STAR MEDIA GROUP BERHAD

Company No. 10894-D
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

Unaudited Condensed Consolidated Statement of Profit or Loss

	Note	3 months ended 31.12.2018 RM'000	3 months ended 31.12.2017 RM'000 (Restated)	Financial year ended 31.12.2018 RM'000	Financial year ended 31.12.2017 RM'000 (Restated)
Revenue		**93,041**	**114,320**	**392,680**	**469,189**
Operating expenses	**A8**	(109,636)	(308,158)	(405,176)	(668,887)
Other operating income	**A9**	3,161	7,469	23,357	244,641
(Loss)/Profit from operations		**(13,434)**	**(186,369)**	**10,861**	**44,943**
Finance cost		114	(1,286)	(1,888)	(5,131)
(Loss)/Profit before taxation from continuing operations		(13,320)	(187,655)	8,973	39,812
Taxation	**B5**	4,403	30,553	(3,477)	23,105
(Loss)/Profit for the financial year from continuing operations		**(8,917)**	**(157,102)**	**5,496**	**62,917**
Discontinued operations					
Profit for the financial year from discontinued operations, net of tax		-	-	-	24,526
(Loss)/Profit for the financial year		**(8,917)**	**(157,102)**	**5,496**	**87,443**
Attributable to:					
Owners of the parent		(9,062)	(155,150)	5,263	90,293
Non-controlling interests		145	(1,952)	233	(2,850)
		(8,917)	**(157,102)**	**5,496**	**87,443**
Basic/Diluted earnings per ordinary share (sen):					
Total		(1.23)	(21.03)	0.71	12.24
Continuing operations		(1.23)	(21.03)	0.71	10.52
Discontinued operations		-	-	-	1.72

(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:	(6,670)	(11,326)	(27,124)	(46,601)

Unaudited Condensed Statement of Profit or Loss and Other Comprehensive Income For the year ended 31 December 2018

	3 months ended		Financial year ended	
	31.12.2018	31.12.2017 (Restated)	31.12.2018	31.12.2017 (Restated)
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit for the financial year	**(8,917)**	**(157,102)**	**5,496**	**87,443**
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
- exchange differences on translating foreign operations	(3)	(46)	(129)	(7,374)
Total comprehensive income for the financial year	**(8,920)**	**(157,148)**	**5,367**	**80,069**
Attributable to:				
Owners of the parent	(9,065)	(154,069)	5,134	76,465
Non-controlling interests	145	(3,079)	233	3,604
	(8,920)	**(157,148)**	**5,367**	**80,069**

(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 December 2018

	31 December 2018 RM'000	31 December 2017 RM'000
Non-current assets		
Property, plant and equipment	309,534	330,061
Investment properties	141,271	137,846
Intangible assets	44,499	43,024
Other investments		
-Financial assets at fair value through profit or loss	10,250	10,660
Deferred tax assets	4,154	3,333
	509,708	**524,924**
Current assets		
Inventories	36,263	25,607
Trade and other receivables	70,770	101,488
Derivative assets	39	30
Current tax assets	28,170	20,328
Short term deposits	202,765	407,636
Cash and bank balances	97,265	73,171
	435,272	628,260
TOTAL ASSETS	**944,980**	**1,153,184**

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

	31 December 2018 RM'000	31 December 2017 RM'000
EQUITY AND LIABILITIES		
Share capital	738,564	738,564
Treasury shares	(1,769)	(1,769)
Reserves	95,524	136,818
Equity attributable to owners of the parent	**832,319**	**873,613**
Non-controlling interests	(1,851)	1,660
Total equity	**830,468**	**875,273**
Non-current liabilities		
Borrowings	986	1,455
Deferred tax liabilities	27,669	26,034
	28,655	**27,489**
Current liabilities		
Trade and other payables	84,949	145,739
Borrowings	572	101,042
Taxation	336	3,641
	85,857	**250,422**
Total Liabilities	**114,512**	**277,911**
TOTAL EQUITY AND LIABILITIES	**944,980**	**1,153,184**
Net assets per share attributable to owners of the parent company (RM)	**1.13**	**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 year ended 31 December 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:								
- MFRS 9 (Note A1)	-	-	-	-	(2,155)	(2,155)	(212)	(2,367)
At 1 January 2018	738,564	(66)	-	(1,769)	134,729	871,458	1,448	872,906
Total comprehensive income for the year	-	(129)	-	-	5,263	5,134	233	5,367
<u>Transactions with owners</u>								
Disposal of shares in a subsidiary	-	-	-	-	-	-	(2,062)	(2,062)
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 31 December 2018	**738,564**	**(195)**	**-**	**(1,769)**	**95,719**	**832,319**	**(1,851)**	**830,468**

