

## STAR MEDIA GROUP BERHAD ("STAR MEDIA" OR THE "COMPANY")

**PROPOSED DISPOSAL BY A WHOLLY-OWNED SUBSIDIARY COMPANY OF STAR MEDIA NAMELY, LAVIANI PTE. LTD. ("LAVIANI" OR THE "VENDOR") OF 128,458,590 ORDINARY SHARES IN CITYNEON HOLDINGS LIMITED ("CITYNEON"), REPRESENTING APPROXIMATELY 52.51% EQUITY INTEREST IN CITYNEON ("CITYNEON SHARES") TO LUCRUM 1 INVESTMENT LIMITED ("LUCRUM 1 INVESTMENT" OR THE "PURCHASER") FOR A DISPOSAL CONSIDERATION OF SINGAPORE DOLLARS ("SGD") 115,612,731 (EQUIVALENT TO APPROXIMATELY RM360,179,902) TO BE SATISFIED ENTIRELY VIA CASH ("PROPOSED DISPOSAL")**

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### 1. INTRODUCTION

On 5 May 2017, the board of Directors of Star Media ("**Board**") announced that Laviani, a wholly-owned subsidiary company of Star Media had on even date received a notification from Bird & Bird ATMD LLP, a legal firm in Singapore expressing its clients' interest to acquire 128,458,590 Cityneon Shares, representing approximately 52.51% of the issued share capital in Cityneon from Laviani ("**Notification of Offer**").

Pursuant to the above, on behalf of the Board, RHB Investment Bank Berhad ("**RHB Investment Bank**") is pleased to announce that Laviani had, on 12 May 2017, entered into a conditional share purchase agreement ("**SPA**") with the Purchaser for the proposed disposal of its entire equity interest in Cityneon comprising 128,458,590 Cityneon Shares, representing approximately 52.51% issued share capital of Cityneon ("**Sale Shares**") for a disposal consideration of SGD115,612,731 (equivalent to RM360,179,902) or equivalent to SGD0.90 per Cityneon Share ("**Disposal Consideration**") to be fully satisfied via cash ("**Proposed Disposal**").

Unless otherwise stated, the exchange rate that has been used for the purpose of this Announcement is SGD 1.00: RM 3.1154.

*(Source: Bank Negara Malaysia website as at 27 April 2017)*

Further details on the Proposed Disposal are set out in the ensuing sections.

### 2. DETAILS OF THE PROPOSED DISPOSAL

On 12 May 2017, Laviani had entered into a conditional SPA with the Purchaser for the proposed disposal of its entire equity interest in Cityneon comprising 128,458,590 Cityneon Shares, representing approximately 52.51% issued share capital of Cityneon for a disposal consideration of SGD115,612,731 (equivalent to RM360,179,902) to be fully satisfied via cash ("**Proposed Disposal**").

Cityneon is currently a 52.51% owned-subsubsidiary of Laviani, which is a wholly-owned subsidiary of Star Media. Upon completion of the Proposed Disposal, Laviani will not hold any equity interest in Cityneon. Accordingly, Cityneon will cease to be a subsidiary of Laviani and will cease to be an indirect subsidiary company of Star Media.

#### 2.1 Information on Cityneon

Cityneon was incorporated in Singapore on 28 June 1999 under the Companies Act, Chapter 50 of Singapore as a private limited company under the name of Cityneon Holdings Pte. Ltd. and subsequently assumed its present name on 15 September 2005. On 7 December 2005, Cityneon was listed on Singapore Exchange Securities Trading Limited Dealing and Automated Quotation System and subsequently transferred to the Main Board of Singapore Exchange Securities Trading Limited on 22 January 2008.

Cityneon is an investment holding company and through its subsidiaries, it is involved in the following business segments:-

- (i) Experiential Environment – comprises architectural facades, scenic fabrication, sculptures, scaled models, wall reliefs and murals, replicas, show sets and props, artistic painting, landscaping to theme park and attractions, expositions and museums and galleries;
- (ii) Interior Architecture – comprises conceptualise, design and interior fitting-out services to commercial properties, healthcare, hospitality services industry, show rooms and retail outlets;
- (iii) Exhibitions – comprise design, fabrication, installation and project management of customized exhibition booths and pavilions, rental of re-usable exhibition booths, pavilion modules, furniture and furnishings and the provision of ancillary services in electrical services and environmental graphics;
- (iv) Events – provide assistance in creating, developing, organizing, hosting and managing events as a supporting service in collaboration with customers or on a turnkey basis where it is responsible for every aspect of events; and
- (v) Intellectual Property Rights – produce innovative and captivating contents for exclusive license-held showcases through exhibitions for audiences and distributes into global territories.

