



STAR MEDIA GROUP BERHAD
(Formerly known as Star Publications (Malaysia) Berhad)
Company No. 10894-D
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 MARCH 2016**

Unaudited Condensed Consolidated Statement of Profit or Loss

	Note	3 months ended		Financial period ended	
		31.03.2016 RM'000	31.03.2015 RM'000	31.03.2016 RM'000	31.03.2015 RM'000
Revenue		198,731	217,434	198,731	217,434
Operating expenses	A8	(182,415)	(187,331)	(182,415)	(187,331)
Other operating income	A9	9,187	10,004	9,187	10,004
Profit from operations		25,503	40,107	25,503	40,107
Finance cost		(2,980)	(2,507)	(2,980)	(2,507)
		22,523	37,600	22,523	37,600
<i>Share of losses in associates</i>		(145)	-	(145)	-
Profit before taxation		22,378	37,600	22,378	37,600
Taxation	B5	(7,519)	(13,680)	(7,519)	(13,680)
Profit for the financial period		14,859	23,920	14,859	23,920
Attributable to:					
Owners of the parent		15,489	26,547	15,489	26,547
Non-controlling interests		(630)	(2,627)	(630)	(2,627)
		14,859	23,920	14,859	23,920
Basic earnings per ordinary share (sen)		2.10	3.60	2.10	3.60
Diluted earnings per ordinary share (sen)		2.10	3.60	2.10	3.60

(The unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2015)

Notes on Operating Expenses:

Included in the Operating Expenses are depreciation and amortisation expenses:

	(12,672)	(10,932)	(12,672)	(10,932)
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**Unaudited Condensed Statement of Profit or Loss and Other Comprehensive Income
For the period ended 31 March 2016**

	3 months ended		Financial period ended	
	31.03.2016 RM'000	31.03.2015 RM'000	31.03.2016 RM'000	31.03.2015 RM'000
Profit for the financial period	14,859	23,920	14,859	23,920
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
- exchange differences on translating foreign operations	(7,177)	3,821	(7,177)	3,821
Total comprehensive income for the financial period	7,682	27,741	7,682	27,741
Attributable to:				
Owners of the parent	5,606	29,714	5,606	29,714
Non-controlling interests	2,076	(1,973)	2,076	(1,973)
	7,682	27,741	7,682	27,741

(The unaudited Condensed Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2015)

**Unaudited Condensed Consolidated Statement of Financial Position
As at 31 March 2016**

	31 March 2016 RM'000	31 December 2015 RM'000
Non-current assets		
Property, plant and equipment	517,314	500,350
Investment properties	117,402	105,668
Intangible assets	134,769	136,795
Investment in associates	972	1,160
Other investments		
-Financial assets at fair value through profit or loss	44,526	44,686
Other receivables	2,744	2,990
Deferred tax assets	324	324
	818,051	791,973
Current assets		
Inventories	43,709	49,899
Trade and other receivables	244,486	243,128
Derivative assets	-	164
Current tax assets	3,466	4,045
Short term deposits	530,019	508,047
Cash and bank balances	113,459	124,825
	935,139	930,108
TOTAL ASSETS	1,753,190	1,722,081

**Unaudited Condensed Consolidated Statement of Financial Position
As at 31 March 2016 (cont'd)**

	31 March 2016 RM'000	31 December 2015 RM'000
EQUITY AND LIABILITIES		
Share capital	738,564	738,564
Treasury shares	(1,633)	(1,633)
Reserves	347,534	408,344
Equity attributable to owners of the parent	1,084,465	1,145,275
Non-controlling interests	63,267	61,191
Total equity	1,147,732	1,206,466
Non-current liabilities		
Borrowings	102,357	102,997
Deferred tax liabilities	54,377	54,493
	156,734	157,490
Current liabilities		
Trade and other payables	169,096	180,145
Derivative liabilities	694	-
Borrowings	208,290	169,861
Dividend payable	66,416	-
Taxation	4,228	8,119
	448,724	358,125
Total Liabilities	605,458	515,615
TOTAL EQUITY AND LIABILITIES	1,753,190	1,722,081
Net assets per share attributable to owners of the parent company (RM)	1.47	1.55

(The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2015)

Unaudited Condensed Consolidated Statements of Changes in Equity
For the period ended 31 March 2016

