



STAR MEDIA GROUP BERHAD

Company No. 10894-D
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2019

Unaudited Condensed Consolidated Statement of Profit or Loss

	Note	3 months ended		Financial period ended	
		31.03.2019 RM'000	31.03.2018 RM'000	31.03.2019 RM'000	31.03.2018 RM'000
Revenue		82,566	109,027	82,566	109,027
Operating expenses	A8	(82,287)	(96,588)	(82,287)	(96,588)
Other operating income	A9	5,615	6,341	5,615	6,341
Profit from operations		5,894	18,780	5,894	18,780
Finance cost		(183)	(1,191)	(183)	(1,191)
Profit before taxation		5,711	17,589	5,711	17,589
Taxation	B5	(2,152)	(6,200)	(2,152)	(6,200)
Profit for the financial period		3,559	11,389	3,559	11,389
Attributable to:					
Owners of the parent		3,540	11,315	3,540	11,315
Non-controlling interests		19	74	19	74
		3,559	11,389	3,559	11,389
Basic/Diluted earnings per ordinary share (sen):		0.48	1.53	0.48	1.53

(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 2018)

Included in the Operating Expenses are depreciation and amortisation expenses:	(7,038)	(6,828)	(7,038)	(6,828)
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**Unaudited Condensed Statement of Profit or Loss and Other Comprehensive Income
For the period ended 31 March 2019**

	3 months ended		Financial period ended	
	31.03.2019 RM'000	31.03.2018 RM'000	31.03.2019 RM'000	31.03.2018 RM'000
Profit for the financial period	3,559	11,389	3,559	11,389
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
- exchange differences on translating foreign operations	72	184	72	184
Total comprehensive income for the financial period	3,631	11,573	3,631	11,573
Attributable to:				
Owners of the parent	3,612	11,499	3,612	11,499
Non-controlling interests	19	74	19	74
	3,631	11,573	3,631	11,573

(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 2018)

**Unaudited Condensed Consolidated Statement of Financial Position
As at 31 March 2019**

	31 March 2019 RM'000	31 December 2018 RM'000
Non-current assets		
Property, plant and equipment	300,427	311,254
Investment properties	145,966	141,271
Intangible assets	42,373	44,499
Right-of-use assets	8,970	-
Other investments		
-Financial assets at fair value through profit or loss	10,177	10,250
Deferred tax assets	4,154	4,158
	512,067	511,432
Current assets		
Inventories	32,677	36,263
Trade and other receivables	70,796	70,768
Derivative assets	-	39
Current tax assets	24,615	28,167
Short term deposits	275,207	202,765
Cash and bank balances	67,245	97,265
	470,540	435,267
TOTAL ASSETS	982,607	946,699

**Unaudited Condensed Consolidated Statement of Financial Position
As at 31 March 2019 (cont'd)**

	31 March 2019 RM'000	31 December 2018 RM'000
EQUITY AND LIABILITIES		
Share capital	738,564	738,564
Treasury shares	(1,769)	(1,769)
Reserves	76,668	95,487
Equity attributable to owners of the parent	813,463	832,282
Non-controlling interests	(1,832)	(1,851)
Total equity	811,631	830,431
Non-current liabilities		
Borrowings	2,494	2,599
Lease liabilities	7,476	-
Deferred tax liabilities	27,669	27,669
	37,639	30,268
Current liabilities		
Trade and other payables	108,151	84,949
Derivative liabilities	9	-
Dividend payable	22,136	-
Borrowings	593	716
Lease liabilities	1,611	-
Taxation	837	335
	133,337	86,000
Total Liabilities	170,976	116,268
TOTAL EQUITY AND LIABILITIES	982,607	946,699
Net assets per share attributable to owners of the parent company (RM)	1.10	1.13

(The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2018)

Unaudited Condensed Consolidated Statements of Changes in Equity
For the period ended 31 March 2019