Based on the latest audited consolidated financial statements of Cityneon for the financial year ended ("**FYE**") 31 December 2016, apart from Singapore, Cityneon currently has market presence in and is generating revenue from countries amongst others, China, the United States of America, Brunei Darussalam, Middle East countries, India, Vietnam and Malaysia.

Based on the latest audited consolidated financial statements of Cityneon for the FYE 31 December 2016, the issued share capital of Cityneon is SGD50,376,302 (equivalent to approximately RM156,942,331) comprising 244,656,195 Cityneon Shares whilst the net assets (attributable to the owners of the parent) of Cityneon stood at SGD69,296,539 (equivalent to RM215,886,438).

Cityneon is currently a 52.51% owned-subsiary of Laviani, which is a wholly-owned subsidiary of Star Media. Upon completion of the Proposed Disposal, Laviani will not hold any equity interest in Cityneon. Accordingly, Cityneon will cease to be a subsidiary of Laviani and will cease to be an indirect subsidiary company of Star Media.

The directors of Cityneon together with their respective direct and indirect shareholdings as at 11 May 2017 are as follows:-

Directors	Nationality	Designation	< ----- Direct ----- >		< ----- Indirect ----- >	
			No. of Cityneon Shares	% <sup>*1</sup>	No. of Cityneon Shares	% <sup>*1</sup>
Dato' Fu Ah Kiow @ Oh (Fu) Soon Guan	Malaysian	Non-Executive Chairman	-	-	-	-
Tan Aik Ti, Ron (" <b>Ron Tan</b> ")	Singaporean	Executive Director/ Group Chief Executive Officer	-	-	40,000,000	16.35 <sup>*2</sup>
Datuk Seri Wong Chun Wai	Malaysian	Non-Executive Director	-	-	20,000	- <sup>*3</sup>
Ng Fook Ai Victor	Singaporean	Non-Executive Director	-	-	-	-

Directors	Nationality	Designation	< ----- Direct ----- >		< ----- Indirect ----- >	
			No. of Cityneon Shares	% <sup>*1</sup>	No. of Cityneon Shares	% <sup>*1</sup>
Datuk Roger Tan Kor Mee	Malaysian	Independent Director	-	-	-	-
Dato' Lee Yeow Chor @ Lee Yew Meng	Malaysian	Independent Director	-	-	-	-
Tang Nai Soon	Malaysian	Independent Director	-	-	-	-
Ragesh Rajendran	Malaysian	Alternate Director to Datuk Seri Wong Chun Wai	-	-	-	-

**Notes:**

<sup>\*1</sup> Based on the total issued share capital of 244,656,195 in Cityneon

<sup>\*2</sup> Deemed to be interested in 14,000,000 and 26,000,000 Cityneon Shares held by Philadelphia Investments Ltd ("**Philadelphia Investments**") and IGV 33 Investments Ltd ("**IGV 33 Investments**"), respectively by virtue of his 100% shareholding in Philadelphia Investments and IGV 33 Investments

<sup>\*3</sup> Negligible (Deemed to be interested in 20,000 Cityneon Shares by virtue of his 0.003% shareholding in Star Media)

The substantial shareholders of Cityneon together with their respective direct and indirect shareholdings as at 11 May 2017 are as follows:-

Substantial Shareholders	< ----- Direct ----- >		< ----- Indirect ----- >	
	No. of Cityneon Shares	%	No. of Cityneon Shares	%
Laviani	128,458,590	52.51	-	-
Ron Tan	-	-	40,000,000	16.35 <sup>*1</sup>
Star Media	-	-	128,458,590	52.51 <sup>*2</sup>
Malaysian Chinese Association	-	-	128,458,590	52.51 <sup>*3</sup>
Philadelphia Investments	14,000,000	5.72 <sup>*4</sup>	-	-
IGV 33 Investments	26,000,000	10.63 <sup>*5</sup>	-	-

**Notes:**

<sup>\*1</sup> Deemed to be interested in 14,000,000 and 26,000,000 Cityneon Shares held by Philadelphia Investments and IGV 33 Investments, respectively by virtue of his 100% shareholding in Philadelphia Investments and IGV 33 Investments

<sup>\*2</sup> Deemed to be interested in 128,458,590 Cityneon Shares held by Laviani by virtue of its 100% shareholding in Laviani

<sup>\*3</sup> Deemed to be interested in 128,458,590 Shares held by Laviani by virtue of its 42.46% interest in Star Media which in turn, holds 100% of Laviani

<sup>\*4</sup> 14,000,000 Cityneon Shares are registered in the name of Citibank Nominees Singapore Pte. Ltd.

<sup>\*5</sup> 26,000,000 Cityneon Shares are registered in the name of Citibank Nominees Singapore Pte. Ltd and DBS Nominees Pte. Ltd.

