	51,227
Finance lease liabilities	<u>224,850</u>	<u>239,591</u>

(ii) Financial instruments carried at FVTPL

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following table represents the assets and liabilities measured at fair value, using Level 2 valuation method at reporting date:

<u>Group</u>	<u>2019 RM'000</u>	<u>2018 RM'000</u>
Derivative financial instruments		
- Asset	2,059	1,176
- Liabilities	<u>(4,503)</u>	<u>(7,213)</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value estimation (continued)

(iii) Financial instruments carried at FVOCI

Financial assets at FVOCI comprise equity securities which are not held for trading, and which the Group and the Company have elected at initial recognition to recognise in this category. The Group and the Company hold investments that are unlisted securities, and measured at fair value, using Level 3 valuation technique, at reporting date:

Company

	<u>2019</u> RM'000	<u>2018</u> RM'000
Financial assets at FVOCI	<u>128,340</u>	<u>-</u>

The valuation technique used to derive the Level 3 fair value disclosure for financial asset is based on the estimated cash flow and discount rate of the underlying counterparty.

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4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Offsetting financial assets and financial liabilities

(i) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar arrangements.

<u>Group</u>	<u>Gross amounts of recognised financial assets</u> RM'000	<u>Gross amounts of financial liabilities set off in the statements of financial position</u> RM'000	<u>Net amount of financial assets presented in the statements of financial position</u> RM'000	<u>Related amounts not set off in the statements of financial position</u>		<u>Net amount</u> RM'000
				<u>Financial instruments</u> RM'000	<u>Cash collateral received</u> RM'000	
<u>At 31 December 2019</u>						
Trade receivables	107,753	-	107,753	-	(7,990)	99,763
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>At 31 December 2018</u>						
Trade receivables	175,546	-	175,546	-	(6,984)	168,562
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Offsetting financial assets and financial liabilities (continued)

(ii) Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar arrangements.

<u>Group</u>	<u>Gross amounts of recognised financial assets</u> RM'000	<u>Gross amounts of financial liabilities set off in the statements of financial position</u> RM'000	<u>Net amount of financial assets presented in the statements of financial position</u> RM'000	<u>Related amounts not set off in the statements of financial position</u>		<u>Net amount</u> RM'000
				<u>Financial instruments</u> RM'000	<u>Cash collateral received</u> RM'000	
<u>At 31 December 2019</u>						
Payables and accruals	<u>136,784</u>	<u>-</u>	<u>136,784</u>	<u>(7,990)</u>	<u>-</u>	<u>128,794</u>
<u>At 31 December 2018</u>						
Payables and accruals	<u>93,523</u>	<u>-</u>	<u>93,523</u>	<u>(6,984)</u>	<u>-</u>	<u>86,539</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

5 REVENUE

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Transponder lease rental	479,860	494,451	-	-
Provision of satellite bandwidth capacity	31,981	36,142	-	-
Value-added services	29,142	25,660	-	-
Provision of broadband services	4,436	2,245	-	-
Dividend income	-	-	192,540	42,990
	<u>545,419</u>	<u>558,498</u>	<u>192,540</u>	<u>42,990</u>

6 OTHER OPERATING INCOME

	Group	
	2019	2018
	RM'000	RM'000
Rental income - related companies	361	1,773
Others	19	453
	<u>380</u>	<u>2,226</u>

7 PROFIT FROM OPERATIONS

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<u>The following items have been charged/ (credited) in arriving at the profit from operations:</u>				
Auditors' remuneration				
- PricewaterhouseCoopers PLT	200	213	55	54
- others	144	104	-	-
Amortisation of prepaid lease payments	26	25	-	-
Property, plant and equipment				
- depreciation	171,123	207,533	-	-
- write-off	5	-	-	-
- gain on disposal	(7)	-	-	-
- impairment loss	-	45,000	-	-
Right-of-use assets				
- depreciation	35,504	-	-	-
- impairment loss	53,500	-	-	-
Amortisation of capacity purchased	-	29,429	-	-
Foreign exchange loss/(gain)				
- realised	6,331	4,416	-	-
- unrealised	1,074	(2,249)	-	-
Allowance for impairment of trade receivables	6,960	6,840	-	-
Reversal of allowance for impairment of trade receivables	(332)	-	-	-
Rental of building	230	225	-	-

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

7 PROFIT FROM OPERATIONS (CONTINUED)

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<u>The following items have been charged/</u> <u>(credited) in arriving at the profit from</u> <u>operations: (continued)</u>				
Rental of equipment	815	348	-	-
Professional fees	44,962	7,507	12	77
Staff cost (Note 8)	32,773	30,296	40	40
	<u>32,773</u>	<u>30,296</u>	<u>40</u>	<u>40</u>

8 STAFF COST

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Directors' fees	155	152	40	40
Salaries, wages and bonuses	24,896	23,205	-	-
Employees Provident Fund	3,640	3,347	-	-
Other employee benefits	4,082	3,592	-	-
	<u>32,773</u>	<u>30,296</u>	<u>40</u>	<u>40</u>

9 FINANCE INCOME AND COSTS

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
(a) <u>Finance income</u>				
Interest income	11,977	10,024	2,117	188
	<u>11,977</u>	<u>10,024</u>	<u>2,117</u>	<u>188</u>
(b) <u>Finance costs</u>				
Amortisation of deferred issue cost	10,018	15,866	-	-
Commitment fees and other fees	1,028	107	-	-
Interest expense	45,364	44,037	7,255	-
Lease charges	16,475	13,805	-	-
Foreign exchange loss/(gain)				
- realised	38,790	33,558	-	-
- unrealised	(52,017)	(25,725)	(7,201)	-
Fair value gain on derivatives	(3,586)	(2,097)	-	-
	<u>56,072</u>	<u>79,551</u>	<u>54</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

10 TAX EXPENSE

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
Current tax				
- current year (corporate tax)	13,766	295	500	41
- current year (withholding tax)	22,917	23,778	-	-
- over accrual in prior year	(65)	(142)	(3)	(15)
Deferred tax (Note 18)				
- origination and reversal of temporary differences	26,437	22,198	-	-
	<u>63,055</u>	<u>46,129</u>	<u>497</u>	<u>26</u>

The Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 24%) on the estimated chargeable income for the financial year.

The tax savings arising from the utilisation of capital allowances, investment tax allowances and investment allowance for the Group amounted to RM3,963,000 (2018: RM7,480,000), RM29,674,000 (2018: RM55,039,000) and nil (2018: RM115,000) respectively.

