



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

**INTERIM FINANCIAL STATEMENTS**  
**FOR THE FIRST QUARTER ENDED 31 MARCH 2017**  
(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	3 months ended	
	31.03.2017	31.03.2016
	RM'000	RM'000
Revenue	697,084	752,563
Cost of sales	<u>(621,896)</u>	<u>(616,108)</u>
Gross profit	75,188	136,455
Other income	5,367	4,302
Administrative expenses	(8,494)	(8,107)
Other expenses	<u>(13,236)</u>	<u>(22,323)</u>
<b>Operating profit</b>	58,825	110,327
Finance costs	<u>(12,808)</u>	<u>(12,883)</u>
<b>Profit before tax</b>	46,017	97,444
Income tax expense	<u>(14,644)</u>	<u>(27,595)</u>
<b>Profit for the financial period</b>	<b><u>31,373</u></b>	<b><u>69,849</u></b>
<b>Other comprehensive income</b>		
Foreign currency translation	4	15
Change in fair value of available-for-sale ("AFS") investments	-	679
	4	694
<b>Total comprehensive income for the financial period</b>	<b><u>31,377</u></b>	<b><u>70,543</u></b>
<b>Profit for the financial period attributable to:</b>		
Owners of the Company	30,570	68,840
Non-controlling interests	803	1,009
	<b><u>31,373</u></b>	<b><u>69,849</u></b>
<b>Total comprehensive income for the financial period attributable to:</b>		
Owners of the Company	30,574	69,534
Non-controlling interests	803	1,009
	<b><u>31,377</u></b>	<b><u>70,543</u></b>
<b>Earnings per share attributable to owners</b>		
<b>of the Company (sen per share) :</b>		
Basic	<u>2.15</u>	<u>4.84</u>

These condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to these interim financial statements.

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2017**

	(UNAUDITED) AS AT 31.03.2017 RM'000	(AUDITED) AS AT 31.12.2016 RM'000
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	59,163	60,354
Investment properties	557	580
Investment securities	249,052	249,052
Intangible assets	2,738,371	2,738,377
Deferred tax assets	11,140	11,140
	<u>3,058,283</u>	<u>3,059,503</u>
<b>Current assets</b>		
Inventories	1,180	1,232
Investment securities	60,694	58,995
Receivables	18,624	29,519
Tax recoverable	81,695	79,544
Deposits, cash and bank balances	387,633	404,065
	<u>549,826</u>	<u>573,355</u>
<b>Total Assets</b>	<b><u>3,608,109</u></b>	<b><u>3,632,858</u></b>
<b>Equity and liabilities</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	1,437,749	1,437,749
Treasury Shares	(30,188)	(30,188)
Reserves	996,395	1,008,510
<b>Shareholders' equity</b>	<u>2,403,956</u>	<u>2,416,071</u>
<b>Non-controlling interests</b>	<u>40,896</u>	<u>40,093</u>
<b>Total equity</b>	<u>2,444,852</u>	<u>2,456,164</u>
<b>Non-current liabilities</b>		
Borrowings	771,028	770,502
Deferred tax liabilities	4,193	4,193
	<u>775,221</u>	<u>774,695</u>
<b>Current liabilities</b>		
Borrowings	224,639	224,639
Payables	163,397	177,360
	<u>388,036</u>	<u>401,999</u>
<b>Total liabilities</b>	<u>1,163,257</u>	<u>1,176,694</u>
<b>Total equity and liabilities</b>	<b><u>3,608,109</u></b>	<b><u>3,632,858</u></b>
<b>Net assets per share attributable to owners of the Company (RM)</b>	<b><u>1.69</u></b>	<b><u>1.70</u></b>

These condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to these interim financial statements.

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH 2017**

	----- 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			
<b>At 1 January 2016</b>	1,437,749	716,608	(674,503)	(29,866)	967,815	40,433	2,458,236	
Total comprehensive income for the financial period	-	-	694	-	68,840	1,009	70,543	
Dividends paid	-	-	-	-	(49,805)	-	(49,805)	
Purchase of own shares	-	-	-	(202)	-	-	(202)	
<b>At 31 March 2016</b>	<b>1,437,749</b>	<b>716,608</b>	<b>(673,809)</b>	<b>(30,068)</b>	<b>986,850</b>	<b>41,442</b>	<b>2,478,772</b>	
<b>At 1 January 2017</b>	1,437,749	716,608	(673,465)	(30,188)	965,367	40,093	2,456,164	
Total comprehensive income for the financial period	-	-	4	-	30,570	803	31,377	
Dividends paid	-	-	-	-	(42,689)	-	(42,689)	
<b>At 31 March 2017</b>	<b>1,437,749</b>	<b>716,608</b>	<b>(673,461)</b>	<b>(30,188)</b>	<b>953,248</b>	<b>40,896</b>	<b>2,444,852</b>	

