

STAR PUBLICATIONS (MALAYSIA) BERHAD (10894-D)

**Unaudited condensed consolidated income statement
For the period ended 31 March 2006**

	3 months ended		Financial period ended	
	31.3.2006 RM'000	31.3.2005 RM'000	31.3.2006 RM'000	31.3.2005 RM'000
Revenue	168,768	168,662	168,768	168,662
Operating expenses	(133,647)	(130,206)	(133,647)	(130,206)
Other operating income	7,242	5,518	7,242	5,518
Profit from operations	42,363	43,974	42,363	43,974
Finance cost	(3,440)	(3,349)	(3,440)	(3,349)
Profit before taxation	38,923	40,625	38,923	40,625
Taxation	(7,304)	(7,659)	(7,304)	(7,659)
Profit after taxation	31,619	32,966	31,619	32,966
Less: Minority interests	-	-	-	-
Net profit for the period	31,619	32,966	31,619	32,966
Attributable to:				
Equity holders of the Parent Company	31,619	32,966	31,619	32,966
Basic earnings per ordinary share (sen)	8.83	10.11	8.83	10.11
Diluted earnings per ordinary share (sen)	8.83	9.81	8.83	9.81

(The unaudited condensed consolidated income statement should be read in conjunction with the annual financial statements for the year ended 31st December 2005)

Note on Operating Expenses:

Included in the Operating Expenses is depreciation expense of: -	(11,798)	(10,275)	(11,798)	(10,275)
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**Unaudited condensed consolidated balance sheet
As at 31 March 2006**

	31 March 2006 RM'000	31 December 2005 RM'000
ASSETS		
Non-Current assets		
Property, plant and equipment	735,981	735,041
Investment properties	28,947	29,146
Goodwill	27,119	27,119
Intangible assets	6,825	7,252
Investment in bonds	-	20,857
	798,872	819,415
Current assets		
Inventories	167,100	179,741
Trade receivables	91,437	97,829
Other receivables, deposits and prepayments	13,737	11,201
Investment in bonds	20,857	-
Other investment	9	7
Tax recoverable	416	416
Short term deposits	421,732	391,778
Cash and bank balances	25,474	24,568
	740,762	705,540
TOTAL ASSETS	1,539,634	1,524,955
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	369,282	368,433
Retained earnings	722,189	750,055
	1,091,471	1,118,488
Non-Current liabilities		
Medium Term Notes	250,000	250,000
Retirement benefits	4,775	4,594
Deferred tax	62,661	58,528
	317,436	313,122
Current liabilities		
Trade and other payables	8,521	11,419
Other payables, accruals and provisions	56,084	74,980
Taxation	7,775	6,946
Dividend Payable	58,347	-
	130,727	93,345
TOTAL LIABILITIES	448,163	406,467
TOTAL EQUITY AND LIABILITIES	1,539,634	1,524,955
Net assets per share attributable to ordinary equity holders of the parent (RM)	2.96	3.04

(The unaudited condensed consolidated balance sheet should be read in conjunction with the annual financial statements for the year ended 31st December 2005)

**Unaudited condensed consolidated statements of changes in equity
For the period ended 31 March 2006**

----- Attributable to equity holders of the Parent Company -----

	<u>Non-distributable</u>		<u>Distributable</u>		Total RM'000
	Share Capital RM'000	Share Premium RM'000	Foreign exchange fluctuation reserve RM'000	Retained Profits RM'000	
Balance as at 1 January 2006	368,433	301,522	14,680	433,853	1,118,488
Currency translation differences	-	-	(3,900)	-	(3,900)
Net gains and losses not recognised in the income statements	-	-	(3,900)	-	(3,900)
Net profit for the financial period	-	-	-	31,619	31,619
Dividend <i>Second Interim Dividend and Special Dividend for the financial year ended 31 December 2005, paid on 18 April 2006</i>	-	-	-	(58,347)	(58,347)
Issue of shares	849	2,762	-	-	3,611
Balance as at 31 March 2006	369,282	304,284	10,780	407,125	1,091,471
Balance as at 1 January 2005	327,394	127,812	19,626	385,564	860,396
Currency translation differences	-	-	(352)	-	(352)
Net gains and losses not recognised in the income statements	-	-	(352)	-	(352)
Net profit for the financial period	-	-	-	32,966	32,966
Dividend <i>Second interim Dividend and Special Dividend for the financial year ended 31 December 2004, paid on 15 April 2005</i>	-	-	-	(49,193)	(49,193)
Issue of shares	14,228	59,448	-	-	73,676
Balance as at 31 March 2005	341,622	187,260	19,274	369,337	917,493