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

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	%	%	%	%
Numerical reconciliation between the Malaysian tax rate and average effective tax rate:				
Malaysian tax rate	24	24	24	24
Tax effects of:				
- deferred tax asset not recognised	47	7	-	-
- expenses not deductible for tax purposes	24	22	-	-
- gains/income not subject to tax	(32)	(23)	(24)	(24)
- withholding tax	24	23	-	-
- different tax rate between Malaysia and Mauritius	(9)	(5)	-	-
- others	(12)	(4)	-	-
Average effective tax rate	<u>66</u>	<u>44</u>	<u>-</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

11 PROPERTY, PLANT AND EQUIPMENT

<u>Group</u>	<u>As at</u> <u>1.1.2019</u> RM'000	<u>Adoption</u> <u>of</u> <u>MFRS16</u> <u>(Note 32)</u> RM'000	<u>Additions</u> RM'000	<u>Assets</u> <u>disposed</u> RM'000	<u>Assets</u> <u>written-off</u> RM'000	<u>Currency</u> <u>translation</u> <u>differences</u> RM'000	<u>As at</u> <u>31.12.2019</u> RM'000
<u>2019</u>							
<u>Cost</u>							
Freehold land	7,631	-	-	-	-	-	7,631
Buildings	77,470	-	-	-	-	-	77,470
Telecommunications equipment	3,397,849	(266,290)	8,250	-	(5)	(13,499)	3,126,305
Office equipment	5,063	-	-	-	-	-	5,063
Furniture, fittings and renovations	9,120	-	228	-	-	-	9,348
Computers	10,223	-	1,048	(317)	(50)	-	10,904
Motor vehicles	929	-	-	-	-	-	929
	<u>3,508,285</u>	<u>(266,290)</u>	<u>9,526</u>	<u>(317)</u>	<u>(55)</u>	<u>(13,499)</u>	<u>3,237,650</u>
Capital work-in-progress	284	-	314,185	-	-	-	314,469
	<u>3,508,569</u>	<u>(266,290)</u>	<u>323,711</u>	<u>(317)</u>	<u>(55)</u>	<u>(13,499)</u>	<u>3,552,119</u>
<u>Accumulated depreciation</u>							
Buildings	26,640	-	1,586	-	-	-	28,226
Telecommunications equipment	1,902,721	(102,078)	167,887	-	-	(4,441)	1,964,089
Office equipment	4,574	-	66	-	-	-	4,640
Furniture, fittings and renovations	7,433	-	570	-	-	-	8,003
Computers	7,964	-	912	(314)	(50)	-	8,512
Motor vehicles	451	-	102	-	-	-	553
	<u>1,949,783</u>	<u>(102,078)</u>	<u>171,123</u>	<u>(314)</u>	<u>(50)</u>	<u>(4,441)</u>	<u>2,014,023</u>
<u>Accumulated impairment</u>							
Telecommunications equipment	45,000	(45,000)	-	-	-	-	-

Borrowing costs amounting to RM3,602,124 have been capitalised on property, plant and equipment during the financial year ended 31 December 2019.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	As at 1.1.2018 RM'000	Additions RM'000	Assets written-off RM'000	Currency translation differences RM'000	As at 31.12.2018 RM'000
2018					
Cost					
Freehold land	7,631	-	-	-	7,631
Buildings	77,470	-	-	-	77,470
Telecommunications equipment	3,364,447	8,204	-	25,198	3,397,849
Office equipment	4,829	234	-	-	5,063
Furniture, fittings and renovations	9,042	78	-	-	9,120
Computers	9,887	341	(5)	-	10,223
Motor vehicles	815	114	-	-	929
	<u>3,474,121</u>	<u>8,971</u>	<u>(5)</u>	<u>25,198</u>	<u>3,508,285</u>
Capital work-in-progress	-	284	-	-	284
	<u>3,474,121</u>	<u>9,255</u>	<u>(5)</u>	<u>25,198</u>	<u>3,508,569</u>
Accumulated depreciation					
Buildings	25,027	1,613	-	-	26,640
Telecommunications equipment	1,690,939	204,209	-	7,573	1,902,721
Office equipment	4,526	48	-	-	4,574
Furniture, fittings and renovations	6,882	551	-	-	7,433
Computers	6,950	1,019	(5)	-	7,964
Motor vehicles	358	93	-	-	451
	<u>1,734,682</u>	<u>207,533</u>	<u>(5)</u>	<u>7,573</u>	<u>1,949,783</u>
Accumulated impairment					
Telecommunications equipment	-	45,000	-	-	45,000

	Group	
	2019	2018
	RM'000	RM'000
Net book value		
Freehold land	7,631	7,631
Buildings	49,244	50,830
Telecommunications equipment	1,162,216	1,450,128
Office equipment	423	489
Furniture, fittings and renovations	1,345	1,687
Computers	2,392	2,259
Motor vehicles	376	478
	<u>1,223,627</u>	<u>1,513,502</u>
Capital work-in-progress	314,469	284
	<u>1,538,096</u>	<u>1,513,786</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The net book value of property, plant and equipment held under finance lease is as follows:

	<u>Group</u> <u>2018</u> RM'000
Telecommunications equipment	119,213

Certain telecommunications equipment have been pledged as security for the borrowings as disclosed in Note 23 to the financial statements.

12 RIGHT-OF-USE ("ROU") ASSETS

(a) Amounts recognised in the statement of financial position

	Telecommunication <u>equipments</u> RM'000
<u>2019</u>	
Adoption of MFRS16	181,382
Remeasurement ⁽¹⁾	(209)
Depreciation	(35,504)
Impairment	(53,500)
Foreign currency translation differences	(266)
As at 31 December	<u>91,903</u>

In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under MFRS 117. The finance lease assets were presented in property, plant and equipment and the finance lease liabilities as part of the Group's borrowings. Adjustments recognised on adoption of MFRS 16 on 1 January 2019 are disclosed in Note 32.

Note:

(1) Remeasurement due to revision in lease term and lease payments.

(b) Amounts recognised in the statement of comprehensive income

	<u>2019</u> RM'000
Interest expense	16,475
Rental expenses relating to low value and short-term leases	1,045
	<u>17,520</u>

(c) Amounts recognised in the statement of cash flows

Repayment of lease financing	<u>68,583</u>
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

12 RIGHT-OF-USE ("ROU") ASSETS (CONTINUED)

Impairment for the A1a satellite

The impairment loss of RM53.5 million (2018: RM45.0 million) during the financial year relates to the A1a satellite where its carrying amount exceeds its recoverable amount. The recoverable amount of the A1a satellite is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on internally approved financial model covering a 10-year period. These calculations are inherently judgemental and susceptible to change from period to period because they require the Company to make assumptions on the revenue growth and appropriate discount rate.

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

- (a) 10 years financial projection period which reflects management's forecasted revenue and associated costs based on future expectations of the A1a satellite performance until its predicted end-of-life; and
- (b) pre-tax discount rate of 6.7% (2018: 7.3%) based on the Weighted Average Cost of Capital (WACC) of comparable companies in the industry.

