



STAR MEDIA GROUP BERHAD
Company No. 10894-D
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 MARCH 2018**

Unaudited Condensed Consolidated Statement of Profit or Loss

	Note	3 months ended		Financial period ended	
		31.03.2018 RM'000	31.03.2017 RM'000 (Restated)	31.03.2018 RM'000	31.03.2017 RM'000 (Restated)
Revenue		109,027	118,605	109,027	118,605
Operating expenses	A8	(96,588)	(120,450)	(96,588)	(120,450)
Other operating income	A9	6,341	9,631	6,341	9,631
Profit from operations		18,780	7,786	18,780	7,786
Finance cost		(1,191)	(1,353)	(1,191)	(1,353)
Profit before taxation from continuing operations		17,589	6,433	17,589	6,433
Taxation	B5	(6,200)	(3,130)	(6,200)	(3,130)
Profit for the financial period from continuing operations		11,389	3,303	11,389	3,303
Discontinued operations					
Profit for the financial period from discontinued operations, net of tax		-	5,966	-	5,966
Profit for the financial period		11,389	9,269	11,389	9,269
Attributable to:					
Owners of the parent		11,315	6,646	11,315	6,646
Non-controlling interests		74	2,623	74	2,623
		11,389	9,269	11,389	9,269
Basic/Diluted earnings per ordinary share (sen):					
Total		1.53	0.90	1.53	0.90
Continuing operations		1.53	0.51	1.53	0.51
Discontinued operations		-	0.39	-	0.39
(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 2017)					
Included in the Operating Expenses are depreciation and amortisation expenses:		(6,828)	(11,640)	(6,828)	(11,640)

**Unaudited Condensed Statement of Profit or Loss and Other Comprehensive Income
For the period ended 31 March 2018**

	3 months ended		Financial period ended	
	31.03.2018	31.03.2017 (Restated)	31.03.2018	31.03.2017 (Restated)
	RM'000	RM'000	RM'000	RM'000
Profit for the financial period	11,389	9,269	11,389	9,269
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
- exchange differences on translating foreign operations	184	(1,539)	184	(1,539)
Total comprehensive income for the financial period	11,573	7,730	11,573	7,730
Attributable to:				
Owners of the parent	11,499	5,777	11,499	5,777
Non-controlling interests	74	1,953	74	1,953
	11,573	7,730	11,573	7,730

(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 2017)

**Unaudited Condensed Consolidated Statement of Financial Position
As at 31 March 2018**

	31 March 2018 RM'000	31 December 2017 RM'000
Non-current assets		
Property, plant and equipment	325,987	330,061
Investment properties	137,824	137,846
Intangible assets	42,420	43,024
Other investments		
-Financial assets at fair value through profit or loss	10,543	10,660
Deferred tax assets	3,404	3,333
	520,178	524,924
Current assets		
Inventories	29,013	25,607
Trade and other receivables	116,200	101,488
Derivative assets	51	30
Current tax assets	16,413	20,328
Short term deposits	374,791	407,636
Cash and bank balances	54,701	73,171
	591,169	628,260
TOTAL ASSETS	1,111,347	1,153,184

**Unaudited Condensed Consolidated Statement of Financial Position
As at 31 March 2018 (cont'd)**

	31 March 2018 RM'000	31 December 2017 RM'000
EQUITY AND LIABILITIES		
Share capital	738,564	738,564
Treasury shares	(1,769)	(1,769)
Reserves	102,995	136,818
Equity attributable to owners of the parent	839,790	873,613
Non-controlling interests	162	1,660
Total equity	839,952	875,273
Non-current liabilities		
Borrowings	1,221	1,455
Deferred tax liabilities	25,671	26,034
	26,892	27,489
Current liabilities		
Trade and other payables	94,175	145,739
Dividend payable	44,273	-
Borrowings	100,954	101,042
Taxation	5,101	3,641
	244,503	250,422
Total Liabilities	271,395	277,911
TOTAL EQUITY AND LIABILITIES	1,111,347	1,153,184
Net assets per share attributable to owners of the parent company (RM)	1.14	1.18

(The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2017)

Unaudited Condensed Consolidated Statements of Changes in Equity
For the period ended 31 March 2018

