



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

INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2017
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended		6 months ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Revenue	620,583	625,777	1,317,667	1,378,340
Cost of sales	(494,366)	(565,662)	(1,116,262)	(1,181,770)
Gross profit	126,217	60,115	201,405	196,570
Other income	1,731	6,816	7,098	11,118
Administrative expenses	(8,281)	(8,036)	(16,775)	(16,143)
Other expenses	(19,377)	(12,092)	(32,613)	(34,415)
Operating profit	100,290	46,803	159,115	157,130
Finance costs	(12,883)	(12,783)	(25,691)	(25,666)
Profit before tax	87,407	34,020	133,424	131,464
Income tax expense	(26,636)	(11,306)	(41,280)	(38,901)
Profit for the financial period	60,771	22,714	92,144	92,563
Other comprehensive income				
Foreign currency translation	7	(3)	11	12
Change in fair value of available-for-sale ("AFS") investments	(53)	261	(53)	940
	(46)	258	(42)	952
Total comprehensive income for the financial period	60,725	22,972	92,102	93,515
Profit for the financial period attributable to:				
Owners of the Company	59,959	21,835	90,529	90,675
Non-controlling interests	812	879	1,615	1,888
	60,771	22,714	92,144	92,563
Total comprehensive income for the financial period attributable to:				
Owners of the Company	59,913	22,093	90,487	91,627
Non-controlling interests	812	879	1,615	1,888
	60,725	22,972	92,102	93,515
Earnings per share attributable to owners of the Company (sen per share):				
Basic	4.21	1.53	6.36	6.37

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 30 JUNE 2017

	(UNAUDITED) AS AT 30.06.2017 RM'000	(AUDITED) AS AT 31.12.2016 RM'000
Assets		
Non-current assets		
Property, plant and equipment	58,498	60,354
Investment properties	555	580
Investment securities	248,799	249,052
Intangible assets	2,738,367	2,738,377
Deferred tax assets	11,140	11,140
	<u>3,057,359</u>	<u>3,059,503</u>
Current assets		
Inventories	1,219	1,232
Investment securities	56,800	58,995
Receivables	15,830	29,519
Tax recoverable	62,190	79,544
Deposits, cash and bank balances	478,901	404,065
	<u>614,940</u>	<u>573,355</u>
Total assets	<u>3,672,299</u>	<u>3,632,858</u>
Equity and liabilities		
Equity attributable to owners of the Company		
Share capital	2,154,357	1,437,749
Treasury Shares	(30,205)	(30,188)
Reserves	339,700	1,008,510
Shareholders' equity	<u>2,463,852</u>	<u>2,416,071</u>
Non-controlling interests	39,405	40,093
Total equity	<u>2,503,257</u>	<u>2,456,164</u>
Non-current liabilities		
Borrowings	771,216	770,502
Deferred tax liabilities	4,193	4,193
	<u>775,409</u>	<u>774,695</u>
Current liabilities		
Borrowings	224,898	224,639
Payables	168,735	177,360
	<u>393,633</u>	<u>401,999</u>
Total liabilities	<u>1,169,042</u>	<u>1,176,694</u>
Total equity and liabilities	<u>3,672,299</u>	<u>3,632,858</u>
Net assets per share attributable to owners of the Company (RM)	<u>1.73</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 2016 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 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			
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	
At 1 January 2017	1,437,749	716,608	(673,465)	(30,188)	965,367	40,093	2,456,164	
Adjustment for effects of Companies Act 2016 (Please refer to Note A6)	716,608	(716,608)	-	-	-	-	-	
Total comprehensive income for the financial period	-	-	(42)	-	90,529	1,615	92,102	
Dividends paid	-	-	-	-	(42,689)	(2,303)	(44,992)	
Purchase of own shares	-	-	-	(17)	-	-	(17)	
At 30 June 2017	2,154,357	-	(673,507)	(30,205)	1,013,207	39,405	2,503,257	

