



STAR MEDIA GROUP BERHAD

Company No. 10894-D
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017

Unaudited Condensed Consolidated Statement of Profit or Loss

	Note	3 months ended		Financial year ended	
		31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Revenue		126,342	153,375	517,734	630,432
Operating expenses	A8	(320,250)	(162,395)	(717,498)	(595,958)
Other operating income	A9	7,470	50,841	244,641	96,152
(Loss)/Profit from operations		(186,438)	41,821	44,877	130,626
Finance cost		(1,216)	(1,393)	(5,060)	(7,654)
(Loss)/Profit before taxation from continuing operations		(187,654)	40,428	39,817	122,972
Taxation	B5	30,553	(7,223)	23,105	(27,053)
(Loss)/Profit for the financial year from continuing operations		(157,101)	33,205	62,922	95,919
Discontinued operations					
Profit for the financial year from discontinued operations, net of tax		-	8,613	24,522	20,990
(Loss)/Profit for the financial year		(157,101)	41,818	87,444	116,909
Attributable to:					
Owners of the parent		(155,149)	39,441	90,294	109,911
Non-controlling interests		(1,952)	2,377	(2,850)	6,998
		(157,101)	41,818	87,444	116,909
Basic/Diluted earnings per ordinary share (sen):					
Total		(21.02)	5.34	12.24	14.89
Continuing operations		(21.02)	4.70	10.53	13.20
Discontinued operations		-	0.64	1.71	1.69

(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:

(11,326)	(10,800)	(46,601)	(44,329)
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**Unaudited Condensed Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2017**

	3 months ended		Financial year ended	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
(Loss)/Profit for the financial year	(157,101)	41,818	87,444	116,909
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
- exchange differences on translating foreign operations	(469)	(11,586)	(7,797)	(13,678)
Total comprehensive income for the financial year	(157,570)	30,232	79,647	103,231
Attributable to:				
Owners of the parent	(155,618)	22,663	74,916	91,582
Non-controlling interests	(1,952)	7,569	4,731	11,649
	(157,570)	30,232	79,647	103,231

(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 31 December 2017**

	31 December 2017 RM'000	31 December 2016 RM'000
Non-current assets		
Property, plant and equipment	330,061	571,180
Investment properties	137,846	134,945
Intangible assets	43,024	126,270
Investment in associates	-	819
Other investments		
-Financial assets at fair value through profit or loss	10,659	38,464
Other receivables	-	1,563
Deferred tax assets	3,333	128
	524,923	873,369
Current assets		
Inventories	25,607	41,072
Trade and other receivables	96,102	230,450
Other investments		
-Financial assets at fair value through profit or loss	546	-
Derivative assets	30	416
Current tax assets	20,328	4,504
Short term deposits	407,636	342,728
Cash and bank balances	72,624	156,862
	622,873	776,032
TOTAL ASSETS	1,147,796	1,649,401

**Unaudited Condensed Consolidated Statement of Financial Position
As at 31 December 2017 (cont'd)**

	31 December 2017 RM'000	31 December 2016 RM'000
EQUITY AND LIABILITIES		
Share capital	738,564	738,564
Treasury shares	(1,769)	(1,633)
Reserves	131,433	391,724
Equity attributable to owners of the parent	868,228	1,128,655
Non-controlling interests	1,659	109,627
Total equity	869,887	1,238,282
Non-current liabilities		
Borrowings	1,455	100,905
Deferred tax liabilities	26,034	55,000
	27,489	155,905
Current liabilities		
Trade and other payables	145,737	151,271
Borrowings	101,042	100,831
Taxation	3,641	3,112
	250,420	255,214
Total Liabilities	277,909	411,119
TOTAL EQUITY AND LIABILITIES	1,147,796	1,649,401
Net assets per share attributable to owners of the parent company (RM)	1.18	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 year ended 31 December 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 year	-	(15,372)	(6)	-	90,294	74,916	4,731	79,647
<u>Transactions with owners</u>								
Disposal of shares in a subsidiary	-	(3,127)	-	-	-	(3,127)	(112,209)	(115,336)
Repurchase of shares	-	-	-	(136)	-	(136)	-	(136)
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 31 December 2017	738,564	(5,452)	-	(1,769)	136,885	868,228	1,659	869,887