	[----- 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 31 December 2017	738,564	(66)	-	(1,769)	136,884	873,613	1,660	875,273
Impacts arising from adoption of: - MFRS 9 (Note A1)	-	-	-	-	(1,049)	(1,049)	(102)	(1,151)
At 1 January 2018	738,564	(66)	-	(1,769)	135,835	872,564	1,558	874,122
Total comprehensive income for the period	-	184	-	-	11,315	11,499	74	11,573
<u>Transactions with owners</u>								
Dividend								
<i>Second Interim Dividend for the financial year ended 31 December 2017, paid on 18 April 2018</i>	-	-	-	-	(44,273)	(44,273)	-	(44,273)
<i>Dividends paid to non-controlling interest of a subsidiary</i>	-	-	-	-	-	-	(1,470)	(1,470)
Balance as at 31 March 2018	738,564	118	-	(1,769)	102,877	839,790	162	839,952

Unaudited Condensed Consolidated Statements of Changes in Equity
For the period ended 31 March 2017

[----- 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 2017	738,564	13,047	6	(1,633)	378,671	1,128,655	109,627	1,238,282
Total comprehensive income for the period	-	(868)	-	-	6,645	5,777	1,953	7,730
<u>Transactions with owners</u>								
Dividend								
<i>Second Interim Dividend for the financial year ended 31 December 2016, paid on 18 April 2017</i>								
	-	-	-	-	(66,416)	(66,416)	-	(66,416)
Balance as at 31 March 2017	738,564	12,179	6	(1,633)	318,900	1,068,016	111,580	1,179,596

(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 2017)

Unaudited Condensed Consolidated Statement of Cash Flows
For the period ended 31 March 2018

	31 March 2018 RM'000	31 March 2017 RM'000
Profit before taxation		
- continuing operations	17,589	6,433
- discontinued operations	-	7,326
Adjustments for non-cash flow items:-		
Share of losses in associates	-	238
Non-cash items	10,372	17,821
Non-operating items	(2,410)	(1,683)
Operating profit before working capital changes	25,551	30,135
Changes in working capital		
Net change in current assets	(18,978)	(42,607)
Net change in current liabilities	(52,516)	2,820
	(71,494)	(39,787)
Cash used in operations	(45,943)	(9,652)
Net tax paid	(897)	(8,517)
Net cash used in operating activities	(46,840)	(18,169)
Investing Activities		
Proceeds from disposal of property, plant and equipment	71	50
Purchases of property, plant and equipment	(2,587)	(18,257)
Purchases of intangible assets	(28)	(1,528)
Purchases of television programme rights	(2,719)	(6,349)
Investment in financial products	-	(191)
Investment redeemed on maturity	-	200
Interest and investment income received	2,632	2,743
Deposits placed with licensed banks with original maturity more than 3 months	(17)	(1,290)
Net cash used in investing activities	(2,648)	(24,622)
Financing Activities		
Interest paid	19	(846)
Repayment of hire purchase	-	(82)
Repayment of term loan	-	(4,251)
Repayment of finance lease	(321)	(200)
Dividend paid to non-controlling interest of subsidiary	(1,470)	-
Net cash used in financing activities	(1,772)	(5,379)
Net decrease in cash and cash equivalents	(51,260)	(48,170)
Effect of exchange rates fluctuations on cash held	(73)	3,704
Cash and cash equivalents at beginning of the period	463,610	488,311
Cash and cash equivalents at end of the period	412,277	443,845

**Unaudited Condensed Consolidated Statement of Cash Flows
For the period ended 31 March 2018 (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:

	31 March 2018 RM'000	31 March 2017 RM'000
Deposits placed with licensed banks		
- continuing operations	374,791	370,801
- discontinued operations	-	717
	374,791	371,518
Cash and bank balances		
- continuing operations	54,701	38,783
- discontinued operations	-	46,113
	54,701	84,896
Deposits placed with licensed banks with original maturity more than 3 months	(17,215)	(12,569)
	<u>412,277</u>	<u>443,845</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 2017).

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 2017.

Certain comparative figures for the financial period ended 31 March 2017 have been reclassified to conform with current year’s presentation. These reclassification do not have an impact on the accumulated retained earnings of the Group.

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 2017 except for the adoption of the following MFRSs, IC Interpretation and Amendments to MFRSs during the current financial period:

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>
IC Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Amendments to MFRS 140	<i>Transfers of Investment Property</i>
Amendments to MFRS 4	<i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</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

IC Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>
MFRS 16	<i>Leases</i>
Amendments to MFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendments to MFRS 3	<i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>
Amendments to MFRS 11	<i>Annual Improvements to MFRS Standards 2015 – 2017 Cycle</i>
Amendments to MFRS 112	<i>Annual Improvements to MFRS Standards 2015 – 2017 Cycle</i>
Amendments to MFRS 123	<i>Annual Improvements to MFRS Standards 2015 – 2017 Cycle</i>
Amendments to MFRS 119	<i>Plan Amendments, Curtailment of Settlement</i>
MFRS 17	<i>Insurance Contracts</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

A1. Basis of Preparation (cont'd)

The adoption of the above did not have any significant effects on the interim financial report upon their initial application, other than as disclosed below:

MFRS 9 Financial instruments

MFRS 9 is effective for annual periods beginning on or after 1 January 2018. MFRS 9 introduces new requirements with impacts mainly relating to reclassification and measurement of financial instruments, impairment assessment based on the expected credit loss model and hedge accounting.

