# STAR MEDIA GROUP BERHAD

Company No. 10894-D
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2018**

## Unaudited Condensed Consolidated Statement of Profit or Loss

| | Note | 3 months ended 30.06.2018 RM'000 | 3 months ended 30.06.2017 RM'000 (Restated) | Financial period ended 30.06.2018 RM'000 | Financial period ended 30.06.2017 RM'000 (Restated) |
|---|---|---|---|---|---|
| **Revenue** | | **99,489** | **117,157** | **208,516** | **235,762** |
| Operating expenses | **A8** | (101,776) | (122,484) | (198,364) | (242,933) |
| Other operating income | **A9** | 5,344 | 7,174 | 11,685 | 16,805 |
| **Profit from operations** | | **3,057** | **1,847** | **21,837** | **9,634** |
| Finance cost | | (806) | (1,282) | (1,997) | (2,635) |
| **Profit before taxation from continuing operations** | | 2,251 | 565 | 19,840 | 6,999 |
| Taxation | **B5** | (803) | (2,043) | (7,003) | (5,173) |
| **Profit for the financial period from continuing operations** | | **1,448** | **(1,478)** | **12,837** | **1,826** |
| **Discontinued operations** | | | | | |
| Profit for the financial period from discontinued operations, net of tax | | - | 18,557 | - | 24,522 |
| **Profit for the financial period** | | **1,448** | **17,079** | **12,837** | **26,348** |
| **Attributable to:** | | | | | |
| **Owners of the parent** | | 1,414 | 8,509 | 12,729 | 15,155 |
| **Non-controlling interests** | | 34 | 8,570 | 108 | 11,193 |
| | | **1,448** | **17,079** | **12,837** | **26,348** |
| **Basic/Diluted earnings per ordinary share (sen):** | | | | | |
| **Total** | | 0.19 | 1.15 | 1.73 | 2.05 |
| **Continuing operations** | | 0.19 | (0.17) | 1.73 | 0.34 |
| **Discontinued operations** | | - | 1.32 | - | 1.71 |

**(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: | (6,961) | (12,168) | (13,789) | (23,820) |

## Unaudited Condensed Statement of Profit or Loss and Other Comprehensive Income For the period ended 30 June 2018

| | 3 months ended | | Financial period ended | |
|---|---|---|---|---|
| | **30.06.2018** | **30.06.2017 (Restated)** | **30.06.2018** | **30.06.2017 (Restated)** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Profit for the financial period** | **1,448** | **17,079** | **12,837** | **26,348** |
| **Other comprehensive income** | | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | | |
| - exchange differences on translating foreign operations | (220) | (5,261) | (36) | (6,800) |
| **Total comprehensive income for the financial period** | **1,228** | **11,818** | **12,801** | **19,548** |
| **Attributable to:** | | | | |
| **Owners of the parent** | 1,194 | 5,793 | 12,693 | 11,570 |
| **Non-controlling interests** | 34 | 6,025 | 108 | 7,978 |
| | **1,228** | **11,818** | **12,801** | **19,548** |

**(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 30 June 2018

| | 30 June 2018<br>RM'000 | 31 December 2017<br>RM'000 |
|---|---|---|
| **Non-current assets** | | |
| Property, plant and equipment | 321,139 | 330,061 |
| Investment properties | 137,763 | 137,846 |
| Intangible assets | 41,310 | 43,024 |
| Other investments | | |
| -Financial assets at fair value through profit or loss | 10,415 | 10,660 |
| Deferred tax assets | 3,404 | 3,333 |
| | **514,031** | **524,924** |
| **Current assets** | | |
| Inventories | 30,363 | 25,607 |
| Trade and other receivables | 76,458 | 101,488 |
| Derivative assets | 174 | 30 |
| Current tax assets | 18,363 | 20,328 |
| Short term deposits | 242,093 | 407,636 |
| Cash and bank balances | 67,221 | 73,171 |
| | 434,672 | 628,260 |
| **TOTAL ASSETS** | **948,703** | **1,153,184** |

