



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

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended		9 months ended	
	30.09.2016 RM'000	30.09.2015 RM'000 (Restated)	30.09.2016 RM'000	30.09.2015 RM'000 (Restated)
Revenue	647,190	660,174	2,025,530	2,098,579
Cost of sales	(533,811)	(580,117)	(1,715,581)	(1,724,920)
Gross profit	113,379	80,057	309,949	373,659
Other income	3,924	5,590	15,042	14,679
Administrative expenses	(7,962)	(7,131)	(24,105)	(22,513)
Other expenses	(17,804)	(9,001)	(52,219)	(55,366)
Operating profit	91,537	69,515	248,667	310,459
Finance costs	(13,043)	(12,973)	(38,709)	(38,363)
Profit before tax	78,494	56,542	209,958	272,096
Income tax expense	(22,753)	(18,069)	(61,654)	(79,349)
Profit for the financial period	55,741	38,473	148,304	192,747
Other comprehensive income				
Foreign currency translation	(5)	(25)	7	(36)
Change in fair value of available-for-sale ("AFS") investments	(475)	(80)	465	26
	(480)	(105)	472	(10)
Total comprehensive income for the financial period	55,261	38,368	148,776	192,737
Profit for the financial period attributable to:				
Owners of the Company	55,024	37,972	145,699	188,560
Non-controlling interests	717	501	2,605	4,187
	55,741	38,473	148,304	192,747
Total comprehensive income for the financial period attributable to:				
Owners of the Company	54,544	37,867	146,171	188,550
Non-controlling interests	717	501	2,605	4,187
	55,261	38,368	148,776	192,737
Earnings per share attributable to owners of the Company (sen per share):				
Basic	3.87	2.67	10.24	13.24

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 SEPTEMBER 2016

	(UNAUDITED) AS AT 30.09.2016 RM'000	(AUDITED) AS AT 31.12.2015 RM'000
Assets		
Non-current assets		
Property, plant and equipment	60,507	55,886
Investment properties	580	580
Investment securities	260,897	260,087
Intangible assets	2,738,613	2,738,392
Deferred tax assets	3,894	3,894
	<u>3,064,491</u>	<u>3,058,839</u>
Current assets		
Inventories	1,300	1,284
Investment securities	47,044	90,752
Receivables	26,239	34,351
Tax recoverable	90,839	75,779
Deposits, cash and bank balances	387,748	361,156
	<u>553,170</u>	<u>563,322</u>
Total assets	<u>3,617,661</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	(30,188)	(29,866)
Reserves	1,006,676	1,009,920
Shareholders' equity	<u>2,414,237</u>	<u>2,417,803</u>
Non-controlling interests	40,669	40,433
Total equity	<u>2,454,906</u>	<u>2,458,236</u>
Non-current liabilities		
Borrowings	770,096	943,208
Deferred tax liabilities	3,839	3,839
	<u>773,935</u>	<u>947,047</u>
Current liabilities		
Borrowings	224,496	49,922
Payables	164,324	165,842
Tax payable	-	1,114
	<u>388,820</u>	<u>216,878</u>
Total liabilities	<u>1,162,755</u>	<u>1,163,925</u>
Total equity and liabilities	<u>3,617,661</u>	<u>3,622,161</u>
Net assets per share attributable to owners of the Company (RM)	<u>1.70</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 SEPTEMBER 2016

	----- Attributable to Owners of the Company -----						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	NON- CONTROLLING INTERESTS RM'000	
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	-	-	(10)	-	188,560	4,187	192,737
Dividends paid	-	-	-	-	-	-	-
Accretion of interest arising from the acquisition of additional shares in a subsidiary	-	-	-	-	-	(18)	(18)
Dividends paid	-	-	-	-	(213,612)	(2,302)	(215,914)
Purchase of own shares	-	-	-	(3,679)	-	-	(3,679)
At 30 September 2015	1,437,749	716,608	(675,595)	(29,267)	965,139	39,633	2,454,267
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	-	-	472	-	145,699	2,605	148,776
Dividends paid	-	-	-	-	(149,415)	(2,369)	(151,784)
Purchase of own shares	-	-	-	(322)	-	-	(322)
At 30 September 2016	1,437,749	716,608	(674,031)	(30,188)	964,099	40,669	2,454,906