	[----- Attributable to equity holders of the Company -----]							Total Equity RM'000
	[----- Non-distributable -----] Reserves			[----- Distributable -----] Reserves				
	Share capital RM'000	Foreign exchange translation reserves RM'000	Share option reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non- controlling interest RM'000	
Balance as at 1 January 2016	738,564	31,612	526	(1,633)	376,206	1,145,275	61,191	1,206,466
Total comprehensive income for the period	-	(9,862)	(21)	-	15,489	5,606	2,076	7,682
<u>Transactions with owners</u>								
Dividend								
<i>Second Interim Dividend and Special Dividend for the financial year ended 31 December 2015, paid on 18 April 2016</i>	-	-	-	-	(66,416)	(66,416)	-	(66,416)
Balance as at 31 March 2016	738,564	21,750	505	(1,633)	325,279	1,084,465	63,267	1,147,732

**Unaudited Condensed Consolidated Statements of Changes in Equity
For the period ended 31 March 2015**

[----- Attributable to equity holders of the Company -----]
[-----Non-distributable -----] [-----Distributable-----]
Reserves Reserves

	Share capital RM'000	Foreign exchange translation reserves RM'000	Share option reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non- controlling interest RM'000	Total Equity RM'000
Balance as at 1 January 2015	738,564	24,107	817	(1,633)	380,665	1,142,520	33,807	1,176,327
Total comprehensive income for the period	-	3,149	18	-	26,547	29,714	(1,973)	27,741
<u>Transactions with owners</u>								
Dividend								
<i>Second Interim Dividend and Special Dividend for the financial year ended 31 December 2014, paid on 17 April 2015</i>								
	-	-	-	-	(66,416)	(66,416)	-	(66,416)
Balance as at 31 March 2015	738,564	21,526	835	(1,633)	340,796	1,105,818	31,834	1,137,652

(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 2015)

Unaudited Condensed Consolidated Statement of Cash Flows
For the period ended 31 March 2016

	31 March 2016	31 March 2015
	RM'000	RM'000
Profit before taxation	22,378	37,600
Adjustments for non-cash flow items:-		
Share of losses in associates	145	-
Non-cash items	15,932	11,475
Non-operating items	(2,635)	(1,635)
Operating profit before working capital changes	35,820	47,440
Changes in working capital		
Net change in current assets	5,547	(14,253)
Net change in current liabilities	(22,300)	(15,450)
	(16,753)	(29,703)
Cash generated from operations	19,067	17,737
Net tax paid	(10,827)	(9,926)
Net cash from operating activities	8,240	7,811
Investing Activities		
Proceeds from disposal of property, plant and equipment	65	1,627
Purchases of property, plant and equipment	(33,028)	(2,306)
Purchases of intangible assets	(19)	(68)
Purchases of television programmes rights	(2,046)	(1,646)
Investment in financial products	(135)	(203)
Interest and investment income received	4,434	3,851
Deposits placed with licensed banks with original maturity more than 3 months	3,386	32
Net cash (used in)/from investing activities	(27,343)	1,287
Financing Activities		
Interest paid	(687)	(213)
Repayment of hire purchase	(467)	(602)
Net drawdown/(Repayment) of term loan	41,287	(471)
Repayment of finance lease	(265)	(249)
Dividend paid to non-controlling interest of a subsidiary	(962)	-
Net cash from/(used in) financing activities	38,906	(1,535)
Net increase in cash and cash equivalents	19,803	7,563
Effect of exchange rates fluctuations on cash held	(5,812)	3,381
Cash and cash equivalents at beginning of the period	585,127	593,048
Cash and cash equivalents at end of the period	599,118	603,992

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following as at the end of the financial period:

	31 March 2016	31 March 2015
	RM'000	RM'000
Deposits placed with licensed banks	530,019	524,166
Cash and bank balances	113,459	108,100
Deposits placed with licensed banks with original maturity more than 3 months	(44,360)	(28,274)
	599,118	603,992

(The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31st December 2015).

Notes to the interim financial report

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard ("MFRS") 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 of the Main Market 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 2015.