## Unaudited Condensed Consolidated Statement of Financial Position
## As at 30 June 2018 (cont'd)

| | 30 June 2018 RM'000 | 31 December 2017 RM'000 |
|---|---|---|
| **EQUITY AND LIABILITIES** | | |
| Share capital | 738,564 | 738,564 |
| Treasury shares | (1,769) | (1,769) |
| Reserves | 104,189 | 136,818 |
| Equity attributable to owners of the parent | **840,984** | **873,613** |
| Non-controlling interests | 196 | 1,660 |
| **Total equity** | **841,180** | **875,273** |
| **Non-current liabilities** | | |
| Borrowings | 1,043 | 1,455 |
| Deferred tax liabilities | 25,676 | 26,034 |
| | **26,719** | **27,489** |
| **Current liabilities** | | |
| Trade and other payables | 75,465 | 145,739 |
| Borrowings | 920 | 101,042 |
| Taxation | 4,419 | 3,641 |
| | **80,804** | **250,422** |
| **Total Liabilities** | **107,523** | **277,911** |
| **TOTAL EQUITY AND LIABILITIES** | **948,703** | **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 30 June 2018

| | [---- Attributable to equity holders of the Company ---- | | | | | ----] | | |
|---|---|---|---|---|---|---|---|---|
| | [---- 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 | Total Equity 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:<br>- 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 | - | (36) | - | - | 12,729 | 12,693 | 108 | 12,801 |
| <u>Transactions with owners</u> | | | | | | | | |
| Dividend | | | | | | | | |
| *Second Interim Dividend for the financial year ended 31 December 2017, paid on 18 April 2018* | - | - | - | - | (44,273) | (44,273) | - | (44,273) |
| *Dividends paid to non-controlling interest of a subsidiary* | - | - | - | - | - | - | (1,470) | (1,470) |
| **Balance as at 30 June 2018** | **738,564** | **(102)** | **-** | **(1,769)** | **104,291** | **840,984** | **196** | **841,180** |

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

| | [------ Attributable to equity holders of the Company | | | | | ------] | | |
|---|---|---|---|---|---|---|---|---|
| | [------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** | **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 | - | (3,585) | - | - | 15,155 | 11,570 | 7,978 | 19,548 |
| <u>Transactions with owners</u> | | | | | | | | |
| Dividend | | | | | | | | |
| *Second Interim Dividend for the financial year ended 31 December 2016, paid on 18 April 2017* | - | - | - | - | (66,416) | (66,416) | - | (66,416) |
| **Balance as at 30 June 2017** | **738,564** | **9,462** | **6** | **(1,633)** | **327,410** | **1,073,809** | **117,605** | **1,191,414** |

**(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 30 June 2018

| | 30 June 2018<br>RM'000 | 30 June 2017<br>RM'000 |
|---|---|---|
| **Profit before taxation** | | |
| - continuing operations | 19,840 | 6,999 |
| - discontinued operations | - | 27,188 |
| **Adjustments for non-cash flow items:-** | | |
| Share of losses in associates | - | 289 |
| Non-cash items | 20,968 | 37,605 |
| Non-operating items | (4,749) | (2,547) |
| **Operating profit before working capital changes** | **36,059** | **69,534** |
| **Changes in working capital** | | |
| Net change in current assets | 19,541 | (31,739) |
| Net change in current liabilities | (70,318) | (20,524) |
| | (50,777) | (52,263) |
| **Cash (used in)/from operations** | **(14,718)** | **17,271** |
| Net tax paid | (4,326) | (16,553) |
| **Net cash (used in)/from operating activities** | **(19,044)** | **718** |
| **Investing Activities** | | |
| Proceeds from disposal of property, plant and equipment | 151 | 306 |
| Proceeds from disposal of quoted securities | - | 3,768 |
| Purchases of property, plant and equipment | (4,649) | (32,340) |
| Purchases of intangible assets | (576) | (1,911) |
| Purchases of television programme rights | (4,613) | (11,668) |
| Investment in financial products | - | (643) |
| Investment redeemed on maturity | - | 200 |
| Interest and investment income received | 5,501 | 5,599 |
| (Deposits placed with)/Withdrawals from licensed banks with original maturity more than 3 months | (230) | 3,865 |
| **Net cash used in investing activities** | **(4,416)** | **(32,824)** |
| **Financing Activities** | | |
| Interest paid | (1,997) | (4,021) |
| Repayment of hire purchase | - | (141) |
| Repayment of term loan | - | (12,690) |
| Repayment of MTN | (100,000) | - |
| Repayment of finance lease | (533) | (599) |
| Dividend paid | (44,273) | (66,416) |
| Dividend paid to non-controlling interest of subsidiary | (1,470) | - |
| **Net cash used in financing activities** | **(148,273)** | **(83,867)** |
| **Net decrease in cash and cash equivalents** | **(171,733)** | **(115,973)** |
| Effect of exchange rates fluctuations on cash held | 9 | 2,254 |
| Cash and cash equivalents at beginning of the period | 463,610 | 488,311 |
| **Cash and cash equivalents at end of the period** | **291,886** | **374,592** |