(The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the annual financial statements for the year ended 31st December 2005)

**Unaudited condensed consolidated cash flow statement
For the period ended 31 March 2006**

	31 March 2006 RM'000	31 March 2005 RM'000
Profit before taxation	38,923	40,625
Adjustments for non-cash flow:-		
Non-cash items	11,999	11,113
Non-operating items	(810)	742
Operating profit before working capital changes	50,112	52,480
Changes in working capital		
Net change in current assets	16,831	3,917
Net change in current liabilities	(18,867)	(618)
	(2,036)	3,299
Cash generated from operations	48,076	55,779
Tax paid	(2,550)	(6,500)
Net cash from operating activities	45,526	49,279
Investing Activities		
- Proceeds from disposal of property, plant and equipment	327	-
- Purchases of property, plant and equipment	(14,433)	(67,285)
- Interest received	4,250	2,607
Net cash used in investing activities	(9,856)	(64,678)
Financing Activities		
- Issue of shares	3,611	73,536
- Proceeds from issuance of 2005/2010 Medium Term Notes	-	150,000
- Interest paid	(6,975)	(11)
- Dividend paid	-	-
Net cash from / (used in) financing activities	(3,364)	223,525
Exchange differences	822	(19)
Net Change in Cash & Cash Equivalents	33,128	208,107
Cash & Cash Equivalents at beginning of year	416,346	245,553
Effect of change in exchange rate	(2,268)	(37)
As restated	414,078	245,516
Cash & Cash Equivalents at end of the period	447,206	453,623

(The unaudited condensed consolidated cash flow statement should be read in conjunction with the annual financial statements for the year ended 31st December 2005).

Notes to the interim financial report

A1. Basis of Preparation

The interim financial statements are unaudited and has been prepared in accordance with the requirements of Financial Reporting Standard (FRS) 134, Interim Financial Reporting (formerly known as MASB 26) issued by the Malaysian Accounting Standards Board (MASB) and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2005.

The significant accounting policies and methods of computation adopted by the Group in these interim financial statements are consistent with those adopted in the financial statements for the year ended 31 December 2005, except that in the current year, the Group has adopted all of the new and revised Financial reporting Standards ("FRS") that are relevant to its operations and effective for accounting periods beginning on 1 January 2006.

A summary of the principal impact on the Group's accounting policies resulting from the adoption of the new or revised standards are as follows:

(a) **FRS 101 Presentation of Financial Statements**

The adoption of the revised FRS 101 has affected the presentation of the condensed income statements, balance sheets and statements of changes in equity with additional disclosure on the amount attributable to equity holders of the parent Company.

The presentation of the comparative financial statements of the Group have been restated to conform with the current period's presentation

(b) **FRS 116 Property, Plant and Equipment**

In accordance with FRS 116, the asset's residual values, useful lives and depreciation methods will be assessed at each financial year end and adjusted if necessary. If the residual value of an asset increases to an amount equal to or greater than the asset's carrying amount, the asset's depreciation charge is zero and until its residual value subsequently decreases to an amount below the asset's carrying amount.

Upon adoption of this standard, the Group and the Company have reviewed and re-estimated the useful lives and residual values of each significant part of all item of property, plant and equipment in accordance with the requirements of FRS 116.

After taking into the effect of changes in the useful lives and residual values, the Group recorded a reduction in depreciation charges of RM1.86 million for the financial period ended 31 March 2006.