Unaudited Condensed Consolidated Statements of Changes in Equity For the year ended 31 December 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 year	-	(18,565)	236	-	109,911	91,582	11,649	103,231
<u>Transactions with owners</u>								
Disposal of shares in a subsidiary	-	-	-	-	13,234	13,234	11,784	25,018
Additional shares issued by a subsidiary	-	-	-	-	10,526	10,526	21,650	32,176
Share options granted under ESOS of a subsidiary	-	-	(756)	-	1,626	870	3,571	4,441
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)
<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>	-	-	-	-	-	-	(218)	(218)
Balance as at 31 December 2016	738,564	13,047	6	(1,633)	378,671	1,128,655	109,627	1,238,282

(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 year ended 31 December 2017

	31 December 2017 RM'000	31 December 2016 RM'000
Profit before taxation		
- continuing operations	39,817	122,972
- discontinued operations	27,188	23,234
Adjustments for non-cash flow items:-		
Share of losses in associates	289	361
Non-cash items	(8,780)	20,873
Non-operating items	(10,411)	(8,913)
Operating profit before working capital changes	48,103	158,527
Changes in working capital		
Net change in current assets	(85,953)	(4,095)
Net change in current liabilities	54,123	(25,326)
	(31,830)	(29,421)
Cash generated from operations	16,273	129,106
Net tax paid	(24,139)	(34,353)
Net cash (used in)/from operating activities	(7,866)	94,753
Investing Activities		
Proceeds from disposal of property, plant and equipment	537	1,656
Proceeds from disposal of intangible assets	-	171
Proceeds from disposal of quoted securities	3,933	5,000
Proceeds from disposal of subsidiary company	360,180	40,380
Proceeds from disposal of investment in an associate	-	150
Proceeds from disposal of shares	-	25,018
Purchases of property, plant and equipment	(44,408)	(120,753)
Purchases of intangible assets	(3,468)	(750)
Purchases of television programme rights	(23,139)	(15,617)
Purchase of exhibition license	-	(3,055)
Investment in financial products	(897)	(908)
Investment redeemed on maturity	26,156	400
Interest and investment income received	15,888	17,718
Deposits placed with licensed banks with original maturity more than 3 months	4,251	36,466
Net cash from/(used in) investing activities	339,033	(14,124)
Financing Activities		
Interest paid	(1,620)	(9,239)
Repayment of hire purchase	(140)	(706)
Drawdown of term loan	25,735	104,481
Repayment of term loan	(38,424)	(76,611)
Repayment of finance lease	(1,251)	(1,087)
Repurchase of shares	(136)	-
Redemption of Medium Term Note	-	(100,000)
Proceeds from shares issue to non-controlling interest of a subsidiary	-	32,176
Proceeds from ESOS exercised with issue of shares to non-controlling interest of a subsidiary	-	4,441
Dividend paid	(332,080)	(132,832)
Dividend paid to non-controlling interest of subsidiary	(490)	(218)
Net cash used in financing activities	(348,406)	(179,595)
Net decrease in cash and cash equivalents	(17,239)	(98,966)
Effect of exchange rates fluctuations on cash held	2,160	2,150
Cash and cash equivalents at beginning of the year	488,311	585,127
Cash and cash equivalents at end of the year	473,232	488,311

**Unaudited Condensed Consolidated Statement of Cash Flows
For the year ended 31 December 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 year:

	31 December 2017	31 December 2016
	RM'000	RM'000
Deposits placed with licensed banks		
- continuing operations	407,636	338,363
- discontinued operations	-	4,365
	407,636	342,728
Cash and bank balances		
- continuing operations	72,624	86,311
- discontinued operations	-	70,551
	72,624	156,862
Deposits placed with licensed banks with original maturity more than 3 months	(7,028)	(11,279)
	<u>473,232</u>	<u>488,311</u>

(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>
IC Interpretation 23	<i>Uncertainty over Income Tax Treatments</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>

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 year ended 31 December 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

As at the date of this report, the Company has repurchased 80,000 of its issued and paid-up ordinary share capital from the open market. The average price paid for the shares repurchased was RM1.69 per share. The repurchase transactions were financed by internally generated funds and the shares repurchased are held as Treasury Shares by the Company in accordance with the requirement of the Section 67A of the Companies Act 1965.

Other than the above, there were no issuances and repayment of debts and equity securities, share cancellations and resale of treasury shares during the financial year ended 31 December 2017.