The accounting policies and methods of computation adopted by the Group in these quarterly financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 31 December 2015 except for the adoption of the following MFRSs, IC Interpretation and Amendments to MFRSs during the current financial period:

MFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to MFRS 116 and MFRS 138	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to MFRS 11	<i>Accounting for Acquisitions of Interest in Joint Operations</i>
Amendments to MFRS 116 and MFRS 141	<i>Agriculture: Bearer Plants</i>
Amendments to MFRS 127	<i>Equity Method in Separate Financial Statements</i>
Amendments to MFRSs	<i>Annual Improvements to 2012-2014 Cycle</i>
Amendments to MFRS 101	<i>Disclosure Initiative</i>
Amendments to MFRS 10, MFRS 12 and MFRS 128	<i>Investment Entities: Applying the Consolidation Exception</i>

The adoption of the above did not have any significant impact on the financial statements of the Group.

The following MFRSs and Amendments to MFRSs have been issued by the MASB but are not yet effective to the Group:

Effective for annual periods commencing on or after 1 January 2018

MFRS 9	<i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>
MFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to MFRS 10 and MFRS128	<i>Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i>

The Group will adopt the above when they become effective in the respective financial periods. These MFRSs and Amendments to MFRSs are not expected to have any significant effect to the financial statements of the Group upon their initial application.

Notes to the interim financial report

A2. Seasonal or cyclical factors

The operations of our major business segment are generally affected by the major festive seasons.

A3. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period ended 31 March 2016.

A4. Changes in estimates

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

A5. Debt and equity securities

There were no issuances and repayment of debts and equity securities, share cancellations and resale of treasury shares during the financial period ended 31 March 2016.

A6. Dividend paid

No dividend was paid in the current financial period ended 31 March 2016.

Notes to the interim financial report

A7. Segment Reporting

Business Segment

3 months ended 31 March 2016

	Financial period ended 31 March 2016		
	Assets	Revenue	Segment
	RM'000	RM'000	results
			RM'000
Print and digital	1,272,476	141,905	27,158
Broadcasting	77,121	10,948	(360)
Event, exhibition, interior and thematic	357,754	42,016	(1,760)
Television channel	11,952	2,022	(1,978)
Others	33,887	1,840	(537)
	1,753,190	198,731	22,523
Share of results in associates			(145)
Profit before tax			22,378

3 months ended 31 March 2015

	Financial period ended 31 March 2015		
	Assets	Revenue	Segment
	RM'000	RM'000	results
			RM'000
Print and digital	1,356,976	162,602	44,439
Broadcasting	89,848	11,803	774
Event, exhibition, interior and thematic	223,111	38,090	(5,292)
Television channel	11,742	2,853	(1,603)
Others	23,353	2,086	(718)
	1,705,030	217,434	37,600

Notes to the interim financial report

A8. Operating expenses

	3 months ended		Financial period ended	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
Allowance of credit losses	600	703	600	703
Foreign exchange loss	257	29	257	29

A9. Other operating income

	3 months ended		Financial period ended	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
Interest income	1,540	901	1,540	901
Investment income	4,076	3,241	4,076	3,241
Accretion of non-current receivable	-	1,050	-	1,050
Foreign exchange gain	392	485	392	485
Other income	3,179	4,327	3,179	4,327
Total	<u>9,187</u>	<u>10,004</u>	<u>9,187</u>	<u>10,004</u>

A10. Events subsequent to the end of the reporting period

On 13 April 2016, the Company announced that its wholly-owned subsidiary in Australia, Excel and its dormant subsidiary, AIUS were deregistered under Section 601AA(4) of the Corporations Act 2001 with The Australian Securities And Investments Commission ("ASIC") on 5 April 2016. The said deregistration was part of the corporate restructuring exercise.

A11. Changes in composition of the Group

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

A12. Changes in contingent liabilities

The contingent liabilities of the Group, arising from a subsidiary company, are as follow:

Project related bonds/ Guarantee	RM'000
Rental guarantee	36,383
	2,362
	<u>38,745</u>

Notes to the interim financial report

A13. Capital commitments

	RM'000
Authorised capital expenditure not provided for in the financial statements	
- contracted	45,804
- not contracted	19,802
	65,606

A14. Significant related party transactions

Significant related party transactions which were entered into on agreed terms and prices for the current financial period ended 31 March 2016 are as set out below:

	3 months ended 31.03.2016 RM'000
Transactions with related party in relation to approved shareholders' mandate for recurrent related party transactions:	
- Sales of advertisements	3,552

A15. Derivative financial instruments

As at 31 March 2016, the Group has the following outstanding forward foreign exchange contracts:

	Contract value		Fair value – net losses
	FC'000	RM'000	RM'000
With maturity less than 1 year:			
United States Dollar	3,847	15,921	(547)
Swiss Franc	3,825	15,973	(146)
Sterling Pound	7	39	(1)
		77	(704)

These currency forward contracts were entered into with the objective of managing and hedging the exposure of the Company to adverse price movements in foreign currencies.