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 30 JUNE 2017

	6 months ended	
	30.06.2017 RM'000	30.06.2016 RM'000
OPERATING ACTIVITIES		
Profit before tax	133,424	131,464
Adjustments for:		
Non-cash items	3,356	3,362
Non-operating items	20,576	16,024
Operating cash flows before working capital changes	<u>157,356</u>	<u>150,850</u>
Changes in working capital:		
Inventories	13	(148)
Receivables	13,726	13,580
Payables	<u>(8,616)</u>	<u>(3,714)</u>
Cash flows generated from operations	162,479	160,568
Income tax refund	343	955
Income tax paid	<u>(24,267)</u>	<u>(55,564)</u>
Net cash flows generated from operating activities	138,555	105,959
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	168	43
Purchase of:		
- property, plant and equipment	(1,272)	(8,886)
- intangible assets	-	(240)
Investment in Money Market Fund	-	(839)
Movement in cash deposits pledged	(130)	(22)
Net dividend received from quoted shares and unit trusts	199	306
Interest paid	(24,718)	(24,678)
Interest received	6,913	7,312
Net cash flows used in investing activities	<u>(18,840)</u>	<u>(27,004)</u>
FINANCING ACTIVITIES		
Dividends paid to shareholders	(42,689)	(106,726)
Dividends paid to the non-controlling interests of subsidiaries	(2,303)	(2,369)
Net movement in fixed deposits with licensed bank	(4)	(4)
Purchase of own shares	<u>(17)</u>	<u>(202)</u>
Net cash flows used in financing activities	<u>(45,013)</u>	<u>(109,301)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	74,702	(30,346)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	<u>377,362</u>	<u>335,064</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u>452,064</u>	<u>304,718</u>
Cash and cash equivalents consist of:		
Deposits, cash and bank balances	478,901	330,836
Cash deposits pledged	(26,588)	(25,877)
Cash deposits with licensed banks with maturity period of more than 3 months	(249)	(241)
	<u>452,064</u>	<u>304,718</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 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 30 June 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 period.

A6 Changes in Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities by the Company during the quarter and six months ended 30 June 2017 other than the following : -

(a) Share capital

The new Companies Act 2016 ("CA 2016"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the CA 2016. Pursuant to subsection 618(3) of the CA 2016, the Group may exercise its right to use the credit amounts being transferred from share premium account within 24 months after the commencement of the CA 2016. The Board of Directors will make a decision thereon by 31 January 2019.

(b) Treasury shares

The Company had on 20 June 2017 purchased 10,000 of its own shares from open market at an average market price of RM1.71 per share. The total consideration which amounted to RM0.017 million (inclusive of brokerage fees and stamp duty) were financed by internally generated funds.

A7 Dividends Paid

During the financial period ended 30 June 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

	6 months ended	
	30.06.2017 RM'000	30.06.2016 RM'000
Segmental Revenue		
Gaming	1,317,393	1,378,176
Investment holdings & others	45,734	169,987
	1,363,127	1,548,163
Eliminations	(45,460)	(169,823)
Total	1,317,667	1,378,340
Segmental Results		
Gaming	136,586	130,472
Investment holdings & others	39,540	62,023
	176,126	192,495
Eliminations	(42,702)	(61,031)
Profit Before Tax	133,424	131,464

A EXPLANATORY NOTES PURSUANT TO MFRS 134

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 30 June 2017.

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 2017					
Current	FVTPL	43,776	-	-	43,776
Current	AFS investments	13,024	-	-	13,024
Non-current	AFS investments	-	-	5,794	5,794
		<u>56,800</u>	<u>-</u>	<u>5,794</u>	<u>62,594</u>
31 December 2016					
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****Quarter ended 30 June 2017 versus the same quarter in 2016**

	3 months ended		Changes	
	30.06.2017 RM'000	30.06.2016 RM'000	RM'000	%
Revenue				
- Gaming	620,340	625,661	(5,321)	-0.9%
- Investment holdings and others	243	116	127	109.5%
	620,583	625,777	(5,194)	-0.8%
Profit before tax				
- Gaming	91,688	30,754	60,934	198.1%
- Investment holdings and others	(4,281)	3,266	(7,547)	-231.1%
	87,407	34,020	53,387	156.9%

The Group recorded a lower revenue of RM620.6 million in the current year quarter as compared to RM625.8 million in the previous year quarter. This is due to a decline in gaming revenue. The pre-tax profit for the current year quarter was higher at RM87.4 million as compared to RM34.0 million achieved in the previous year quarter. The increase was mainly contributed by higher profit from the Gaming division but reduced by loss from the Investment Holdings and Others division.

Gaming

Gaming sales has declined by RM5.3 million in the current year quarter mainly due to 1 less draw. Notwithstanding the lower revenue, the pre-tax profit has increased substantially by RM60.9 million arising mainly from a much lower prizes payout ratio in this quarter.

Investment Holdings and Others

The division reported a pre-tax loss of RM4.3 million in the current year quarter as compared to a pre-tax profit of RM3.3 million in the previous year quarter. This is mainly due to fair value loss of quoted investments registered in the current year quarter as opposed to a fair value gain recognised in the previous year quarter.

6 months ended 30 June 2017 versus the same period in 2016

	6 months ended		Changes	
	30.06.2017 RM'000	30.06.2016 RM'000	RM'000	%
Revenue				
- Gaming	1,317,393	1,378,176	(60,783)	-4.4%
- Investment holdings and others	274	164	110	67.1%
	1,317,667	1,378,340	(60,673)	-4.4%
Profit before tax				
- Gaming	136,586	130,472	6,114	4.7%
- Investment holdings and others	(3,162)	992	(4,154)	-418.8%
	133,424	131,464	1,960	1.5%

Group revenue for the current 6 months period was lower by RM60.7 million as a result of lower gaming revenue. However, the Group registered a marginally higher pre-tax profit by RM2.0 million mainly contributed by the gaming division.