(c) FRS 140 Investment Property

Investment property is property (land or a building – or part of a building – or both), held to earn rentals or for capital appreciation or both, and is not occupied by the Group. The investment property is measured using the cost model which is in accordance with the measurement of property, plant and equipment unless the investment property meets the criteria to be classified as Assets Held for Sale in accordance with FRS 5. In accordance to FRS 140, investment property is separately classified on the balance sheet. In prior years, investment property was not separately classified and was presented as part of property, plant and equipment.

As a result of the adoption of FRS 140, comparative amounts as at 31 December 2005 have been reclassified as follows:

	As previously reported RM'000	Effects of reclassification RM'000	As restated RM'000
Property, plant and equipment	764,187	(29,146)	735,041
Investment Property, included in Property, plant and equipment	-	29,146	29,146

All changes in the accounting policies have been made in accordance with the transitional provisions of the standards, and are applied prospectively. No retrospective changes, except for the restatement above, have resulted from the adoption of the new and revised accounting standards.

All the other new and revised accounting standards adopted resulted in only minimal changes to the presentation and additional disclosures.

The Group has not applied the following three new standards which have been issued by the Malaysian Accounting Standards Board, but are not yet effective:

- (a) FRS 117 Leases
- (b) FRS 124 Related Party Disclosures
- (c) FRS 139 Financial Instruments: Recognition and Measurement

Notes to the interim financial report

A2. Annual Report of the Group's Preceding Annual Financial Statements

The audit report of the Group's most recent annual audited financial statements for the year ended 31 December 2005 was not qualified.

A3. Seasonal or cyclical factors

Our business operations are generally affected by the major festive seasons.

A4. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period ended 31 March 2006 except as disclosed in Note A1.

A5. Changes in estimates

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current quarter.

Notes to the interim financial report

A6. Debt and equity securities

There were no issuances and repayment of debts and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the financial period ended 31 March 2006, other than as mentioned below.

Employees' Share Option Scheme

- **Exercise Price of RM3.83**

An Employees' Share Option Scheme was implemented on 13 February 2001 for the benefit of the Executive Directors and eligible employees. On 30 April 2001, the Company offered 13,955,000 options to subscribe for ordinary shares to eligible Executive Directors and employees at an exercise price of RM7.65. The exercise price and number of the Options were adjusted from RM7.65 to RM3.83 per option and an additional 13,768,000 options were offered, after the Company's bonus issue of one share for every existing shares held. As at the end of the current financial period, there were **231,000** unissued shares at an exercise price of RM3.83.

- **Exercise Price of RM6.52**

On 30 April 2002, the Company offered another 377,000 options to eligible employees at an exercise price of RM6.52, of which 368,000 options were accepted. As at the end of the current financial period, there were **189,000** unissued ordinary shares at an exercise price of RM6.52.

- **Exercise Price of RM5.43**

On 30 April 2003, the Company offered another 373,000 options to eligible employees at an exercise price of RM5.43, of which 358,000 options were accepted. As at the end of the current financial period, there were **23,000** unissued ordinary shares at an exercise price of RM5.43.

- **Exercise Price of RM5.85**

On 30 April 2004, the Company offered another 218,000 options to eligible employees at an exercise price of RM5.85, of which 193,000 options were accepted. As at the end of the current financial period, there were **30,000** unissued ordinary shares at an exercise price of RM5.85.

- **Exercise Price of RM6.24**

On 30 April 2005, the Company offered another 158,000 options to eligible employees at an exercise price of RM6.24, of which 127,000 options were accepted. As at the end of the current financial period, there were **36,000** unissued ordinary shares at an exercise price of RM6.24.

The subscription rights of the above Employees' Share Option Scheme expired on 12 February 2006 in accordance with the provisions of the ESOS By-Laws. Share options not exercised become null and void and cease thereafter to be valid for any purpose.

Except for the above, there were no other issuances, cancellations, repurchases, resale and repayments of either debt or equity securities for the financial period under review.

