



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

INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended		12 months ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Revenue	634,342	668,431	2,659,872	2,767,010
Cost of sales	(521,295)	(568,875)	(2,236,876)	(2,293,795)
Gross profit	113,047	99,556	422,996	473,215
Other income	5,079	5,566	20,121	20,245
Administrative expenses	(5,712)	(6,811)	(29,817)	(29,324)
Other expenses	(22,673)	(23,716)	(74,892)	(79,082)
Operating profit	89,741	74,595	338,408	385,054
Finance costs	(13,113)	(13,036)	(51,822)	(51,399)
Profit before tax	76,628	61,559	286,586	333,655
Tax expense	(30,912)	(22,368)	(92,566)	(101,717)
Profit for the financial year	45,716	39,191	194,020	231,938
Other comprehensive income				
Foreign currency translation	(15)	6	(8)	(30)
Change in fair value of available-for-sale ("AFS") investments	(191)	1,086	274	1,112
	(206)	1,092	266	1,082
Total comprehensive income for the financial year	45,510	40,283	194,286	233,020
Profit for the financial year attributable to:				
Owners of the Company	45,074	38,253	190,773	226,813
Non-controlling interests	642	938	3,247	5,125
	45,716	39,191	194,020	231,938
Total comprehensive income for the financial year attributable to:				
Owners of the Company	44,868	39,345	191,039	227,895
Non-controlling interests	642	938	3,247	5,125
	45,510	40,283	194,286	233,020
Earnings per share attributable to owners of the Company (sen per share):				
Basic	3.17	2.69	13.41	15.93

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 31 DECEMBER 2016

	(UNAUDITED) AS AT 31.12.2016 RM'000	(AUDITED) AS AT 31.12.2015 RM'000
Assets		
Non-current assets		
Property, plant and equipment	60,321	55,886
Investment properties	580	580
Investment securities	261,060	260,087
Intangible assets	2,738,610	2,738,392
Deferred tax assets	9,194	3,894
	<u>3,069,765</u>	<u>3,058,839</u>
Current assets		
Inventories	1,231	1,284
Investment securities	45,917	90,752
Receivables	30,069	34,351
Tax recoverable	80,012	75,779
Deposits, cash and bank balances	404,066	361,156
	<u>561,295</u>	<u>563,322</u>
Total assets	<u>3,631,060</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	1,008,855	1,009,920
Shareholders' equity	<u>2,416,416</u>	<u>2,417,803</u>
Non-controlling interests	40,074	40,433
Total equity	<u>2,456,490</u>	<u>2,458,236</u>
Non-current liabilities		
Borrowings	770,502	943,208
Deferred tax liabilities	2,299	3,839
	<u>772,801</u>	<u>947,047</u>
Current liabilities		
Borrowings	224,639	49,922
Payables	177,130	165,842
Tax payable	-	1,114
	<u>401,769</u>	<u>216,878</u>
Total liabilities	<u>1,174,570</u>	<u>1,163,925</u>
Total equity and liabilities	<u>3,631,060</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 YEAR ENDED 31 DECEMBER 2016**

	----- Attributable to Owners 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 2015	1,437,749	716,608	(675,585)	(25,588)	990,191	37,766	2,481,141	
Total comprehensive income for the financial year	-	-	1,082	-	226,813	5,125	233,020	
Accretion of interest arising from the acquisition of additional shares in a subsidiary	-	-	-	-	-	(18)	(18)	
Dividends paid	-	-	-	-	(249,189)	(2,440)	(251,629)	
Purchase of own shares	-	-	-	(4,278)	-	-	(4,278)	
At 31 December 2015	1,437,749	716,608	(674,503)	(29,866)	967,815	40,433	2,458,236	
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 year	-	-	266	-	190,773	3,247	194,286	
Dividends paid	-	-	-	-	(192,104)	(3,606)	(195,710)	
Purchase of own shares	-	-	-	(322)	-	-	(322)	
At 31 December 2016	1,437,749	716,608	(674,237)	(30,188)	966,484	40,074	2,456,490	

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 YEAR ENDED 31 DECEMBER 2016