Unaudited Condensed Consolidated Statements of Changes in Equity
For the year ended 31 December 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 year	-	(13,828)	-	-	90,293	76,465	3,604	80,069
<u>Transactions with owners</u>								
Disposal of shares in a subsidiary	-	715	(6)	-	-	709	(111,081)	(110,372)
Repurchase of shares	-	-	-	(136)	-	(136)	-	(136)
Dividend								
First Interim Dividend and Special Dividend for the financial year ended 31 December 2017, paid on 17 October 2017	-	-	-	-	(265,664)	(265,664)	-	(265,664)
Second Interim Dividend for the financial year ended 31 December 2016, paid on 18 April 2017	-	-	-	-	(66,416)	(66,416)	-	(66,416)
Dividends paid to non-controlling interest of a subsidiary	-	-	-	-	-	-	(490)	(490)
Balance as at 31 December 2017	**738,564**	**(66)**	**-**	**(1,769)**	**136,884**	**873,613**	**1,660**	**875,273**

(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 year ended 31 December 2018

	31 December 2018 RM'000	31 December 2017 RM'000
Profit before taxation		
- continuing operations	8,973	39,812
- discontinued operations	-	27,192
Adjustments for non-cash flow items:-		
Share of losses in associates	-	289
Non-cash items	39,274	(13,337)
Non-operating items	(9,650)	(10,370)
Operating profit before working capital changes	**38,597**	**43,586**
Changes in working capital		
Net change in current assets	6,924	(48,441)
Net change in current liabilities	(60,757)	75,265
	(53,833)	26,824
Cash used in operations	**(15,236)**	**70,410**
Net tax paid	(13,562)	(20,259)
Net cash (used in)/from operating activities	**(28,798)**	**50,151**
Investing Activities		
Proceeds from disposal of property, plant and equipment	439	1,931
Proceeds from disposal of subsidiary company	5,650	304,924
Purchases of property, plant and equipment	(6,850)	(45,247)
Purchases of intangible assets	(1,014)	(3,134)
Purchases of programme rights	(14,551)	(22,672)
Investment redeemed on maturity	-	29,709
Interest and investment income received	11,440	15,914
Deposits placed with licensed banks with original maturity more than 3 months	(426)	(5,918)
Net cash (used in)/from investing activities	**(5,312)**	**275,507**
Financing Activities		
Interest paid	(442)	(6,516)
Repayment of hire purchase and finance lease	(939)	(573)
Drawdown of term loan	-	25,735
Repayment of term loan	(100,000)	(38,462)
Repurchase of shares	-	(136)
Dividend paid	(44,273)	(332,080)
Dividend paid to non-controlling interest of subsidiary	(1,470)	(490)
Net cash used in financing activities	**(147,124)**	**(352,522)**
Net decrease in cash and cash equivalents	**(181,234)**	**(26,864)**
Effect of exchange rates fluctuations on cash held	31	2,163
Cash and cash equivalents at beginning of the year	463,610	488,311
Cash and cash equivalents at end of the year	**282,407**	**463,610**

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

	31 December 2018 RM'000	31 December 2017 RM'000
Deposits placed with licensed banks	202,765	407,636
Cash and bank balances	97,265	73,171
Deposits placed with licensed banks with original maturity more than 3 months	(17,623)	(17,197)
	282,407	463,610

(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 year ended 31 December 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 2019

IC Interpretation 23	*Uncertainty over Income Tax Treatments*
MFRS 16	*Leases*
Amendments to MFRS 9	*Prepayment Features with Negative Compensation*
Amendments to MFRS 128	*Long-term Interests in Associates and Joint Ventures*
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

Notes to the interim financial report

A1. Basis of Preparation (cont'd)

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.

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	(3,091)	98,397
Liabilities			
Deferred tax liabilities	(26,034)	724	(25,310)
Equity			
Retained earnings	136,884	(2,155)	134,729
Non-controlling interests	1,660	(212)	1,448
Impact to equity	138,544	(2,367)	136,177

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 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 year ended 31 December 2018 except for repayment of RM100 million Medium Term Notes ("MTN") which matured on 11 May 2018.