Notes to the interim financial report

A7. Dividend paid

No dividend was paid in the current financial period ended 31 March 2006.

A8. Segment Reporting

No segmental reporting has been prepared as the Group's activities are predominantly in the publication, printing and distribution of newspaper and magazines within Malaysia.

A9. Property, plant and equipment

The valuations of property, plant and equipment have been brought forward without amendment from the financial statements for the year ended 31 December 2005.

Acquisition and disposals of property, plant and equipment

	Current Quarter RM'000	Current Year To Date RM'000
Additions	14,433	14,433
Disposals	2,967	2,967

A10. Events subsequent to the balance sheet date

There are no material events subsequent to the end of the financial period under review that have not been reflected in the quarterly financial statements.

Notes to the interim financial report

A11. Changes in composition of the Group

There were no changes in the composition of the Group during the current financial period ended 31 March 2006.

A12. Changes in contingent liabilities

There are no changes in the contingent liabilities or assets of the Group since the last annual balance sheet date to the date of this announcement.

A13. Capital commitments

	RM'000
Authorised capital expenditure not provided for in the financial statements	
- contracted	12,623
- not contracted	1,000

	13,623
	=====

Additional information required by Bursa Malaysia Securities Listing Requirements

B1. Review of performance

	Current Year Quarter 31.3.2006 RM'000	Preceding Year Corresponding Quarter 31.3.2005 RM'000
Revenue	168,768	168,662
Consolidated Profit before taxation	38,923	40,625
Consolidated Profit after taxation	31,619	32,966

The lower profit before tax for the current quarter was mainly due to higher direct costs and depreciation.

In the opinion of the Directors, the results for the financial period under review have not been affected by any transaction or event of a material nature.

B2. Variation of results against preceding quarter

	Current Quarter 31.3.2006 RM'000	Preceding Quarter 31.12.2005 RM'000
Revenue	168,768	178,636
Consolidated Profit before taxation	38,923	58,389

The lower profit before taxation for the current quarter was mainly due to lower revenue whilst the higher profit before taxation registered in the preceding quarter included a gain on disposal of surplus land of a subsidiary company amounting to RM14.55 million.

Additional information required by Bursa Malaysia Securities Listing Requirements

B3. Current year prospects

The Malaysian economy is expected to maintain its growth momentum in 2006 despite the increasing challenges of higher inflation due to higher oil prices and possible power tariff increase. The gross domestic product (GDP) is expected to grow by 6.0% in 2006 whilst the adex is projected to continue to grow albeit at a slower pace.

The slower growth in adex and higher newsprint cost are expected to have a slight impact on the Group's results. However with further improvements to operating efficiency and cost controls, the Board of Directors expects the Star Group's results to continue with its satisfactory level of performance for the financial year ending 31 December 2006.

B4. Profit forecast

The Group has not provided any profit forecast in a public document.

B5. Taxation

Taxation comprises the following: -

	3 months ended		Financial period ended	
	31.3.2006	31.3.2005	31.3.2006	31.3.2005
	RM'000	RM'000	RM'000	RM'000
Current year tax expense based on profit for the financial year				
- Malaysian taxation	3,222	3,556	3,222	3,556
- Foreign taxation	5	23	5	23
- Deferred taxation	4,077	4,080	4,077	4,080
	7,304	7,659	7,304	7,659

The effective tax rate on the Group's profit for 2006 is much lower than the statutory tax rate due mainly to the availability of reinvestment allowances.

Likewise, the effective tax rate on the Group's profit for 2005 was lower than the statutory tax rate due to the higher utilization of reinvestment allowances.

Additional information required by Bursa Malaysia Securities Listing Requirements

B6. Unquoted investments and properties

There were no sales of unquoted investments and properties for the financial period to date.

B7. Quoted investments

- (a) There were no purchases or disposal of quoted securities for the financial period to date.
- (b) There were no investments in quoted securities as at the end of the financial period under review.