## Unaudited Condensed Consolidated Statement of Cash Flows
## For the period ended 30 June 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:*

| | **30 June 2018 RM'000** | **30 June 2017 RM'000** |
|---|---|---|
| Deposits placed with licensed banks | | |
| - continuing operations | 242,093 | 271,775 |
| - discontinued operations | - | 708 |
| | 242,093 | 272,483 |
| Cash and bank balances | | |
| - continuing operations | 67,221 | 54,975 |
| - discontinued operations | - | 54,548 |
| | 67,221 | 109,523 |
| Deposits placed with licensed banks with original maturity more than 3 months | (17,428) | (7,414) |
| | 291,886 | 374,592 |

**(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 30 June 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 | *Annual Improvements to MFRS Standards 2014 – 2016 Cycle* |
| MFRS 9 | *Financial Instruments (IFRS as issued by IASB in July 2014)* |
| MFRS 15 | *Revenue from Contracts with Customers* |
| MFRS 15 | *Clarifications to MFRS 15* |
| Amendments to MFRS 2 | *Clarifications and Measurement of Share-based Payment Transactions* |
| Amendments to MFRS 128 | *Annual Improvements to MFRS Standards 2014 – 2016 Cycle* |
| IC Interpretation 22 | *Foreign Currency Transactions and Advance Consideration* |
| Amendments to MFRS 140 | *Transfers of Investment Property* |
| Amendments to MFRS 4 | *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts* |

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 | *Uncertainty over Income Tax Treatments* |
| MFRS 16 | *Leases* |
| Amendments to MFRS 9 | *Prepayment Features with Negative Compensation* |
| Amendments to MFRS 3 | *Annual Improvements to MFRS Standards 2015 - 2017 Cycle* |
| Amendments to MFRS 11 | *Annual Improvements to MFRS Standards 2015 – 2017 Cycle* |
| Amendments to MFRS 112 | *Annual Improvements to MFRS Standards 2015 – 2017 Cycle* |
| Amendments to MFRS 123 | *Annual Improvements to MFRS Standards 2015 – 2017 Cycle* |
| Amendments to MFRS 119 | *Plan Amendments, Curtailment of Settlement* |
| MFRS 17 | *Insurance Contracts* |
| Amendments to MFRS 10 and MFRS 128 | *Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* |

Amendments to References to the Conceptual Framework in MFRS Standards

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**

| | | Impact of change in accounting policies | |
|---|---|---|---|
| | **As previously reported RM'000** | **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 30 June 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 30 June 2018.

### A6. Dividend paid

| | 2018<br>RM'000 | 2017<br>RM'000 |
|---|---|---|
| **In respect of the financial year ended 31 December 2017** | | |
| Second interim dividend of 6.0 sen per ordinary share, single tier, paid on 18 April 2018 | 44,273 | - |
| **In respect of the financial year ended 31 December 2016** | | |
| Second interim dividend of 9.0 sen per ordinary share, single tier, paid on 18 April 2017 | - | 66,416 |

