



MAGNUM BERHAD (24217-M)
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2014
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended		6 months ended	
	30.06.2014 RM'000	30.06.2013 RM'000 (Restated)	30.06.2014 RM'000	30.06.2013 RM'000 (Restated)
Continuing operations				
Revenue	696,596	700,319	1,489,141	1,547,744
Cost of sales	(578,391)	(580,518)	(1,220,376)	(1,224,643)
Gross profit	118,205	119,801	268,765	323,101
Other income	13,317	8,104	20,092	13,462
Administrative expenses	(7,490)	(9,495)	(15,180)	(19,620)
Other expenses	(16,821)	(18,787)	(34,859)	(44,728)
Operating profit	107,211	99,623	238,818	272,215
Finance costs	(12,635)	(13,277)	(25,394)	(27,901)
Profit before tax	94,576	86,346	213,424	244,314
Income tax expense	(25,470)	(14,037)	(59,652)	(43,637)
Profit for the period from continuing operations	69,106	72,309	153,772	200,677
Discontinued operations				
Loss for the period from discontinued operations	-	(70,742)	-	(45,162)
Profit for the period	69,106	1,567	153,772	155,515
Other comprehensive income				
<u>Continuing operations</u>				
Foreign currency translation	3	-	2	-
Changes in fair value of available-for-sale ("AFS") assets	(16)	(153)	(14)	(156)
	(13)	(153)	(12)	(156)
<u>Discontinued operations</u>				
Changes in fair value of AFS assets	-	2,689	-	6,702
	-	2,689	-	6,702
Total comprehensive income for the period	69,093	4,103	153,760	162,061
Profit for the period attributable to:				
Owners of the parent	67,999	649	150,533	150,094
Non-controlling interests	1,107	918	3,239	5,421
	69,106	1,567	153,772	155,515
Total comprehensive income for the period attributable to:				
Owners of the parent	67,986	3,185	150,521	156,640
Non-controlling interests	1,107	918	3,239	5,421
Profit for the period	69,093	4,103	153,760	162,061
Earnings per share ("EPS") attributable to owners of the parent (sen per share):				
Basic, for profit from continuing operations	4.8	5.0	10.6	13.7
Basic, for loss from discontinued operations	-	(5.0)	-	(3.2)
Basic EPS	4.8	-	10.6	10.5

These condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2014

	(UNAUDITED) AS AT 30.06.2014 RM'000	(AUDITED) AS AT 31.12.2013 RM'000
Assets		
Non-current assets		
Property, plant and equipment	37,123	39,861
Investment properties	580	580
Investment securities	246,955	243,806
Intangible assets	2,738,324	2,738,331
Deferred tax assets	1,351	1,351
	<u>3,024,333</u>	<u>3,023,929</u>
Current assets		
Inventories	1,204	1,447
Receivables	23,075	74,102
Investment securities	79,481	72,499
Tax recoverable	62,676	113,093
Cash and bank balances	485,339	425,968
	<u>651,775</u>	<u>687,109</u>
Assets held for sale	-	8,245
Total Assets	3,676,108	3,719,283
Equity and liabilities		
Equity attributable to owners of the company		
Share capital	1,437,749	1,437,749
Treasury Shares	(17,656)	(17,656)
Reserves	1,067,759	1,059,970
Shareholders' equity	<u>2,487,852</u>	<u>2,480,063</u>
Non-controlling interests	36,831	35,882
Total equity	<u>2,524,683</u>	<u>2,515,945</u>
Non-current liabilities		
Borrowings	989,895	988,954
Deferred tax liabilities	2,509	2,509
Provision for retirement benefits	1,301	1,207
	<u>993,705</u>	<u>992,670</u>
Current liabilities		
Payables	157,718	179,650
Borrowings	-	25,000
Tax payable	2	6,018
	<u>157,720</u>	<u>210,668</u>
Total liabilities	<u>1,151,425</u>	<u>1,203,338</u>
Total equity and liabilities	3,676,108	3,719,283
Net assets per share attributable to owners of the Company (RM)	1.74	1.74

These condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to these interim financial statements.

