



STAR MEDIA GROUP BERHAD

Company No. 10894-D
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

Unaudited Condensed Consolidated Statement of Profit or Loss

	Note	3 months ended		Financial period ended	
		30.09.2017 RM'000	30.09.2016 RM'000	30.09.2017 RM'000	30.09.2016 RM'000
Revenue		130,886	153,616	391,392	477,057
Operating expenses	A8	(129,571)	(139,530)	(397,248)	(433,563)
Other operating income	A9	220,366	6,776	237,171	45,311
Profit from operations		221,681	20,862	231,315	88,805
Finance cost		(1,209)	(1,429)	(3,844)	(6,261)
Profit before taxation from continuing operations		220,472	19,433	227,471	82,544
Taxation	B5	(2,275)	(6,998)	(7,448)	(19,830)
Profit for the financial period from continuing operations		218,197	12,435	220,023	62,714
Discontinued operations					
(Loss)/Profit for the financial period from discontinued operations, net of tax		-	(2,204)	24,522	12,377
Profit for the financial period		218,197	10,231	244,545	75,091
Attributable to:					
Owners of the parent		230,288	11,305	245,443	70,470
Non-controlling interests		(12,091)	(1,074)	(898)	4,621
		218,197	10,231	244,545	75,091
Basic/Diluted earnings per ordinary share (sen):					
Total		31.21	1.53	33.26	9.55
Continuing operations		31.21	1.69	31.55	8.50
Discontinued operations		-	(0.16)	1.71	1.05
(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 2016)					
Included in the Operating Expenses are depreciation and amortisation expenses:		(11,455)	(11,200)	(35,275)	(33,529)

**Unaudited Condensed Statement of Profit or Loss and Other Comprehensive Income
For the period ended 30 September 2017**

	3 months ended		Financial period ended	
	30.09.2017 RM'000	30.09.2016 RM'000	30.09.2017 RM'000	30.09.2016 RM'000
Profit for the financial period	218,197	10,231	244,545	75,091
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
- exchange differences on translating foreign operations	(528)	5,475	(7,328)	(2,092)
Total comprehensive income for the financial period	217,669	15,706	237,217	72,999
Attributable to:				
Owners of the parent	218,964	14,344	230,534	68,919
Non-controlling interests	(1,295)	1,362	6,683	4,080
	217,669	15,706	237,217	72,999

(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 2016)

**Unaudited Condensed Consolidated Statement of Financial Position
As at 30 September 2017**

	30 September 2017 RM'000	31 December 2016 RM'000
Non-current assets		
Property, plant and equipment	418,578	571,180
Investment properties	137,773	134,945
Intangible assets	79,037	126,270
Investment in associates	-	819
Other investments		
-Financial assets at fair value through profit or loss	36,700	38,464
Other receivables	-	1,563
Deferred tax assets	128	128
	672,216	873,369
Current assets		
Inventories	28,466	41,072
Trade and other receivables	98,061	230,453
Derivative assets	83	416
Current tax assets	14,603	4,504
Short term deposits	652,285	342,728
Cash and bank balances	52,676	156,859
	846,174	776,032
TOTAL ASSETS	1,518,390	1,649,401

**Unaudited Condensed Consolidated Statement of Financial Position
As at 30 September 2017 (cont'd)**

	30 September 2017 RM'000	31 December 2016 RM'000
EQUITY AND LIABILITIES		
Share capital	738,564	738,564
Treasury shares	(1,633)	(1,633)
Reserves	287,051	391,724
Equity attributable to owners of the parent	1,023,982	1,128,655
Non-controlling interests	3,611	109,627
Total equity	1,027,593	1,238,282
Non-current liabilities		
Borrowings	101,609	100,905
Deferred tax liabilities	52,367	55,000
	153,976	155,905
Current liabilities		
Trade and other payables	69,942	151,270
Borrowings	1,215	100,832
Dividend payable	265,664	-
Taxation	-	3,112
	336,821	255,214
Total Liabilities	490,797	411,119
TOTAL EQUITY AND LIABILITIES	1,518,390	1,649,401
Net assets per share attributable to owners of the parent company (RM)	1.39	1.53

(The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2016)

Unaudited Condensed Consolidated Statements of Changes in Equity
For the period ended 30 September 2017