## Notes to the interim financial report

**A7. Segment Reporting**

| | Print and digital | Radio | Event and exhibition | Television channel | Others | Elimination | Total continuing operations | Event, exhibition, interior and thematic (Discontinued operations) | Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Financial period ended 30 June 2018** | | | | | | | | | |
| Sales to external customers | 177,468 | 15,372 | 9,565 | - | 6,111 | - | 208,516 | - | 208,516 |
| Inter-segment sales | 997 | 206 | - | - | 15,244 | (16,447) | - | - | - |
| Total revenue | 178,465 | 15,578 | 9,565 | - | 21,355 | (16,447) | 208,516 | - | 208,516 |
| Profit/(Loss) before tax | 19,328 | 1,631 | 2,893 | - | (1,558) | (2,454) | 19,840 | - | 19,840 |
| Assets | 830,861 | 77,312 | 6,952 | 1,719 | 31,859 | - | 948,703 | - | 948,703 |
| **Financial period ended 30 June 2017** | | | | | | | | | |
| Sales to external customers | 203,368 | 17,348 | 5,750 | 5,559 | 3,737 | - | 235,762 | 156,794 | 392,556 |
| Inter-segment sales | 1,168 | 508 | - | - | 134 | (1,812) | (2) | 2 | - |
| Total revenue | 204,536 | 17,856 | 5,750 | 5,559 | 3,871 | (1,812) | 235,760 | 156,796 | 392,556 |
| Profit/(Loss) before tax | 11,061 | 2,122 | 46 | (3,562) | (2,193) | (475) | 6,999 | 27,188 | 34,187 |
| Assets | 1,012,902 | 72,266 | 30,234 | 15,077 | 36,375 | - | 1,166,854 | 417,237 | 1,584,091 |

## Notes to the interim financial report

### A8. Operating expenses

| | 3 months ended | | Financial period ended | |
|---|---|---|---|---|
| | 30.06.2018 RM'000 | 30.06.2017 RM'000 | 30.06.2018 RM'000 | 30.06.2017 RM'000 |
| Allowance/(Reversal) of credit losses | 75 | (1) | 223 | 596 |
| Foreign exchange loss | (15) | (1) | 243 | 1 |

### A9. Other operating income

| | 3 months ended | | Financial period ended | |
|---|---|---|---|---|
| | 30.06.2018 RM'000 | 30.06.2017 RM'000 | 30.06.2018 RM'000 | 30.06.2017 RM'000 |
| Interest income | 935 | 660 | 1,767 | 1,321 |
| Investment income | 2,211 | 2,182 | 4,978 | 5,172 |
| Foreign exchange gain | 19 | 129 | 19 | 759 |
| Other income | 2,179 | 4,203 | 4,921 | 9,553 |
| Total | 5,344 | 7,174 | 11,685 | 16,805 |

## 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 30 June 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** | |
|---|---|---|---|---|
| | **30.06.2018 RM'000** | **30.06.2017 RM'000** | **30.06.2018 RM'000** | **30.06.2017 RM'000** |
| Revenue | - | 104,818 | - | 156,794 |
| Operating expenses | - | (84,942) | - | (129,108) |
| Other operating income | - | 747 | - | 1,177 |
| Profit from operations | - | 20,623 | - | 28,863 |
| Finance cost | - | (709) | - | (1,386) |
| | - | 19,914 | - | 27,477 |
| *Share of losses in associates* | - | (51) | - | (289) |
| **Profit before taxation** | - | 19,863 | - | 27,188 |
| Taxation | - | (1,306) | - | (2,666) |
| **Profit for the financial period** | **-** | **18,557** | **-** | **24,522** |

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

| | **3 months ended** | | **Financial period ended** | |
|---|---|---|---|---|
| | **30.06.2018 RM'000** | **30.06.2017 RM'000** | **30.06.2018 RM'000** | **30.06.2017 RM'000** |
| Charging / (Crediting):- | | | | |
| Depreciation and amortisation | - | 3,985 | - | 7,805 |
| Interest income | - | (15) | - | (76) |
| Bad debts recovered | - | (110) | - | (112) |

