



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

**INTERIM FINANCIAL STATEMENTS**  
**FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018**  
(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	3 months ended		9 months ended	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
	RM'000	RM'000	RM'000	RM'000
Revenue	667,109	656,454	1,979,849	1,974,121
Cost of sales	(531,016)	(532,575)	(1,623,212)	(1,648,837)
Gross profit	136,093	123,879	356,637	325,284
Other income	3,999	4,094	11,742	11,192
Administrative expenses	(7,691)	(8,486)	(26,117)	(25,261)
Other expenses	(61,895)	(19,887)	(96,600)	(52,500)
<b>Operating profit</b>	<b>70,506</b>	<b>99,600</b>	<b>245,662</b>	<b>258,715</b>
Finance costs	(12,431)	(12,715)	(37,274)	(38,406)
<b>Profit before tax</b>	<b>58,075</b>	<b>86,885</b>	<b>208,388</b>	<b>220,309</b>
Income tax expense	(127,849)	(22,904)	(173,802)	(64,184)
<b>(Loss)/Profit for the financial period</b>	<b>(69,774)</b>	<b>63,981</b>	<b>34,586</b>	<b>156,125</b>
<b>Other comprehensive income</b>				
Foreign currency translation	(6)	4	(5)	15
Change in fair value of financial assets at fair-value-through-other comprehensive income	73	(30)	(32)	(83)
	67	(26)	(37)	(68)
<b>Total comprehensive (loss)/income for the financial period</b>	<b>(69,707)</b>	<b>63,955</b>	<b>34,549</b>	<b>156,057</b>
<b>(Loss)/Profit for the financial period attributable to:</b>				
Owners of the Company	(70,509)	63,283	32,482	153,812
Non-controlling interests	735	698	2,104	2,313
	<b>(69,774)</b>	<b>63,981</b>	<b>34,586</b>	<b>156,125</b>
<b>Total comprehensive (loss)/income for the financial period attributable to:</b>				
Owners of the Company	(70,442)	63,257	32,445	153,744
Non-controlling interests	735	698	2,104	2,313
	<b>(69,707)</b>	<b>63,955</b>	<b>34,549</b>	<b>156,057</b>
<b>(Loss)/Earnings per share attributable to owners of the Company (sen per share) :</b>				
Basic	(4.96)	4.45	2.28	10.81

These condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to these interim financial statements.

## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

	(UNAUDITED) AS AT 30.09.2018 RM'000	(AUDITED) AS AT 31.12.2017 RM'000
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	65,506	63,993
Investment properties	548	553
Investment securities	275,020	256,062
Intangible assets	2,738,346	2,738,362
Deferred tax assets	7,637	7,637
	<u>3,087,057</u>	<u>3,066,607</u>
<b>Current assets</b>		
Inventories	1,006	1,104
Investment securities	39,922	45,877
Receivables	37,954	32,006
Tax recoverable	2,921	52,196
Deposits, cash and bank balances	470,477	334,610
	<u>552,280</u>	<u>465,793</u>
<b>Total Assets</b>	<u><b>3,639,337</b></u>	<u><b>3,532,400</b></u>
<b>Equity and liabilities</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	2,154,357	2,154,357
Treasury Shares	(30,205)	(30,205)
Reserves	231,716	355,796
<b>Shareholders' equity</b>	<u>2,355,868</u>	<u>2,479,948</u>
<b>Non-controlling interests</b>	<u>40,171</u>	<u>40,416</u>
<b>Total equity</b>	<u>2,396,039</u>	<u>2,520,364</u>
<b>Non-current liabilities</b>		
Borrowings	712,834	597,363
Deferred tax liabilities	1,510	1,510
	<u>714,344</u>	<u>598,873</u>
<b>Current liabilities</b>		
Borrowings	224,426	224,628
Payables	244,294	182,841
Tax payable	60,234	5,694
	<u>528,954</u>	<u>413,163</u>
<b>Total liabilities</b>	<u>1,243,298</u>	<u>1,012,036</u>
<b>Total equity and liabilities</b>	<u><b>3,639,337</b></u>	<u><b>3,532,400</b></u>
<b>Net assets per share attributable to owners of the Company (RM)</b>	<u><b>1.66</b></u>	<u><b>1.74</b></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 2017 and the accompanying explanatory notes attached to these interim financial statements.