	[----- 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 2017	738,564	13,047	6	(1,633)	378,671	1,128,655	109,627	1,238,282
Total comprehensive income for the period	-	(14,903)	(6)	-	245,443	230,534	6,683	237,217
<u>Transactions with owners</u>								
Disposal of shares in a subsidiary	-	(3,127)	-	-	-	(3,127)	(112,209)	(115,336)
Dividend								
<i>First Interim Dividend and Special Dividend for the financial year ended 31 December 2017, paid on 17 October 2017</i>	-	-	-	-	(265,664)	(265,664)	-	(265,664)
<i>Second Interim Dividend and Special Dividend for the financial year ended 31 December 2016, paid on 18 April 2017</i>	-	-	-	-	(66,416)	(66,416)	-	(66,416)
<i>Dividends paid to non-controlling interest of a subsidiary</i>	-	-	-	-	-	-	(490)	(490)
Balance as at 30 September 2017	738,564	(4,983)	-	(1,633)	292,034	1,023,982	3,611	1,027,593

Unaudited Condensed Consolidated Statements of Changes in Equity For the period ended 30 September 2016

[----- 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 2016	738,564	31,612	526	(1,633)	376,206	1,145,275	61,191	1,206,466
Total comprehensive income for the period	-	(1,791)	240	-	70,470	68,919	4,080	72,999
<u>Transactions with owners</u>								
Disposal of shares in a subsidiary	-	-	-	-	13,234	13,234	11,784	25,018
Deregistration of a subsidiary	-	(21,073)	-	-	-	(21,073)	-	(21,073)
Additional shares issued by a subsidiary	-	-	-	-	10,526	10,526	21,644	32,170
Share options granted under ESOS of a subsidiary	-	-	(756)	-	1,623	867	3,563	4,430
Transfer of share options reserve	-	-	(2)	-	2	-	-	-
<u>Dividend</u>								
<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)
<i>First Interim Dividend and Special Dividend for the financial year ended 31 December 2016, paid on 18 October 2016</i>	-	-	-	-	(66,416)	(66,416)	-	(66,416)
<i>Dividends paid to non-controlling interest of a subsidiary</i>	-	-	-	-	-	-	(214)	(214)
Balance as at 30 September 2016	738,564	8,748	8	(1,633)	339,229	1,084,916	102,048	1,186,964

(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 2016)

Unaudited Condensed Consolidated Statement of Cash Flows
For the period ended 30 September 2017

	30 September 2017 RM'000	30 September 2016 RM'000
Profit before taxation		
- continuing operations	227,471	82,544
- discontinued operations	27,188	16,145
Adjustments for non-cash flow items:-		
Share of losses in associates	289	307
Non-cash items	(152,739)	25,010
Non-operating items	(6,896)	(6,345)
Operating profit before working capital changes	95,313	117,661
Changes in working capital		
Net change in current assets	(89,940)	27,675
Net change in current liabilities	(20,455)	(43,237)
	(110,395)	(15,562)
Cash generated from operations	(15,082)	102,099
Net tax paid	(23,068)	(28,879)
Net cash from operating activities	(38,150)	73,220
Investing Activities		
Proceeds from disposal of property, plant and equipment	372	828
Proceeds from disposal of intangible assets	-	171
Proceeds from disposal of quoted securities	3,933	5,000
Proceeds from disposal of shares	-	25,018
Proceeds from disposal of subsidiary company	360,180	-
Purchases of property, plant and equipment	(34,309)	(97,725)
Purchases of intangible assets	(3,157)	(726)
Purchases of television programme rights	(14,928)	(5,994)
Investment in financial products	(897)	(524)
Investment redeemed on maturity	740	-
Interest and investment income received	11,157	13,274
Deposits placed with licensed banks with original maturity more than 3 months	4,369	35,240
Net cash from/(used in) investing activities	327,460	(25,438)
Financing Activities		
Interest paid	(1,640)	(2,705)
Repayment of hire purchase	(141)	(559)
(Repayment)/Net drawdown of term loan	(12,690)	19,196
Repayment of finance lease	(924)	(809)
Redemption of Medium Term Note	-	(100,000)
Proceeds from shares issue to non-controlling interest of a subsidiary	-	32,833
Proceeds from ESOS exercised with issue of shares to non-controlling interest of a subsidiary	-	4,650
Dividend paid	(66,416)	(66,416)
Net cash used in financing activities	(81,811)	(113,810)
Net increase/(decrease) in cash and cash equivalents	207,499	(66,028)
Effect of exchange rates fluctuations on cash held	2,241	(2,600)
Cash and cash equivalents at beginning of the period	488,311	585,127
Cash and cash equivalents at end of the period	698,051	516,499