	[----- 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 2018	738,564	(195)	-	(1,769)	95,682	832,282	(1,851)	830,431
Impacts arising from adoption of: - MFRS 16 (Note A1)	-	-	-	-	(295)	(295)	-	(295)
At 1 January 2019	738,564	(195)	-	(1,769)	95,387	831,987	(1,851)	830,136
Total comprehensive income for the period	-	72	-	-	3,540	3,612	19	3,631
<u>Transactions with owners</u>								
Dividend								
<i>Interim Dividend for the financial year ended 31 December 2018, paid on 18 April 2019</i>	-	-	-	-	(22,136)	(22,136)	-	(22,136)
Balance as at 31 March 2019	738,564	(123)	-	(1,769)	76,791	813,463	(1,832)	811,631

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

(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 2018)

Unaudited Condensed Consolidated Statement of Cash Flows
For the period ended 31 March 2019

	31 March 2019 RM'000	31 March 2018 RM'000
Profit before taxation	5,711	17,589
Adjustments for non-cash flow items:-		
Non-cash items	9,421	10,372
Non-operating items	(2,669)	(2,410)
Operating profit before working capital changes	12,463	25,551
Changes in working capital		
Net change in current assets	4,609	(18,978)
Net change in current liabilities	23,129	(52,516)
	27,738	(71,494)
Cash generated from/(used in) operations	40,201	(45,943)
Net tax refund/(paid)	1,904	(897)
Net cash from/(used in) operating activities	42,105	(46,840)
Investing Activities		
Proceeds from disposal of property, plant and equipment	176	71
Purchases of property, plant and equipment	(384)	(2,587)
Purchases of intangible assets	(1)	(28)
Purchases of video programme rights	(1,304)	(2,719)
Interest and investment income received	2,754	2,632
Deposits placed with licensed banks with original maturity more than 3 months	(6)	(17)
Net cash from/(used in) investing activities	1,235	(2,648)
Financing Activities		
Interest paid	(8)	19
Repayment of finance lease	(228)	(321)
Repayment of lease liabilities	(659)	-
Dividend paid to non-controlling interest of subsidiary	-	(1,470)
Net cash used in financing activities	(895)	(1,772)
Net increase/(decrease) in cash and cash equivalents	42,445	(51,260)
Effect of exchange rates fluctuations on cash held	(29)	(73)
Cash and cash equivalents at beginning of the period	282,313	463,610
Cash and cash equivalents at end of the period	324,729	412,277

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 2019 RM'000	31 March 2018 RM'000
Deposits placed with licensed banks	275,207	374,791
Cash and bank balances	67,245	54,701
Deposits placed with licensed banks with original maturity more than 3 months	(17,723)	(17,215)
	324,729	412,277

(The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31st December 2018).

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 2018.

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 2018 except for the adoption of the following MFRSs, IC Interpretation and Amendments to MFRSs during the current financial period:

MFRS 16	<i>Leases</i>
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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 2020

Amendments to References to the Conceptual Framework in MFRS Standards

Amendments to MFRS 3	<i>Definition of a Business</i>
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Amendments to MFRS 101 and MFRS 108	<i>Definition of Material</i>
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MFRS 17	<i>Insurance Contracts</i>
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Amendments to MFRS 10 and MFRS 128	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
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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 16 Leases

MFRS 16 'Leases' supersedes MFRS 117 'Leases' and its related interpretations. Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. MFRS 16 introduces a single accounting model for a lessee and eliminates the classification of leases by the lessee as either finance leases (on-balance sheet) or operating leases (off-balance sheet).

i) Lessee

At the commencement date of a lease, a lessee will recognise a lease liability to make lease payments and an asset representing the "right to use" of the underlying asset during the lease term. Subsequently, the "right-of-use" asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the profit or loss.

ii) Lessor

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessor will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

Notes to the interim financial report**A1. Basis of Preparation (cont'd)**

The changes in accounting policies have been applied retrospectively from 1 January 2019. In accordance with the transition requirements, comparatives are not restated.