The key assumptions represent management's assessment of future trends for A1a satellite business and are based on both internal and external sources. The sensitivity analysis for the key assumptions is set out as below:

- (a) an increase/decrease in projected revenue by 0.5% would cause the impairment loss to decrease/increase by RM0.3 million (2018: RM0.6 million).
- (b) an increase/decrease in discount rate by 0.5% would cause the impairment loss to increase/decrease by RM0.8 million (2018: RM3.0 million).

13 PREPAID LEASE

	<u>2019</u>	<u>Group</u> <u>2018</u>
<u>Cost</u>	RM'000	RM'000
As at 1 January/31 December	1,539	1,539
<u>Accumulated amortisation</u>		
As at 1 January	280	255
Charge for the year	26	25
As at 31 December	306	280
Net book value	1,233	1,259

Prepaid lease relates to a leasehold land on which the building of the Company's subsidiary is located in Langkawi. The prepaid lease payment covers a lease period of 60 years expiring in 2068.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

14 GOODWILL

	<u>2019</u>	<u>Group</u> <u>2018</u>
	RM'000	RM'000
<u>Cost</u>		
As at 1 January/31 December	1,186,857	1,186,857

The Group undertakes an annual test for impairment of its CGU. Based on the impairment test, no impairment loss was required for the carrying amount of goodwill as at 31 December 2019 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 Directors.

Cash flows beyond the approved financial budget period are extrapolated and revenue is estimated based on past historical track record and estimated future events under current circumstances determined for the next 5 years. Subsequently, 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 do not exceed the long term average growth rate for the industry and market. This assumption 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.

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

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

	<u>2019</u>	<u>Group</u> <u>2018</u>
	%	%
Average Satellite Utilisation Rate	67	72
Pre-tax Discount Rate	7.4	8.2
Terminal Growth Rate	1.0	1.0

The Group's review includes an impact assessment of changes in key assumptions, in particular the pre-tax discount rate and terminal growth rate. Based on the sensitivity analysis performed, the Group has concluded that any variation of 10% in the base case key assumptions would not cause the carrying amount of the goodwill to exceed its recoverable amount.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

15 INVESTMENT IN SUBSIDIARIES

	<u>Company</u>	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
<u>Unquoted shares, at cost</u>		
As at 1 January/31 December	1,463,902	1,463,902

Details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Effective interest</u>		<u>Principal activities</u>
		<u>2019</u>	<u>2018</u>	
		%	%	
<u>Directly held by the Company</u>				
MEASAT Satellite Systems Sdn. Bhd. ("MSS")	Malaysia	100	100	Regional satellite network operator and provision of satellite bandwidth capacity
MEASAT International (L) Ltd ("MIL")*	Labuan	-	100	Dissolved
MEASAT International (Malaysia) Sdn. Bhd. ("MIM")	Malaysia	100	100	Investment holding and provision of broadband services
MEASAT Broadband (International) Ltd. ("MBIL")**	Mauritius	100	100	Provision of satellite bandwidth capacity services in Malaysia, Brunei and Singapore
MEASAT Satellite (International) Ltd. ("MSIL")*	Labuan	-	100	Dissolved
MEASAT Communication Systems Sdn. Bhd. ("MCSSB") (formerly known as MEASAT Management Sdn. Bhd.)***	Malaysia	100	100	Provision of satellite bandwidth capacity and services
Pesat Sutramas Sdn. Bhd. ("PSSB")	Malaysia	100	100	Provision of broadband access services in Malaysia
<u>Subsidiary of MIM</u>				
MEASAT International (South Asia) Ltd. ("MISAL")**	Mauritius	100	100	Provision of satellite bandwidth capacity

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

15 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows (continued):

- * Both MIL and MSIL were dissolved on 3 February 2019.
- ** Audited by PricewaterhouseCoopers International Limited, a member firm but is a separate and independent legal entity from PricewaterhouseCoopers PLT Malaysia
- *** On 30 January 2019, MEASAT Management Sdn. Bhd. ("MMSB") commenced operations in the provision of satellite bandwidth capacity and services. MMSB changed its name to MEASAT Communication Systems Sdn. Bhd. on 4 April 2019.

16 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>Note</u>	<u>2019</u> RM'000	<u>Company</u> <u>2018</u> RM'000
As at 1 January		-	302
Investment in MSIL redeemable preference shares ("MSIL RPS") written-off	(i)	-	(302)
Investment in MCSSB's RM non-cumulative redeemable convertible preference shares ("MCSSB RM NCRCPs")	(ii)	128,340	-
As at 31 December		<u>128,340</u>	<u>-</u>

(i) Investment in MSIL RPS

On 8 September 2015, the Company subscribed for 70,000 MSIL RPS at an issue price of USD 1.00 per share in the capital of a subsidiary, MSIL. The main features of the MSIL RPS are as follows:

- (a) Preferential dividends are payable when and if declared by MSIL subject to available profit.
- (b) Each MSIL RPS rank in priority to the holder of the other classes of shares issued by MSIL and in the event of any winding up/repayment of capital of MSIL, payment of unpaid dividends in respect of MSIL RPS and MSIL RPS redemption price but no further rights in the distribution of any surplus assets of MSIL.
- (c) Redeemable in whole or in part at the option of MSIL on redemption date to be determined by MSIL subject to the provisions of the Labuan Companies Act, 1990.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

16 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

(i) Investment in MSIL RPS (continued)

- (d) Holders of MSIL RPS are not entitled to vote upon any resolution at general meetings, save and except for resolution affecting their rights as MSIL RPS holders.
- (e) Transferability of the MSIL RPS is subject to the consent of MSIL.

(ii) Investment in MCSSB RM NCRCPs

On 4 February 2019 and 10 May 2019, the Company subscribed for a total 128,340 MCSSB RM NCRCPs at an issue price of RM 1,000.00 per share in the capital of its subsidiary, MCSSB. The main features of the MCSSB RM NCRCPs are as follows:

- (a) Preference non-cumulative dividends are payable when and if declared by MCSSB subject to available profit of MCSSB.
- (b) Rank in priority to ordinary shares in respect of any dividend distribution and in the event of winding up of MCSSB, payment of unpaid dividends in respect of the MCSSB RM NCRCPs and the MCSSB RM NCRCPs redemption price but no further rights in the distribution of any surplus assets of MCSSB.
- (c) Redeemable in whole or in part at the option of MCSSB on a business day determined by MCSSB per provisions of the Companies Act 2016 provided such redemption would not cause MCSSB to be in breach of any licensing/regulatory conditions and financing agreements and/or covenants in relation to which MCSSB is a party, from time to time.
- (d) Convertible in whole or in part at the option of MCSSB on the conversion date at a rate to be determined by MCSSB into fully paid-up ordinary shares.
- (e) MCSSB RM NCRCPs holders are not entitled to vote upon any resolution at general meetings, save and except for resolution affecting their rights as MCSSB RM NCRCPs holders.
- (f) Transferability of the MCSSB RM NCRCPs is subject to the written consent of MCSSB provided such transfer would not cause MCSSB to be in breach of any licensing/regulatory conditions and financing arrangements and/or covenants in relation to which it is a party, from time to time.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

17 DERIVATIVES

(a) Cross currency interest rate swap

The Group had entered into cross currency interest rate swap contracts that obliged it to pay USD interest at fixed rates of 4.00% per annum in exchange for receiving floating SGD interest based on the amortisation of outstanding principal amounts matching the repayment profile of the borrowings. In addition, the contract obliges the Group to pay USD principal amounts in exchange for SGD principal amounts, at a pre-determined rate of USD 1.00 to SGD 1.2565, which are amortised on a semi-annual basis, matching the repayment profile of the borrowings.