A6. Dividend paid

	2017	2016
	RM'000	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****12 months ended 31 December 2017**

	Financial year ended 31 December 2017		
	Assets RM'000	Revenue RM'000	Profit/(Loss) before tax RM'000
<u>Continuing operations</u>			
Print and digital [^]	1,048,729	449,124	(105,853)
Broadcasting	75,367	40,685	5,092
Event and exhibition	6,088	9,572	347
Television channel [@]	1,858	7,881	(18,007)
Others [#]	15,754	10,472	158,238
	<u>1,147,796</u>	<u>517,734</u>	<u>39,817</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>1,147,796</u>	<u>674,528</u>	<u>67,005</u>

[^] Includes impairment on property, plant and equipment, property, plant and equipment written off and Mutual Separation Scheme/Early Retirement Option expenses amounting to RM69,290,000, RM17,890,000 and RM56,421,000 respectively. If these one-off expenses are excluded, Print and digital segment's profit before tax would be RM37,748,000.

[@] Includes one-time costs related to the cessation of operations amounted to RM12,633,000.

[#] Includes gain on disposal of Cityneon of RM206,859,000 and impairment on goodwill of RM33,599,000.

12 months ended 31 December 2016

	Financial year ended 31 December 2016		
	Assets RM'000	Revenue RM'000	Profit/(Loss) before tax RM'000
<u>Continuing operations</u>			
Print and digital	1,114,069	549,604	90,718
Broadcasting	71,511	42,201	(2,307)
Event and exhibition	29,610	13,671	1,396
Television channel	18,460	13,461	(7,077)
Others	37,618	11,495	40,242
	<u>1,271,268</u>	<u>630,432</u>	<u>122,972</u>
<u>Discontinued operations</u>			
Event, exhibition, interior and thematic (Cityneon)	378,133	301,683	23,595
Share of results in associates	-	-	(361)
	<u>378,133</u>	<u>301,683</u>	<u>23,234</u>
Profit before tax	<u>1,649,401</u>	<u>932,115</u>	<u>146,206</u>

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

	3 months ended		Financial year ended	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
(Reversal)/Allowance of credit losses	(953)	(1,689)	(61)	78
Write-off of receivables	1,513	651	1,513	651
Impairment on goodwill	33,599	19,827	33,599	19,827
Impairment on other investment	-	1,531	-	1,531
Loss on disposal of quoted investment	-	-	-	12
Loss on liquidation of a subsidiary	2	-	2	-
Foreign exchange loss/(gain)	4	(199)	7	642
Impairment on property, plant and equipment	69,290	-	69,290	-
Property, plant and equipment written off	17,890	-	17,890	-
Mutual Separation Scheme/Early Retirement Option expenses	56,421	-	56,421	-

A9. Other operating income

	3 months ended		Financial year ended	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Interest income	824	750	3,234	3,982
Investment income	3,908	2,999	13,623	13,889
Bad debts recovered	60	683	172	683
Foreign exchange gain	679	1,950	8,735	2,053
Gain on disposal of quoted investment	39	147	295	147
Reclassification of exchange reserve to profit and loss on deregistration of foreign subsidiary	-	-	-	21,073
Gain on disposal of a subsidiary	-	40,257	206,859	40,257
Other income	1,960	4,055	11,723	14,068
Total	7,470	50,841	244,641	96,152

Notes to the interim financial report

A10. Discontinued operations classified as held for sale

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.

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 31 December 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 year ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Revenue	-	106,975	156,794	301,683
Operating expenses	-	(103,911)	(129,108)	(282,088)
Other operating income	-	4,027	1,177	5,585
Profit from operations	-	7,091	28,863	25,180
Finance income/(cost)	-	52	(1,386)	(1,585)
	-	7,143	27,477	23,595
<i>Share of losses in associates</i>	-	(54)	(289)	(361)
Profit before taxation	-	7,089	27,188	23,234
Taxation	-	1,524	(2,666)	(2,244)
Profit for the financial year	-	8,613	24,522	20,990

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

	3 months ended		Financial year ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Charging / (Crediting):-				
Depreciation and amortisation	-	3,609	7,805	9,725
Allowance of credit losses	-	761	-	761
Interest income	-	(75)	(76)	(195)
Bad debts recovered	-	(439)	(112)	(542)
Foreign exchange gain	-	(1,378)	-	(1,378)

Notes to the interim financial report**A10. Discontinued operations classified as held for sale (cont'd)**

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

	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
Operating activities	(9,883)	6,037
Investing activities	(16,952)	(95,542)
Financing activities	12,913	87,293
	<hr/>	<hr/>
Net cash outflow	(13,922)	(2,212)
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A11. Events subsequent to the end of the reporting period

On 20 February 2018, the Company announced that the deadline for the delivery of vacant possession of Tower A had expired on 15 February 2018 following the latest fourth extension agreed between Star Media Group Berhad and Jaks Island Circle Sdn Bhd ("JAKS").