## Notes to the interim financial report

**A10. Discontinued operations classified as held for sale (cont'd)**

An analysis of the carrying amounts of the assets and liabilities held for sale are as follows:

| | **As at 30.06.2017 RM'000** |
|---|---|
| Assets of disposal group classified as held for sale:- | |
| Non-current assets | |
| - Property, plant and equipment | 140,784 |
| - Intangible assets | 29,766 |
| - Investment in associates | 532 |
| - Other receivables | 691 |
| Current assets | |
| - Inventories | 2,451 |
| - Trade and other receivables | 187,757 |
| - Short term deposits | 708 |
| - Cash and bank balances | 54,548 |
| | 417,237 |
| Liabilities of disposal group classified as held for sale:- | |
| Non-current liabilities | |
| - Borrowings | 636 |
| - Deferred tax liabilities | 3,408 |
| Current liabilities | |
| - Trade and other payables | 79,322 |
| - Borrowings | 85,667 |
| - Taxation | 306 |
| | 169,339 |

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

| | **As at 30.06.2018 RM'000** | **As at 30.06.2017 RM'000** |
|---|---|---|
| Operating activities | - | (9,883) |
| Investing activities | - | (16,952) |
| Financing activities | - | 12,913 |
| Net cash outflow | - | (13,922) |

**A11. Events subsequent to the end of the reporting period**

On 13 August 2018, the Company announced the completion on the disposal of 2,091,000 ordinary shares representing 51% equity interest of Impian Ikon (M) Sdn Bhd in Leaderonomics Sdn Bhd for a total cash consideration of RM5.65 million. With the completion, Leaderonomics has ceased to be a direct subsidiary of Impian Ikon and a sub-subsidiary company of Star. Accordingly, the existing subsidiaries of Leaderonomics, namely Leaderonomics International Sdn Bhd, Leaderonomics Media Sdn Bhd and Leaderonomics Good Monday Sdn Bhd have ceased to be subsidiaries of Star.

On 13 August 2018, the Company also announced that its wholly owned dormant subsidiary, Laviani Pte Ltd has been placed under members' voluntary liquidation.

## Notes to the interim financial report

### 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 | 1,784 |
| - not contracted | 4,612 |
| | 6,396 |

### A14. Significant related party transactions

Significant related party transactions which were entered into on agreed terms and prices for the current financial period ended 30 June 2018 are as set out below:

| | 6 months ended 30.06.2018 RM'000 |
|---|---|
| Transactions with related party in relation to approved shareholders' mandate for recurrent related party transactions: | |
| - Sales of advertisements | 8,698 |

### A15. Derivative financial instruments

As at 30 June 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 | 5,428 | 174 |

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 30.06.2018 (2Q 2018) RM'000 | Preceding Year Corresponding Quarter 30.06.2017 (2Q 2017) RM'000 |
|---|---|---|
| Revenue *(continuing operations)* | 99,489 | 117,157 |
| Consolidated Profit before taxation *(continuing operations)* | 2,251 | 565 |
| Consolidated Profit/(Loss) after taxation *(continuing operations)* | 1,448 | (1,478) |

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

<u>Continuing operations</u>

In 2Q 2018, the Group recorded a higher profit before tax of RM2.25 million as compared to RM0.57 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).

*Performance of the respective business segments for 2Q 2018 compared to the corresponding quarter of 2017 are as follows:-*

*Print and Digital* – 2Q 2018 saw a drop in momentum in ad spending after the general election. Market sentiment turned to cautious mode despite positive event such as the World Cup. The cumulative effect had impacted our revenue. Despite the market condition, we managed to generate profit before tax of RM2.36 million in 2Q 2018 as compared to RM3.05 million in 2Q 2017.

*Radio* – Radio segment is not spared from the slow-down in ad spending in Q2 2018. Despite the drop in revenue, we managed to record a profit before tax of RM0.23 million in 2Q 2018 as compared to RM0.73 million in 2Q 2017.

*Event and exhibition* – This segment recorded a higher profit before tax of RM0.21 million in 2Q 2018 as compared to RM0.13 million in 2Q 2017 even though the revenue declined by 1.1%. This is mainly due to lower costs incurred.

<u>Discontinued operations</u>

*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.