A summary of the financial information of Cityneon for the past three (3) financial years up to the FYE 31 December 2016 is set out as follows:-

	-----Audited----->					
	-----FYE 31 December----->					
	<-----2014----->		<-----2015----->		<-----2016----->	
	SGD'000	RM'000	SGD'000	RM'000	SGD'000	RM'000
Revenue	78,017	234,053	96,488	300,600	96,752	301,420
Profit before tax (" <b>PBT</b> ")	2,513	7,829	794	2,474	7,329	22,834
Profit after tax (" <b>PAT</b> ")	2,345	7,305	871	2,714	6,681	20,814
Shareholders' funds/ Net assets (" <b>NA</b> ")	25,112	78,234	49,567	154,420	69,297	215,886
Total borrowings	10,120	31,529	8,439	26,292	24,779	77,196
Gearing (times)	0.40	0.40	0.17	0.17	0.36	0.36

Further details on the financial information of Cityneon are set out in **Appendix I** of this Announcement.

## 2.2 Information on the Purchaser

Lucrum 1 Investment was incorporated in the British Virgin Islands on 12 April 2017 as a BVI Business Company under BVI Business Companies Act, 2004. Lucrum 1 Investment is an investment holding company.

As at the date of this announcement, Lucrum 1 Investment has an issued share capital comprising 100 ordinary shares.

The directors of Lucrum 1 Investment and their respective shareholdings in Lucrum 1 Investment are set out below:

Directors	Nationality	< ----- Direct ----- >		< ----- Indirect ----- >	
		No. of shares	%	No. of shares	%
Geng Zhihua	China	-	-	76.0	76.0 <sup>*1</sup>
Ron Tan	Singaporean	-	-	15.5	15.5 <sup>*2</sup>
Duan Mengying	China	-	-	-	-

### Notes:

<sup>\*1</sup> Deemed to be interested in 76 shares in Lucrum 1 Investment held by Massive Right Investments Limited ("**Massive Right Investments**") by virtue of his 100% shareholding in Massive Right Investments

<sup>\*2</sup> Deemed to be interested in 15.5 shares in Lucrum 1 Investment held by Philadelphia Investments by virtue of his 100% shareholding in Philadelphia Investments

As at the date of this Announcement, the shareholding structure of the Purchaser is as follows:-

Substantial shareholders	< ----- Direct ----- >		< ----- Indirect ----- >	
	No. of shares	%	No. of shares	%
Massive Right Investments	76.0	76.0	-	-
Philadelphia Investments	15.5	15.5	-	-
Mutual Power International Limited	8.5	8.5	-	-

As Lucrum 1 Investment was only incorporated on 12 April 2017, Lucrum 1 Investment does not have financial statement as at the date of this Announcement.

## 2.3 Basis and justification of arriving at the Disposal Consideration

The total disposal consideration of SGD115,612,731 or SGD0.90 per Cityneon Share was arrived at on a willing buyer willing seller basis, after taking into consideration the latest audited NA of Cityneon for the FYE 31 December 2016 of SGD69,296,539 or NA per Cityneon Share of SGD0.2832.

Based on the above, the price-to-book ratio ("**PBR**") implied by the Disposal Consideration is approximately 3.18 times.

In addition to the above, the Disposal Consideration also represents the following:-

### (i) Price-to-earnings ratio ("**PER**")

For the FYE 31 December 2016, Cityneon recorded a PAT after minority interest of SGD6,680,888 or an earnings per Cityneon Share of SGD0.0273.

As such, the PER implied by the Disposal Consideration is approximately 32.97 times.

### (ii) Enterprise value-to-earnings before interest, tax, depreciation and amortisation ("**EV/EBITDA**" multiple)

Based on the Disposal Consideration and the latest audited consolidated financial statements of Cityneon as at 31 December 2016, Cityneon recorded an enterprise value of SGD225,003,089 and an earnings before interest, tax, depreciation and amortisation of SGD12,412,649.

As such, the EV/EBITDA multiple as implied by the Disposal Consideration is approximately 18.13 times.