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2014**

	----- Attributable to Equity Holders of the Company -----						NON- CONTROLLING INTERESTS RM'000	TOTAL RM'000
	----- Non-distributable -----							
	SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	OTHER RESERVES RM'000	TREASURY SHARES RM'000	RETAINED PROFITS RM'000			
At 1 January 2013	1,437,749	1,413,108	(743,362)	(17,656)	1,315,448	27,131	3,432,418	
Total comprehensive income for the period	-	-	6,546	-	150,094	5,421	162,061	
Accretion of interest arising from the acquisition of additional shares in subsidiaries	-	-	-	-	-	(117)	(117)	
Dividends paid	-	-	-	-	(53,525)	(1,275)	(54,800)	
Disposal of subsidiary companies	-	-	61,390	-	-	4,781	66,171	
Deemed distribution	-	-	-	-	(309,237)	-	(309,237)	
At 30 June 2013	1,437,749	1,413,108	(675,426)	(17,656)	1,102,780	35,941	3,296,496	
At 1 January 2014	1,437,749	716,608	(675,513)	(17,656)	1,018,875	35,882	2,515,945	
Total comprehensive income for the period	-	-	(12)	-	150,533	3,239	153,760	
Dividends paid	-	-	-	-	(142,732)	(2,290)	(145,022)	
At 30 June 2014	1,437,749	716,608	(675,525)	(17,656)	1,026,676	36,831	2,524,683	

These condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2014

	6 months ended	
	30.06.2014	30.06.2013
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit/(Loss) before tax		
- continuing operations	213,424	244,314
- discontinued operations	-	(36,380)
Adjustments for:		
Accretion of discounts less amortisation of premiums	-	2
Amortisation of intangible assets	7	232
Bad debts written off	-	310
Changes in fair value of investment securities	(9,877)	(3,025)
Depreciation of investment properties	-	884
Depreciation of property, plant and equipment	4,020	7,787
Dividend income on quoted shares and unit trust	(105)	(3,211)
Gain on disposal of investment properties	(1,532)	(1,401)
Gain on disposal of investment securities	(139)	(6,476)
Gain on disposal of property, plant and equipment	(52)	(129)
Increase in reserves for unexpired risks	-	10,945
Interest expense	25,394	30,640
Interest income	(7,374)	(20,911)
Net loss on disposal of subsidiaries	-	69,872
Property, plant and equipment written off	5	12
Provision for retirement benefits	457	435
Share of results of associates	-	310
Operating cash flows before working capital changes	<u>224,228</u>	<u>294,210</u>
Changes in working capital:		
Inventories	243	(41)
Receivables	50,844	(45,204)
Payables	<u>(22,096)</u>	<u>345,013</u>
Cash flows generated from operations	253,219	593,978
Income tax refund	52,096	-
Income tax paid	(67,341)	(62,112)
Retirement benefits paid	<u>(362)</u>	<u>(363)</u>
Net cash flows generated from operating activities	237,612	531,503
INVESTING ACTIVITIES		
Proceeds from disposals of :		
- property, plant and equipment	111	805
- investment securities	3,328	133,838
- investment properties	9,777	-
- subsidiaries	-	430,597
Purchase of :		
- property, plant and equipment	(1,348)	(4,908)
- investment properties	-	(1,094)
- investment securities	(3,163)	(57,944)
- intangible assets	-	(311)
- additional shares in subsidiaries	-	(117)
Movement in cash deposits pledged	(64)	(75)
Net dividend received from :		
- quoted shares and unit trusts	105	3,211
- associate	-	500
Interest paid	(24,294)	(30,732)
Interest received	7,265	20,933
Net cash flows (used in)/generated from investing activities	<u>(8,283)</u>	<u>494,703</u>
FINANCING ACTIVITIES		
Dividend paid	(142,732)	(53,525)
Dividend paid to the non-controlling interests of subsidiaries	(2,290)	(1,275)
Net movement in fixed deposits with licensed bank	-	278
Net repayment of borrowings	<u>(25,000)</u>	<u>(174,583)</u>
Net cash flows used in financing activities	<u>(170,022)</u>	<u>(229,105)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	59,307	797,101
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	<u>404,324</u>	<u>609,195</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u>463,631</u>	<u>1,406,296</u>
Cash and cash equivalents consist of :		
Deposits, cash and bank balances	485,339	1,428,435
Cash deposits pledged	(21,508)	(21,939)
Cash deposits with licensed banks with maturity period of more than 3 months	(200)	(200)
	<u>463,631</u>	<u>1,406,296</u>

These condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to these interim financial statements.