As JAKS had failed to deliver vacant possession of Tower A by the stipulated deadline, the Company had in accordance with its rights under the Sale and Purchase Agreement and terms of the Bank Guarantees pledged as security made a demand on the Bank Guarantees from the financial institutions amounting to RM50 million.

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 International, Li TV Asia Pte Ltd and Li TV Asia Sdn Bhd have ceased its business operations on 7 October 2017.

A13. Capital commitments

	RM'000
Authorised capital expenditure not provided for in the financial statements	
- contracted	2,560
- not contracted	13,934
	<hr/>
	16,494
	<hr/>

Notes to the interim financial report**A14. Significant related party transactions**

Significant related party transactions which were entered into on agreed terms and prices for the current financial year ended 31 December 2017 are as set out below:

	Financial year ended 31.12.2017 RM'000
Transactions with related party in relation to approved shareholders' mandate for recurrent related party transactions:	
- Sales of advertisements	<u>15,988</u>

A15. Derivative financial instruments

As at 31 December 2017, the Group has the following outstanding forward foreign exchange contracts:

	Contract value RM'000	Fair value assets RM'000
With maturity less than 1 year:		
United States Dollar	<u>1,998</u>	<u>30</u>

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 31.12.2017 (4Q 2017) RM'000	Preceding Year Corresponding Quarter 31.12.2016 (4Q 2016) RM'000
Revenue (<i>continuing operations</i>)	126,342	153,375
Consolidated (Loss)/Profit before taxation (<i>continuing operations</i>)	(187,654)	40,428
Consolidated (Loss)/Profit after taxation (<i>continuing operations</i>)	(157,101)	33,205

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 4Q 2017 decreased by 17.6% to RM126.34 million from RM153.38 million in the corresponding quarter of the preceding year mainly due to lower revenue contribution from Print and Television (ceased operation in October 2017). In 4Q 2017, the Group recorded a profit before tax of RM2.18 million excluding Mutual Separation Scheme/Early Retirement Option (“MSS/ERO”) expenses, impairment on goodwill and assets as well as write-off of property, plant and equipment.

The Group recorded an overall loss before tax and loss after tax which amounted to RM187.65 million and RM157.10 million respectively due to lower Print segment revenue and one-off expenses (MSS/ERO, impairment on goodwill and assets as well as write-off of property, plant and equipment which amounted to RM189.83 million).

Performance of the respective business segments for 4Q 2017 compared to the corresponding quarter of 2016 are as follows:-

Print and Digital – Revenue declined by 14.8% due to lower advertising revenue as Advertisers have remained cautious with their spending. According to Nielsen Media Research, Newspaper’s Advertising Expenditure fell by 22.7% in 4Q 2017 against 4Q 2016. This segment recorded a loss before tax which amounted to RM137.53 million mainly due to Print. If MSS/ERO expenses and impairment on assets are excluded, this segment would have recorded a profit before tax of RM6.07 million in 4Q 2017 as compared to a profit before tax of RM16.32 million in 4Q 2016.

Radio Broadcasting – Revenue decreased by 8.4% in the current quarter as advertisers were still cautious. This segment recorded a profit before tax of RM1.43 million due to better cost management in the current period. In 4Q 2016, we still had Red FM and Capital FM stations which were only disposed at the end of 2016.

Event and exhibition – This segment consists of I.Star Ideas Factory (Perfect Livin’ & Perfect Lifestyle). Revenue decreased to RM2.68 million from RM4.63 million due to lower exhibitor’s participation. This segment recorded a profit before tax of RM0.68 million in 4Q 2017 as compared to RM1.54 million in 4Q 2016.