## Additional information required by Bursa Malaysia Securities Listing Requirements

### B1. Review of performance (cont'd)

| | 6 months ended 30.06.2018 (1H 2018) RM'000 | 6 months ended 30.06.2017 (1H 2017) RM'000 |
|---|---|---|
| Revenue *(continuing operations)* | 208,516 | 235,762 |
| Consolidated Profit before taxation *(continuing operations)* | 19,840 | 6,999 |
| Consolidated Profit after taxation *(continuing operations)* | 12,837 | 1,826 |

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 6 months ended 30 June 2018 vs 30 June 2017:-*

Group profit before tax in 1H 2018 increased to RM19.84 million despite the 11.6% decline in Group revenue due to cost savings arising from impairment of printing assets and MSS/ERO and higher Digital and Events and Exhibitions revenue.

*Performance of the respective business segments are as follows:-*

*Print and Digital* – This segment recorded a higher profit before tax of RM19.33 million in 1H 2018 as compared to RM11.06 million in 1H 2017 even though the revenue declined by 12.7%. This is mainly due to lower salaries and depreciation expenses from Print segment and higher Digital revenue. This segment's profit was also impacted by the losses from our OTT venture, *dimsum.my*.

*Radio* – Radio managed to generate revenue RM15.37 million in 1H 2018 as compared to RM17.35 million in 1H 2017. Despite the lower revenue, this segment managed to generate a profit before tax of RM1.63 million in 1H 2018 due to better cost management.

*Event and exhibition* – Revenue increased to RM9.57 million from RM5.75 million due to more events held in 1H 2018 as compared to 1H 2017. As a result of higher revenue and better cost management, profit before tax increased to RM2.89 million in 1H 2018 from RM0.05 million in 1H 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.

## Additional information required by Bursa Malaysia Securities Listing Requirements

### B2. Variation of results against preceding quarter

| | Current Quarter 30.06.2018 (2Q 2018) RM'000 | Preceding Quarter 31.03.2018 (1Q 2018) RM'000 |
|---|---|---|
| Revenue *(continuing operations)* | 99,489 | 109,027 |
| Consolidated Profit before taxation *(continuing operations)* | 2,251 | 17,589 |
| Consolidated Profit after taxation *(continuing operations)* | 1,448 | 11,389 |

Group recorded a lower profit before tax of RM2.25 million in 2Q 2018 as compared to 1Q 2018. Group revenue for 2Q 2018 decreased to RM99.49 million from RM109.03 million in 1Q 2018 mainly due lower print revenue.

### B3. Prospects

Our transformation and rationalisation initiatives have resulted in driving down operating cost while improving efficiency. The results in the first half of 2018 Group profit before tax figure reflects the efforts put in by the management in transforming the Company to be lean and agile.

According to Malaysian Institute of Economic Research, both Consumer Sentiments Index and Business Conditions Index in 2Q 2018 rebounded way above the demarcation level of 100 points threshold of optimism. The improvement in sentiment is encouraging and we hope this positive development will help to improve advertising expenditure for 2H 2018.

We expect the Print and Digital segment to perform better in 2018 vs 2017 as a result of better cost management following the MSS/ERO exercise and impairment of PPE in 2017. We also expect robust revenue growth from the Digital segment as more advertisers migrate into this space. The segment's results however will be affected by the retrenchment exercise for our Printing plant in Penang.

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 Singapore, and there are plans to expand the service regionally. Our subscribers for *dimsum* have grown significantly this past one year.

We are encouraged by the performance of radio segment. The restructuring completed in 2016 by positioning the radio to focus on Chinese and Malay audiences allows us to focus and develop in-depth knowledge of our audiences. Our Radio segment is expected to contribute positively to the Group results.