A EXPLANATORY NOTES PURSUANT TO MFRS 134

A1 Basis of Preparation

The interim financial statements are unaudited and have been prepared in compliance with the requirements of Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Chapter 9 paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The unaudited interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013. The explanatory notes attached to the unaudited interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2013.

A2 Significant Accounting Policies

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent annual financial statement for the year ended 31 December 2013, except for the adoption of the following MFRSs and amendments to MFRSs during the current financial period :

Effective for financial periods beginning on or after 1 January 2014

Amendments to MFRS 10, MFRS 12, MFRS 127	Investment Entities
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting

The adoption of the above does not have a material impact on the financial statements of the Group in the period of initial application.

At the date of authorisation of this unaudited interim financial statements, MASB had issued several MFRSs and amendments but not yet effective and have not been adopted by the Group :

Effective for financial periods beginning on or after 1 July 2014

Amendments to MFRS 119	Defined Benefit Plans: Employee Contributions
Annual Improvements to MFRSs 2010-2012 Cycle	
Annual Improvements to MFRSs 2011-2013 Cycle	

Effective for financial periods beginning on or after 1 January 2016

Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 116, MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation

Effective for financial periods to be announced by MASB

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)
MFRS 9	Financial Instruments - Hedge Accounting and amendments to MFRS 9, MFRS 7, MFRS 139

The above MFRSs and Amendments to MFRSs are expected to have no significant impact on the financial statements of the Group upon their initial application, except as discussed below :

The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect (if any) in conjunction with the other phases, when the final standard including all phases is issued.

A EXPLANATORY NOTES PURSUANT TO MFRS 134**A3 Seasonal or Cyclical Factors**

The business operations of the Group are generally dependent on the state of the overall economic environment.

A4 Unusual Items Affecting Interim Financial Report

There were no unusual items as a result of their nature, size or incidence that had affected assets, liabilities, equity, net income or cash flows for the period ended 30 June 2014.

A5 Accounting Estimates

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current financial period.

A6 Changes in Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the financial period under review.

A7 Dividends Paid

During the financial period ended 30 June 2014, the Company has paid the following :

- (i) a fourth interim single tier dividend of 5 sen per share in respect of financial year ended 31 December 2013, amounting to RM71.4 million on 28 March 2014; and
- (ii) a first interim single tier dividend of 5 sen per share in respect of financial year ending 31 December 2014, amounting to RM71.4 million on 27 June 2014.

A8 Segmental Information

	6 months ended	
	30.06.2014	30.06.2013
	RM'000	RM'000
		(Restated)
Segmental Revenue		
Gaming	1,488,737	1,546,293
Investment holding & others	122,433	147,286
	<u>1,611,170</u>	<u>1,693,579</u>
Eliminations	(122,029)	(145,835)
Continuing operations	1,489,141	1,547,744
Discontinued operations	-	152,862
Total	<u>1,489,141</u>	<u>1,700,606</u>
Segmental Results		
Gaming	203,643	248,219
Investment holding & others	129,842	139,487
	<u>333,485</u>	<u>387,706</u>
Eliminations	(120,061)	(143,392)
Continuing operations	213,424	244,314
Discontinued operations	-	(36,380)
Profit Before Tax	<u>213,424</u>	<u>207,934</u>

A EXPLANATORY NOTES PURSUANT TO MFRS 134**A9 Material Subsequent Events**

There were no material subsequent events since the end of the current financial period up to the date of this announcement.

A10 Changes in Composition of the Group

There were no changes in the composition of the Group during the financial period ended 30 June 2014.

A11 Fair Value Hierarchy

The Group uses the following hierarchy for determining the fair value of all financial instruments carried at fair value:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value observable, either directly or indirectly.

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at the reporting date, the Group held the following financial assets that are measured at fair value:

		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30 June 2014					
Current	FVTPL	79,481	-	-	79,481
Non-current	AFS & Other investment	-	-	247,535	247,535
		<u>79,481</u>	<u>-</u>	<u>247,535</u>	<u>327,016</u>
31 December 2013					
Current	FVTPL	72,499	-	-	72,499
Non-current	AFS & Other investment	-	-	244,386	244,386
		<u>72,499</u>	<u>-</u>	<u>244,386</u>	<u>316,885</u>

A12 Contingent Liabilities

There were no changes in contingent liabilities or contingent assets since the last audited reporting date as at 31 December 2013.