A6. Dividend paid

	2018 RM'000	2017 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 2017		
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
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 year ended 31 December 2018									
Sales to external customers	338,740	29,514	17,219	-	7,207	-	392,680	-	392,680
Inter-segment sales	1,499	247	-	-	34,837	(36,583)	-	-	-
Total revenue	340,239	29,761	17,219	-	42,044	(36,583)	392,680	-	392,680
Profit/(Loss) before tax	7,587	2,939	2,652	-	865	(5,070)	8,973	-	8,973
Assets	834,972	76,085	8,876	1,482	23,565	-	944,980	-	944,980
Financial year ended 31 December 2017									
Sales to external customers	405,475	35,789	9,572	7,883	10,470	-	469,189	156,798	625,987
Inter-segment sales	2,255	696	-	-	11,951	(14,904)	(2)	2	-
Total revenue	407,730	36,485	9,572	7,883	22,421	(14,904)	469,187	156,800	625,987
Profit/(Loss) before tax	(117,065)	5,601	228	(18,150)	169,679	(481)	39,812	27,192	67,004
Assets	1,054,116	75,368	6,088	1,857	15,755	-	1,153,184	-	1,153,184

Notes to the interim financial report

A8. Operating expenses

	3 months ended		Financial year ended	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Allowance/(Reversal) of credit losses	1,281	(953)	1,503	(61)
Write-off of receivables	-	1,513	-	1,513
Impairment on goodwill	-	33,599	-	33,599
Loss on liquidation of a subsidiary	-	2	-	2
Foreign exchange loss	127	4	391	7
Impairment on property, plant and equipment	-	69,290	-	69,290
Property, plant and equipment written off	826	17,890	826	17,890
Mutual Separation Scheme/Early Retirement Option expenses	15,800	56,421	19,900	56,421

A9. Other operating income

	3 months ended		Financial year ended	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Interest income	786	1,201	3,436	3,536
Investment income	1,128	3,559	8,102	13,274
Gain on disposal of quoted investment	-	-	-	256
Gain on disposal of a subsidiary	-	-	3,332	206,859
Foreign exchange gain	30	656	31	8,712
Other income	1,217	2,053	8,456	12,004
Total	3,161	7,469	23,357	244,641

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).

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

	3 months ended		Financial year ended	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Revenue	-	-	-	156,798
Operating expenses	-	-	-	(129,108)
Other operating income	-	-	-	1,176
Profit from operations	-	-	-	28,866
Finance cost	-	-	-	(1,385)
	-	-	-	27,481
Share of losses in associates	-	-	-	(289)
Profit before taxation	-	-	-	27,192
Taxation	-	-	-	(2,666)
Profit for the financial year	**-**	**-**	**-**	**24,526**

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

	3 months ended		Financial year ended	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Charging / (Crediting):-				
Depreciation and amortisation	-	-	-	7,805
Foreign exchange loss	-	-	-	1,243
Interest income	-	-	-	(76)

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 31.12.2018 RM'000	As at 31.12.2017 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

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

A12. Changes in composition of the Group

On 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.

On 19 December 2018, the Company announced that Li TV Asia Pte Ltd, a wholly-owned subsidiary of Li TV Holdings Limited, which in turn is a wholly-owned subsidiary of the Company has been placed under members' voluntary liquidation.

A13. Capital commitments

	RM'000
Authorised capital expenditure not provided for in the financial statements	
- contracted	1,120
- not contracted	19,174
	20,294

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 2018 are as set out below:

	Financial year ended 31.12.2018 RM'000
Transactions with related party in relation to approved shareholders' mandate for recurrent related party transactions:	
- Sales of advertisements	15,849

A15. Derivative financial instruments

As at 31 December 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	4,033	39

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 31.12.2018 (4Q 2018) RM'000	Preceding Year Corresponding Quarter 31.12.2017 (4Q 2017) RM'000
Revenue *(continuing operations)*	93,041	114,320
Consolidated Loss before taxation *(continuing operations)*	(13,320)	(187,655)
Consolidated Loss after taxation *(continuing operations)*	(8,917)	(157,102)

In Note A10, the Group has presented the results separately between continuing operations and discontinued operations as a result of the disposal of Cityneon in 2017.

<u>Continuing operations</u>

In 4Q 2018, the Group recorded a profit before tax of RM2.48 million excluding the Mutual Separation Scheme ("MSS") expenses amounting to RM15.80 million in Print and Digital segment.