**Unaudited Condensed Consolidated Statement of Cash Flows
For the period ended 30 September 2017 (cont'd)**

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

	30 September 2017	30 September 2016
	RM'000	RM'000
Deposits placed with licensed banks		
- continuing operations	652,285	397,018
- discontinued operations	-	-
Cash and bank balances		
- continuing operations	52,676	46,173
- discontinued operations	-	85,813
Deposits placed with licensed banks with original maturity more than 3 months	(6,910)	(12,505)
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	698,051	516,499
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(The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31st December 2016).

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 2016.

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 2016 except for the adoption of the following MFRSs, IC Interpretation and Amendments to MFRSs during the current financial period:

Amendments to MFRS 12	<i>Annual Improvements to MFRS Standards 2014 – 2016 Cycle</i>
Amendments to MFRS 107	<i>Disclosure Initiative</i>
Amendments to MFRS 112	<i>Recognition of Deferred Tax Assets for Unrealised Losses</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

Amendments to MFRS 1	<i>Annual Improvements to MFRS Standards 2014 – 2016 Cycle</i>
MFRS 9	<i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>
MFRS 15	<i>Revenue from Contracts with Customers</i>
MFRS 15	<i>Clarifications to MFRS 15</i>
Amendments to MFRS 2	<i>Clarifications and Measurement of Share-based Payment Transactions</i>
Amendments to MFRS 128	<i>Annual Improvements to MFRS Standards 2014 – 2016 Cycle</i>
Amendments to MFRS 140	<i>Transfers of Investment Property</i>
IC Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Amendments to MFRS 4	<i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>
MFRS 16	<i>Leases</i>
Amendments to MFRS 10 and MFRS 128	<i>Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i>
MFRS 17	<i>Insurance Contracts</i>
IC Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>

The Group is in the process of assessing the impact of implementing these Standards and Amendments, since the effects would only be observable for the future financial years.

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 30 September 2017.

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 30 September 2017.

A6. Dividend paid

	2017 RM'000	2016 RM'000
<u>In respect of the financial year ended 31 December 2017</u>		
First interim dividend of 6.0 sen per ordinary share, single tier, and special interim dividend of 30.0 sen per ordinary share, single tier, paid on 17 October 2017	265,664	-
<u>In respect of the financial year ended 31 December 2016</u>		
Second interim dividend of 9.0 sen per ordinary share, single tier, paid on 18 April 2017	66,416	-
<u>In respect of the financial year ended 31 December 2016</u>		
First interim dividend of 9.0 sen per ordinary share, single tier, paid on 18 October 2016	-	66,416
<u>In respect of the financial year ended 31 December 2015</u>		
Second interim dividend of 9.0 sen per ordinary share, single tier, paid on 18 April 2016	-	66,416

Notes to the interim financial report

A7. Segment Reporting

Business Segment

9 months ended 30 September 2017

	Financial period ended 30 September 2017		
	Assets RM'000	Revenue RM'000	Profit before tax RM'000
<u>Continuing operations</u>			
Print and digital	1,389,565	339,757	31,679
Broadcasting	72,823	30,168	3,663
Event and exhibition	30,379	6,888	(328)
Television channel	13,270	7,837	(4,946)
Others	12,353	6,742	197,403
	<u>1,518,390</u>	<u>391,392</u>	<u>227,471</u>
<u>Discontinued operations</u>			
Event, exhibition, interior and thematic (Cityneon)	-	156,794	27,477
Share of results in associates	-	-	(289)
	<u>-</u>	<u>156,794</u>	<u>27,188</u>
Profit before tax	<u>1,518,390</u>	<u>548,186</u>	<u>254,659</u>

9 months ended 30 September 2016

	Financial period ended 30 September 2016		
	Assets RM'000	Revenue RM'000	Profit before tax RM'000
<u>Continuing operations</u>			
Print and digital	1,114,125	421,264	74,397
Broadcasting	74,175	30,722	(3,519)
Event and exhibition	51,130	9,039	(141)
Television channel	15,268	7,587	(6,317)
Others	46,485	8,445	18,124
	<u>1,301,183</u>	<u>477,057</u>	<u>82,544</u>
<u>Discontinued operations</u>			
Event, exhibition, interior and thematic (Cityneon)	360,424	194,708	16,452
Share of results in associates	-	-	(307)
	<u>360,424</u>	<u>194,708</u>	<u>16,145</u>
Profit before tax	<u>1,661,607</u>	<u>671,765</u>	<u>98,689</u>