The Group has applied MFRS 9 retrospectively on the initial application date of 1 January 2018 and has elected not to restate comparatives.

The adoption of MFRS 9 did not have any significant effects on the interim financial report upon their initial application, except for the effect of applying the impairment assessment based on the expected credit loss model on trade receivables.

The Group applied the simplified approach and calculated expected credit losses based on lifetime expected losses on all trade receivables. The Group established a provision matrix that is based on its historical credit loss experience with trade receivables of similar credit risk characteristics, adjusted for forward-looking factors specific to the category of debtors and the economic environment.

In summary, the impacts of adopting MFRS 9 to opening balances are as follows:

Statement of financial position

1 January 2018

	As previously reported RM'000	Impact of change in accounting policies	
		Retrospective adjustments RM'000	After adjustments RM'000
Assets			
Trade and other receivables	101,488	(1,514)	99,974
Liabilities			
Deferred tax liabilities	(26,034)	363	(25,671)
Equity			
Retained earnings	136,884	(1,049)	135,835
Non-controlling interests	1,660	(102)	1,558
Impact to equity	138,544	(1,151)	137,393

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 2018.

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 2018.

A6. Dividend paid

No dividend was paid in the current financial period ended 31 March 2018.

Notes to the interim financial report

A7. Segment Reporting**Business Segment****3 months ended 31 March 2018**

	Financial period ended 31 March 2018		
	Assets	Revenue	Profit/(Loss)
	RM'000	RM'000	before tax RM'000
<u>Continuing operations</u>			
Print and digital	997,463	92,038	20,672
Broadcasting	77,224	8,242	1,561
Event and exhibition	8,238	6,010	2,738
Others	28,422	2,737	(7,382)
	1,111,347	109,027	17,589

3 months ended 31 March 2017

	Financial period ended 31 March 2017		
	Assets	Revenue	Profit/(Loss)
	RM'000	RM'000	before tax RM'000
<u>Continuing operations</u>			
Print and digital	1,104,455	103,043	8,098
Broadcasting	72,061	8,551	1,070
Event and exhibition	31,994	2,157	(50)
Television channel	10,445	3,357	(1,309)
Others	42,999	1,497	(1,376)
	1,261,954	118,605	6,433
<u>Discontinued operations</u>			
Event, exhibition, interior and thematic (Cityneon)	399,826	51,976	7,564
Share of results in associates	-	-	(238)
	399,826	51,976	7,326
	1,661,780	170,581	13,759

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

	3 months ended		Financial period ended	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
Allowance of credit losses	148	597	148	597
Foreign exchange loss	258	2	258	2

A9. Other operating income

	3 months ended		Financial period ended	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
Interest income	832	661	832	661
Investment income	2,767	2,990	2,767	2,990
Foreign exchange gain	-	630	-	630
Other income	2,742	5,350	2,742	5,350
Total	6,341	9,631	6,341	9,631

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 March 2017. 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	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
Revenue	-	51,976	-	51,976
Operating expenses	-	(44,165)	-	(44,165)
Other operating income	-	430	-	430
Profit from operations	-	8,241	-	8,241
Finance cost	-	(677)	-	(677)
	-	7,564	-	7,564
<i>Share of losses in associates</i>	-	(238)	-	(238)
Profit before taxation	-	7,326	-	7,326
Taxation	-	(1,360)	-	(1,360)
Profit for the financial period	-	5,966	-	5,966

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

	3 months ended		Financial period ended	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
Charging / (Crediting):-				
Depreciation and amortisation	-	3,832	-	3,832
Interest income	-	(61)	-	(61)
Bad debts recovered	-	(2)	-	(2)

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 31.03.2018 RM'000	As at 31.03.2017 RM'000
Operating activities	-	(15,364)
Investing activities	-	(7,872)
Financing activities	-	(616)
	<hr/>	<hr/>
Net cash outflow	-	(23,852)
	<hr/>	<hr/>