Performance of the respective business segments for 4Q 2018 compared to the corresponding quarter of 2017 are as follows:-

Print and Digital – Print revenue in 4Q 2018 has declined by 18.5% to RM80.28 million from RM98.53 million in 4Q 2017. This segment recorded a loss before tax of RM13.48 million. This segment's loss was also impacted by the losses from our OTT startup venture, dimsum.my and MSS expenses. If MSS expenses are excluded, this segment would have recorded a profit before tax of RM2.32 million.

Radio – Radio segment is not spared from the slow-down in ad spending in 4Q 2018. However, as a result of better cost management, this segment recorded a higher profit before tax of RM1.89 million in 4Q 2018 as compared to profit before tax of RM1.31 million in 4Q 2017.

Event and exhibition – This segment generated a higher revenue of RM5.08 million in 4Q 2018 as compared to 4Q 2017 as there were two main events held in this quarter under review. As a result, this segment recorded a profit before tax of RM0.49 million.

<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)

	Financial year 31.12.2018 (FY2018) RM'000	Preceding year 31.12.2017 (FY2017) RM'000
Revenue *(continuing operations)*	392,680	469,189
Consolidated Profit before taxation *(continuing operations)*	8,973	39,812
Consolidated Profit after taxation *(continuing operations)*	5,496	62,917

In Note A10, the Group has presented the results separately between continuing operations and discontinued operations as a result of the disposal of Cityneon in 2017.

<u>Continuing operations</u>

Performance of the company and subsidiaries for financial year ended 31 December 2018 vs 31 December 2017:-

The Group profit before tax in FY2018 of RM28.87 million (excluding Mutual Separation Scheme expenses) have recorded an increase of 26.7% as compared to FY2017 of RM22.79 million (excluding Mutual Separation Scheme/Early Retirement Option ("MSS/ERO") expenses, impairment on goodwill and assets, write-off of property, plant and equipment as well as gain on disposal of Cityneon). This is mainly due to better cost management following the MSS/ERO in 4Q 2017 and lower depreciation expenses from Print segment.

In FY2017, the Group recorded a higher profit after tax mainly due to reversal of deferred tax liabilities. The impairment of property, plant and equipment attributed to the reversal of deferred tax liabilities which resulted in a tax income in the statement of profit or loss.

Performance of the respective business segments are as follows:-

Print and Digital – Advertisers have remained cautious on their spending during the financial year. Revenue declined by 16.5% to RM338.74 million in FY2018 as compared to RM405.48 million in FY2017. Despite the decline in revenue, this segment recorded a profit before tax of RM27.49 million (excluding one-off MSS/ERO expenses) in FY2018 compared to RM26.54 million in FY2017.

Radio – Radio managed to generate revenue RM29.51 million in FY2018 as compared to RM35.79 million in FY2017. Despite lower revenue, this segment continued to generate a profit before tax of RM2.94 million in FY2018.

Event and exhibition – Revenue increased to RM17.22 million from RM9.57 million due to more events held in FY2018 as compared to FY2017. As a result of higher revenue and better cost management, profit before tax increased to RM2.65 million in FY2018 as compared to RM0.23 million in FY2017.

<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

B2. Variation of results against preceding quarter

	Current Quarter 31.12.2018 (4Q 2018) RM'000	Preceding Quarter 30.09.2018 (3Q 2018) RM'000
Revenue *(continuing operations)*	93,041	91,123
Consolidated (Loss)/Profit before taxation *(continuing operations)*	(13,320)	2,453
Consolidated (Loss)/Profit after taxation *(continuing operations)*	(8,917)	1,576

Group revenue for 4Q 2018 increased to RM93.04 million from RM91.12 million in 3Q 2018 mainly due to higher revenue from event and exhibition segment. Group recorded a loss before tax of RM13.32 million mainly due to one-off MSS expenses of RM15.80 million in Print and Digital segment.

B3. Prospects

According to Malaysian Institute of Economic Research, both Consumer Sentiments Index (CSI) and Business Conditions Index (BCI) have fallen from the optimism threshold of 100 points in 4Q 2018 standing at 96.8 and 95.3 points respectively.

Advertising expenditure in 2019 is expected to be soft and remain challenging due to weak sentiments. However, we expect the Print and Digital segment to perform better in 2019 as a result of better cost management following the MSS/ERO exercise. We also expect robust revenue growth from the Digital segment as more advertisers migrate into this space. We would also be driving new revenue streams beyond Print. We will continue to focus on using new technologies and analytics to improve, deepen and predict how our customers consume content with the end goal of increasing engagement and monetisation.