Television channel – Revenue decreased to RM44,000 from RM5.87 million in the current quarter under review due to cessation of operation in October 2017. As a result of the cessation, Li TV recorded a higher loss before tax which amounted to RM13.06 million as compared to RM0.76 million in 4Q 2016 mainly due to impairment of assets.

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)**

	Financial year 31.12.2017 RM'000	Preceding year 31.12.2016 RM'000
Revenue (<i>continuing operations</i>)	517,734	630,432
Consolidated Profit before taxation (<i>continuing operations</i>)	39,817	122,972
Consolidated Profit after taxation (<i>continuing operations</i>)	62,922	95,919

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 financial year ended 31 December 2017 vs 31 December 2016:-

Group revenue in 2017 decreased by 17.9% to RM517.73 million from RM630.43 million in 2016 mainly due to lower Print and Television revenue. The Group recorded a profit before tax of RM22.79 million excluding MSS/ERO expenses, impairment on goodwill and assets, write-off of property, plant and equipment as well as gain on disposal of Cityneon.

The Group recorded an overall profit before tax and profit after tax which amounted to RM39.82 million and RM62.92 million respectively after including all these one-off items.

Performance of the respective business segments are as follows:-

Print and Digital – Print and digital revenue decreased by 18.3% 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 21.9% in 2017 as compared to 2016. This segment recorded a profit before tax of RM37.75 million excluding MSS/ERO expenses and impairment on assets.

Radio Broadcasting – Revenue declined by 3.6% in 2017 as a result of poor consumer and business sentiments. According to Nielsen Media Research, Radio Adex fell by 1.2% in 2017 against 2016. However, this segment recorded a profit before tax of RM5.09 million in 2017 as compared to a loss before tax of RM2.31 million in 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 RM9.57 million from RM13.67 million due to lower exhibitor's participation. As a result of lower revenue, this segment recorded a profit before tax of RM0.35 million in 2017 as compared to a profit before tax of RM1.40 million in 2016.

Television channel – Revenue for 2017 decreased to RM7.88 million as compared to RM13.46 million in 2016 due to cessation of operations in October 2017. As a result of the cessation, this segment recorded a higher loss before tax of RM18 million in 2017 as compared to RM7.08 million in 2016 mainly due to impairment of assets.

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 since 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 31.12.2017 (4Q 2017) RM'000	Preceding Quarter 30.09.2017 (3Q 2017) RM'000
Revenue (<i>continuing operations</i>)	126,342	130,886
Consolidated (Loss)/Profit before taxation (<i>continuing operations</i>)	(187,654)	220,472
Consolidated (Loss)/Profit after taxation (<i>continuing operations</i>)	(157,101)	218,197

Group revenue for 4Q 2017 decreased to RM126.34 million from RM130.89 million mainly due lower print revenue. Advertisers have remained cautious with their spending due to poor consumer and business sentiments. The Group posted a loss before tax in 4Q 2017 mainly due to MSS/ERO expenses, impairment on goodwill and assets as well as write-off of property, plant and equipment. If one-off expenses are excluded, the Group would have recorded a profit before tax of RM2.18 million in 4Q 2017.

Included in 3Q 2017 was the gain on disposal of Cityneon which amounted to RM206.86 million.

B3. Prospects

The Company has embarked on efficiency and productivity improvement plans which will involve transformation and rationalisation activities within the organisation. This transformation will encompass our drive towards digitalisation by making the organisation more lean and agile and better prepared to take advantages of the opportunities in the media space.

According to Malaysian Institute of Economic Research, the Consumer Sentiments Index in 4Q 2017 remains weak as the index stayed below 100 points. Advertising expenditure in 2018 is expected to remain challenging due to weak market sentiments.

The media related segments of the Group will continue to enhance its respective media platforms to extend their reach to wider audiences and 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.

The Group will continue to offer more Asian content on dimsum.my, its very own video on demand service by building its library content to secure a much higher subscribers base.

In the events and exhibition business segment, I.Star Ideas Factory (Perfect Livin' and Perfect Lifestyle) has been affected by the poor consumer sentiments and weak retail market. However, I.Star Ideas Factory 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.

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.

Additional information required by Bursa Malaysia Securities Listing Requirements**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 year ended	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Current period tax expense based on profit for the financial year				
1. Malaysian taxation	(1,013)	6,357	6,507	26,186
2. Foreign taxation	-	(10)	-	1
3. Deferred taxation	(29,540)	876	(29,612)	866
	(30,553)	7,223	(23,105)	27,053

The effective tax rate on the Group's profit for the financial year under review is lower than the statutory tax rate mainly due to certain income which is not subject to tax, eligibility of losses incurred in other entities for group tax relief as well as unabsorbed capital allowances which attributed to the reversal of deferred taxation.