The above derivatives are initially recognised at fair value on the date the derivative contracts are entered into and are subsequently re-measured at fair value through profit or loss. The resulting gain or loss from the re-measurement is recognised in profit or loss.

Additional information required by Bursa Malaysia Securities Listing Requirements

B1. Review of performance

	Current Year Quarter 31.03.2016 (1Q 2016) RM'000	Preceding Year Corresponding Quarter 31.03.2015 (1Q 2015) RM'000
Revenue	198,731	217,434
Consolidated Profit before taxation	22,378	37,600
Consolidated Profit after taxation	14,859	23,920

Group revenue in 1Q 2016 decreased by 8.6% to RM198.73 million from RM217.43 million in the corresponding quarter of the preceding year mainly due to lower revenue from most of the Group's business segments, in particular from the Print segment. As a result, Group profit before tax and after tax in 1Q 2016 decreased by 40.5% and 37.9% respectively against corresponding quarter of 2015.

Performance of the respective business segments for 1Q 2016 compared to the corresponding quarter of 2015 are as follows:-

Print and Digital – Revenue declined by 12.7% mainly due to lower advertising revenue. Economic uncertainties and poor consumer sentiments have affected the overall Adex. Newspaper Adex fell by 12.3% for 1Q 2016 as compared to 1Q 2015. As a result, profit before tax for this segment fell to RM27.16 million as compared to RM44.44 million in the last corresponding quarter.

Radio Broadcasting – Revenue decreased by 7.2% or RM0.86 million in the current quarter under review. Poor sentiments and the sluggish economy have affected the airtime revenue and resulted in loss before tax of RM0.36 million as compared to a profit before tax of RM0.77 million in the last corresponding quarter.

Event, exhibition, interior and thematic – This segment consists of Cityneon and I.Star Ideas Factory (Perfect Livin'). Revenue increased to RM42.02 million from RM38.09 million mainly contributed by event, exhibition and interior projects done by Cityneon. However, this is partially offset by the decrease in revenue from I.Star Ideas Factory as only 2 shows were held in 2016 as compared to 3 shows in 2015. Due to higher performance garnered by the exhibition and Victory Hill Exhibitions Group under Cityneon, this segment's losses have decreased from RM5.29 million to RM1.76 million in the current period under review.

Television channel – Revenue for 1Q 2016 decreased to RM2.02 million from RM2.85 million in the corresponding quarter of the preceding year mainly due to lower distribution revenue. This segment continues to register a loss before tax of RM1.98 million as compared to RM1.60 million in last corresponding quarter.

Additional information required by Bursa Malaysia Securities Listing Requirements

B2. Variation of results against preceding quarter

	Current Quarter 31.03.2016 (1Q 2016) RM'000	Preceding Quarter 31.12.2015 (4Q 2015) RM'000
Revenue	198,731	280,769
Consolidated Profit before taxation	22,378	60,345
Consolidated Profit after taxation	14,859	52,051

Group revenue for 1Q 2016 decreased to RM198.73 million from RM280.77 million in 4Q 2015 mainly due to lower revenue from Print and Event segments. Advertisers have remained cautious with their spending due to the weakening of Ringgit and slowdown in the economy. This has affected the overall adex for 1Q 2016 which led to a fall in profit before tax to RM22.38 million as compared to RM60.35 million in the preceding quarter.

B3. Current year prospects

With sluggish global economy and weak commodity prices, the Group expects the year to remain highly challenging. Advertising industry players anticipate poorer consumer and business sentiments due to economic uncertainties. Advertising expenditure for the rest of the year is expected to be soft.

The media related segments of the Group will continue to enhance its respective media platforms to extend their reach to wider audiences by continuing to provide more bundled products and creative buys to advertisers. The Group is also expanding aggressively into the digital businesses in video content (TheStarTV) and Audience Interest Marketing (AIM).