<u>Group</u>	<u>Notional amount RM'000</u>	<u>Assets RM'000</u>	<u>Liabilities RM'000</u>
<u>As at 31 December 2019</u>			
Cross currency interest rate swap			
- Current	23,920	-	(1,858)
- Non-current	28,058	-	(2,180)
	<u>51,978</u>	<u>-</u>	<u>(4,038)</u>
<u>As at 31 December 2018</u>			
Cross currency interest rate swap			
- Current	43,238	-	(3,228)
- Non-current	51,885	-	(3,985)
	<u>95,123</u>	<u>-</u>	<u>(7,213)</u>

(b) Interest rate swap

The Group had entered into interest rate swap contracts that oblige it to pay interest at fixed rates of 1.99% per annum on notional principal amounts and entitles it to receive interest at floating rates on the same notional 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.

<u>Group</u>	<u>Notional amount RM'000</u>	<u>Assets RM'000</u>	<u>Liabilities RM'000</u>
<u>As at 31 December 2019</u>			
Interest rate swap - Non-current	59,054	-	(465)
	<u>59,054</u>	<u>-</u>	<u>(465)</u>
<u>As at 31 December 2018</u>			
Interest rate swap - Non-current	68,724	1,176	-
	<u>68,724</u>	<u>1,176</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

17 DERIVATIVES (CONTINUED)

(c) Par forward contract

The Group had entered into par forward contracts that obliged it to pay USD principal amounts in exchange for EUR principal amounts matching the milestone payments under the satellite contract, at a pre-determined rate of EUR1.00 to USD 1.1543.

<u>Group</u>	<u>Notional Amount RM'000</u>	<u>Assets RM'000</u>	<u>Liabilities RM'000</u>
<u>As at 31 December 2019</u>			
Par forward - current	76,582	2,059	-

As disclosed in Note 23(a) the weighted average interest rate of the Group's floating rate borrowings at the reporting date was 3.66% (2018: 4.14%) per annum. After the cross currency interest rates swap and the interest rate swap, the Group's weighted average interest rate was 3.73% (2018: 4.16%) per annum.

18 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 statement of financial position:

	<u>Group</u>	
	<u>2019</u>	<u>2018</u>
	<u>RM'000</u>	<u>RM'000</u>
As at 1 January	80,816	103,014
Adjustment for change in accounting policies (Note 32)	77	-
As at 1 January – As restated	80,893	103,014
(Charged)/credited to statement of comprehensive income (Note 10):		
- unabsorbed capital allowance	(16,154)	5,244
- unutilised investment allowance	(45,305)	(50,099)
- property, plant and equipment	36,921	26,298
- others	(1,899)	(3,641)
	(26,437)	(22,198)
As at 31 December	54,456	80,816

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

18 DEFERRED TAXATION (CONTINUED)

Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, unutilised tax losses of MSS and PSSB with no expiry period as at 31 December 2018 will be imposed with a time limit for utilisation. Any unutilised tax losses brought forward from year of assessment 2018 can be carried forward for another 7 consecutive years of assessment (i.e. from year of assessments 2019 to 2025).

	<u>2019</u> RM'000	<u>Group</u> <u>2018</u> RM'000
Deferred tax assets:		
- unabsorbed capital allowance	49,042	63,963
- unutilised investment tax allowance	71,206	116,511
- others	18,808	20,707
Before offsetting	139,056	201,181
Offsetting	(84,600)	(120,365)
After offsetting	<u>54,546</u>	<u>80,816</u>
Deferred tax liabilities:		
- property, plant and equipment	(84,600)	(120,365)
Offsetting	84,600	120,365
After offsetting	<u>-</u>	<u>-</u>

MSS and PSSB

As at 31 December 2019, the deductible temporary differences available to MSS and PSSB for which the related deferred tax assets have not been recognised in the financial statements amounted to:

	<u>2019</u> RM'000	<u>2018</u> RM'000
Unutilised tax losses	12,591	11,973
Unutilised capital allowance and investment tax allowance	171,488	-
	<u>184,079</u>	<u>11,973</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

18 DEFERRED TAXATION (CONTINUED)

MBIL and MISAL

As of 1 January 2019, the Deemed Foreign Tax Credit regime available to MBIL and MISAL was abolished in Mauritius. However, the current tax regime (i.e. the Deemed Foreign Tax Credit) will apply until 30 June 2021. Post 30 June 2021, MBIL and MISAL will be taxed at 15% but still can continue to claim credit for any actual foreign tax suffered. At 31 December 2019, MBIL and MISAL were not liable to income tax in Mauritius as MBIL and MISAL are claiming actual foreign tax suffered as tax credit.

Since MBIL and MISAL could continue to claim foreign tax credit for withholding tax suffered, the new tax regime should have no impact to MBIL and MISAL post 30 June 2021. By claiming the actual foreign tax credit, it is not probable that taxable profit will be available in future, hence deferred tax is not recognised.

As at 31 December 2019, the unrecognised deferred tax assets of MBIL and MISAL in the financial statements amounted to:

	<u>2019</u> RM'000	<u>2018</u> RM'000
Unutilised tax losses	175	225
Unutilised capital allowance	9,036	8,651
Other deductible temporary differences	365	21
	<u>9,576</u>	<u>8,897</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

19 TRADE AND OTHER RECEIVABLES

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
Trade receivables				
- Related companies	35,599	82,727	-	-
- Others	72,154	92,819	-	-
	<u>107,753</u>	<u>175,546</u>	<u>-</u>	<u>-</u>
Allowance for impairment	(18,298)	(11,838)	-	-
	<u>89,455</u>	<u>163,708</u>	<u>-</u>	<u>-</u>
Other receivables	10,485	11,948	387	7
Prepayments	4,474	15,023	-	-
Deposits	340	276	-	-
	<u>104,754</u>	<u>190,955</u>	<u>387</u>	<u>7</u>

Credit terms of trade receivables which ranges from payment in advance to 30 days (2018: from payment in advance to 30 days).

20 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

The amounts due from/(to) subsidiaries are non-trade in nature. The amounts are denominated in RM and are interest-free, unsecured and have no fixed terms of repayment.