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 30.06.2018 RM'000 | 3 months ended 30.06.2017 RM'000 | Financial period ended 30.06.2018 RM'000 | Financial period ended 30.06.2017 RM'000 |
|---|---|---|---|---|
| Current period tax expense based on profit for the financial period | | | | |
| 1. Malaysian taxation | 803 | 2,115 | 7,074 | 5,245 |
| 2. Foreign taxation | - | - | - | - |
| 3. Deferred taxation | - | (72) | (71) | (72) |
| | 803 | 2,043 | 7,003 | 5,173 |

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 30.06.2018 RM'000** | **As at 31.12.2017 RM'000** |
|---|---|---|
| Total retained profits of Star Media Group Berhad and its subsidiaries | | |
| -Realised | (34,665) | (2,445) |
| -Unrealised | (19,276) | (19,606) |
| | (53,941) | (22,051) |
| Total share of accumulated losses from associates | | |
| -Realised | (1,188) | (1,188) |
| Consolidation adjustments | 159,420 | 160,123 |
| Total group retained profits as per consolidated accounts | 104,291 | 136,884 |

## Additional information required by Bursa Malaysia Securities Listing Requirements

### B7. Status of corporate proposal announced

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 | (25,000) | 175,000 | Within 24 months |
| General working capital | 154,095 | (128,158) | 25,937 | Within 24 months |
| Estimated expenses in relation to the disposal | 6,085 | (6,085) | - | Fully utilised |
| Total | 360,180 | (159,243) | 200,937 | |

## 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 second quarter are as follows:

| | As at 30.06.2018 RM'000 | As at 30.06.2017 RM'000 |
|---|---|---|
| **Continuing operations** | | |
| **Short Term Borrowings** | | |
| Unsecured | | |
| - Finance lease | 920 | 1,261 |
| | 920 | 1,261 |
| **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 | 1,043 | 1,888 |
| | 1,043 | 101,888 |
| **Discontinuing operations** | | |
| **Short Term Borrowings** | | |
| Unsecured | | |
| - Hire purchase | - | 176 |
| | - | 176 |
| Secured | | |
| - Bank borrowings | - | 85,491 |
| | - | 85,667 |
| **Long Term Borrowings** | | |
| Unsecured | | |
| - Hire purchase | - | 636 |
| | - | 636 |

In 2017, except for the secured term loan of RM84,624,000 and hire purchase of RM674,000 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 and reference made to announcements on *12 July 2018, 13 July 2018, 17 July 2018, 23 July 2018 and 25 July 2018*, both originating summons were dismissed with cost by the High Court on 12 July 2018.

JIC had on 13 July 2018 served Notices of Appeal against the dismissal of both the originating summons and had also served the applications of the Erinford Injunction and Stay of Execution. JIC had withdrawn the Stay of Execution on 17 July 2018. The High Court had on 23 July 2018 dismissed the Erinford Injunction with cost. JIC had on 24 July filed in fresh Erinford Injunction at the Court of Appeal. The Court of Appeal had on 27 July dismissed the fresh Erinford Injunction with cost. JIC had on 29 July filed in another fresh Erinford Injunction at the Federal Court and the Federal Court had fixed 26 September 2018 for the hearing of the leave application against the Court of Appeal’s dismissal of the Erinford Injunction. The Federal Court had therefore allowed an interim stay pending the said hearing on 26 September 2018.

## Additional information required by Bursa Malaysia Securities Listing Requirements

### B10. Dividend

No interim dividend has been recommended for the current quarter under review (2017: interim dividend of 6.0 sen per ordinary share, single tier and a special interim dividend of 30.0 sen per ordinary share, single tier).

### 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** | |
|---|---|---|---|---|
| | **30.06.2018** | **30.06.2017** | **30.06.2018** | **30.06.2017** |
| Group's profit after taxation attributable to owners of the parent (RM'000) | | | | |
| - From continuing operations | 1,414 | (1,252) | 12,729 | 2,487 |
| - From discontinued operations | - | 9,761 | - | 12,668 |
| | 1,414 | 8,509 | 12,729 | 15,155 |
| 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) | 737,876 | 737,956 | 737,876 | 737,956 |
| **Basic earnings per share (sen)** | | | | |
| - From continuing operations | 0.19 | (0.17) | 1.73 | 0.34 |
| - From discontinued operations | - | 1.32 | - | 1.71 |
| Total | 0.19 | 1.15 | 1.73 | 2.05 |

**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
17 August 2018
Petaling Jaya, Selangor Darul Ehsan