In the events and exhibition business segment, Cityneon will continue to look out for new opportunities to grow their revenue base. Acquisition of Victory Hill Exhibitions Pte Ltd ("VHE") in 2015 is expected to diversify the revenue stream and enhance its performance in the foreseeable future via exhibitions for AVENGERS STATION and TRANSFORMERS. On the other hand, I.Star Ideas Factory will also continue its efforts to strengthen its market position.

The Company and the Board of Directors will continue to focus and strengthen its key strategies in the media industry. We will continue to defend the Print segment whilst building on our other media platforms and also continue our prudent cost management.

B4. Profit forecast

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

Additional information required by Bursa Malaysia Securities Listing Requirements

B5. Taxation

Taxation comprises the following: -

	3 months ended		Financial period ended	
	31.03.2016 RM'000	31.03.2015 RM'000	31.03.2016 RM'000	31.03.2015 RM'000
Current period tax expense based on profit for the financial period				
1. Malaysian taxation	7,519	13,004	7,519	13,004
2. Foreign taxation	-	30	-	30
3. Deferred taxation	-	646	-	646
	7,519	13,680	7,519	13,680

The effective tax rate on the Group's profit for the financial period under review is higher than the statutory tax rate due to the tax impact of non-deductible expenses.

B6. Retained Earnings

	As at 31.03.2016 RM'000	As at 31.12.2015 RM'000
Total retained profits of Star Media Group Berhad and its subsidiaries		
-Realised	298,923	357,751
-Unrealised	(53,367)	(52,330)
	245,556	305,421
Total share of accumulated losses from associates		
-Realised	(683)	(538)
Consolidation adjustments	80,406	71,323
Total group retained profits as per consolidated accounts	325,279	376,206

B7. Status of corporate proposal announced

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

Additional information required by Bursa Malaysia Securities Listing Requirements

B8. Borrowings and debt securities

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

	As at 31.03.2016 RM'000	As at 31.03.2015 RM'000
<u>Short Term Borrowings</u>		
Unsecured		
5-years MTN 2011/2016 with a coupon rate of 4.50% per annum, maturing on 11 May 2016	100,000	-
Hire purchase	142	213
Finance lease	1,105	1,036
	101,247	1,249
Secured		
Bank borrowings	107,043	64,846
	208,290	66,095
<u>Long Term Borrowings</u>		
Unsecured		
5-years MTN 2011/2016 with a coupon rate of 4.50% per annum, maturing on 11 May 2016	-	100,000
7-years MTN 2011/2018 with a coupon rate of 4.80% per annum, maturing on 11 May 2018	100,000	100,000
	100,000	200,000
Hire purchase	173	573
Finance lease	2,184	3,289
	102,357	203,862

Except for the secured term loan of RM107,043,000 and hire purchase of RM78,500 which are denominated in Singapore Dollar, other borrowings are in Ringgit Malaysia.

B9. Changes in material litigation

There are several libel suits which involve claims against the Company of which the outcome and probable compensation, if any, cannot be determined at this juncture.

Additional information required by Bursa Malaysia Securities Listing Requirements

B10. Dividend

No interim dividend has been recommended for the current quarter under review (Quarter 1, 2015: Nil).

In respect of the financial year ended 31 December 2015, the Board of Directors declared a second interim dividend of 9.0 sen per ordinary share, single tier, which was paid on 18 April 2016 (2014: second interim dividend of 6.0 sen per ordinary share, single tier, and a special interim dividend of 3.0 sen per ordinary share, tax exempt).

B11. Basic earnings per share

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

	3 months ended		Financial period ended	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
Group's profit after taxation attributable to owners of the parent (RM'000)	15,489	26,547	15,489	26,547
Number of shares at the beginning of the year ('000)	737,956	737,956	737,956	737,956
Effect of Share Buy Back during the period ('000)	-	-	-	-
Weighted average number of ordinary shares outstanding ('000)	737,956	737,956	737,956	737,956
Basic earnings per share (sen)	2.10	3.60	2.10	3.60

Diluted earnings per share

The Group does not have in issue any financial instrument or other contract that may entitle its holder to ordinary shares and therefore, dilutive to its basic earnings per share.

By Order of the Board

Ong Wei Lymn (MAICSA 0826394)

Group Company Secretary
24 May 2016
Petaling Jaya, Selangor Darul Ehsan