



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

INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2016
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended		6 months ended	
	30.06.2016 RM'000	30.06.2015 RM'000 (Restated)	30.06.2016 RM'000	30.06.2015 RM'000 (Restated)
Revenue	625,777	647,129	1,378,340	1,438,405
Cost of sales	(565,662)	(522,761)	(1,181,770)	(1,144,803)
Gross profit	60,115	124,368	196,570	293,602
Other income	6,816	4,157	11,118	9,089
Administrative expenses	(8,036)	(7,668)	(16,143)	(15,382)
Other expenses	(12,092)	(21,551)	(34,415)	(46,365)
Operating profit	46,803	99,306	157,130	240,944
Finance costs	(12,783)	(12,757)	(25,666)	(25,390)
Profit before tax	34,020	86,549	131,464	215,554
Income tax expense	(11,306)	(25,808)	(38,901)	(61,280)
Profit for the financial period	22,714	60,741	92,563	154,274
Other comprehensive income				
Foreign currency translation	(3)	(3)	12	(11)
Change in fair value of available-for-sale ("AFS") investments	261	19	940	106
	258	16	952	95
Total comprehensive income for the financial period	22,972	60,757	93,515	154,369
Profit for the financial period attributable to:				
Owners of the Company	21,835	59,825	90,675	150,588
Non-controlling interests	879	916	1,888	3,686
	22,714	60,741	92,563	154,274
Total comprehensive income for the financial period attributable to:				
Owners of the Company	22,093	59,841	91,627	150,683
Non-controlling interests	879	916	1,888	3,686
	22,972	60,757	93,515	154,369
Earnings per share attributable to owners of the Company (sen per share):				
Basic	1.53	4.20	6.37	10.57

These condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2016

	(UNAUDITED) AS AT 30.06.2016 RM'000	(AUDITED) AS AT 31.12.2015 RM'000
Assets		
Non-current assets		
Property, plant and equipment	61,638	55,886
Investment properties	580	580
Investment securities	260,809	260,087
Intangible assets	2,738,622	2,738,392
Deferred tax assets	3,894	3,894
	<u>3,065,543</u>	<u>3,058,839</u>
Current assets		
Inventories	1,432	1,284
Investment securities	93,549	90,752
Receivables	20,771	34,351
Tax recoverable	90,373	75,779
Deposits, cash and bank balances	330,836	361,156
	<u>536,961</u>	<u>563,322</u>
Total assets	<u>3,602,504</u>	<u>3,622,161</u>
Equity and liabilities		
Equity attributable to owners of the Company		
Share capital	1,437,749	1,437,749
Treasury Shares	(30,068)	(29,866)
Reserves	994,821	1,009,920
Shareholders' equity	<u>2,402,502</u>	<u>2,417,803</u>
Non-controlling interests	39,952	40,433
Total equity	<u>2,442,454</u>	<u>2,458,236</u>
Non-current liabilities		
Borrowings	944,166	943,208
Deferred tax liabilities	3,839	3,839
	<u>948,005</u>	<u>947,047</u>
Current liabilities		
Borrowings	49,952	49,922
Payables	162,093	165,842
Tax payable	-	1,114
	<u>212,045</u>	<u>216,878</u>
Total liabilities	<u>1,160,050</u>	<u>1,163,925</u>
Total equity and liabilities	<u>3,602,504</u>	<u>3,622,161</u>
Net assets per share attributable to owners of the Company (RM)	<u>1.69</u>	<u>1.70</u>

These condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2016

	----- Attributable to Owners of the Company -----						NON- CONTROLLING INTERESTS RM'000	TOTAL RM'000
	SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	OTHER RESERVES RM'000	TREASURY SHARES RM'000	RETAINED PROFITS RM'000	---- Non-distributable ----		
At 1 January 2015	1,437,749	716,608	(675,585)	(25,588)	990,191	37,766	2,481,141	
Total comprehensive income for the financial period	-	-	95	-	150,588	3,686	154,369	
Dividends paid	-	-	-	-	(142,446)	(2,302)	(144,748)	
Purchase of own shares	-	-	-	(991)	-	-	(991)	
At 30 June 2015	1,437,749	716,608	(675,490)	(26,579)	998,333	39,150	2,489,771	
At 1 January 2016	1,437,749	716,608	(674,503)	(29,866)	967,815	40,433	2,458,236	
Total comprehensive income for the financial period	-	-	952	-	90,675	1,888	93,515	
Dividends paid	-	-	-	-	(106,726)	(2,369)	(109,095)	
Purchase of own shares	-	-	-	(202)	-	-	(202)	
At 30 June 2016	1,437,749	716,608	(673,551)	(30,068)	951,764	39,952	2,442,454	

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 2015 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2016

	6 months ended	
	30.06.2016	30.06.2015
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax	131,464	215,554
Adjustments for:		
Amortisation of intangible assets	10	9
Changes in fair value of investment securities	(1,958)	2,101
Depreciation of property, plant and equipment	2,949	2,183
Dividend income on quoted shares and unit trust	(306)	(357)
Gain on disposal of investment securities	-	(2)
Gain on disposal of property, plant and equipment	(43)	(164)
Interest expense	25,666	25,390
Interest income	(7,335)	(8,092)
Property, plant and equipment written off	185	9
Unrealised loss on foreign exchange	218	-
Operating cash flows before working capital changes	<u>150,850</u>	<u>236,631</u>
Changes in working capital:		
Inventories	(148)	24
Receivables	13,580	8,510
Payables	<u>(3,714)</u>	<u>(18,570)</u>
Cash flows generated from operations	160,568	226,595
Income tax refund	955	-
Income tax paid	<u>(55,564)</u>	<u>(59,155)</u>
Net cash flows generated from operating activities	105,959	167,440
INVESTING ACTIVITIES		
Proceeds from disposals of:		
- property, plant and equipment	43	164
- investment securities	-	1,003
Purchase of:		
- property, plant and equipment	(8,886)	(11,382)
- investment securities	-	(11,386)
- intangible assets	(240)	-
Investment in Money Market Fund	(839)	(171)
Movement in cash deposits pledged	(22)	(4,739)
Net dividend received from quoted shares and unit trusts	306	357
Withdrawal of investment funds	-	4,170
Interest paid	(24,678)	(24,392)
Interest received	7,312	8,142
Net cash flows used in investing activities	<u>(27,004)</u>	<u>(38,234)</u>
FINANCING ACTIVITIES		
Dividends paid to shareholders	(106,726)	(142,446)
Dividends paid to the non-controlling interests of a subsidiary	(2,369)	(2,302)
Net movement in fixed deposits with licensed bank	(4)	(3)
Purchase of own shares	<u>(202)</u>	<u>(991)</u>
Net cash flows used in financing activities	<u>(109,301)</u>	<u>(145,742)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(30,346)	(16,536)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	335,064	440,999
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u>304,718</u>	<u>424,463</u>
Cash and cash equivalents consist of:		
Deposits, cash and bank balances	330,836	450,316
Cash deposits pledged	(25,877)	(25,420)
Cash deposits with licensed banks with maturity period of more than 3 months	(241)	(433)
	<u>304,718</u>	<u>424,463</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 2015 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.

The unaudited interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015. 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 2015.

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 2015, 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 2016

Annual Improvements to MFRSs 2012-2014 Cycle	
Amendments to MFRS 116 and MRFS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MRFS 141	Agriculture : Bearer Plants
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Amendments to MFRS 101	Disclosure Initiatives
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities : Applying the Consolidation Exception
MFRS 14	Regulatory Deferral Accounts

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, the following MFRSs have been issued by the MASB but are not yet effective and have not been adopted by the Group :

Effective for financial periods beginning on or after 1 January 2017

Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses

Effective for financial periods beginning on or after 1 January 2018

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
MFRS 15	Clarification to MFRS 15

Effective for financial periods beginning on or after 1 January 2019

MFRS 16	Leases
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MFRSs, Interpretations and amendments effective for a date yet to be confirmed

Amendments to MFRS 10 and MRFS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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The directors expect that the adoption of the above MFRSs and Amendments to MFRSs will have no material impact on the financial statements of the Group upon their initial application, except as discussed below :

MFRS 9, Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments : Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

A EXPLANATORY NOTES PURSUANT TO MFRS 134**A2 Significant Accounting Policies (Contd.)****MFRS 16, Leases**

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement Contains a Lease*, IC Interpretation 115, *Operating Leases - Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The new standard requires lessees to present right-of-use assets and lease liabilities on the statement of financial position and to recognise the following for leases at the commencement date :

- A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

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 2016.