Notes to the interim financial report**A8. Operating expenses**

	3 months ended		Financial period ended	
	30.09.2017 RM'000	30.09.2016 RM'000	30.09.2017 RM'000	30.09.2016 RM'000
Allowance of credit losses	296	600	892	1,767
Loss on disposal of quoted investment	-	-	-	12
Foreign exchange loss	2	558	3	841

A9. Other operating income

	3 months ended		Financial period ended	
	30.09.2017 RM'000	30.09.2016 RM'000	30.09.2017 RM'000	30.09.2016 RM'000
Interest income	1,014	633	2,335	3,232
Investment income	4,543	3,395	9,715	10,890
Gain on disposal of quoted investment	92	-	256	-
Foreign exchange gain	7,297	18	8,056	103
Gain on deregistration of a subsidiary	-	-	-	21,073
Gain on disposal of a subsidiary	206,859	-	206,859	-
Other income	561	2,730	9,950	10,013
Total	220,366	6,776	237,171	45,311

Notes to the interim financial report

A10. Discontinued operations

On 12 May 2017, the Company announced that Laviani Pte Ltd, a wholly-owned subsidiary company, entered into a conditional share purchase agreement with Lucrum 1 Investment for the proposed disposal of its entire equity interest in Cityneon for a disposal consideration of SGD115,612,731 (equivalent to RM360,179,902) to be satisfied entirely via cash. On 12 July 2017, the Company announced the completion on the disposal of Cityneon Holdings Limited by Laviani Pte Ltd, a wholly-owned subsidiary company.

Accordingly, the Group shall present and disclose in its financial statements, the financial effects of discontinued operations in accordance to MFRS 5 (Non-current Assets Held For Sale and Discontinued Operations). The segment was not a discontinued operation or classified as Held For Sale as at 30 September 2016. However, comparative consolidated statement of profit or loss and other comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

An analysis of the results of the discontinued operations is as follows:

	3 months ended		Financial period ended	
	30.09.2017 RM'000	30.09.2016 RM'000	30.09.2017 RM'000	30.09.2016 RM'000
Revenue	-	52,882	156,794	194,708
Operating expenses	-	(54,143)	(129,108)	(178,177)
Other operating income	-	314	1,177	1,558
(Loss)/Profit from operations	-	(947)	28,863	18,089
Finance cost	-	(575)	(1,386)	(1,637)
	-	(1,522)	27,477	16,452
<i>Share of losses in associates</i>	-	(56)	(289)	(307)
(Loss)/Profit before taxation	-	(1,578)	27,188	16,145
Taxation	-	(626)	(2,666)	(3,768)
(Loss)/Profit for the financial period	-	(2,204)	24,522	12,377

The following amounts have been included in arriving at (loss)/profit before tax of the discontinued operations:

	3 months ended		Financial year ended	
	30.09.2017 RM'000	30.09.2016 RM'000	30.09.2017 RM'000	30.09.2016 RM'000
Charging / (Crediting):-				
Depreciation and amortisation	-	2,702	7,805	6,116
Interest income	-	(26)	(76)	(120)
Bad debts recovered	-	(103)	(112)	(103)

Notes to the interim financial report**A10. Discontinued operations** (cont'd)

The cash flow attributable to the discontinued operations is as follows:

	As at 30.09.2017 RM'000	As at 30.09.2016 RM'000
Operating activities	(9,883)	15,125
Investing activities	(16,952)	(79,246)
Financing activities	12,913	77,591
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Net cash (outflow)/inflow	(13,922)	13,470
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A11. Events subsequent to the end of the reporting period

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

A12. Changes in composition of the Group

On 16 June 2017, the Company announced the incorporation of SMG Production And Distribution Sdn Bhd ("SMG P&D") as a wholly-owned subsidiary of SMG Entertainment Sdn Bhd (formerly known as Star Online Sdn Bhd), which in turn is a wholly owned subsidiary of the Company. The present paid-up share capital of SMG P&D is RM2.00 comprising 2 ordinary shares of RM1.00 each. The intended principal activity of SMG P&D is production and distribution of content.