21 CASH AND CASH EQUIVALENTS

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	381,196	387,435	249,009	5,036
Cash and bank balances	328,699	103,882	21	63
	<u>709,895</u>	<u>491,317</u>	<u>249,030</u>	<u>5,099</u>
Deposits, cash and bank balances	709,895	491,317	249,030	5,099
Deposit in DSRA (Note 23)	(67,054)	(64,270)	-	-
Deposit with maturity more than three months	(2,099)	(2,021)	-	-
	<u>640,742</u>	<u>425,026</u>	<u>249,030</u>	<u>5,099</u>
Cash and cash equivalents (for statements of cash flows purpose)	<u>640,742</u>	<u>425,026</u>	<u>249,030</u>	<u>5,099</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

21 CASH AND CASH EQUIVALENTS (CONTINUED)

The weighted average effective interest rate of the deposits at the end of the reporting year is as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	%	%	%	%
Deposits with licensed banks	3.09	2.85	3.46	3.74

Deposits with the licensed banks of the Group and the Company at the end of the financial year have an average maturity of 29 days (2018: 53 days) and 30 days (2018: 29 days) respectively.

Included in the Group's deposits with licensed banks is a deposit with maturity more than three months of RM2.1 million (2018: RM2.0 million) which has been designated for a specific purpose (refer to Note 23).

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

21 CASH AND CASH EQUIVALENTS (CONTINUED)

Reconciliation of liabilities arising from financing activities:

Group	2018 RM'000	Principal repayment/ drawdown RM'000	Interest paid RM'000	Adoption of MFRS16 RM'000	Remea- surement RM'000	Non-cash settlement RM'000	Interest expense RM'000	Non-cash changes			2019 RM'000
								Amortisation of deferred issuance cost RM'000	Finance lease charges RM'000	Foreign exchange movement RM'000	
Performance incentives	59,792	(7,342)	(3,348)	-	-	-	3,174	-	-	(1,218)	51,058
Bank borrowings	917,012	33,066	(37,239)	-	-	-	36,549	6,843	-	(38,873)	917,358
Finance lease liabilities	246,581	-	-	(246,581)	-	-	-	-	-	-	-
Lease liabilities	-	(68,583)	-	334,986	(209)	-	-	-	16,475	(11,690)	270,979
Redeemable preference shares	-	246,620	-	-	-	129,580	7,255	-	-	(7,201)	376,254
Derivatives	95	-	(65)	-	-	-	52	-	-	-	82
	<u>1,223,480</u>	<u>203,761</u>	<u>(40,652)</u>	<u>88,405</u>	<u>(209)</u>	<u>129,580</u>	<u>47,030</u>	<u>6,843</u>	<u>16,475</u>	<u>(58,982)</u>	<u>1,615,731</u>

	2017 RM'000	Principal repayment RM'000	Interest paid RM'000	Interest expense RM'000	Non-cash changes			2018 RM'000
					Amortisation of deferred issuance cost RM'000	Finance lease charges RM'000	Foreign exchange movement RM'000	
Performance incentives	65,071	(6,227)	(3,426)	3,589	-	-	785	59,792
Bank borrowings	1,069,260	(158,010)	(39,758)	39,528	15,866	-	(9,874)	917,012
Lease liabilities	261,731	(25,751)	-	-	-	13,805	(3,204)	246,581
Derivatives	275	-	(1,100)	920	-	-	-	95
	<u>1,396,337</u>	<u>(189,988)</u>	<u>(44,284)</u>	<u>44,037</u>	<u>15,866</u>	<u>13,805</u>	<u>(12,293)</u>	<u>1,223,480</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

21 CASH AND CASH EQUIVALENTS (CONTINUED)

Reconciliation of liabilities arising from financing activities (continued):

Company

	2018 RM'000	Issuance RM'000	Non-cash changes			2019 RM'000
			Non-cash settlement RM'000	Interest expense RM'000	Foreign exchange movement RM'000	
Redeemable preference shares	-	246,620	129,580	7,255	(7,201)	376,254

22 PAYABLES AND ACCRUALS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<u>Current</u>				
Trade payables	5,268	6,294	25	18
Non-trade payables	11,584	11,434	-	-
Accrued charges	26,837	26,762	150	98
Advance billings	144,772	164,596	-	-
Advance payments from customers	100	2,047	-	-
Deposits from customers	136,784	93,523	-	-
	<u>325,345</u>	<u>304,656</u>	<u>175</u>	<u>116</u>
<u>Non-current</u>				
Non-trade payables	39,497	48,358	-	-
	<u>364,842</u>	<u>353,014</u>	<u>175</u>	<u>116</u>

Credit terms for trade payables vary from no credit to 30 days credit (2018: no credit to 30 days).

Included in non-trade payables are unsecured performance incentives ("PI") with principal amount of USD2,782,000 (equivalent to RM11,410,000) [2018: USD3,767,000 (equivalent to RM15,617,000)] for the M3 satellite and of USD9,400,000 (equivalent to RM38,549,000) [2018: USD10,340,000 (equivalent to RM42,870,000)] for the M3b satellite.

The PI for the M3 satellite bears interest at 7.00% per annum and is payable in arrears. The principal is repayable in 60 equal instalments over a period of 15 years which commenced on 25 January 2007.

The PI for the M3b satellite bears interest at 5.75% per annum and is payable in arrears. The principal is repayable in 60 equal instalments over a period of 15 years which commenced on 13 January 2015.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

23 BORROWINGS

	<u>Note</u>	<u>Group</u>		<u>Company</u>	
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
		RM'000	RM'000	RM'000	RM'000
Current					
Bank borrowings	(a)	350,260	197,469	-	-
Lease liabilities	(b)	46,275	-	-	-
Finance lease liabilities	(c)	-	21,731	-	-
		<u>396,535</u>	<u>219,200</u>	<u>-</u>	<u>-</u>
Non-current					
Bank borrowings	(a)	567,098	719,543	-	-
Lease liabilities	(b)	224,704	-	-	-
Finance lease liabilities	(c)	-	224,850	-	-
Redeemable preference shares	(d)	376,254	-	376,254	-
		<u>1,168,056</u>	<u>944,393</u>	<u>367,254</u>	<u>-</u>
Total borrowings		<u>1,564,591</u>	<u>1,163,593</u>	<u>376,254</u>	<u>-</u>

(a) Bank borrowings

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
Current				
Term loans (Note (i))				
Principal amount outstanding	69,904	127,410	-	-
Less: Deferred issue cost	(340)	(621)	-	-
Accrued interest	677	1,236	-	-
	<u>70,241</u>	<u>128,025</u>	<u>-</u>	<u>-</u>
Syndicated term loan facility (Note (ii))				
Principal amount outstanding	84,062	76,300	-	-
Less: Deferred issue cost	(8,324)	(9,398)	-	-
Accrued interest	2,095	2,542	-	-
	<u>77,833</u>	<u>69,444</u>	<u>-</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