A13 Comparatives

Certain comparatives have been reclassified to conform with current financial period presentation.

B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1 Review of Performance of the Group

Q2 2014 vs Q2 2013

The Group's pre-tax profit from continuing operations for the current quarter shows a higher profitability at RM94.6 million when compared to RM86.3 million achieved in previous year corresponding quarter. The increase in pre-tax profit is mainly due to fair value gain of quoted investments, lower operating expenses and lower finance cost, net of a slightly lower pre-tax profit registered by the Gaming division as a result of lower revenue.

Gaming

Gaming pre-tax profit shows a slight decrease of RM0.4 million from RM86.6 million in the previous year corresponding quarter to RM86.2 million in the current quarter due to marginally lower gaming sales as a result of the weaker consumer spending and competition from illegal operators.

Investment Holdings and Others

The Investment Holdings and Others division reported a pre-tax profit of RM8.4 million in the current quarter as compared to a loss of RM0.2 million in the previous year corresponding quarter due mainly to fair value gain of quoted investments and lower operating expenses.

Discontinued Operations

The loss from discontinued operations in the previous year arose from the disposal of shares in MPH Capital Berhad, pursuant to the demerger and listing exercise of MPH Capital Berhad which was completed on 28 June 2013, net of 3 months' profit from Q2 operations of the disposed companies.

1H 2014 vs 1H 2013

The Group reported a 6 months pre-tax profit of RM213.4 million compared to RM244.3 million recorded in previous year corresponding period. The unfavourable variance of RM30.9 million is mainly due to lower profit from the Gaming division, mitigated by a better results from the Investment Holdings and Others division.

Gaming

Gaming pre-tax profit decreased by RM44.6 million, from RM248.2 million achieved in the previous year corresponding period to RM203.6 million in the current 6 months period, is mainly attributable to spill over effect from dampened sales in the first quarter of this year due to the higher frequency of 4D Jackpot 1 prize being struck leading towards the Chinese New Year festive season and cautious consumer spending. This was mitigated by the lower operating expenses incurred by the Gaming division.

Investment Holdings and Others

The Investment Holdings and Others division recorded a higher pre-tax profit of RM9.8 million when compared to the previous year corresponding period loss of RM3.9 million due to fair value gain of quoted investments and lower operating expenses post demerger of MPH Capital Berhad.

Discontinued Operations

The loss from discontinued operations in the previous year arose from the disposal of shares in MPH Capital Berhad, pursuant to the demerger and listing exercise of MPH Capital Berhad which was completed on 28 June 2013, net of 6 months' profit from operations of the disposed companies and gain from the disposal of A.A. Anthony Securities Sdn Bhd which was completed on 18 January 2013.

B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES**B2 Material change in Profit Before Tax for the current quarter compared with the immediate preceding quarter**

The Group's pre-tax profit is lower by RM24.2 million in the current quarter compared to the immediate preceding quarter, having dropped from RM118.8 million in the immediate preceding quarter to RM94.6 million in the current quarter. This is mainly caused by lower gaming profit as explained in the ensuing paragraph, mitigated by a higher profit recorded by the Investment Holdings and Others division arising from fair value gain of quoted investments and gain from disposal of investment properties.

Revenue from Gaming division in the current quarter is lower by RM96.1 million when compared to the immediate preceding quarter due mainly to the seasonal Chinese New Year factor in the first quarter. The drop in revenue was also exacerbated by 2 less draws in the current quarter. However, the drop was mitigated by lower cost of sales and operating expenses.

B3 Prospects

The recent increase in the Overnight Policy Rate (OPR) by 25 basis points as announced by Bank Negara and the rising living costs are expected to have a dampening effect on consumer spending and sales, and this is further compounded by aggressive discount and higher prize payout structure by illegal operators. The Board is of the view that prospects for the remainder of the current financial year will continue to be challenging. The Group will continue its marketing and product branding strategies to sustain its revenue.