B8. Status of corporate proposal announced

The Board of Directors of Star has on 23 February 2006 announced a Proposed Bonus Issue of up to 369,281,801 new ordinary shares of RM1.00 each on the basis of one Bonus Share for every one existing ordinary share of RM1.00.

The Proposed Bonus Issue shall be affected via the capitalization firstly from the Company's share premium account and the balance from the Company's retained earnings account.

The shareholders of the Company have on even date approved the bonus issue. The entitlement date for the bonus issue will be announced at a later date.

Additional information required by Bursa Malaysia Securities Listing Requirements

B9. Borrowing and debt securities

The Group borrowings and debt securities as at the end of the first quarter are as follows:

	As at 31.3.2006 RM'000	As at 31.3.2005 RM'000
<u>Short Term Borrowings</u>		
Secured		
<u>Foreign – Australian Dollar</u>		
Bank overdraft – secured by a mortgage over the freehold land	-	1,263
Unsecured		
<u>Domestic – Ringgit Malaysia</u>		
5-year redeemable unsecured bonds 2000/2005 with a coupon rate of 4.0% per annum, maturing on 15 December 2005	-	250,000
<u>Long Term Borrowings</u>		
Unsecured		
<u>Domestic – Ringgit Malaysia</u>		
5-year Medium Term Notes 2005/2010 with a coupon rate of 5.50% per annum, maturing on 26 February 2010	150,000	150,000
<u>Domestic – Ringgit Malaysia</u>		
5-year Medium Term Notes 2005/2010 with a coupon rate of 5.70% per annum, maturing on 27 August 2010	100,000	-

Additional information required by Bursa Malaysia Securities Listing Requirements

B10. Off balance sheet financial instruments

As at 11 May 2006 (the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report), there were no off balance sheet financial instruments entered into by the Group.

B11. Changes in material litigation

There are several libel suits which involve claims against the Company and a subsidiary company of which the outcome and probable compensation, if any, is currently indeterminable.

B12. Dividend

No interim dividend has been recommended for the current quarter under review (Quarter 1 2005: Nil).

In respect of the financial year ended 31 December 2005, the Board of Directors declared a second interim dividend of 15.0 sen per share, less tax and a special tax exempt dividend of 5.0 sen per ordinary share, which was paid on 18 April 2006 (2004: Second interim dividend of 15.0 sen per ordinary share, less tax and a special dividend of 5.0 sen per ordinary share, less tax).

Additional information required by Bursa Malaysia Securities Listing Requirements

B13. Basic earnings per share

The basic earnings per share for the financial period has been calculated based on the Group's profit after taxation and divided by the weighted average number of ordinary shares outstanding during the financial period.

	3 months ended		Financial period ended	
	31.3.2006	31.3.2005	31.3.2006	31.3.2005
Group's profit after taxation (RM'000)	31,619	32,966	31,619	32,966
Weighted average number of ordinary shares outstanding ('000)	357,884	325,951	357,884	325,951
Basic earnings per share (sen)	8.83	10.11	8.83	10.11

Diluted earnings per share

The diluted earnings per share for the financial period has been calculated based on the Group's profit after taxation and divided by the weighted average number of ordinary shares which would be issued on conversion of all dilutive potential ordinary shares into ordinary shares as follows: -

	3 months ended		Financial period ended	
	31.3.2006	31.3.2005	31.3.2006	31.3.2005
Group's profit after taxation (RM'000)	31,619	32,966	31,619	32,966
Weighted average number of ordinary shares outstanding ('000)	357,884	325,951	357,884	325,951
Assumed exercise of warrants on 1 January ('000)	-	7,770	-	7,770
Assumed exercise of share options on 1 January ('000)	-	2,158	-	2,158
Weighted average number of ordinary shares for diluted earnings per ordinary shares ('000)	357,884	335,879	357,884	335,879
Diluted earnings per share (sen)	8.83	9.81	8.83	9.81

By Order of the Board

Koh Beng Huat
Ong Wei Lymn

Secretaries
18 May 2006
Petaling Jaya, Selangor Darul Ehsan