### (iii) Historical share prices of Cityneon

The disposal consideration of SGD0.90 per Cityneon Share represents a premium/ (discount) to the last transacted market price and the volume weighted average market price ("**VWAP**") of Cityneon Shares, on the day upon receipt of the Notification of Offer and prior to the halt of trading in Cityneon Shares as follows:-

	Share price SGD	Premium/ (Discount) SGD	%
<b>Last transacted price of Cityneon Shares on 5 May 2017, prior to the halt of trading in Cityneon Shares</b>	<b>0.96</b>	(0.06)	(6.25)
Five (5)-day VWAP of Cityneon Shares up to and including 5 May 2017	<b>0.93</b>	(0.03)	(3.23)
One (1)-month VWAP of Cityneon Shares up to and including 5 May 2017	<b>0.89</b>	0.01	1.12
Three (3)-month VWAP of Cityneon Shares up to and including 5 May 2017	<b>0.87</b>	0.03	3.45
Six (6)-month VWAP of Cityneon Shares up to and including 5 May 2017	<b>0.90</b>	-	-
One (1)-year VWAP of Cityneon Shares up to and including 5 May 2017	<b>0.87</b>	0.03	3.45

(Source: Bloomberg)

Based on the last one (1) year up to and including 5 May 2017, being the date upon receipt of the Notification of Offer and prior to the halt of trading in Cityneon Shares, Cityneon Shares were traded in the range of SGD0.87 to SGD0.96. Based on the table above, the disposal consideration of SGD0.90 per Cityneon Share represents a premium/ (discount) ranging from approximately (6.25)% to 3.45% over the last transacted market price as at 5 May 2017, five (5) day, one (1) month, three (3) months, six (6) months and one (1) year up to the 5 May 2017.

## **2.4 Salient terms of the SPA**

### **2.4.1 Sale of equity interest in Cityneon**

Subject to the terms and conditions of the SPA, the Vendor shall, as legal and beneficial owner of the Sale Shares, sell the Sale Shares, and the Purchaser shall, relying on the warranties, purchase the Sale Shares, free from all encumbrances with all rights, title and interest in and attaching to the Sale Shares as at Completion (as defined in Section 2.4.2 of this Announcement).

### **2.4.2 Condition precedent**

Completion of the sale and purchase of the Sale Shares under the SPA ("**Completion**") is conditional upon the approval by the shareholders of Star Media at an extraordinary general meeting to be convened by Star Media (the "**Star Media EGM**") of, among others, the acquisition of the Sale Shares by the Purchaser and/ or its nominee(s) upon the terms of and subject to the conditions of the SPA ("**Condition**").

### **2.4.3 Events on Completion**

Completion shall take place on the date falling three (3) business days after the Condition is satisfied (or expressly waived by the Purchaser, as the case may be), and at such place in Singapore as the parties may agree, PROVIDED ALWAYS that the Purchaser shall, upon providing written notice to the Vendor, have up to an additional 30 days from the date the Condition is satisfied to effect Completion (such date being the "**Completion Date**").

On or before the Completion Date:

- (i) The Disposal Consideration shall be paid to the Vendor as follows:
  - a) the Purchaser shall pay to the Vendor the Disposal Consideration, less the Deposit Sum (as defined in Clause 3.2 of the SPA) ("**Balance Consideration**"), by the transfer of the Balance Consideration into a bank account designated by the Vendor and as notified in writing to the Purchaser ("Bank Account") on Completion Date. For the avoidance of doubt, payment of the Balance Consideration shall be effected by way of electronic transfer for same day value to the Bank Account, with a copy of the MT103 provided to the Vendor. The receipt of the Balance Consideration by the Vendor shall constitute full satisfaction of the Purchaser's obligations under this clause in respect of the Balance Consideration; and

- b) the Deposit Sum shall be released to the Vendor on the date falling three (3) business days after the Condition is satisfied (or expressly waived by the Purchaser, as the case may be).
- (ii) subject to evidence of payment of the Disposal Consideration in the manner as set out in Section 2.4.3 (i) above, to the satisfaction of the Vendor, the Vendor shall:
  - (a) procure and ensure the execution of board resolutions appointing a nominee of the Purchaser as a director of Cityneon PROVIDED ALWAYS that the Purchaser has informed the Vendor of its nominee within 14 business days from the date of the SPA and save that if such appointment is prohibited by the Singapore Code on Take-overs and Mergers ("**Code**") or the Securities Industry Council, such appointment shall take place as soon as allowed under the Code or by the Securities Industry Council; and
  - (b) deliver the duly executed Central Depository (Pte.) Limited Form 4.2 (Request for Transfer of Securities) to the Purchaser.

If any of the provisions of Clause 5.2 of the SPA are not complied with on or before the Completion Date, the non-defaulting party may:

- (i) elect to defer Completion to a date not later than seven (7) business days after the Completion Date and accordingly, the provisions of this Clause 5 of the SPA shall apply to Completion as so deferred, in which event, upon Completion, neither party shall have any claim against the other party for costs, damages, compensation or otherwise in respect of any default occurring under Clause 5.2 of the SPA;
- (ii) terminate the SPA without prejudice to its rights and remedies under the SPA; and/ or
- (iii) effect Completion so far as practicable (having regard to the defaults which have occurred) without prejudice to their rights hereunder.