23 BORROWINGS (CONTINUED)

(a) Bank borrowings (continued)

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
<u>Current (continued)</u>				
<u>Bridging loan (Note (iii))</u>				
Principal amount				
outstanding	205,050	-	-	-
Less: Deferred issue cost	(3,176)	-	-	-
Accrued interest	312	-	-	-
	<u>202,186</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total borrowings	<u>350,260</u>	<u>197,469</u>	<u>-</u>	<u>-</u>
<u>Non-current</u>				
<u>Term loans (Note (i))</u>				
Principal amount				
outstanding	81,995	152,892	-	-
Less: Deferred issue cost	(194)	(535)	-	-
	<u>81,801</u>	<u>152,357</u>	<u>-</u>	<u>-</u>
<u>Syndicated term loan facility (Note (ii))</u>				
Principal amount				
outstanding	509,366	599,940	-	-
Less: Deferred issue cost	(24,069)	(32,754)	-	-
	<u>485,297</u>	<u>567,186</u>	<u>-</u>	<u>-</u>
Total borrowings	<u>567,098</u>	<u>719,543</u>	<u>-</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

23 BORROWINGS (CONTINUED)

(a) Bank borrowings (continued)

- (i) On 24 April 2013, MSS refinanced its term loans which are denominated in RM, USD and SGD and which are repayable in 20 instalments over a period of 10 years which commenced on 3 November 2013.
- (ii) On 9 April 2014, MISAL obtained a syndicated term loan facility comprising the following:
 - a) Bpifrance Assurance covered facility of USD146.5 million (equivalent to approximately RM473.4 million);
 - b) Uncovered commercial facility of USD64.0 million (equivalent to approximately RM207.0 million);

The syndicated term loan facilities denominated in USD are repayable in 18 to 24 instalments over a period of 10 to 12 years which commenced on 28 September 2015.
- (iii) On 10 July 2019, MCSSB obtained a bridging loan which is denominated in USD is repayable within 18 months from the date of the first utilisation which commenced on 12 July 2019.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

23 BORROWINGS (CONTINUED)

(a) Bank borrowings (continued)

Group

Contractual terms of borrowings

	Contractual interest rate at reporting date (per annum) %	Functional currency/ currency exposure	Total carrying amount RM'000	< 1 year RM'000	1-2 years RM'000	2-5 years RM'000	> 5 years RM'000
<u>As at 31 December 2019</u>							
Term loan	4.97	RM/RM	1,009	466	385	158	-
Term loan	3.20-3.70	RM/USD	99,188	45,793	37,893	15,502	-
Term loan	3.50	RM/SGD	52,379	24,322	19,912	8,145	-
Syndicated term loan facility	3.37-4.21	RM/USD	595,523	86,157	92,550	291,398	125,418
Bridging loan	2.76	RM/USD	205,362	205,362	-	-	-
			<u>953,461</u>	<u>362,100</u>	<u>150,740</u>	<u>315,203</u>	<u>125,418</u>
<u>As at 31 December 2018</u>							
Term loan	5.23	RM/RM	1,850	845	463	542	-
Term loan	3.84-4.34	RM/USD	183,933	83,931	46,021	53,981	-
Term loan	3.88	RM/SGD	95,755	43,870	23,878	28,007	-
Syndicated term loan facility	4.31-5.06	RM/USD	678,782	78,842	84,984	302,316	212,640
			<u>960,320</u>	<u>207,488</u>	<u>155,346</u>	<u>384,846</u>	<u>212,640</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

23 BORROWINGS (CONTINUED)

(a) Bank borrowings (continued)

The weighted average interest rate of the borrowings as at the reporting date was 3.66% (2018: 4.14%) per annum.

The term loan facilities are secured by (i) specific debentures over certain assets pledged by MSS; and (ii) a negative pledge from the Company whereby it will remain the single largest shareholder of MSS.

The syndicated term loan facilities are secured against (i) assets of MISAL; and (ii) pledge from MISAL's shareholders, that they shall at all times own 100% of the shares in MISAL.

The bridging loan facility is secured by an assignment of the satellite contract and supported by a corporate guarantee from the Company.

(b) Lease liabilities

Certain assets of the Group are leased during the year.

Assets under leases are with terms which ranges from 3 to 15 years. The leases have remaining terms which ranges from 2 to 8 years. The effective interest rate of the Group's lease liabilities which ranges from 3.30% - 5.60% per annum.

Leases represent outstanding obligations payable in respect of assets acquired under lease commitment and are analysed as follows:

	<u>2019</u> RM'000
- not later than one year	59,788
- later than one year and not later than five years	162,783
- later than five years	103,302
	<u>325,873</u>
Less: Future finance charges	(54,894)
Present value	<u>270,979</u>
Representing lease liabilities:	
- current	46,275
- non-current	224,704
	<u>270,979</u>

(c) Finance lease liabilities

Certain assets of the Group are leased during the year.

In the previous financial year, the Group leased certain assets under finance lease with 15 years term. The finance lease has remaining term of 9 years. The effective interest rate of the Group's finance lease liabilities is 5.60% per annum.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

23 BORROWINGS (CONTINUED)

(c) Finance lease liabilities (continued)

Finance lease represents outstanding obligations payable in respect of assets acquired under lease commitment and are analysed as follows:

	<u>2018</u> RM'000
- not later than one year	34,743
- later than one year and not later than five years	138,971
- later than five years	139,177
	<hr/> 312,891
Less: Future finance charges	(66,310)
Present value	<hr/> <u>246,581</u>
Representing lease liabilities:	
- current	21,731
- non-current	224,850
	<hr/> <u>246,581</u>

(d) MGB USD redeemable preference share ("MGB USD RPS") issued by the Company to MAIH.

The Company had on 27 September 2019 issued and allotted to MAIH, 9,000 MGB USD RPS in the share capital of the Company at an issue price of the RM equivalent of USD10,000.00 per MGB USD RPS totaling USD90 million or RM376.2 million ("MGB USD RPS Issue Price").

MGB USD RPS are redeemable at MGB USD RPS Issue Price plus redemption premium of 7.4% per annum on the said issue price ("Redemption Price") and shall be redeemed:-

- (1) in whole on the 3rd anniversary of the MGB USD RPS issuance date, which is 27 September 2022 ("Maturity Date") or on a new redemption date to be mutually agreed; or
- (2) in whole or in part prior to the Maturity Date, at the option of the Company; or
- (3) in whole or in part, upon the occurrence of any extraordinary event to be mutually agreed between the Company and the MGB USD RPS holder, provided that each such redemption would not cause the Company or any of its subsidiaries to be in breach of any of its licensing/regulatory conditions, finance arrangements and/or covenants, from time to time.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

23 BORROWINGS (CONTINUED)

- (d) MGB USD redeemable preference share ("MGB USD RPS") issued by the Company to MAIH (continued)

MGB USD RPS rank in priority to MGB RM NCRCPs and ordinary shares in respect of any dividend distribution and in the event of winding up of the Company, payment of unpaid dividends and Redemption Price in respect of the MGB USD RPS but no further rights in the distribution of any surplus assets of the Company.