Gaming

The reduction in gaming sales of RM60.8 million or 4.4% was mainly due to intense competition from illegal operators, weak consumer spending and further compounded by 2 fewer draws in the current period under review.

Despite the lower gaming sales, pre-tax profit has increased by RM6.1 million mainly due to lower prizes payout ratio in the current period.

Investment Holdings and Others

The division recorded a pre-tax loss of RM3.2 million in the current period when compared to a profit of RM1.0 million in the previous year period. This is mainly due to fair value loss of quoted investments recognised in the current period as opposed to fair value gain of quoted investments recorded in the previous year period.

B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES**B2 Material change in Profit Before Tax for the current quarter compared with the immediate preceding quarter****Quarter ended 30 June 2017 versus 31 March 2017**

	3 months ended		Changes	
	30.06.2017 RM'000	31.03.2017 RM'000	RM'000	%
Revenue				
- Gaming	620,340	697,053	(76,713)	-11.0%
- Investment holdings and others	243	31	212	683.9%
	620,583	697,084	(76,501)	-11.0%
Profit before tax				
- Gaming	91,688	44,898	46,790	104.2%
- Investment holdings and others	(4,281)	1,119	(5,400)	-482.6%
	87,407	46,017	41,390	89.9%

When compared to the preceding quarter ended 31 March 2017, the Group reported a decline in revenue of 11%. This is mainly due to lower gaming sales as a result of 3 fewer draws in the current quarter and the effect of Chinese New Year festive sales in the preceding quarter. Despite the decrease in gaming sales, pre-tax profit increased by RM46.8 million mainly due to much lower prizes payout ratio in this quarter.

As for the Investment Holdings and Others division, the pre-tax loss was higher than the preceding quarter by RM5.4 million due to fair value loss on quoted investments in the current quarter as opposed to fair value gain in the preceding quarter.

B3 Prospects

The Group expects business environment to remain challenging due to cautious consumer spending and intense competition from illegal operators. Accordingly, gaming revenue for the current year is expected to be lower than the previous year.

In order to meet the above challenges, the Group will continue to be responsive to changes in market trends and the business environment. It will strive to tailor 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

	3 months ended		6 months ended	
	30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
Current income tax	26,006	11,306	40,649	38,956
Under/(over) provision in prior years	630	-	631	(55)
Total income tax expense	26,636	11,306	41,280	38,901

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.

B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES**B8 Borrowings**

The Group's borrowings as at 30 June 2017 is as follows:

	Secured RM'000
Long term	
Medium term notes	771,216
Short term	
Medium term notes	224,898
Total	<u>996,114</u>

The borrowings is denominated in Ringgit Malaysia.

B9 Material Litigation

On 15 May 2017 and 22 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 RM454.382 million respectively, or a combined total of RM477.096 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 had filed for leave application for judicial review and stay of proceedings.

The Kuala Lumpur High Court had on 9 August 2017 granted leave to both Magnum and MHSB to commence judicial review proceedings with the view of quashing the notices of assessments and a stay of proceedings against payment until the disposal of the judicial review.

B10 Dividends

The Board of Directors is pleased to declare a first interim single tier dividend of 3.0 sen per share (2016 : 7.0 sen per share in respect of first and second interim dividends) for the financial year ending 31 December 2017 to be paid on 29 September 2017 to shareholders registered on the Register of Depositors at the close of business on 15 September 2017.

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	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
Profit for the financial period attributable to owners of the Company (RM'000)	59,959	21,835	90,529	90,675
Weighted average number of ordinary shares in issue ('000)	1,422,960	1,423,042	1,422,960	1,423,042
Basic EPS (sen)	<u>4.21</u>	<u>1.53</u>	<u>6.36</u>	<u>6.37</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

	3 months ended 30.06.2017 RM'000	6 months ended 30.06.2017 RM'000
The profit before taxation for the financial period is arrived at after charging/(crediting):		
Amortisation of intangible assets	4	10
Changes in fair value of investment securities	3,840	2,141
Depreciation of property, plant and equipment	1,599	3,117
Depreciation of investment properties	2	25
Gain on disposal of property, plant and equipment	-	(168)
Interest expense	12,883	25,691
Interest income	(3,401)	(6,889)
Property, plant and equipment written off	1	11
Unrealised loss on foreign exchange	254	254
Write-back of provision for doubtful debts	(33)	(61)

B14 Retained profits

	As at 30.06.2017 RM'000	As at 31.12.2016 RM'000
Total retained profits		
- realised	3,062,848	2,972,223
- unrealised	29,447	31,842
Less : Consolidation adjustments	(2,079,088)	(2,038,698)
Retained profits as per Statement of Changes in Equity	<u>1,013,207</u>	<u>965,367</u>

By Order Of The Board

Company Secretary
23 August 2017