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

The Company had on 1 March 2016 purchased 80,000 of its own shares from open market at an average market price of RM2.52 per share. The total consideration which amounted to RM0.202 million (inclusive of brokerage fees and stamp duty) were financed by internally generated funds. These shares are being held as treasury shares.

A7 Dividends Paid

During the financial period ended 30 June 2016, the Company has paid the following:

- (i) a fourth interim single tier dividend of 3.5 sen per share in respect of financial year ended 31 December 2015, amounting to RM49.805 million on 25 March 2016; and
- (ii) a first interim single tier dividend of 4 sen per share in respect of financial year ending 31 December 2016, amounting to RM56.921 million on 24 June 2016.

A8 Segmental Information

	6 months ended	
	30.06.2016 RM'000	30.06.2015 RM'000 (Restated)
Segmental Revenue		
Gaming	1,378,176	1,438,045
Investment holding & others	169,987	145,703
	1,548,163	1,583,748
Eliminations	(169,823)	(145,343)
Total	1,378,340	1,438,405
Segmental Results		
Gaming	130,472	218,016
Investment holding & others	62,023	140,211
	192,495	358,227
Eliminations	(61,031)	(142,673)
Profit Before Tax	131,464	215,554

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 2016.

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) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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 2016					
Current	FVTPL	93,549	-	-	93,549
Non-current	AFS investments	13,177	-	247,632	260,809
		<u>106,726</u>	<u>-</u>	<u>247,632</u>	<u>354,358</u>
31 December 2015					
Current	FVTPL	90,752	-	-	90,752
Non-current	AFS investments	13,273	-	246,814	260,087
		<u>104,025</u>	<u>-</u>	<u>246,814</u>	<u>350,839</u>

A12 Contingent Liabilities

There were no changes in contingent liabilities or contingent assets since the last audited reporting date as at 31 December 2015.

B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1 Review of Performance of the Group

Q2 2016 vs Q2 2015

The pre-tax profit for the current quarter was lower at RM34.0 million as compared to RM86.5 million achieved in the previous year corresponding quarter. The decrease was mainly due to lower profit contribution from the Gaming division arising from exceptionally high payouts, mitigated by profits from the Investment Holdings and Others division.

Gaming

Gaming sales has declined by RM21.1 million in the current quarter as we continue to face intense competition from illegal operators and weakness in consumer spending. The relatively low 4D Jackpot prize pool due to a higher number of Jackpot strikes this quarter has affected sales. With the lower gaming sales and coupled with an exceptional higher prizes payout in this quarter, the pre-tax profit has decreased by RM58.2 million to RM30.7 million registered in this Q2 2016.

Investment Holdings and Others

The division reported a pre-tax profit of RM3.3 million in the current quarter as compared to a pre-tax loss position of RM2.4 million in the previous corresponding Q2 2015. This is mainly due to fair value gain of quoted investments registered in the current quarter as opposed to a fair value loss position recognised in the previous corresponding quarter.

1H 2016 vs 1H 2015

The Group reported a 6 months pre-tax profit of RM131.5 million compared to RM215.6 million recorded in the previous year corresponding period. The drop in profits of RM84.1 million was mainly due to lower profit from the Gaming division, mitigated by a marginal gain from the Investment Holdings and Others division.