Since the MGB USD RPS are mandatorily redeemable on a specified date, they are recognised as liabilities.

24 NON-CUMULATIVE REDEEMABLE CONVERTIBLE PREFERENCE SHARES

	Group and Company			
	2019		2018	
	<u>Number of shares</u>	<u>Amount RM'000</u>	<u>Number of shares</u>	<u>Amount RM'000</u>
As at 1 January	246	2,460	246	2,460
Redemption of NCRCPs	(244)	(2,440)	-	-
As at 31 December	<u>2</u>	<u>20</u>	<u>246</u>	<u>2,460</u>

On 30 January 2019, 244 of the Company's RM non-cumulative redeemable convertible preference shares ("MGB RM NCRCPs") was redeemed from MGNS at a total redemption of RM2.44 million.

The main features of the MGB RM NCRCPs issued by the Company to MGNS, are as follows:

- (a) Preference non-cumulative dividends are payable when and if declared by the Company subject to available profit of the Company.
- (b) Rank after MGB USD RPS and in priority to ordinary shares in respect of any dividend distribution and in the event of winding up of the Company, payment of unpaid dividends in respect of the MGB USD RPS/ MGB RM NCRCPs and the MGB USD RPS/ MGB RM NCRCPs redemption price but no further rights in the distribution of any surplus assets of the Company.
- (c) Redeemable in whole or in part at the option of the Company on a date determined by the Company per provisions of the Companies Act 2016 provided all MGB USD RPS have been redeemed and such redemption would not cause the Company to be in breach of any licensing/regulatory conditions, financing agreements and/or covenants in relation to which the Company is a party, from time to time.

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24 NON-CUMULATIVE REDEEMABLE CONVERTIBLE PREFERENCE SHARES (continued)

- (d) Convertible in whole or in part at the option of the Company on the conversion date at a rate to be determined by the Company into fully paid-up ordinary shares.
- (e) MGB RM NCRCPs holders are not entitled to vote upon any resolution at general meetings, save and except for resolution affecting their rights as MGB RM NCRCPs holders.
- (f) Transferability of the MGB RM NCRCPs is subject to the written consent of the Company, provided such transfer would not cause the Company to be in breach of any licensing/regulatory conditions, financing arrangements and/or covenants in relation to which it is a party, from time to time.

25 MERGER RELIEF

	<u>2019</u> RM'000	<u>Company</u> <u>2018</u> RM'000
Number of ordinary shares issued on 8 May 2002	187,433,155	187,433,155
Value of ordinary shares issued at RM3.74 each	701,000	701,000
Par value of ordinary shares at RM0.78 each	(146,198)	(146,198)
Merger relief	554,802	554,802

The merger relief arose from the share issuance in 2002 for the acquisition of a subsidiary.

26 GENERAL RESERVE

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

27 FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of the Group's entities whose functional currencies are different from that of the Group's presentation currency.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

28 DIVIDENDS

	<u>2019</u>		<u>Company</u> <u>2018</u>	
	Single tier dividend per share Sen	Amount of single tier dividends RM'000	Single tier dividend per share Sen	Amount of single tier dividends RM'000
Ordinary dividends paid in respect of the financial year ended 31 December:				
- first interim	1	4,100	-	-
- second interim	33	129,567	-	-
		<u>133,667</u>		<u>-</u>
Preference dividends paid in respect of the financial year ended 31 December:				
- first interim	25,024,300	61,560	17,479,700	43,000
- second interim	1	*	-	-
- third interim	666,695	13	-	-
		<u>61,573</u>		<u>43,000</u>

* Single tier preference dividend is RM0.02.

29 CAPITAL COMMITMENTS

Capital expenditure for property, plant and equipment approved by the Directors and not provided for in the financial statements as at the reporting date is as follows:

	<u>Group</u>	
	<u>2019</u> RM'000	<u>2018</u> RM'000
Contracted for	5,656	148
Not contracted for	72,483	34,147
	<u>78,139</u>	<u>34,295</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)**30 SIGNIFICANT RELATED PARTY DISCLOSURES**

- (i) The immediate holding company of the Company is MGNS, while the ultimate holding company is MAIH. Both companies are incorporated in Malaysia and ultimately controlled by Ananda Krishnan Tatparanandam ("TAK").

The Group had entered into transactions with certain entities directly or indirectly controlled by Usaha Tegas Sdn. Bhd. ("UTSB") or TAK (collectively "they") or in which they have a deemed interest. The ultimate holding company of UTSB is PanOcean Management Limited ("PanOcean"), a company incorporated in Jersey, Channel Islands. PanOcean is the trustee of a discretionary trust, the beneficiaries of which are members of the family of TAK and foundations including those for charitable purposes. Although PanOcean is deemed to have an interest in the shares of UTSB, PanOcean does not have any economic or beneficial interest over the shares of UTSB, as such interest is held subject to the terms of such discretionary trust.

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. Transactions with the related parties were contracted based on agreed terms and carried out in the ordinary course of business.

		<u>Transaction value</u>		<u>Balance outstanding</u>	
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
		RM'000	RM'000	RM'000	RM'000
<u>Group</u>					
(a)	Transponder lease rental and value-added services charged to:				
	- MEASAT Broadcast Network Systems Sdn. Bhd. ⁽¹⁾	275,892	263,648	31,018	61,413
	- Maxis Broadband Sdn. Bhd. ⁽²⁾	49,678	50,418	4,581	19,900
	- UTSB Management Sdn. Bhd. ⁽³⁾	21	18	5	-
		<u>21</u>	<u>18</u>	<u>5</u>	<u>-</u>
(b)	Rental of land and building charged to:				
	- Maxis Broadband Sdn. Bhd. ⁽²⁾	34	34	-	-
	- MEASAT Broadcast Network Systems Sdn. Bhd. ⁽¹⁾	327	1,740	860	1,386
		<u>327</u>	<u>1,740</u>	<u>860</u>	<u>1,386</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

30 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(i)

	<u>Transaction value</u>		<u>Balance outstanding</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
<u>Group (continued)</u>				
(c) Consultancy fees charged by:				
- UTSB Management Sdn. Bhd. ⁽³⁾	<u>7,480</u>	<u>7,269</u>	<u>-</u>	<u>-</u>
<u>Company</u>				
Management fee charged by MSS	<u>120</u>	<u>123</u>	<u>120</u>	<u>-</u>

As at 31 December 2019, the Group has renewed its contract with UTSB Management Sdn. Bhd. for remaining consultancy fee commitment of RM6,166,000 (2018: RM5,873,000).