The following table provides the impact of changes to the statements of financial position of the Group resulting from the adoption of MFRS 16 as at 1 January 2019:

Statement of financial position**1 January 2019**

	As previously reported RM'000	Impact of change in accounting policies	
		Retrospective adjustments RM'000	After adjustments RM'000
Non-current assets			
Right-of-use assets	-	9,451	9,451
Non-current liabilities			
Lease liabilities	-	8,154	8,154
Current liabilities			
Lease liabilities	-	1,592	1,592
Total lease liabilities	-	9,746	9,746
Equity			
Retained earnings	95,682	(295)	95,387

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 2019.

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 2019.

A6. Dividend paid

No dividend was paid in the current financial period ended 31 March 2019.

Notes to the interim financial report

A7. Segment Reporting

	Print and digital	Radio	Event and exhibition	Television channel	Others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Financial period ended</u>							
<u>31 March 2019</u>							
Sales to external customers	71,902	5,380	5,284	-	-	-	82,566
Inter-segment sales	438	2	-	-	9,664	(10,104)	-
Total revenue	72,340	5,382	5,284	-	9,664	(10,104)	82,566
Profit/(Loss) before tax	3,645	(95)	1,615	-	543	3	5,711
Assets	869,805	86,074	10,961	1,450	14,317	-	982,607
<u>Financial period ended</u>							
<u>31 March 2018</u>							
Sales to external customers	92,038	8,242	6,010	-	2,737	-	109,027
Inter-segment sales	705	96	-	-	6,442	(7,243)	-
Total revenue	92,743	8,338	6,010	-	9,179	(7,243)	109,027
Profit/(Loss) before tax	16,964	1,399	2,685	-	(1,929)	(1,530)	17,589
Assets	997,462	77,224	8,238	1,762	26,661	-	1,111,347

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

	3 months ended		Financial period ended	
	31.03.2019 RM'000	31.03.2018 RM'000	31.03.2019 RM'000	31.03.2018 RM'000
(Reversal)/Allowance of credit losses	(952)	148	(952)	148
Foreign exchange loss	67	258	67	258

A9. Other operating income

	3 months ended		Financial period ended	
	31.03.2019 RM'000	31.03.2018 RM'000	31.03.2019 RM'000	31.03.2018 RM'000
Interest income	659	832	659	832
Investment income	2,193	2,767	2,193	2,767
Other income	2,763	2,742	2,763	2,742
Total	5,615	6,341	5,615	6,341

A10. 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.

A11. Changes in composition of the Group

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

A12. Capital commitments

	RM'000
Authorised capital expenditure not provided for in the financial statements	
- contracted	1,196
- not contracted	11,918
	<hr/>
	13,114 <hr/>

Notes to the interim financial report**A13. 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 2019 are as set out below:

**3 months
ended
31.03.2019
RM'000**

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

- Sales of advertisements

3,595

A14. Derivative financial instruments

As at 31 March 2019, the Group has the following outstanding forward foreign exchange contracts:

	Contract value RM'000	Fair value liabilities RM'000
With maturity less than 1 year:		
United States Dollar	1,362	9

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 31.03.2019 (1Q 2019) RM'000	Preceding Year Corresponding Quarter 31.03.2018 (1Q 2018) RM'000
Revenue	82,566	109,027
Consolidated Profit before taxation	5,711	17,589
Consolidated Profit after taxation	3,559	11,389

In 1Q 2019, the Group recorded a profit before tax of RM5.71 million as compared to RM17.59 million. The Group registered a lower profit mainly due to lower revenue from Print and Radio segment.

Performance of the respective business segments for 1Q 2019 compared to the corresponding quarter of 2018 are as follows:-

Print and Digital – This segment recorded a profit before tax of RM3.65 million in 1Q 2019 as compared to a profit before tax of RM16.96 million in 1Q 2018 due to lower revenue as a result of poor market sentiments.

Radio Broadcasting – Radio generated revenue amounting to RM5.38 million in 1Q 2019 as compared to RM8.24 million in 1Q 2018 despite the slow-down in ad spending. This segment recorded a small loss of RM0.09 million.

Event and exhibition – Revenue declined to RM5.28 million from RM6.01 million due to lesser events held in 1Q 2019 as compared to 1Q 2018. This segment recorded a profit before tax of RM1.62 million in 1Q 2019 as compared to profit before tax of RM2.69 million in 1Q 2018.