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

	----- Attributable to Owners of the Company -----						NON- CONTROLLING INTERESTS RM'000	TOTAL EQUITY 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 2017</b>	1,437,749	716,608	(673,465)	(30,188)	965,367	40,093	2,456,164	
Adjustment for effects of Companies Act 2016	716,608	(716,608)	-	-	-	-	-	
Total comprehensive income for the financial period	-	-	(68)	-	153,812	2,313	156,057	
Dividends paid	-	-	-	-	(85,378)	-	(85,378)	
Dividends paid to non-controlling interests	-	-	-	-	-	(2,303)	(2,303)	
Purchase of own shares	-	-	-	(17)	-	-	(17)	
<b>At 30 September 2017</b>	<b>2,154,357</b>	<b>-</b>	<b>(673,533)</b>	<b>(30,205)</b>	<b>1,033,801</b>	<b>40,103</b>	<b>2,524,523</b>	
<b>At 1 January 2018</b>	2,154,357	-	(673,745)	(30,205)	1,029,541	40,416	2,520,364	
Total comprehensive income for the financial period	-	-	(37)	-	32,482	2,104	34,549	
Dividends paid	-	-	-	-	(156,525)	-	(156,525)	
Dividends paid to non-controlling interests	-	-	-	-	-	(2,234)	(2,234)	
Acquisition of additional shares in a subsidiary from non-controlling interests	-	-	-	-	-	(115)	(115)	
<b>At 30 September 2018</b>	<b>2,154,357</b>	<b>-</b>	<b>(673,782)</b>	<b>(30,205)</b>	<b>905,498</b>	<b>40,171</b>	<b>2,396,039</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 2017 and the accompanying explanatory notes attached to these interim financial statements.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	9 months ended	
	30.09.2018	30.09.2017
	RM'000	RM'000
<b>OPERATING ACTIVITIES</b>		
Profit before tax	208,388	220,309
Adjustments for:		
Non-cash items	6,515	6,920
Non-operating items	27,244	27,083
Operating cash flows before working capital changes	<u>242,147</u>	<u>254,312</u>
Changes in working capital:		
Inventories	98	51
Receivables	(5,896)	(4,686)
Payables	69,897	34,053
Cash flows generated from operations	<u>306,246</u>	<u>283,730</u>
Income tax refund	618	1,704
Real Property Gains Tax refund	16	-
Income tax paid	(70,619)	(44,261)
<b>Net cash flows generated from operating activities</b>	<u>236,261</u>	<u>241,173</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds from disposal of :		
- property, plant and equipment	122	191
- investment securities	4,705	13,000
Purchase of :		
- investment securities	(18,990)	(13,089)
- property, plant and equipment	(7,967)	(1,760)
- additional shares in a subsidiary	(115)	-
Movement in cash deposits pledged	(359)	(437)
Net dividend received from quoted shares and unit trusts	120	199
Interest paid	(45,253)	(49,821)
Interest received	11,320	10,979
<b>Net cash flows used in investing activities</b>	<u>(56,417)</u>	<u>(40,738)</u>
<b>FINANCING ACTIVITIES</b>		
Dividends paid to shareholders	(156,525)	(85,378)
Dividends paid to the non-controlling interests of subsidiaries	(2,234)	(2,303)
Repayment of borrowings	(10,000)	(175,000)
Net movement in fixed deposits with licensed bank	(4)	(4)
Purchase of own shares	-	(17)
Issuance of medium term notes	125,000	-
Transaction cost paid	(577)	-
<b>Net cash flows used in financing activities</b>	<u>(44,340)</u>	<u>(262,702)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>135,504</u>	<u>(62,267)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b>	<u>307,419</u>	<u>377,362</u>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>	<u><b>442,923</b></u>	<u><b>315,095</b></u>
Cash and cash equivalents consist of :		
Deposits, cash and bank balances	470,477	342,239
Cash deposits pledged	(27,297)	(26,895)
Cash deposits with licensed banks with maturity period of more than 3 months	(257)	(249)
	<u><b>442,923</b></u>	<u><b>315,095</b></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 2017 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 2017. 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 2017.

### 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 2017, except for the adoption of the following MFRSs, amendments to MFRSs and IC Interpretation during the current financial period :

#### Effective for financial periods beginning on or after 1 January 2018

Amendments to MFRS 1 (Annual Improvements to MFRSs 2014-2016 Cycle)	First-time Adoption of MFRS
Amendments 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

The adoption of the above does not have a material impact on the financial statements of the Group in the period of initial application. The adoption of MFRS 9 is described below :

#### MFRS 9 : Financial Instruments

The Group and the Company adopted MFRS 9 Financial Instruments on 1 January 2018. MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. Retrospective application is required, but comparative information is not compulsory.

##### (a) Classification and measurement

MFRS 9 contains three classification categories of 'measured at amortised cost', 'fair-value-through-other comprehensive income' ("FVOCI") and 'fair-value-through-profit or loss' ("FVTPL"). MFRS 9 eliminates the existing MFRS 139 categories of 'loans and receivables', 'held-to-maturity' and 'available-for-sale' ("AFS").

The Group and the Company do not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of MFRS 9. All financial assets previously held at fair value will continue to be measured by FVTPL while quoted equity shares previously held as AFS is measured at FVOCI.

The equity shares in non-listed companies are intended to be held for the foreseeable future and is classified as FVOCI. Included in these FVOCI investments is an unquoted investment which is carried at cost at RM262 million (2017 : RM243 million). The Group has assessed and concluded that due to the lack of quoted market price and as there is a wide range of possible fair value measurements, cost will represent the best estimate of fair value within that range.

Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9.

##### (b) Impairment

MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. With regard to the impact of the expected loss model on trade receivables, the Directors do not anticipate that the application of expected credit loss model of MFRS 9 will have a material financial impact to the Group's financial statements.