	12 months ended	
	31.12.2016	31.12.2015
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax	286,586	333,655
Adjustments for:		
Amortisation of intangible assets	20	15
Bad debts written off	3	13
Changes in fair value of investments securities	(567)	2,462
Depreciation of property, plant and equipment	6,426	6,416
Dividend income on quoted shares and unit trust	(978)	(846)
Gain on disposal of investment securities	(151)	(1)
Gain on disposal of property, plant and equipment	(237)	(268)
Finance expense	51,822	51,399
Interest income	(15,382)	(16,638)
Property, plant and equipment written off	194	3,173
Unrealised loss on foreign exchange	(699)	-
Reversal of provision for retirement benefits	(1,085)	-
Operating cash flows before working capital changes	<u>325,952</u>	<u>379,380</u>
Changes in working capital:		
Inventories	53	(153)
Receivables	5,650	246
Payables	<u>12,272</u>	<u>(20,135)</u>
Cash flows generated from operations	343,927	359,338
Net income tax paid	(104,632)	(113,831)
Real Property Gains Tax (paid)/refund	<u>(124)</u>	<u>10</u>
Net cash flows generated from operating activities	<u>239,171</u>	<u>245,517</u>
INVESTING ACTIVITIES		
Proceeds from disposals of :		
- property, plant and equipment	343	680
- investment securities	-	1,004
Purchase of :		
- property, plant and equipment	(11,161)	(21,796)
- investment securities	-	(42,026)
- intangible assets	(240)	-
- additional shares in subsidiaries	-	(18)
Investment in Money Market Fund	(1,172)	-
Movement in cash deposits pledged	(583)	(5,174)
Net dividend received from quoted shares and unit trusts	978	846
Withdrawal of investment funds	46,725	4,170
Interest paid	(49,715)	(48,851)
Interest received	14,013	15,427
Net cash flows used in investing activities	<u>(812)</u>	<u>(95,738)</u>
FINANCING ACTIVITIES		
Dividends paid to shareholders	(192,104)	(249,189)
Dividends paid to the non-controlling interests of a subsidiary	(3,606)	(2,440)
Net movement in fixed deposits with licensed bank	(8)	193
Purchase of own shares	<u>(322)</u>	<u>(4,278)</u>
Net cash flows used in financing activities	<u>(196,040)</u>	<u>(255,714)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	42,319	(105,935)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	<u>335,064</u>	<u>440,999</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	<u>377,383</u>	<u>335,064</u>
Cash and cash equivalents consist of:		
Deposits, cash and bank balances	404,066	361,156
Cash deposits pledged	(26,438)	(25,855)
Cash deposits with licensed banks with maturity period of more than 3 months	<u>(245)</u>	<u>(237)</u>
	<u>377,383</u>	<u>335,064</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 year :

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
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 year ended 31 December 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 year.

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 RM0.322 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 year ended 31 December 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 ended 31 December 2016, amounting to RM56.921 million on 24 June 2016;
- (iii) second interim single tier dividend of 3 sen per share in respect of financial year ended 31 December 2016, amounting to RM42.689 million on 30 September 2016; and
- (iv) third interim single tier dividend of 3 sen per share in respect of financial year ended 31 December 2016, amounting to RM42.689 million on 28 December 2016.

A8 Segmental Information

	12 months ended	
	31.12.2016	31.12.2015
	RM'000	RM'000
Segmental Revenue		
Gaming	2,659,115	2,766,498
Investment holding & others	170,679	238,539
	<u>2,829,794</u>	<u>3,005,037</u>
Eliminations	(169,922)	(238,027)
Total	<u>2,659,872</u>	<u>2,767,010</u>
Segmental Results		
Gaming	284,262	335,306
Investment holding & others	151,780	231,169
	<u>436,042</u>	<u>566,475</u>
Eliminations	(149,456)	(232,820)
Profit Before Tax	<u>286,586</u>	<u>333,655</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 year 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 year ended 31 December 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
31 December 2016					
Current	FVTPL	45,917	-	-	45,917
Non-current	AFS investments	13,078	-	247,982	261,060
		<u>58,995</u>	<u>-</u>	<u>247,982</u>	<u>306,977</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****Q4 2016 vs Q4 2015**

The Group recorded a higher profit before tax of RM76.6 million for the current quarter when compared to RM61.6 million in the previous year corresponding quarter. The improved results was mainly due to higher profit contribution from the Gaming segment.

Gaming

The Group's gaming revenue is stated net of Goods & Services Tax ("GST"). In the current quarter, the Group has made additional GST adjustment of RM9.4 million against its gaming revenue arising from a directive from the Royal Malaysian Custom ("RMC") due to different interpretation and calculation of the Value of Gaming Supply as stated in the GST Act 2014. This adjustment is in relation to the period from April 2015 to November 2016 and the Group will be submitting an application to the Director General for the RMC decision to be reviewed. Without this GST adjustment in the current quarter where 18 out of 20 months relates to prior periods, the current quarter sales was lower by RM24.5 million, as the Group continue to face competition from the illegal operators and the weakness in consumer spending. However, the segment registered higher profit before tax of RM76.2 million as compared to RM64.1 million for the last year quarter due to lower prizes payout ratios in the current quarter.

Investment Holdings and Others

The segment reported a pre-tax profit of RM0.4 million in the current quarter as compared to a pre-tax loss of RM2.6 million in the previous year corresponding period. This was mainly due to lower loss in fair value of quoted investment in the current quarter.