## 2.5 Mode of Settlement

The Disposal Consideration will be satisfied entirely via cash in the manner as set out below:-

Payment terms	Timing	Payments to be received	
		SGD	RM
<b>Deposit Sum</b>	On the date of the SPA	23,990,400 <sup>1</sup>	74,739,692
<b>Balance Consideration</b>	Payment in full to the Vendor on the date falling three (3) business days after the Condition is satisfied	91,622,331 <sup>2</sup>	285,440,210
<b>Total Disposal Consideration</b>		<b>115,612,731</b>	<b>360,179,902</b>

**Notes:**

<sup>1</sup> This Deposit Sum paid by the Purchaser on the date of the SPA in the United States Dollars ("USD") for USD17,000,000, which is equivalent to SGD 23,990,400 (based on the exchange rate of USD1: SGD 1.4112 as of 11 May 2017. (Source: Monetary Authority of Singapore)) will be held in an escrow account maintained with Standard Chartered Bank Singapore. The Deposit Sum shall be released to the Vendor on the date falling three (3) business days after the Condition is satisfied (or expressly waived by the Purchaser, as the case may be). This Deposit Sum shall be refunded to the Purchaser in the event that the requisite approval of the shareholders of Star Media is not obtained at the Star Media EGM.

<sup>2</sup> Completion shall take place on the date falling three (3) business days after the Condition is satisfied (or expressly waived by the Purchaser, as the case may be) and at such place in Singapore as the parties may agree, PROVIDED ALWAYS that the Purchaser shall, upon providing written notice to the Vendor, have up to an additional 30 days from the date the Condition is satisfied to effect Completion (such date being the "Completion Date")

## 2.6 Liabilities to be assumed by the Purchaser

Save for the obligations and the liabilities in and arising from the SPA, there are no other liabilities including contingent liabilities and guarantees to be assumed by the Purchaser arising from the Proposed Disposal.

## 2.7 Take-over offer implication upon the completion of the Proposed Disposal

Pursuant to the Code, upon the completion of the Proposed Disposal, the Purchaser is obliged to make an offer announcement in respect of a mandatory general offer for all the issued and paid-up ordinary shares in the share capital of Cityneon, other than those already owned, controlled or agreed to be acquired by the Purchaser and parties acting in concert with the Purchaser.

## 2.8 Original cost and dates of investment in Cityneon

The original cost of investment of Star Media and Laviani in Cityneon and the date of such investments are set out below:-

Date of investment	No. of Cityneon Shares	Cost of investment in SGD	Equivalent cost of investment in RM <sup>1</sup>
20 November 2008	56,418,755	35,277,196	83,705,731
31 July 2009	4,426,270	2,700,025	6,615,060
25 September 2009	(8,542,000)	(3,864,916)	(9,084,872)
10 May 2010	4,426,270	2,700,025	6,362,608
28 September 2015	86,729,295	15,611,273	49,292,595
19 May 2016	(15,000,000)	(5,481,401)	(16,622,349)
<b>Total</b>	<b>128,458,590</b>	<b>46,942,202</b>	<b>120,268,773</b>

**Note:**

<sup>1</sup> the equivalent cost of investment in RM was converted based on the exchange rate used during the respective date of investment

## 2.9 Expected gain arising from the Proposed Disposal

The Proposed Disposal is expected to result in a pro forma gain to Star Media, details of which are set out below:-

	SGD	RM
Disposal Consideration	115,612,731	360,179,902
Less: 52.51% of the net assets of Cityneon as at 31 March 2017, which held under Star Media	(46,898,763)	(146,108,406)
<b>Total proforma gain</b>	<b>68,713,968</b>	<b>214,071,496</b>

## 3. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSED DISPOSAL

At present, Star Media and its subsidiaries (collectively, "**Star Media Group**") has four (4) main business segments, namely print and digital, broadcasting, event, exhibition, interior & thematic and television channel. In addition, Star Media Group is also engaged in other business segment in relation to the provision of human capital development which include, amongst others, training and consultancy as well as online portal.

Having already established itself as a frontrunner in the local media and advertising industry, the print and digital business segment remains as the key revenue and profit generator of Star Media out of its four (4) business segments over the last two (2) financial years up to the FYE 31 December 2016, as tabled below:-

Business Segments	< ----- FYE 31 December 2016 ----- >				< ----- FYE 31 December 2015 ----- >			
	Revenue		PBT		Revenue		PBT	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Print and digital</b>	<b>549,604</b>	<b>59.0%</b>	<b>90,718</b>	<b>62.0%</b>	<b>646,696</b>	<b>63.5%</b>	<b>171,882</b>	<b>101.1%</b>
Broadcasting	42,201	4.5%	(2,307)	-1.6%	48,580	4.8%	(1,035)	-0.6%
Event, exhibition, interior and thematic	315,354	33.8%	24,630	16.8%	301,141	29.6%	8,067	4.7%
Television channel	13,461	1.4%	(7,077)	-4.8%	12,019	1.2%	(7,989)	-4.7%
Others	11,495	1.2%	40,242	27.5%	10,584	1.0%	(852)	-0.5%
<b>Total</b>	<b>932,115</b>	<b>100.0%</b>	<b>146,206</b>	<b>100.0%</b>	<b>1,019,020</b>	<b>100.0%</b>	<b>170,073</b>	<b>100.0%</b>