On 12 July 2017, the Company announced the completion on the disposal of Cityneon Holdings Limited by Laviani Pte Ltd, a wholly-owned subsidiary company. Accordingly, Cityneon Holdings Limited and its subsidiaries have ceased to be the indirect subsidiary companies of the Company.

On 12 July 2017, the Company announced that its wholly-owned subsidiary, Li TV Holdings Limited ("Li TV") and its wholly-owned subsidiaries namely Li TV Asia Pte Ltd and Li TV Asia Sdn Bhd have ceased its business operations on 7 October 2017.

A13. Changes in contingent liabilities

There are no contingent liabilities in the current financial period.

A14. Capital commitments

	RM'000
Authorised capital expenditure not provided for in the financial statements	
- contracted	10,371
- not contracted	6,969
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	17,340
	<hr/>

Notes to the interim financial report**A15. Significant related party transactions**

Significant related party transactions which were entered into on agreed terms and prices for the current financial period ended 30 September 2017 are as set out below:

**9 months
ended
30.09.2017
RM'000**

Transactions with related party in relation to approved shareholders' mandate for recurrent related party transactions:

- Sales of advertisements

8,882

A16. Derivative financial instruments

As at 30 September 2017, the Group has the following outstanding forward foreign exchange contracts:

	Contract value		Fair value – net gain
	Foreign Currency FC'000	RM'000	RM'000
With maturity less than 1 year:			
United States Dollar	13	56	-
Swiss Franc	500	2,185	83

These 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 30.09.2017 (3Q 2017) RM'000	Preceding Year Corresponding Quarter 30.09.2016 (3Q 2016) RM'000
Revenue (<i>continuing operations</i>)	130,886	153,616
Consolidated Profit before taxation (<i>continuing operations</i>)	220,472	19,433
Consolidated Profit after taxation (<i>continuing operations</i>)	218,197	12,435

In Note A10, the Group has presented the results separately between continuing operations and discontinued operations as a result of the disposal of Cityneon.

Continuing operations

Group revenue in 3Q 2017 decreased by 14.8% to RM130.89 million from RM153.62 million in the corresponding quarter of the preceding year mainly due to lower revenue contribution from Print. In 3Q 2017, the Group recorded a higher profit before tax and profit after tax which amounted to RM 220.47 million and RM218.20 million respectively. This is due to the gain on disposal of a subsidiary, Cityneon, which amounted to RM206.86 million.

Performance of the respective business segments for 3Q 2017 compared to the corresponding quarter of 2016 are as follows:-

Print and Digital – Revenue declined by 16.1% due to lower advertising revenue as Advertisers have remained cautious with their spending due to weak market sentiments. According to Nielsen Media Research, Newspaper's Advertising Expenditure fell by 18.1% in 3Q 2017 against 3Q 2016. Overall profit before tax for this segment decreased to RM20.59 million from RM24.22 million in 3Q 2016.

Radio Broadcasting – Revenue increased by 4.3% in the current quarter. Despite garnering slightly higher revenue in this quarter, advertisers are still cautious. This segment recorded a profit before tax of RM2.05 million as compared to a loss before tax of RM1.27 million largely due to cost savings arising from the disposal of Red FM and Capital FM stations in 2016.

Event and exhibition – This segment consists of I.Star Ideas Factory (Perfect Livin' & Perfect Lifestyle). Revenue decreased to RM1.14 million from RM1.24 million due to lower exhibitor's participation. This segment recorded a loss before tax of RM0.43 million in 3Q 2017 as compared to a loss before tax of RM0.46 million in 3Q 2016.

Television channel – Revenue decreased to RM2.28 million from RM2.98 million in the current quarter under review due to lower advertising revenue. Li TV's loss before tax has also narrowed to RM1.49 million as compared to RM1.82 million in 2Q 2016 as a result of lower costs incurred.

Discontinued operations

Event, exhibition, interior and thematic – This segment consists of Cityneon. The Group has completed its disposal and Cityneon had ceased to contribute to the Group's results in the current quarter under review.

Additional information required by Bursa Malaysia Securities Listing Requirements

B1. Review of performance (cont'd)

	9 months ended 30.09.2017 (9M 2017) RM'000	9 months ended 30.09.2016 (9M 2016) RM'000
Revenue (<i>continuing operations</i>)	391,392	477,057
Consolidated Profit before taxation (<i>continuing operations</i>)	227,471	82,544
Consolidated Profit after taxation (<i>continuing operations</i>)	220,023	62,714

In Note A10, the Group has presented the results separately between continuing operations and discontinued operations as a result of the disposal of Cityneon.