12M 2016 vs 12M 2015

The Group reported a profit before tax of RM286.6 million compared to RM333.7 million recorded in the previous year. The drop in profits of RM47.1 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 coupled with the effects of the above mentioned GST adjustment as well as recognising Revenue net of GST on Gaming Supply for 12 months in year 2016 versus 9 months from April 2015 (collectively "Combined GST Effects"), has resulted in a drop in reported gaming sales. Gaming sales was lower by RM107.4 million or 3.9% when compared to the previous year. Without taking into account the Combined GST Effects, gaming sales dropped by RM86.3 million or 3.1%.

With the lower gaming sales and a marginally higher prizes payout ratio in the current year, the Gaming segment's profit before tax declined to RM284.3 million when compared to RM335.3 million recorded in the previous year's results.

Investment Holdings and Others

The segment recorded a pre-tax profit of RM2.3 million when compared to a loss of RM1.7 million in the previous year. This is mainly due to gain from fair value changes on quoted investments recorded in current year compared to fair value loss incurred in last year.

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

The Group current quarter's profit before tax was marginally lower by RM1.9 million, having decreased from RM78.5 million in Q3 2016 to RM76.6 million in Q4 2016. This reduction was mainly due to lower contribution from the gaming segment which has declined by RM1.4 million primarily due to GST adjustments to gaming sales as mentioned earlier, but mitigated by lower prizes payout.

As for the Investment Holdings and Others segment, it reported a pre-tax profit of RM0.4 million in the current quarter when compared to a pre-tax profit of RM0.9 million in the preceding quarter. This was mainly attributed to higher fair value loss in quoted investment in the current quarter.

B3 Prospects

The challenging economic environment experienced in 2016 is expected to continue in 2017. With consumer sentiments remaining weak and increasing level of competition from illegal operators, the Group's gaming revenue is likely to be negatively impacted.

The Group will intensify its efforts to arrest the sales decline through its various marketing activities to engage with its existing customer base as well as reaching out to the younger generation via digital media, outlets transformation and relocations to better serve its customers.

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		12 months ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
Malaysian income tax	31,830	14,583	93,225	93,657
Under-provision in prior years	5,801	957	6,060	1,242
	<u>37,631</u>	<u>15,540</u>	<u>99,285</u>	<u>94,899</u>
Deferred tax	(6,843)	6,828	(6,843)	6,828
Real Property Gains Tax paid/(refund)	124	-	124	(10)
Total tax expense	<u>30,912</u>	<u>22,368</u>	<u>92,566</u>	<u>101,717</u>

The effective tax rate of the Group for the current and the previous year was higher than the statutory tax rate mainly due to non-deductibility of certain expenses and additional taxes being assessed on certain subsidiaries during the year.

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 31 December 2016 is as follows:

	Secured RM'000
Long term	
Medium term notes	770,502
Short term	
Medium term notes	224,639
Total	<u>995,141</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 fourth interim single tier dividend of 3.0 sen per share (2015 : 3.5 sen per share) for the current financial year, bringing the total dividend for the financial year ended 31 December 2016 to 13.0 sen per share (2015: 16.0 sen).

The fourth interim single tier dividend is to be paid on 30 March 2017 to shareholders registered on the Register of Depositors at the close of business on 14 March 2017.

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 year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares held by the Company.

	3 months ended		12 months ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Profit for the financial year attributable to owners of the Company (RM'000)	45,074	38,253	190,773	226,813
Weighted average number of ordinary shares in issue ('000)	1,423,015	1,423,992	1,423,015	1,423,992
Basic EPS (sen)	3.17	2.69	13.41	15.93

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	12 months ended
	31.12.2016 RM'000	31.12.2016 RM'000
The profit before tax for the financial year is arrived at after charging/(crediting):		
Amortisation of intangible assets	3	20
Bad debt written off	3	3
Changes in fair value of investments	1,266	(567)
Depreciation of property, plant and equipment	1,812	6,426
Finance expense	13,113	51,822
Gain on disposal of investments	(139)	(151)
Gain on disposal of property, plant and equipment	(123)	(237)
Interest income	(4,612)	(15,382)
Property, plant and equipment written off	5	194
Unrealised gain on foreign exchange	(354)	(699)

B14 Retained profits

	As at	As at
	31.12.2016 RM'000	31.12.2015 RM'000
Total retained profits		
- realised	2,975,931	2,879,605
- unrealised	29,251	22,029
Less : Consolidation adjustments	(2,038,698)	(1,933,819)
Retained profits as per Statement of Changes in Equity	966,484	967,815

By Order Of The Board

Company Secretary
23 February 2017