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 2016 and the accompanying explanatory notes attached to these interim financial statements.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2017

	3 months ended	
	31.03.2017	31.03.2016
	RM'000	RM'000
<b>OPERATING ACTIVITIES</b>		
Profit before tax	46,017	97,444
Adjustments for:		
Non-cash items	1,529	1,808
Non-operating items	7,453	10,559
Operating cash flows before working capital changes	54,999	109,811
Changes in working capital:		
Inventories	52	131
Receivables	10,877	9,554
Payables	(1,602)	30,530
Cash flows generated from operations	64,326	150,026
Income tax refund	279	955
Income tax paid	(17,071)	(28,508)
<b>Net cash flows generated from operating activities</b>	47,534	122,473
<b>INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	168	20
Purchase of :		
- property, plant and equipment	(337)	(5,746)
- investment securities	-	(418)
- intangible assets	-	(240)
Movement in cash deposits pledged	(119)	(6)
Net dividend received from unit trusts	-	145
Interest paid	(24,642)	(24,618)
Interest received	3,534	3,895
<b>Net cash flows used in investing activities</b>	(21,396)	(26,968)
<b>FINANCING ACTIVITIES</b>		
Dividends paid to shareholders	(42,689)	(49,805)
Net movement in fixed deposits with licensed bank	(4)	(4)
Purchase of own shares	-	(202)
<b>Net cash flows used in financing activities</b>	(42,693)	(50,011)
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	(16,555)	45,494
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b>	377,362	335,064
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>	360,807	380,558
Cash and cash equivalents consist of :		
Deposits, cash and bank balances	387,633	406,660
Cash deposits pledged	(26,577)	(25,861)
Cash deposits with licensed banks with maturity period of more than 3 months	(249)	(241)
	360,807	380,558

These condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 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 2016. 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 2016.

### 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 2016, 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 2017

Amendments to MFRS 107	Disclosures Initiatives
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to MFRSs 2014-2016 Cycle (Amendments to MFRS 12)	

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 and IC interpretation 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 2018

Annual Improvements to MFRSs 2014-2016 Cycle (Amendments to MFRS 1 and MFRS 128)	
Amendment to MFRS 2	Classification and Measurement of Share-Based Payment Transactions
MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 140	Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

#### 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 standards and IC interpretation 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****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 31 March 2017.

**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 quarter.

**A6 Changes in Debt and Equity Securities**

There were no changes in debt and equity securities in the current financial quarter.

**A7 Dividends Paid**

During the financial period ended 31 March 2017, the Company has paid a fourth interim single tier dividend of 3.0 sen per share in respect of financial year ended 31 December 2016, amounting to RM42.689 million on 30 March 2017.

**A8 Segmental Information**

	<b>3 months ended</b>	
	<b>31.03.2017</b>	<b>31.03.2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Segmental Revenue</b>		
Gaming	697,053	752,515
Investment holding & others	44,117	31,491
	<u>741,170</u>	<u>784,006</u>
Eliminations	(44,086)	(31,443)
Total	<u>697,084</u>	<u>752,563</u>
<b>Segmental Results</b>		
Gaming	44,898	99,718
Investment holding & others	43,821	27,741
	<u>88,719</u>	<u>127,459</u>
Eliminations	(42,702)	(30,015)
Profit Before Tax	<u>46,017</u>	<u>97,444</u>

**A9 Material Subsequent Events**

Other than as disclosed in Note B9, there were no material subsequent events since the end of the current financial period.

**A10 Changes in Composition of the Group**

There were no changes in the composition of the Group during the financial period ended 31 March 2017.

**A EXPLANATORY NOTES PURSUANT TO MFRS 134**

**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
<b>31 March 2017</b>					
Current	FVTPL	47,616	-	-	47,616
Current	AFS investments	13,078	-	-	13,078
Non-current	AFS investments	-	-	6,047	6,047
		<u>60,694</u>	<u>-</u>	<u>6,047</u>	<u>66,741</u>
<b>31 December 2016</b>					
Current	FVTPL	45,917	-	-	45,917
Current	AFS investments	13,078	-	-	13,078
Non-current	AFS investments	-	-	6,047	6,047
		<u>58,995</u>	<u>-</u>	<u>6,047</u>	<u>65,042</u>

**A12 Contingent Liabilities**

Other than as disclosed in Note B9, there were no changes in contingent liabilities or contingent assets since the last audited reporting date as at 31 December 2016.

**B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES****B1 Review of Performance of the Group****3M 2017 vs 3M 2016**

The Group registered total revenue of RM697.1 million for the current quarter, which is RM55.5 million lower than previous year corresponding quarter of RM752.6 million. With the lower revenue, the profit before tax has decreased by RM51.4 million to RM46.0 million when compared to RM97.4 million achieved in the previous year corresponding quarter. The lower Group revenue and pre-tax profit is mainly attributable to the Gaming division.