Continuing operations

Performance of the company and subsidiaries for 9 months ended 30 September 2017 vs 30 September 2016:-

Group revenue in 9M 2017 decreased by 18% to RM391.39 million from RM477.06 million in 9M 2016 mainly due to lower print and digital revenue. In 3Q 2017, the Group recorded a higher profit before tax and profit after tax which amounted to RM 227.47 million and RM220.02 million respectively. This is due to the gain on disposal of a subsidiary, Cityneon, which amounted to RM206.86 million.

Performance of the respective business segments are as follows:-

Print and Digital – Print and digital revenue decreased by 19.3% in the current period under review. Poor consumer and business sentiments have affected the overall Adex. According to Nielsen Media Research, Newspaper Adex fell by 21.7% in 9M 2017 as compared to 9M 2016. As a result of the lower revenue, profit before tax decreased to RM31.68 million in 9M 2017 as compared to RM74.40 million in the 9M 2016.

Radio Broadcasting – Revenue declined marginally by 1.8% or RM0.55 million in 9M 2017 as a result of poor consumer and business sentiments. However, this segment recorded a profit before tax of RM3.66 million in 9M 2017 as compared to a loss before tax of RM3.52 million in 9M 2016 largely due to cost savings arising from the disposal of Red FM and Capital FM stations in 2016.

Event and exhibition – This segment consists of I.Star Ideas Factory (Perfect Livin' & Perfect Lifestyle). Revenue from I.Star Ideas Factory has decreased to RM6.89 million from RM9.04 million due to lower exhibitor's participation. As a result of lower revenue, this segment recorded a loss before tax of RM0.33 million in 9M 2017 as compared to a loss before tax of RM0.14 million in 9M 2016.

Television channel – Revenue for 9M 2017 increased by 3.3% to RM7.84 million as compared to RM7.59 million in 9M 2016 due to higher advertising revenue. This segment narrowed its loss before tax to RM4.95 million in 9M 2017 as compared to RM6.32 million in 9M 2016 as a result of lower costs incurred.

Discontinued operations

Event, exhibition, interior and thematic – This segment consists of Cityneon. The Group has completed its disposal and Cityneon had ceased to contribute to the Group's results in 3Q 2017.

In Note A10, the Group has presented the results separately between continuing operations and discontinued operations as a result of the disposal.

Additional information required by Bursa Malaysia Securities Listing Requirements**B2. Variation of results against preceding quarter**

	Current Quarter 30.09.2017 (3Q 2017) RM'000	Preceding Quarter 30.06.2017 (2Q 2017) RM'000
Revenue (<i>continuing operations</i>)	130,886	129,381
Consolidated Profit before taxation (<i>continuing operations</i>)	220,472	565
Consolidated Profit/(Loss) after taxation (<i>continuing operations</i>)	218,197	(1,478)

Group revenue for 3Q 2017 increased to RM130.89 million from RM129.38 million mainly due higher print revenue. Advertisers have remained cautious with their spending due to poor consumer and business sentiments. The Group recorded a higher profit before tax of RM220.47 million in the current quarter under review as compared to the preceding quarter due to the gain on disposal of a subsidiary, Cityneon.

If this gain on disposal which amounted to RM206.86 million is excluded, the Group would have recorded a higher profit before tax of RM13.61 million in 3Q 2017 as compared to RM0.57 million in 2Q 2017 mainly due to higher revenue contribution from Print and Radio.

B3. Current year prospects

The Consumer Sentiments Index according to Malaysian Institute of Economic Research remains below 100 points as consumers are affected by low wage growth and higher cost of living. The Business Conditions Index also showed a decline to 103.1 points in 3Q 2017 from 114.1 in 2Q 2017. GDP is projected to grow at 5.4% in 2017. However, advertising expenditure for the rest of the year is expected to remain soft due to weak consumer sentiments.

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 as well as organising client driven events. The Group is also expanding aggressively into the digital businesses.

With the sale of the two radio stations (Capital FM and Red FM) which were loss making in the last financial year, Radio segment is expected to contribute positively to the Group.

The Group has recently embarked on its next digital transformation plan with the launch of dimsum.my, its very own video on demand service. It offers Asian content and much of it on an exclusive basis. Currently, we are also building its library content to secure a much higher subscribers base.