As the core strength of Star Media Group lies within the print and digital business segment, the Board has been exerting its efforts to expand into new digital media products. For instance, Star Media has ventured into and just launched a new home-grown Asian content focused subscription video-on-demand ("**SVOD**") service via the introduction of *dimsum* platform in the fourth quarter of 2016. With the successful launching of the *dimsum* SVOD service, the Board believes that there is potential arising from this business segment and with the continuous efforts in the expansion of this business segment, barring any unforeseen circumstances, it would further enhance the overall earnings contribution to the Star Media Group in the medium to long run.

On the other hand, based on the table above, the revenue and PBT contributions from the event, exhibition, interior & thematic business segment (whereby the contribution of Cityneon is classified under this business segment) have increased from the FYE 31 December 2015 to the FYE 31 December 2016. We have further set out below a summary of the PBT contribution from Cityneon to the Star Media Group for the past two (2) financial years up to the FYE 31 December 2016 based on its 52.51% equity interest held through Laviani:

	< ----- FYE 31 December 2016 ----- >			< ----- FYE 31 December 2015 ----- >		
	PBT		Percentage of contribution to Star Media Group (%)	PBT		Percentage of contribution to Star Media Group (%)
	SGD'000	RM'000		SGD'000	RM'000	
Cityneon	7,329	22,834		794	2,474	
<b>PBT recognised by Star Media Group based on 52.51% equity interest held by Laviani</b>		<b>11,990</b>	<b>8.2</b>		<b>1,299</b>	<b>0.8</b>
<b>Star Media Group</b>		<b>146,206</b>			<b>170,073</b>	

As set out above, the PBT contributions by Cityneon for the past two (2) financial years up to the FYE 31 December 2016 were less than 10.0% of the total PBT of Star Media Group. In addition, save for the dividend declared for the FYE 31 December 2014 which was paid in the FYE 31 December 2015, there was no dividend declared by Cityneon to its shareholders over the past five (5) financial years up to the FYE 31 December 2016.

As such, the Proposed Disposal allows Star Media to unlock its investment in Cityneon at a PBR of 3.18 times and enables Star Media Group to concentrate on the expansion of its primary business activities.

Further, the Proposed Disposal will allow the Company to realise a gain on disposal of approximately RM214,071,496. The cash proceeds from the Proposed Disposal would improve its cash reserves which will allow Star Media to support its existing businesses and working capital requirements as detailed in Section 4 of this Announcement.

Premised on the foregoing, the Board views that the Proposed Disposal is in the best interest of the Company.

#### 4. UTILISATION OF PROCEEDS

The proceeds arising from the Proposed Disposal shall be utilised in the following manners:-

Purposes	Timeframe for utilisation	Total RM'000
Future investments and general working capital <sup>1</sup>	Within 24 months from completion of Proposed Disposal	359,595
Estimated expenses in relation to the Proposed Disposal <sup>2</sup>	Within three (3) months from completion of the Proposed Disposal	585
<b>Total</b>		<b>360,180</b>

**Notes:**

<sup>1</sup> The proportion of the gross proceeds earmarked for the future investments and working capital requirements of the Star Media has not been firmed up at this juncture. Notwithstanding the above, the descriptions of the intended purposes are as follows:-

- a) Future investments which the Board deems appropriate and are in the best interest of the Company which include, but are not limited to, pursuing collaborations on other potential future investments to strengthen Star Media's existing businesses and investment opportunities of which, have yet to be identified at this juncture; and

- b) *Working capital requirements of the Company to partially defray the expenses for its day-to-day operations which include, but are not limited to, financing the Company's daily operations and operating expenses which include general administration such as salaries, sales and marketing expenses and any other operating expenditures .*

<sup>2</sup> *The gross proceeds arising from the Proposed Disposal earmarked for the estimated expenses of the Proposed Disposal are intended to be utilised to fund the estimated expenses of the Proposed Disposal, the breakdown of which is set out below:-*

	<b>RM'000</b>
<i>Professional fees</i>	435
<i>Regulatory fees</i>	25
<i>Other incidental expenses</i>	125
<b>Total</b>	<b>585</b>

Pending the utilisation of proceeds arising from the Proposed Disposal for the above purposes, the proceeds would be placed in deposits with financial institutions or short-term money market instruments. The interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as additional working capital of the Star Media Group.