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

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

A13. Capital commitments

	RM'000
Authorised capital expenditure not provided for in the financial statements	
- contracted	2,079
- not contracted	5,965
	<hr/>
	8,044
	<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 period ended 31 March 2018 are as set out below:

**3 months
ended
31.03.2018
RM'000**

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

- Sales of advertisements

4,545

A15. Derivative financial instruments

As at 31 March 2018, 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	6,408	51

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 31.03.2018 (1Q 2018) RM'000	Preceding Year Corresponding Quarter 31.03.2017 (1Q 2017) RM'000
Revenue (<i>continuing operations</i>)	109,027	118,605
Consolidated Profit before taxation (<i>continuing operations</i>)	17,589	6,433
Consolidated Profit after taxation (<i>continuing operations</i>)	11,389	3,303

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

In 1Q 2018, the Group recorded a higher profit before tax of RM17.59 million due to better cost management and lower depreciation expenses from Print segment (as a result of impairment of printing assets and Mutual Separation Scheme/Early Retirement Option ("MSS/ERO") exercise carried out in FY2017). The Group registered a higher profit despite the drop in Group revenue to RM109.03 million in 1Q 2018 from RM118.61 million in the corresponding quarter of the preceding year.

Performance of the respective business segments for 1Q 2018 compared to the corresponding quarter of 2017 are as follows:-

Print and Digital – This segment recorded a higher profit before tax of RM20.67 million in 1Q 2018 as compared to a profit before tax of RM8.09 million in 1Q 2017 even though the revenue declined by 10.7%. This is mainly due to lower salaries and depreciation expenses from Print segment.

Radio Broadcasting – Higher profit before tax of RM1.56 million in 1Q 2018 as compared to RM1.07 million in 1Q 2017 due to better cost management in the current period. Revenue declined by 3.6% in the current quarter as advertisers were still cautious.

Event and exhibition – Revenue increased to RM6.01 million from RM2.16 million due to more events held in 1Q 2018 as compared to 1Q 2017. This segment recorded a profit before tax of RM2.74 million in 1Q 2018 as compared to loss before tax of RM0.05 million in 1Q 2017.

Discontinued operations

Event, exhibition, interior and thematic – This segment consists of Cityneon. The Group has completed its disposal in 2017 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**B2. Variation of results against preceding quarter**

	Current Quarter 31.03.2018 (1Q 2018) RM'000	Preceding Quarter 31.12.2017 (4Q 2017) RM'000
Revenue (<i>continuing operations</i>)	109,027	114,480
Consolidated Profit/(Loss) before taxation (<i>continuing operations</i>)	17,589	(187,659)
Consolidated Profit/(Loss) after taxation (<i>continuing operations</i>)	11,389	(157,106)

Group recorded a higher profit before tax of RM17.59 million in 1Q 2017 as compared to 4Q 2017 (excluding one-off expenses). Group revenue for 1Q 2018 decreased to RM109.03 million from RM114.48 million in 4Q 2017 mainly due lower print revenue. Advertisers have remained cautious with their spending due to poor consumer and business sentiments.

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.

Bank Negara has projected a GDP growth of 5.5 – 6% for 2018. According to Malaysian Institute of Economic Research, both Consumer Sentiments Index and Business Conditions Index in 1Q 2018 still remained below 100 points indicating the lack of confidence in the market. 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 drive more subscriptions on *dimsum* with the best Asian content, including exclusive, premier and simulcast content from China, Thailand, Taiwan, Japan, Korea, Singapore, Hong Kong and Malaysia. *dimsum* is currently available in Malaysia, Brunei and recently launched in Singapore via StarHub.

In the events and exhibition business segment, the Group will continue its efforts to strengthen its market position and increase its number of events in the upcoming months.

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.

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 period ended	
	31.03.2018 RM'000	31.03.2017 RM'000	31.03.2018 RM'000	31.03.2017 RM'000
Current period tax expense based on profit for the financial period				
1. Malaysian taxation	6,271	3,130	6,271	3,130
2. Foreign taxation	-	-	-	-
3. Deferred taxation	(71)	-	(71)	-
	6,200	3,130	6,200	3,130

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 31.03.2018 RM'000	As at 31.12.2017 RM'000
Total retained profits of Star Media Group Berhad and its subsidiaries		
-Realised	(37,489)	(2,445)
-Unrealised	(19,267)	(19,606)
	(56,756)	(22,051)
Total share of accumulated losses from associates		
-Realised	(1,188)	(1,188)
Consolidation adjustments	160,821	160,123
Total group retained profits as per consolidated accounts	102,877	136,884

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	(20,000)	180,000	Within 24 months
General working capital	154,095	(58,054)	96,041	Within 24 months
Estimated expenses in relation to the disposal	6,085	(6,085)	-	Fully utilised
Total	360,180	(84,139)	276,041	

- 2) On 16 May 2018, Impian Ikon (M) Sdn Bhd, a wholly-owned subsidiary company, entered into a Share Sale Agreement ("SSA") with Leaderonomics Capital Sdn Bhd to dispose 2,091,000 ordinary shares representing 51% equity interest in Leaderonomics Sdn Bhd for a total cash consideration of RM5.65 million, subject to the terms and conditions as stipulated in the SSA.