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 SEPTEMBER 2016

	9 months ended	
	30.09.2016	30.09.2015
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax	209,958	272,096
Adjustments for:		
Amortisation of intangible assets	17	11
Changes in fair value of investments	(1,833)	(525)
Depreciation of property, plant and equipment	4,614	4,219
Dividend income on quoted shares and unit trust	(856)	(482)
Gain on disposal of investment securities	(12)	(2)
Gain on disposal of property, plant and equipment	(114)	(176)
Finance expense	38,709	38,363
Interest income	(10,770)	(12,070)
Property, plant and equipment written off	189	67
Unrealised loss on foreign exchange	(345)	(896)
Operating cash flows before working capital changes	<u>239,557</u>	<u>300,605</u>
Changes in working capital:		
Inventories	(16)	(33)
Receivables	8,086	(3,276)
Payables	<u>10,879</u>	<u>(11,610)</u>
Cash flows generated from operations	258,506	285,686
Income tax refund	955	-
Income tax paid	(78,783)	(87,674)
Real Property Gains Tax refund	-	10
Net cash flows generated from operating activities	<u>180,678</u>	<u>198,022</u>
INVESTING ACTIVITIES		
Proceeds from disposals of :		
- property, plant and equipment	115	588
- investment securities	-	1,004
Purchase of :		
- property, plant and equipment	(9,423)	(21,322)
- investment securities	-	(11,386)
- intangible assets	(240)	-
- additional shares in subsidiaries	-	(18)
Investment in Money Market Fund	(1,172)	(273)
Movement in cash deposits pledged	(326)	(4,920)
Net dividend received from quoted shares and unit trusts	856	482
Withdrawal of investment funds	46,725	4,170
Interest paid	(49,637)	(48,770)
Interest received	10,796	12,070
Net cash flows used in investing activities	<u>(2,306)</u>	<u>(68,375)</u>
FINANCING ACTIVITIES		
Dividends paid to shareholders	(149,415)	(213,612)
Dividends paid to the non-controlling interests of a subsidiary	(2,369)	(2,302)
Net movement in fixed deposits with licensed bank	(8)	(7)
Purchase of own shares	<u>(322)</u>	<u>(3,679)</u>
Net cash flows used in financing activities	<u>(152,114)</u>	<u>(219,600)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	26,258	(89,953)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	<u>335,064</u>	<u>440,999</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u>361,322</u>	<u>351,046</u>
Cash and cash equivalents consist of:		
Deposits, cash and bank balances	387,748	377,084
Cash deposits pledged	(26,181)	(25,601)
Cash deposits with licensed banks with maturity period of more than 3 months	(245)	(437)
	<u>361,322</u>	<u>351,046</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 MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 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
Clarification to MFRS 15	Revenue from Contracts with Customers
Amendment to MFRS 2	Classification and Measurement of share-based payment transactions

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 MFRS 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 September 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 and 22 August 2016 purchased 80,000 and 50,000 of its own shares respectively from open market at market price ranging from RM2.37 to 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 September 2016, the Company has paid the following:

- (i) 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;
- (ii) 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; and
- (iii) second interim single tier dividend of 3 sen per share in respect of financial year ending 31 December 2016, amounting to RM42.689 million on 30 September 2016.

A8 Segmental Information

	9 months ended	
	30.09.2016 RM'000	30.09.2015 RM'000
Segmental Revenue		
Gaming	2,024,956	2,098,142
Investment holding & others	271,444	198,066
	2,296,400	2,296,208
Eliminations	(270,870)	(197,629)
Total	2,025,530	2,098,579
Segmental Results		
Gaming	208,079	271,163
Investment holding & others	105,612	194,631
	313,691	465,794
Eliminations	(103,733)	(193,698)
Profit Before Tax	209,958	272,096

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 September 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 September 2016					
Current	FVTPL	47,044	-	-	47,044
Non-current	AFS investments	13,185	-	247,712	260,897
		<u>60,229</u>	<u>-</u>	<u>247,712</u>	<u>307,941</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 the 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****Q3 2016 vs Q3 2015**

The Group recorded a higher profit before tax of RM78.5 million for the current quarter when compared to RM56.5 million in the previous year corresponding quarter. The improved results was mainly due to higher profit contribution from the Gaming segment.

Gaming

Despite of an additional draw in the current quarter as compared to the previous year corresponding quarter, the gaming sales was lower by RM13.3 million. Intense competition from the illegal operators and the weakness in consumer spending continue to put pressure on the top line of the Gaming segment. However, the segment registered better results of RM77.6 million compared to RM53.1 million of the last year quarter as prizes payout was lower in the current quarter.