The group continues to serve the Best Asian Content on dimsum with simulcast and exclusives premiers from China, Thailand, Taiwan, Japan, South Korea, Singapore and Malaysia. With its constant product enhancement, dimsum is now accessible via mobile devices, Chromecast, Apple Airplay, Samsung Smart TV and Android TV. The payment options have also extended to include mobile payments via integration with all major telcos in Malaysia.

Dimsum has launched its advertising packages for brands to sponsor content within the platform in 4Q 2018. Along with this, dimsum has also launched its 'freemium' section, collaborating with CCTV4 from China, 988 Radio and R.AGE to provide news content for free for dimsum subscribers. Curated short contents from Key Online Leaders from around the region are available as well.

As of Mid November 2018, dimsum went LIVE in Singapore as part of its regional expansion. With this inclusion, dimsum is now available in Malaysia, Singapore and Brunei.

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 even though it has been affected by lower adex as a result of the slowing economy.

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.

Additional information required by Bursa Malaysia Securities Listing Requirements

B3. Prospects (cont'd)

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.

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	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Current period tax expense based on profit for the financial period				
1. Malaysian taxation	(5,871)	(1,013)	2,080	6,519
2. Foreign taxation	-	-	-	-
3. Deferred taxation	1,468	(29,540)	1,397	(29,624)
	(4,403)	(30,553)	3,477	(23,105)

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

B6. Retained Earnings

	As at 31.12.2018 RM'000	**As at 31.12.2017 RM'000**
Total retained profits of Star Media Group Berhad and its subsidiaries		
-Realised	(48,286)	(2,445)
-Unrealised	(20,820)	(19,606)
	(69,106)	(22,051)
Total share of accumulated losses from associates		
-Realised	(1,188)	(1,188)
Consolidation adjustments	166,013	160,123
Total group retained profits as per consolidated accounts	95,719	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	(47,500)	152,500	Within 24 months
General working capital	154,095	(154,095)	-	Fully utilised
Estimated expenses in relation to the disposal	6,085	(6,085)	-	Fully utilised
Total	360,180	(207,680)	152,500	

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 31.12.2018 RM'000	As at 31.12.2017 RM'000
Continuing operations		
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
- Finance lease	572	1,042
	572	101,042
Long Term Borrowings		
Unsecured		
- Finance lease	986	1,455
	986	1,455

All borrowings are denominated in Ringgit Malaysia.

Additional information required by Bursa Malaysia Securities Listing Requirements

B9. Changes in material litigation

On 20 February 2018, the Company announced that the deadline for the delivery of vacant possession of its investment property under construction (“Tower A”) pursuant to the sale and purchase agreement dated 19 August 2011 made between the Company and Jaks Island Circle Sdn Bhd (“JIC”) (“SPA”) had expired on 15 February 2018 following the latest fourth extension agreed between the Company and JIC.

Resulting thereto, 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 respectively (collectively, “Banks”) amounting to RM50,000,000.00 pledged as security by JIC under the SPA.

JIC had on 23 February 2018 filed in two (2) originating summons in the High Court of Malaya in Kuala Lumpur to among others, restrain the Banks from releasing payment under the bank guarantees and to restrain the Company from receiving the payment under the bank guarantees.

On 28 February 2018, the Company called on the corporate guarantee dated 17 October 2013 issued by Jaks Resources Berhad ("JRB") demanding JRB to complete and deliver the Vendor’s Entitlement under the SPA, i.e.: the completion, delivery and transfer of title with vacant possession and certificate of completion and compliance of Tower A 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 the Company 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.

On 12 July 2018, the High Court dismissed the two (2) originating summons and ordered among others, the Banks to make payment under the bank guarantees to the Company on or before 19 July 2018.

JIC had on 13 July 2018 filed Notices of Appeal to the Court of Appeal against the High Court’s decision in dismissing both the originating summons and Stay of Execution of the High Court’s Order dated 12 July 2018 until the hearing and resolution of JIC’s appeals. JIC had also filed the application for Erinford Injunction at the High Court to prevent/restrain the Company from receiving the payment under the bank guarantees and to prevent/restrain the Banks from releasing payment under the bank guarantees pending the full and final disposal of JIC’s appeals above.

Additional information required by Bursa Malaysia Securities Listing Requirements

B9. Changes in material litigation (cont'd)

JIC had subsequently withdrawn their application for Stay of Execution during the case management on 17 July 2018.