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 31.03.2018 RM'000	As at 31.03.2017 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	-	2
- Finance lease	954	832
	100,954	834
Secured		
- Bank borrowings	-	22,530
	100,954	23,364
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	1,221	574
	1,221	100,574
<u>Discontinuing operations</u>		
Short Term Borrowings		
Unsecured		
- Hire purchase	-	193
	-	193
Secured		
- Bank borrowings	-	73,573
	-	73,766
Long Term Borrowings		
Unsecured		
- Hire purchase	-	690
	-	690

In 2017, except for the secured term loan of RM94,138,000 and hire purchase of RM735,000 which are denominated in Singapore Dollar, other borrowings are in Ringgit Malaysia.

All borrowings in 2018 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.

On 20 February 2018, the Company announced that the deadline for the delivery of vacant possession of its investment property under construction (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 ("JIC").

Bank guarantees and corporate guarantee were provided for as security by JIC for its performance in the sale and purchase agreement dated 19 August 2011 between the Company and JIC ("SPA").

Resulting therefrom, the Company had on 15 February 2018 called on the two (2) bank guarantees issued by United Overseas Bank (Malaysia) Berhad and AmBank (M) Berhad amounting to RM50,000,000 provided by JIC.

JIC had on 23 February 2018 filed in two (2) originating summons in the High Court of Malaya in Kuala Lumpur requesting the Court to grant an injunction against the 2 Banks from releasing the bank guarantees.

On 28 February 2018, the Company called on the corporate guarantee issued by Jaks Resources Berhad ("JRB") demanding JRB to complete and deliver vacant possession of Tower A with certificate of completion and compliance by 30 June 2018.

On 6 March 2018, the Company received a purported notice of arbitration from JIC's solicitors ("the said Letter") to resolve the disputes between the Company and JIC by way of arbitration.

On 8 March 2018, the Company's solicitors responded to JIC's solicitors disagreeing with JIC's contentions in the said Letter as to "disputes or differences which have therefore arisen between Star and JIC in connection with SPA" when at all material times, JIC had never raised such alleged disputes or differences during the performance of their obligations under the SPA. Such alleged disputes or differences does not in any way affect the Company's call on the bank guarantees which terms clearly provide that the performance of the bank guarantees shall not be prevented by any contestation, protestation or arbitration.

In the said Letter, JIC had requested to waive the procedural step of panel resolution pursuant to the SPA which the Company is not agreeable to waive.

The Company views that the said Letter does not and cannot amount to a notice of arbitration particularly when it is premature and does not even state or particularise JIC's alleged dispute intended to be referred to arbitration.

With regards to the above two (2) originating summons, the High Court had fixed 11 May 2018 as the final hearing date and in the meantime an ad interim stay has been granted pending hearing of the injunction. However, because it was a public holiday, the Court has fixed 31 May 2018 as the next hearing date.

B10. Dividend

No interim dividend has been recommended for the current quarter under review (Quarter 1, 2017: Nil).

In respect of the financial year ended 31 December 2017, the Board of Directors declared a second interim dividend of 6.0 sen per ordinary share, single tier, which was paid on 18 April 2018 (2016: second interim dividend of 9.0 sen per ordinary share, single tier).

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.

	3 months ended		Financial period ended	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
Group's profit after taxation attributable to owners of the parent (RM'000)				
- From continuing operations	11,315	3,738	11,315	3,738
- From discontinued operations	-	2,908	-	2,908
	<u>11,315</u>	<u>6,646</u>	<u>11,315</u>	<u>6,646</u>
Number of shares at the beginning of the year ('000)	737,876	737,956	737,876	737,956
Effect of Share Buy Back during the period ('000)	-	-	-	-
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	1.53	0.51	1.53	0.51
- From discontinued operations	-	0.39	-	0.39
Total	<u>1.53</u>	<u>0.90</u>	<u>1.53</u>	<u>0.90</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
16 May 2018
Petaling Jaya, Selangor Darul Ehsan