Gaming

Other than the challenges faced by the Group from the illegal operators, weak consumer spending and a relatively low Jackpot prize pool, the effects of recognising Revenue net of Goods & Services Tax ("GST") on Gaming Supply for 6 months in year 2016 versus 3 months from April to June 2015, has contributed to a larger percentage drop in reported gaming sales. With that, gaming sales was lower by RM59.9 million or 4.2% when compared to the previous year corresponding period. GST was implemented on 1 April 2015.

With the lower gaming sales and overall higher prizes payout over this 6 months period, our pre-tax profit has declined by RM87.5 million, from RM218.0 million of 1H 2015 to RM130.5 million in 1H 2016.

Investment Holdings and Others

The division recorded a pre-tax profit of RM1.0 million when compared to a loss of RM2.5 million in the previous year corresponding period. This is mainly due to fair value gain of quoted investments recognised in the current 6 months period as opposed to fair value loss of quoted investments recorded in the previous year corresponding period.

B2 Material change in Profit Before Tax for the current quarter compared with the immediate preceding quarter

Our Group's pre-tax profit was lower by RM63.4 million, having dropped from RM97.4 million in Q1 2016 to RM34.0 million in Q2 2016. The drop was mainly due to lower gaming profit caused by an exceptional higher prizes payout, coupled with 3 less draws in this quarter.

As for the Investment Holdings and Others division, the pre-tax profit was higher than the preceding quarter by RM5.5 million due to the movement of fair value gain on quoted investments and lower operating expenses.

B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES**B3 Prospects**

In the recent Bank Negara Malaysia's quarterly update, the Malaysian economy grew at a slower rate of 4.1% in the first 6 months of 2016, compared to 5.3% in the corresponding period last year. The challenging economic environment coupled with rising costs which continues to impact household income is expected to influence consumer spending and together with flourishing illegal sales may put pressure on our top-line sales.

Amidst such challenges in the economic environment, the Board will strive to increase gaming sales, improve operational efficiency and enhance customer service to push sales for all of our games.

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	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
Malaysian income tax	11,306	25,808	38,956	61,279
(Over)/under-provision in prior years	-	-	(55)	1
Total income tax expense	11,306	25,808	38,901	61,280

The effective tax rate of the Group for the current and the previous corresponding period was higher than the statutory tax rate mainly due to non-deductibility of certain expenses.

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 2016 is as follows:

	Secured RM'000
Long term	
Medium term notes	944,166
Short term	
Medium term notes	49,952
Total	994,118

The borrowings is denominated in Ringgit Malaysia.

B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES**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 3.0 sen per share (2015 : 5 sen per share) for the financial year ending 31 December 2016 to be paid on 30 September 2016 to shareholders registered on the Register of Depositors at the close of business on 15 September 2016.

B11 Basic Earnings Per Share

Basic earnings per share ("EPS") is calculated by dividing the profit for the financial period attributable to owners 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	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
Profit for the financial period attributable to owners of the Company (RM'000)	21,835	59,825	90,675	150,588
Weighted average number of ordinary shares in issue ('000)	1,423,042	1,424,494	1,423,042	1,424,494
Basic EPS (sen)	1.53	4.20	6.37	10.57

B12 Auditor's Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2015 was not qualified.

B13 Profit before tax

	3 months ended	6 months ended
	30.06.2016 RM'000	30.06.2016 RM'000
The profit before tax for the financial period is arrived at after charging/(crediting):		
Amortisation of intangible assets	4	10
Changes in fair value of investment securities	(3,516)	(1,958)
Depreciation of property, plant and equipment	1,480	2,949
Gain on disposal of property, plant and equipment	(23)	(43)
Interest expense	12,783	25,666
Interest income	(3,473)	(7,335)
Property, plant and equipment written off	185	185
Unrealised (gain)/loss on foreign exchange	(115)	218

B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES

B14 Retained profits

	As at 30.06.2016 RM'000	As at 31.12.2015 RM'000
Total retained profits		
- realised	2,903,448	2,879,605
- unrealised	23,773	22,029
Less : Consolidation adjustments	(1,975,457)	(1,933,819)
Retained profits as per Statement of Changes in Equity	<u>951,764</u>	<u>967,815</u>

By Order Of The Board

**Company Secretary
18 August 2016**