## **5. RISK FACTOR**

### **5.1 Non-completion of the Proposed Disposal**

The completion of the Proposed Disposal is conditional upon the SPA's condition precedent or terms being fulfilled. In the event that any one or more of the condition precedent and/ or terms is/ are not fulfilled by the parties involved within the stipulated time set out in the SPA, or any breach of the representations or warranties or failure to perform any covenant or agreement by the parties involved pursuant to the SPA, the Proposed Disposal may be delayed or terminated. As such, there can be no assurance that the condition precedent can be fulfilled and the Proposed Disposal can be completed within the time period permitted under the SPA.

In addition, should a delay or non-completion of the Proposed Disposal occurs, Star Media and Laviani may not realize the benefits that may accrue to it from the proposed utilization of proceeds as disclosed in Section 4 of this Announcement.

Notwithstanding the foregoing, Star Media via Laviani, shall endeavor to ensure that the condition precedent and/ or terms set out in the SPA are fulfilled in a timely manner to facilitate the completion of the Proposed Disposal.

## **6. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL**

The effects set out below are in relation to the Proposed Disposal. For information purposes, the Proposed Disposal is not expected to result in Star Media becoming a Cash Company or a PN17 Issuer.

For illustrative purposes, the financial effects of the Proposed Disposal are set out below:-

### **6.1 Issued share capital**

The Proposed Disposal will not have any effect on the issued share capital of Star Media as the Proposed Disposal does not involve any issuance of new Star Media shares.

## 6.2 NA and gearing

Based on the latest audited consolidated financial statements of Star Media as at 31 December 2016, the pro forma effects of the Proposed Disposal on the consolidated NA and gearing of Star Media are as follows:-

	As 31 December 2016 RM'000	Pro forma I After the Proposed Disposal RM'000
Share capital	738,564	738,564
Treasury shares	(1,633)	(1,633)
Reserve	391,724	605,210 <sup>2</sup>
<b>Shareholders' Equity/ NA</b>	<b>1,128,655</b>	<b>1,342,141</b>
Non-controlling interests	109,627	4,596
<b>Total Equity</b>	<b>1,238,282</b>	<b>1,346,737</b>
No. of shares in issue <sup>*1</sup>	737,956,402	737,956,402
NA per share (RM)	1.53	1.82
Borrowings (interest-bearing) (RM'000)	201,736	201,736
Gearing (times)	0.16	0.15

**Notes:**

<sup>\*1</sup> Excluding 607,200 treasury shares

<sup>2</sup> After including the proforma gain of approximately RM214.07 million arising from the Proposed Disposal and deducting estimated expenses of RM0.585 million in relation to the Proposed Disposal

## 6.3 Substantial shareholders' shareholding

The Proposed Disposal will not have any effect on the substantial shareholders' shareholdings in Star Media as the Proposed Disposal does not involve any issuance of new ordinary shares in Star Media.

## 6.4 Earnings per Share

Save for the expected gain arising from the Proposed Disposal, the Proposed Disposal is not expected to have any other material effect on the earnings of the Star Media for the FYE 31 December 2017.

Upon completion of the Proposed Disposal, Cityneon will not contribute to the future earnings of Star Media Group as it will cease to be an indirect subsidiary company of Star Media Group.

## 7. APPROVALS REQUIRED

The Proposed Disposal is subject to the following approvals being obtained:-

- (i) The shareholders of Star Media for the Proposed Disposal at a Star Media EGM to be convened; and
- (ii) Any other relevant authorities/ parties, if required.

The Proposed Disposal is not conditional upon any other proposals undertaken or to be undertaken by the Company.

**8. HIGHEST PERCENTAGE RATIO**

The highest percentage ratio applicable to the Proposed Disposal pursuant to Paragraph 10.07 of the Listing Requirements of Bursa Securities is 31.91%, calculated based on the Disposal Consideration for the Proposed Disposal of RM360,179,902 against the NA of Star Media for the latest audited consolidated financial statement as at the FYE 31 December 2016 of RM1,128,655,000.

**9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/ OR PERSONS CONNECTED**

None of the Directors and/ or major shareholders of Star Media and/ or persons connected to them have any interest, whether direct or indirect, in the Proposed Disposal.

**10. DIRECTORS' STATEMENT**

The Board, having considered all aspects of the Proposed Disposal, including the rationale and justification for the Proposed Disposal, the salient terms of the SPA, the basis and justification of arriving at the Disposal Consideration as well as the financial effects of the Proposed Disposal, is of the opinion that the Proposed Disposal is in the best interest of the Company and the terms and conditions of the SPA are fair and reasonable.