**Gaming**

The Group's gaming revenue is stated net of Goods & Services Tax. Gaming sales for the current quarter at RM697.1 million was lower than the previous year corresponding quarter by 7.4% or RM55.5 million. The decline was due to intense competition from illegal operators, weak consumer spending and one less draw in the current quarter.

In line with the lower sales and compounded by higher prizes payout ratio, the Gaming pre-tax profit decreased by RM54.8 million from RM99.7 million recorded in the previous year corresponding quarter to RM44.9 million achieved in the current quarter.

**Investment Holding and Others**

Investment Holding and Others division recorded a favourable variance in the current quarter mainly due to fair value gain on investments in the current quarter as compared to fair value loss on investments in the previous year corresponding quarter.

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

The pre-tax profit for the current quarter at RM46.0 million was lower as compared to RM74.5 million recorded in the immediate preceding quarter. The decrease of RM28.5 million was mainly due to lower gaming pre-tax profit. Despite a higher gaming sales by RM63.5 million in the current quarter as a result of the seasonal Chinese New Year festive sales, gaming pre-tax profit was lower by RM29.2 million as a result of higher prizes payout ratio.

**B3 Prospects**

With the illegal gaming activities continuing to flourish and affecting market share coupled with rising costs leading to lower disposable income, the Directors expect that gaming revenue will moderate.

Notwithstanding the above, the Group will continue with its various marketing strategies and product innovation to mitigate the sales decline.

**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**

	<b>3 months ended</b>	
	<b>31.03.2017</b>	<b>31.03.2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Current income tax:		
Malaysian income tax	14,643	27,650
Under/(Over)-provision in prior years	1	(55)
<b>Total income tax expense</b>	<b>14,644</b>	<b>27,595</b>

The effective tax rate of the Group for the current and the previous corresponding quarter was higher than the statutory tax rate mainly due to 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 31 March 2017 is as follows:

	<b>Secured RM'000</b>
<b>Long term</b>	
Medium term notes	771,028
<b>Short term</b>	
Medium term notes	224,639
<b>Total</b>	<u><u>995,667</u></u>

The borrowings is denominated in Ringgit Malaysia.

### B9 Material Litigation

On 15 May 2017, the Company and Magnum Holdings Sdn Bhd ("MHSB"), a wholly-owned subsidiary, were served with notices of assessment with penalty for certain prior years of assessment. The additional assessments amounted to RM22.714 million and RM453.752 million respectively, or a combined total of RM476.466 million.

The said notices of assessment were raised principally pursuant to the disallowance of deduction of certain interest expenses incurred for investments. Both Magnum and MHSB had appointed solicitors and are initiating proceedings to challenge the validity and legality of the notices of assessment.

The above is not expected to have any imminent financial effects to the Group as we are seeking to secure a stand over of payment pending the resolution of this matter. Please refer to our announcement on even date for more details.

### B10 Dividends

The Board of Directors do not propose the payment of any dividend for the current financial period under review (2016 : 4.0 sen per share).

### 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

	<b>3 months ended</b>	
	<b>31.03.2017</b>	<b>31.03.2016</b>
Profit for the financial period attributable to owners of the Company (RM'000)	30,570	68,840
Weighted average number of ordinary shares in issue ('000)	1,422,965	1,423,069
<b>Basic EPS (sen)</b>	<u>2.15</u>	<u>4.84</u>

### B12 Auditor's Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2016 was not qualified.

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

**B13 Profit before tax**

	<b>3 months ended</b>	
	<b>31.03.2017</b>	<b>31.03.2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>The profit before taxation for the financial period is arrived at after charging/(crediting):</b>		
Amortisation of intangible assets	6	6
Changes in fair value of investment securities	(1,699)	1,558
Depreciation of property, plant and equipment	1,518	1,469
Depreciation of investment properties	23	-
Gain on disposal of property, plant and equipment	(168)	(20)
Interest expense	12,808	12,883
Interest income	(3,488)	(3,862)
Property, plant and equipment written off	10	-
Unrealised loss on foreign exchange	-	333
Write-back of provision for doubtful debts	(28)	-

**B14 Retained profits**

	<b>As at</b>	<b>As at</b>
	<b>31.03.2017</b>	<b>31.12.2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Total retained profits		
- realised	2,966,605	2,972,223
- unrealised	33,541	31,842
Less: Consolidation adjustments	(2,046,898)	(2,038,698)
Retained profits as per Statement of Changes in Equity	<u>953,248</u>	<u>965,367</u>

**By Order Of The Board**

**Company Secretary**  
19 May 2017