Notes:

- (1) *Subsidiary of a company which is an associate of UTSB*
(2) *Subsidiary of a jointly controlled entity of UTSB*
(3) *Subsidiary of UTSB*

(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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
Directors' fees (Note 8)	155	152	40	40
Salaries, wages and bonuses	5,243	4,918	-	-
Employees Provident Fund	808	760	-	-
Other benefits/emoluments	146	146	-	-
	<u>6,352</u>	<u>5,976</u>	<u>40</u>	<u>40</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)

31 FINANCIAL INSTRUMENTS BY CATEGORY

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
<u>Financial asset at fair value</u>				
<u>through profit or loss</u>				
Derivative financial assets	2,059	1,176	-	-
<u>Financial assets at amortised cost</u>				
Trade receivables	89,455	163,708	-	-
Other receivables	10,397	10,302	387	7
Deposits	340	276	-	-
Amounts due from subsidiaries	-	-	-	5
Deposits, cash and bank balances	709,895	491,317	249,030	5,099
	<u>810,087</u>	<u>665,603</u>	<u>249,417</u>	<u>5,111</u>
<u>Financial liability at fair value</u>				
<u>through profit or loss</u>				
Derivative financial liabilities	4,503	7,213	-	-
<u>Financial liabilities at amortised cost</u>				
Trade payables	5,268	6,294	25	-
Accrued charges	19,365	22,791	150	116
Non-trade payables	51,081	59,792	-	-
Deposits from customers	136,784	93,523	-	-
Amounts due to subsidiaries	-	-	120	-
Borrowings	1,564,591	1,163,593	376,254	-
	<u>1,777,089</u>	<u>1,345,993</u>	<u>376,549</u>	<u>116</u>

MEASAT GLOBAL BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)**32 CHANGES IN ACCOUNTING POLICIES**

During the financial year, the Group changed its accounting policies on leases upon adoption of MFRS 16 for the first time with the date of initial application ("DIA") of 1 January 2019. The Group has elected to use the modified retrospective transition method and to apply a number of practical expedients as provided in MFRS 16.

Under the modified retrospective transition method, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Group is a lessee were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 "Leases" and IC Interpretation 4 "Determining whether an Arrangement Contains a Lease"

As a lessor, the Group is not required to make any adjustment on transition, except for the reassessment of existing operating subleases at the DIA. In addition, the Group has elected not to reassess whether a contract is, or contains a lease at the DIA. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying MFRS 117 and IC Interpretation 4.

The Group as a lessee**(a) Leases classified as operating lease**

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

The associated right-of-use ("ROU") assets for property leases were measured on retrospective basis as if the new requirements have always been applied. Other ROU assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018.

In applying MFRS 16 for the first time, the Group has applied the following practical expedients permitted by the standard to leases previously classified as operating leases under MFRS 117:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the ROU asset at the DIA; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(b) Leases classified as finance leases under MFRS 117

For leases previously classified as finance leases and presented as a part of 'property, plant and equipment', the Group recognised the carrying amount of the lease asset and lease liability immediately before transition which were measured applying MFRS 117 as the carrying amount of the ROU asset and the lease liability at the DIA.

MEASAT GLOBAL BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019 (CONTINUED)**32 CHANGES IN ACCOUNTING POLICIES (CONTINUED)****(c) Adjustments as at 1 January 2019**

As at 1 January 2019, the change in accounting policies has affected the following items:

Group

	31.12.2018 As previously reported RM'000	Effect of MFRS 16 RM'000	1.1.2019 <u>Restated</u> RM'000
<u>Net asset</u>			
Property, plant and equipment	1,513,786	(119,212)	1,394,574
ROU assets	-	181,382	181,382
Deferred tax asset	80,816	77	80,893
Payables and accruals	(353,014)	5,779	(347,235)
Borrowings	(1,163,593)	(88,405)	(1,251,998)
		<u>(20,379)</u>	
<u>Equity</u>			
Retained earnings	(980,826)	20,379	(960,447)
		<u>20,379</u>	

33 SUBSEQUENT EVENTS

- (a) The existence of coronavirus (Covid-19) was confirmed in early 2020 and has spread across the world causing disruptions to businesses and economic activity. However, based on the current available information, the Directors do not foresee any material impact to the business due to Covid-19. The Group is closely monitoring the situation and will take necessary actions to minimise the Group's exposure to the impact of Covid-19. The Group considers this outbreak to be a non-adjusting event after the reporting period.
- (b) Declaration of a 1st interim single-tier preference dividend of approximately 2 sen per share amounting to RM0.04; and a 1st interim single-tier ordinary dividend of approximately 2 sen per share amounting to RM7,993,629.68, both in respect of financial year ending 31 December 2020, paid on 26 March 2020.
- (c) Declaration of a 2nd interim single-tier preference dividend of approximately 1 sen per share amounting to RM0.03; and a 2nd interim single-tier ordinary dividend of approximately 1 sen per share amounting to RM4,998,943.05, both in respect of financial year ending 31 December 2020 payable on 29 June 2020.

34 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors passed on 26 June 2020.

Registration No.

195601000151 (2866-T)

MEASAT GLOBAL BERHAD
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS PURSUANT TO
SECTION 251(2) OF THE COMPANIES ACT 2016**

We, Ashwin A/L Kumar Das and Shaharul Rezza bin Hassan, two of the Directors of MEASAT Global Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 5 to 74 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and financial performance of the Group and of the Company for the financial year ended 31 December 2019 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 26 June 2020.



ASHWIN A/L KUMAR DAS
DIRECTOR



SHAHARUL REZZA BIN HASSAN
DIRECTOR

Kuala Lumpur

**STATUTORY DECLARATION PURSUANT TO
SECTION 251(1)(b) OF THE COMPANIES ACT 2016**

I, Grace Chan Pek Khim, the person 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 74 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



GRACE CHAN PEK KHIM
MIA No. 15124

Subscribed and solemnly declared by the above-named Grace Chan Pek Khim at Kuala Lumpur in Malaysia on 26 June 2020, before me.



Lot 6.16D Level 6
Wisma Central
Jalan Ampang
50450 Kuala Lumpur

COMMISSIONER FOR OATHS



**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MEASAT GLOBAL BERHAD**
(Incorporated in Malaysia)
Registration No. 195601000151 (2866-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of MEASAT Global Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 5 to 74.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MEASAT GLOBAL BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 195601000151 (2866-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MEASAT GLOBAL BERHAD (CONTINUED)**
(Incorporated in Malaysia)
Registration No. 195601000151 (2866-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MEASAT GLOBAL BERHAD (CONTINUED)**
(Incorporated in Malaysia)
Registration No. 195601000151 (2866-T)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 15 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Pricewaterhousecoopers P-7

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kwong

SOO KWAI FONG
03144/07/2021 J
Chartered Accountant

Kuala Lumpur
26 June 2020

Lodged by : Goh Wai Ping (F)
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