In the events and exhibition business segment, I.Star Ideas Factory (Perfect Livin') has been affected by the poor consumer sentiments and weak retail market. However, Perfect Livin' will continue its efforts to strengthen its market position.

Star is actively searching for new investment opportunities especially in the digital sector to further complement and enhance its existing assets. The fast evolving media landscape into all things digital and the ever changing consumer preferences make it a priority for Star to maintain its engagement with its audiences via the latest technologies.

While pursuing a digital sector focused approach to its investments, Star is also cognizant of investment opportunities that may arise in other industries and will also consider investments in non-core businesses which have the potential to enhance the performance of the Group.

Additional information required by Bursa Malaysia Securities Listing Requirements**B3. Current year prospects (cont'd)**

All TV broadcasting companies globally are facing headwinds and with digital disruption within the media industry, the Company does not expect a turnaround from Li TV. In view thereof, the Board has decided to cease the business operations of Li TV Group to mitigate further losses.

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 to step up our cost cutting measures including reduction in headcount.

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	
	30.09.2017 RM'000	30.09.2016 RM'000	30.09.2017 RM'000	30.09.2016 RM'000
Current period tax expense based on profit for the financial period				
1. Malaysian taxation	2,285	6,998	7,520	19,840
2. Foreign taxation	-	-	-	-
3. Deferred taxation	(10)	-	(72)	(10)
	2,275	6,998	7,448	19,830

The effective tax rate on the Group's profit for the financial period under review is lower than the statutory tax rate mainly due to certain income which is not subject to tax and eligibility of losses incurred in other entities for group tax relief.

B6. Retained Earnings

	As at 30.09.2017 RM'000	As at 31.12.2016 RM'000
Total retained profits of Star Media Group Berhad and its subsidiaries		
-Realised	248,480	330,150
-Unrealised	(49,040)	(53,029)
	<u>199,440</u>	<u>277,121</u>
Total share of accumulated losses from associates		
-Realised	(1,188)	(899)
Consolidation adjustments	93,782	102,449
Total group retained profits as per consolidated accounts	<u>292,034</u>	<u>378,671</u>

Additional information required by Bursa Malaysia Securities Listing Requirements**B7. Status of corporate proposal announced**

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

B8. Borrowings and debt securities

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

	As at 30.09.2017 RM'000	As at 30.09.2016 RM'000
<u>Continuing operations</u>		
Short Term Borrowings		
Unsecured		
- Hire purchase	-	20
- Finance lease	1,215	1,140
	1,215	1,160
Secured		
- Bank borrowings	-	21,665
	1,215	22,825
Long Term Borrowings		
Unsecured		
- 7-years MTN 2011/2018 with a coupon rate of 4.80% per annum, maturing on 11 May 2018	100,000	100,000
- Finance lease	1,609	1,606
	101,609	101,606
<u>Discontinued operations</u>		
Short Term Borrowings		
Unsecured		
- Hire purchase	-	90
		90
Secured		
- Bank borrowings	-	66,228
	-	66,318
Long Term Borrowings		
Unsecured		
- Hire purchase	-	128
	-	128

In 2016, except for the secured term loan of RM87,893,000 and hire purchase of RM52,000 which are denominated in Singapore Dollar, other borrowings are in Ringgit Malaysia.

All borrowings in 2017 are denominated in Ringgit Malaysia.

Additional information required by Bursa Malaysia Securities Listing Requirements**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.

B10. Dividend

The Board of Directors does not recommend any payment of dividend for the quarter under review.

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	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
Group's profit/(losses) after taxation attributable to owners of the parent (RM'000)				
- From continuing operations	230,288	12,454	232,775	62,740
- From discontinued operations	-	(1,149)	12,668	7,730
	<u>230,288</u>	<u>11,305</u>	<u>245,443</u>	<u>70,470</u>
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)	<u>737,956</u>	<u>737,956</u>	<u>737,956</u>	<u>737,956</u>
Basic earnings per share (sen)				
- From continuing operations	31.21	1.69	31.55	8.50
- From discontinued operations	-	(0.16)	1.71	1.05
Total	<u>31.21</u>	<u>1.53</u>	<u>33.26</u>	<u>9.55</u>

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

Group Company Secretary
20 November 2017
Petaling Jaya, Selangor Darul Ehsan