Investment Holdings and Others

The segment reported a pre-tax profit of RM0.9 million in the current quarter as compared to a pre-tax profit of RM3.4 million in the previous year corresponding period. This was mainly due to higher income from dividend this quarter with a corresponding gain in fair value of quoted investment of last year quarter.

9M 2016 vs 9M 2015

The Group reported a 9 months profit before tax of RM209.9 million compared to RM272.1 million recorded in the previous year corresponding period. The drop in profits of RM62.2 million was mainly due to lower profits from the Gaming segment.

Gaming

The challenges faced by the Gaming segment, from the illegal operators, weak consumer spending and the effects of recognising Revenue net of Goods & Services Tax ("GST") on Gaming Supply for 9 months in year 2016 versus 6 months from April 2015, has contributed to a drop in reported gaming sales. Gaming sales was lower by RM73.2 million or 3.5% when compared to the previous year corresponding period. Without taking into account the effects of GST, gaming sales dropped by RM61.8 million or 2.9%.

With the lower gaming sales and a higher payout in the current 9 months period, the Gaming segment's profit before tax declined to RM208.0 million when compared to RM271.1 million recorded in the previous year's 9 months results.

Investment Holdings and Others

The segment recorded a pre-tax profit of RM1.8 million when compared to a marginal profit of RM0.9 million in the previous year corresponding period. This is mainly due to higher income from dividend and changes in fair value of quoted investments.

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

The Group's profit before tax was higher by RM44.5 million, having improved from RM34.0 million in Q2 2016 to RM78.5 million in Q3 2016. The increase was mainly due to comparatively higher gaming sales and lower prizes payout in the current quarter.

As for the Investment Holdings and Others segment, it reported a pre-tax profit of RM0.9 million in the current quarter when compared to a pre-tax profit of RM3.3 million in the preceding quarter. This is mainly due to a higher fair value gain on quoted investment in the preceding quarter.

B3 Prospects

The challenging external economic environment along with stiff competition from illegal operators, coupled with the recent announcement of the removal of subsidy on essential goods and increase in petrol prices, are expected to impact household income and negatively influence consumer spending. We foresee that these factors will continue to put pressure on the Group and gaming industry top-line sales.

Amidst such challenges, the Group will continue to innovate game variations and bets types to boost sales, engaging younger potential customers and enhance customer in-store experience in addition to improving operational efficiency and branch relocations.

B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES**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		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
Malaysian income tax	22,439	17,795	61,395	79,074
Under-provision in prior years	314	284	259	285
	<u>22,753</u>	<u>18,079</u>	<u>61,654</u>	<u>79,359</u>
Real property gains tax refund	-	(10)	-	(10)
Total income tax expense	<u>22,753</u>	<u>18,069</u>	<u>61,654</u>	<u>79,349</u>

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 September 2016 is as follows:

	Secured RM'000
Long term	
Medium term notes	770,096
Short term	
Medium term notes	224,496
Total	<u>994,592</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 third interim single tier dividend of 3 sen per share (2015 : 2.5 sen per share) for the current financial period, bringing the total dividend for the financial year ending 31 December 2016 to 10.0 sen per share (2015: 12.5 sen).

The third interim single tier dividend is to be paid on 28 December 2016 to shareholders registered on the Register of Depositors at the close of business on 13 December 2016.

B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES

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		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
Profit for the financial period attributable to owners of the Company (RM'000)	55,024	37,972	145,699	188,560
Weighted average number of ordinary shares in issue ('000)	1,423,031	1,424,268	1,423,031	1,424,268
Basic EPS (sen)	3.87	2.67	10.24	13.24

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 30.09.2016 RM'000	9 months ended 30.09.2016 RM'000
The profit before tax for the financial period is arrived at after charging/(crediting):		
Amortisation of intangible assets	7	17
Changes in fair value of investments	125	(1,833)
Depreciation of property, plant and equipment	1,665	4,614
Gain on disposal of investments	(12)	(12)
Gain on disposal of property, plant and equipment	(71)	(114)
Finance expense	13,043	38,709
Interest income	(3,435)	(10,770)
Property, plant and equipment written off	4	189
Unrealised (gain)/loss on foreign exchange	(563)	(345)

B14 Retained profits

	As at 30.09.2016 RM'000	As at 31.12.2015 RM'000
Total retained profits		
- realised	2,946,300	2,879,605
- unrealised	24,068	22,029
Less : Consolidation adjustments	(2,006,269)	(1,933,819)
Retained profits as per Statement of Changes in Equity	964,099	967,815

By Order Of The Board

Company Secretary
24 November 2016