B4 Statement of the Board of Directors' opinion on achievability of revenue or profit estimate, forecast, projection and internal targets previously announced

Not applicable

B5 Profit Forecast and Profit Guarantee

There was no profit forecast or profit guarantee issued by the Company.

B6 Income Tax Expense

	3 months ended		6 months ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	RM'000	RM'000	RM'000	RM'000
Continuing operations:				
Current income tax:				
Malaysian income tax	25,286	14,037	59,468	43,666
Over-provision in prior years	(12)	-	(12)	(29)
	<u>25,274</u>	<u>14,037</u>	<u>59,456</u>	<u>43,637</u>
Real property gains tax	196	-	196	-
Total income tax expense from continuing operations	<u>25,470</u>	<u>14,037</u>	<u>59,652</u>	<u>43,637</u>
Discontinued operations:				
Current income tax:				
Malaysian income tax	-	5,510	-	8,782
Total income tax expense from discontinued operations	<u>-</u>	<u>5,510</u>	<u>-</u>	<u>8,782</u>
Total income tax expense	<u>25,470</u>	<u>19,547</u>	<u>59,652</u>	<u>52,419</u>

The effective tax rate on the continuing operations of the Group in the previous corresponding period was lower than the statutory tax rate mainly due to availability of tax credit for set-off against tax expenses. With effect from 2014, the effective tax rate will be higher than the statutory tax rate due to the non-availability of tax credit and non-deductibility of certain expenses.

B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES**B7 Corporate Proposals**

There is no corporate proposal announced but not completed as at the date of this announcement.

B8 Borrowings

The Group's borrowings as at 30 June 2014 is as follows:

	Secured RM'000
Long term	
Medium term notes	989,895
Total	<u>989,895</u>

The borrowings is denominated in Ringgit Malaysia.

B9 Material Litigation

There is no pending material litigation as at the date of this announcement.

B10 Dividends

The Board of Directors is pleased to declare a second interim single tier dividend of 5% for the financial year ending 31 December 2014 to be paid on 26 September 2014 to shareholders registered on the Register of Depositors at the close of business on 11 September 2014.

B11 Basic Earnings Per Share

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding treasury shares held by the Company.

	3 months ended		6 months ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	RM'000	RM'000	RM'000	RM'000
Profit from continuing operations (RM'000)	67,999	71,143	150,533	195,498
Loss from discontinued operations (RM'000)	-	(70,494)	-	(45,404)
Profit for the period attributable to owners of the parent (RM'000)	<u>67,999</u>	<u>649</u>	<u>150,533</u>	<u>150,094</u>
Weighted average number of ordinary share in issue ('000)	<u>1,427,321</u>	<u>1,427,321</u>	<u>1,427,321</u>	<u>1,427,321</u>
Basic EPS for profit from continuing operations (sen)	4.8	5.0	10.6	13.7
Basic EPS for loss from discontinued operations (sen)	-	(5.0)	-	(3.2)
Basic EPS (sen)	<u>4.8</u>	<u>-</u>	<u>10.6</u>	<u>10.5</u>

B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES

B12 Auditor's Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2013 was not qualified.

B13 Profit before tax

	3 months ended 30.06.2014 RM'000	6 months ended 30.06.2014 RM'000
The profit before taxation for the period is arrived at after charging/(crediting):		
Amortisation of intangible assets	4	7
Changes in fair value of investment securities	(7,283)	(9,877)
Depreciation of property, plant and equipment	2,029	4,020
Interest expense	12,635	25,394
Interest income	(3,754)	(7,374)
Property, plant and equipment written off	-	5
Provision for retirement benefits	226	457
Dividend income on quoted shares and unit trust	(105)	(105)
Gain on disposal of property, plant and equipment	(52)	(52)
Gain on disposal of investment securities	(139)	(139)
Gain on disposal of investment properties	(1,532)	(1,532)

B14 Retained profits

	As at 30.06.2014 RM'000	As at 31.12.2013 RM'000
Total retained profits		
- realised	2,815,793	2,770,356
- unrealised	12,094	2,217
Less : Consolidation adjustments	(1,801,211)	(1,753,698)
Retained profits as per Statement of Changes in Equity	<u>1,026,676</u>	<u>1,018,875</u>

By Order Of The Board

**Company Secretary
21 August 2014**