B6. Retained Earnings

	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
Total retained profits of Star Media Group Berhad and its subsidiaries		
-Realised	(2,445)	330,150
-Unrealised	(19,606)	(53,029)
	(22,051)	277,121
Total share of accumulated losses from associates		
-Realised	(1,188)	(899)
Consolidation adjustments	160,124	102,449
Total group retained profits as per consolidated accounts	136,885	378,671

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

- 1) 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.

Subsequently, the Company obtained approval from its shareholders at the Extraordinary General Meeting held on 7 July 2017 for the abovementioned disposal.

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 will cease to be the indirect subsidiary companies of the Company.

The details of the utilisation of the proceeds derived from the disposal are as follows:-

Purposes	Proposed utilisation	Actual utilisation	Remaining balance	Expected timeframe for utilisation
	RM'000	RM'000	RM'000	
Future investments	200,000	(10,000)	190,000	Within 24 months
General working capital	154,095	(50,592)	103,503	Within 24 months
Estimated expenses in relation to the disposal	6,085	(6,085)	-	Fully utilised
Total	360,180	(66,677)	293,503	

- 2) On 20 February 2018, the Company announced that the deadline for the delivery of vacant possession of Tower A had expired on 15 February 2018 following the latest fourth extension agreed between Star Media Group Berhad and Jaks Island Circle Sdn Bhd ("JAKS").

As JAKS had failed to deliver vacant possession of Tower A by the stipulated deadline, the Company had in accordance with its rights under the Sale and Purchase Agreement and terms of the Bank Guarantees pledged as security made a demand on the Bank Guarantees from the financial institutions amounting to RM50 million.

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 fourth quarter are as follows:

	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
<u>Continuing operations</u>		
Short Term Borrowings		
Unsecured		
- 7-years MTN 2011/2018 with a coupon rate of 4.80% per annum, maturing on 11 May 2018	100,000	-
- Hire purchase	-	12
- Finance lease	1,042	819
	101,042	831
Secured		
- Bank borrowings	-	22,053
	101,042	22,884
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
- Finance lease	1,455	787
	1,455	100,787
<u>Discontinuing operations</u>		
Short Term Borrowings		
Unsecured		
- Hire purchase	-	76
	-	76
Secured		
- Bank borrowings	-	77,871
	-	77,947
Long Term Borrowings		
Unsecured		
- Hire purchase	-	118
	-	118

In 2016, except for the secured term loan of RM99,925,000 and hire purchase of RM37,000 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 is pleased to declare an interim dividend of 6.0 sen per ordinary share, single tier (2016: interim dividend of 9.0 sen per ordinary share, single tier) in respect of the financial year ending 31 December 2017, which will be paid on 18 April 2018 to shareholders whose names appear on the Record of Depositors on 30 March 2018.

A Depositor shall qualify for entitlement to the Dividend only in respect of:-

- (a) Securities transferred into the Depositor's Securities Account before 4.00pm on 30 March 2018 in respect of transfer;
- (b) Securities bought on Bursa Malaysia on a cum entitlement basis according to the rules of Bursa Malaysia.

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

	3 months ended		Financial year ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Group's (losses)/profit after taxation attributable to owners of the parent (RM'000)				
- From continuing operations	(155,149)	34,735	77,626	97,475
- From discontinued operations	-	4,706	12,668	12,436
	<u>(155,149)</u>	<u>39,441</u>	<u>90,294</u>	<u>109,911</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/year ('000)	<u>(80)</u>	<u>-</u>	<u>(80)</u>	<u>-</u>
Weighted average number of ordinary shares outstanding ('000)	<u>737,876</u>	<u>737,956</u>	<u>737,876</u>	<u>737,956</u>
Basic earnings per share (sen)				
- From continuing operations	(21.02)	4.70	10.53	13.20
- From discontinued operations	-	0.64	1.71	1.69
Total	<u>(21.02)</u>	<u>5.34</u>	<u>12.24</u>	<u>14.89</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
27 February 2018
Petaling Jaya, Selangor Darul Ehsan