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

	Current Quarter 31.03.2019 (1Q 2019) RM'000	Preceding Quarter 31.12.2018 (4Q 2018) RM'000
Revenue	82,566	93,041
Consolidated Profit/(Loss) before taxation	5,711	(13,357)
Consolidated Profit/(Loss) after taxation	3,559	(8,954)

Group revenue for 1Q 2019 decreased to RM82.57 million from RM93.04 million in 4Q 2018 mainly due to lower print revenue. Despite lower revenue in 1Q 2019, the Group recorded a higher profit before tax of RM5.71 million in 1Q 2019 as compared to a loss before tax of RM13.36 million in 4Q 2018 due to Mutual Separation Scheme/Early Retirement Option ("MSS/ERO").

If MSS/ERO cost of RM15.80 million is excluded from 4Q 2018, then the profit before tax would be RM2.44 million, which is still lower than 1Q 2019 profit before tax of RM5.71 million. Although the Group recorded a lower revenue in 1Q 2019, the Group's profitability improved due to better cost management.

B3. Prospects

According to Malaysian Institute of Economic Research, both Consumer Sentiments Index (CSI) and Business Conditions Index (BCI) have dipped further from the optimism threshold of 100 points in 1Q 2019 standing at 85.6 and 94.3 points respectively.

Advertising expenditure is expected to be soft and remain challenging due to weak sentiments. However, we expect the Print and Digital segment to perform satisfactorily 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. With these in place, we are in a better position to capture the market in a more meaningful way.

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. We have continued to focus on Chinese and Malay audiences and this has allowed us to focus and develop in-depth knowledge of our audiences.

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.

The Company and the Board of Directors will continue to focus and strengthen its key strategies to propel the Group's performance.

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	
	31.03.2019 RM'000	31.03.2018 RM'000	31.03.2019 RM'000	31.03.2018 RM'000
Current period tax expense based on profit for the financial period				
1. Malaysian taxation	2,152	6,271	2,152	6,271
2. Foreign taxation	-	-	-	-
3. Deferred taxation	-	(71)	-	(71)
	2,152	6,200	2,152	6,200

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. 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	

Additional information required by Bursa Malaysia Securities Listing Requirements**B7. Borrowings and debt securities**

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

	As at 31.03.2019 RM'000	As at 31.03.2018 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
- Finance lease	593	954
	593	100,954
Long Term Borrowings		
Unsecured		
- Finance lease	2,494	1,221
	2,494	1,221

All borrowings in 2019 and 2018 are denominated in Ringgit Malaysia.

B8. Changes in material litigation

On the sale and purchase agreement dated 19 August 2011 made between the Company and Jaks Island Circle Sdn Bhd ("JIC") ("SPA") which had expired on 15 February 2018 for the delivery of vacant possession of its investment property under construction ("Tower A"), 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.

After numerous rounds of court hearings and appeals in Year 2018, the Company had received the latest update on 7 January 2019 where the Federal Court had unanimously dismissed JIC's Federal Court's Leave Applications with costs awarded to the Company.

B9. Dividend

No interim dividend has been recommended for the current quarter under review (Quarter 1, 2018: Nil).

In respect of the financial year ended 31 December 2018, the Board of Directors declared an interim dividend of 3.0 sen per ordinary share, single tier, which was paid on 18 April 2019 (2017: second interim dividend of 6.0 sen per ordinary share, single tier).

Additional information required by Bursa Malaysia Securities Listing Requirements**B10. 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	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
Group's profit after taxation attributable to owners of the parent (RM'000)	3,540	11,315	3,540	11,315
Number of shares at the beginning of the year ('000)	737,876	737,876	737,876	737,876
Effect of Share Buy Back during the period ('000)	-	-	-	-
Weighted average number of ordinary shares outstanding ('000)	737,876	737,876	737,876	737,876
Basic earnings per share (sen)	0.48	1.53	0.48	1.53

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

16 May 2019
Petaling Jaya, Selangor Darul Ehsan