The High Court had on 23 July 2018 dismissed JIC's Erinford Injunction Application and ordered among others that the Banks make payment under the bank guarantees to the Company on or before 30 July 2018.

On 24 July 2018, JIC filed fresh Erinford Injunction at the Court of Appeal to restrain and/or prevent the Company from receiving payment under the bank guarantees and the Banks from releasing payment under the bank guarantees until full and final disposal of JIC's appeals. The Court of Appeal had on 27 July 2018 dismissed JIC's application for Erinford Injunction and ordered the Banks to pay the monies under the bank guarantees to the Company by 30 July 2018.

On 27 July 2018, JIC filed application at the Federal Court for leave to appeal against the Court of Appeal's decision ("Leave Application") and applied for Erinford Injunction at the Federal Court to restrain and/or prevent the Company from receiving payment under the bank guarantees and the Banks from releasing payment under the bank guarantees until full and final disposal of the Leave Application.

The Federal Court had on 30 July 2018 and 1 August 2018 granted interim stay/Erinford Injunction until 26 September 2018. On 26 September 2018, the counsel for JIC sought an adjournment of the hearing for Leave Application and the Federal Court ordered interim stay/Erinford Injunction to be continued until disposal of the Leave Application or JIC's appeals to the Court of Appeal against the High Court's decision in dismissing both the originating summons, whichever earlier.

On 7 November 2018, the Court of Appeal's hearing for JIC's appeals had been adjourned to 16 November 2018 on account of the recusal of Justice Stephen Chung. Following this, the Federal Court adjourned the Leave Application's hearing to 19 November 2018 and ordered interim stay/Erinford Injunction to be continued until disposal of the Leave Application or JIC's appeals, whichever earlier.

The Company was informed by its solicitors on 8 November 2018 that the Court of Appeal had brought forward the abovementioned hearing in respect of JIC's appeals to 14 November 2018. The hearing date of 16 November 2018 was therefore vacated.

The Court of Appeal had on 14 November 2018 unanimously dismissed both JIC's appeals against the High Court Orders dated 12 July 2018 with costs and ordered RM30,000.00 to be paid to the Company.

On 16 November 2018, the Company was served with sealed Notices of Motion filed by JIC at the Federal Court for leave to appeal the Court of Appeal's orders dated 14 November 2018 in dismissing JIC's appeals against the High Court Orders dated 12 July 2018 ("Federal Court's Leave Application") and an Interim Erinford Injunction to prevent the Banks from releasing the bank guarantees to the Company pending the Federal Court's Leave Application.

On 19 November 2018, the Federal Court granted an interim Erinford Injunction filed by JIC restraining the Banks from releasing the Bank Guarantees and restraining the Company from receiving the Bank Guarantees to the Company pending the hearing of JIC's Federal Court's Leave Application which has been fixed for hearing on 7 January 2019.

On 7 January 2019, the Federal Court had unanimously dismissed JIC's Federal Court's Leave Application with costs awarded to the Company and the court orders have been executed.

Additional information required by Bursa Malaysia Securities Listing Requirements

B10. Dividend

The Board of Directors is pleased to declare an interim dividend of 3.0 sen per ordinary share, single tier (2017: interim dividend of 6.0 sen per ordinary share, single tier) in respect of the financial year ended 31 December 2018, which will be paid on 18 April 2019 to shareholders whose names appear on the Record of Depositors on 29 March 2019.

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 29 March 2019 in respect of transfer;

Securities bought on Bursa Malaysia on a cum entitlement basis according to the rules of Bursa Malaysia.

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**	
	31.12.2018	**31.12.2017**	**31.12.2018**	**31.12.2017**
Group's profit after taxation attributable to owners of the parent (RM'000)				
- From continuing operations	(9,062)	(155,150)	5,263	77,620
- From discontinued operations	-	-	-	12,673
	(9,062)	(155,150)	5,263	90,293
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)	-	(80)	-	(80)
Weighted average number of ordinary shares outstanding ('000)	737,876	737,876	737,876	737,876
Basic earnings per share (sen)				
- From continuing operations	(1.23)	(21.03)	0.71	10.52
- From discontinued operations	-	-	-	1.72
Total	(1.23)	(21.03)	0.71	12.24

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

Hoh Yik Siew

Group Company Secretary
26 February 2019
Petaling Jaya, Selangor Darul Ehsan