**11. APPLICATION TO THE AUTHORITIES**

Barring any unforeseen circumstances, the submission to the relevant authority in relation to the Proposed Disposal is expected to be made within a period of two (2) months from the date of this Announcement.

**12. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposed Disposal is expected to be completed by the third quarter of 2017.

**13. ADVISER**

RHB Investment Bank has been appointed by Star Media to act as the Adviser for the Proposed Disposal.

**14. DOCUMENTS FOR INSPECTION**

A copy of the SPA will be made available for inspection at the Company's Registered Office of Star Media at Level 15, Menara Star, 15 Jalan 16/11, 46350 Petaling Jaya, Selangor Malaysia during normal business hours from Monday to Friday (except public holidays) for a period of three (3) months from the date of this Announcement.

**This announcement is dated 12 May 2017.**

## BACKGROUND INFORMATION ON CITYNEON

## 1. FINANCIAL INFORMATION

A summary of the financial information of Cityneon for the past three (3) financial years up to the FYE 31 December 2016 is set out as follows:-

	-----Audited----->					
	-----FYE 31 December----->					
	<-----2014----->		<-----2015----->		<-----2016----->	
	SGD'000	RM'000	SGD'000	RM'000	SGD'000	RM'000
Revenue	78,017	234,053	96,488	300,600	96,752	301,420
Profit before tax ("PBT")	2,513	7,829	794	2,474	7,329	22,834
Profit after tax ("PAT")	2,345	7,305	871	2,714	6,681	20,814
Shareholders' funds/ Net assets ("NA")	25,112	78,234	49,567	154,420	69,297	215,886
Total borrowings	10,120	31,529	8,439	26,292	24,779	77,196
Gearing (times)	0.40	0.40	0.17	0.17	0.36	0.36

**Commentary on past financial performance:-****FYE 31 December 2014**

For the FYE 31 December 2014, the revenue of Cityneon increased by SGD10.24 million or approximately 15.1% to SGD78.02 million as compared to the FYE 31 December 2013. Such increase was mainly driven by higher revenue reported from experiential environment, interior architecture and exhibitions business segments with the revenue growth of approximately 77.7%, 35.3% and 8.3%, respectively. The PBT and PAT have also increased accordingly by SGD1.66 million and SGD1.45 million, respectively in line with the increase in the revenue.

**FYE 31 December 2015**

For the FYE 31 December 2015, the revenue of Cityneon increased by SGD18.47 million or approximately 23.7% to SGD96.49 million as compared to the FYE 31 December 2014. Such increase was mainly attributable to the higher revenue recorded by events and experiential environment business segments of which such growth were at approximately 94.1% and 33.7%, respectively.

Notwithstanding the higher revenue recorded during the FYE 31 December 2015 as compared to the preceding year, Cityneon reported a lower PBT and PAT in the FYE 31 December 2015 of approximately 68.4% and 62.9%, respectively as compared to the FYE 31 December 2014, mainly due to higher overheads cost incurred pursuant to an acquisition of new business operations which is in relation to the acquisition of Victory Hill Exhibitions Pte Ltd ("**VHE**").

For clarification, Cityneon acquired VHE during the FYE 31 December 2015, of which had completed on 30 September 2015. Following the acquisition of VHE by Cityneon on 30 September 2015, Cityneon has embarked on a journey to own IPR of world-reowned entertainment icons which include, amongst others, Avengers and Transformers.

The NA of Cityneon had increased by SGD24.46 million to SGD49.57 million in the FYE 31 December 2015 which was mainly due to an issuance of 87,293,395 ordinary shares at SGD0.18 each for a total consideration of SGD15.71 million on 25 September 2015 via a rights issue exercise and subsequently on 30 September 2015, an issuance of 45,000,000 ordinary shares by Cityneon at an issue price of SGD0.175 each for a total consideration of SGD7.88 million for the acquisition of VHE.

### **FYE 31 December 2016**

For the FYE 31 December 2016, the revenue of Cityneon increased by SGD0.26 million or approximately 0.27% to SGD96.75 million as compared to the FYE 31 December 2015. Accordingly, the PBT and the PAT of Cityneon increased significantly by more than 100% to SGD7.33 million and SGD6.68 million, respectively. Such increase was mainly attributable to the increase in revenue derived from the Intellectual Property Rights business segment of which, the key generators were the travelling and permanent exhibitions of the AVENGERS S.T.A.T.I.O.N. in Paris, Singapore and Las Vegas.

The NA of Cityneon increased by SGD19.73 million in the FYE 31 December 2016 to SGD69.30 million which was mainly due to a share placement exercise of 20,000,000 ordinary shares at SGD0.55 each for a total consideration of SGD11.0 million undertaken by Cityneon on 20 May 2016.