**A EXPLANATORY NOTES PURSUANT TO MFRS 134 (Cont'd.)****A2 Significant Accounting Policies (Cont'd.)**

At the date of authorisation of this unaudited interim financial statements, the following MFRSs, amendments to 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 2019**

MFRS 16	Leases
Amendments to MFRS 3 (Annual Improvements to MFRSs 2015-2017 Cycle)	Business Combinations
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 11 (Annual Improvements to MFRSs 2015-2017 Cycle)	Joint Arrangements
Amendments to MFRS 112 (Annual Improvements to MFRSs 2015-2017 Cycle)	Income Taxes
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 123 (Annual Improvements to MFRSs 2015-2017 Cycle)	Borrowing Costs
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Treatments

**Effective for financial periods beginning on or after 1 January 2020**

Amendments to MFRS 2	Share-based Payment
Amendments to MFRS 3	Business Combinations
Amendments to MFRS 6	Exploration for and Evaluation of Mineral Resources
Amendments to MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 101	Presentation of Financial Statements
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to MFRS 134	Interim Financial Reporting
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendments to MFRS 138	Intangible Assets
Amendments to IC Interpretation 12	Service Concession Arrangements
Amendments to IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to IC Interpretation 132	Intangible Assets - Web Site Costs

**Effective for financial periods beginning on or after 1 January 2021**

MFRS 17	Insurance Contracts
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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 Interpretations will have no material impact on the financial statements of the Group upon their initial application.

**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 2018, except for the final tax settlement and tax penalty payable arising from the legal dispute, amounting to RM148.1 million.

Despite the year of assessment covered under the Consent Judgement being from 2008 to 2015, the current accounting standard does not allow these prior years' matter being treated as prior year adjustments and as such there will be a one-off and non-recurring adverse financial impact to the Basic Earnings Per Share and Net Assets Per Share amounting to 10.4 sen. This one-off and non-recurring settlements have no impact on the current financial period's operations or performance before taxation.

**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 changes in debt and equity securities in the current financial period.

**A EXPLANATORY NOTES PURSUANT TO MFRS 134 (Cont'd.)****A7 Dividends Paid**

During the financial period ended 30 September 2018, the Company has paid the following dividends:

- (i) a third interim single tier dividend of 4.0 sen per share in respect of financial year ended 31 December 2017, amounting to RM56.918 million on 30 March 2018; and
- (ii) a first interim single tier dividend of 4.0 sen per share in respect of financial year ending 31 December 2018, amounting to RM56.918 million on 29 June 2018.
- (ii) a second interim single tier dividend of 3.0 sen per share in respect of financial year ending 31 December 2018, amounting to RM42.689 million on 28 September 2018.

**A8 Segmental Information**

	9 months ended	
	30.09.2018 RM'000	30.09.2017 RM'000
<b>Segmental Revenue</b>		
Gaming	1,979,685	1,973,791
Investment holdings & others	213,646	90,165
	2,193,331	2,063,956
Eliminations	(213,482)	(89,835)
Total	1,979,849	1,974,121
<b>Segmental Results</b>		
Gaming	249,363	225,308
Investment holdings & others	164,130	80,725
	413,493	306,033
Eliminations	(205,105)	(85,724)
Profit Before Tax	208,388	220,309

**A9 Material Subsequent Events**

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 September 2018.

**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>30 September 2018</b>					
Current	FVTPL	39,922	-	-	39,922
Non-current	FVOCI	13,025	-	-	13,025
		52,947	-	-	52,947
<b>31 December 2017</b>					
Current	FVTPL	41,003	-	-	41,003
Current	AFS investments	-	-	4,874	4,874
Non-current	AFS investments	13,057	-	-	13,057
		54,060	-	4,874	58,934

**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 2017.

**B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES****B1 Review of Performance of the Group****Quarter ended 30 September 2018 versus the same quarter in 2017**

	3 months ended		Changes	
	30.09.2018 RM'000	30.09.2017 RM'000	RM'000	%
Revenue				
- Gaming	667,124	656,398	10,726	1.6%
- Investment holding and others	(15)	56	(71)	-126.8%
	667,109	656,454	10,655	1.6%
Profit/(Loss) before tax				
- Gaming	97,376	88,722	8,654	9.8%
- Investment holding and others	(39,301)	(1,837)	(37,464)	-2039.4%
	58,075	86,885	(28,810)	-33.2%

**Overview**

The Group registered total revenue of RM667.1 million for the current quarter, which is RM10.7 million higher than previous year corresponding quarter of RM656.5 million. Despite higher revenue, the profit before tax has reduced by RM28.8 million to RM58.1 million when compared to RM86.9 million achieved in the previous year corresponding quarter. The drop in profit before tax is mainly due to tax penalty incurred in the current quarter but this was mitigated by the 'zero' GST effect from 1 June 2018 to 31 August 2018.

**Gaming**

Gaming sales for the current quarter at RM667.1 million is higher than the previous year corresponding quarter by 1.6% or RM10.7 million. The increase is mainly due to higher sales per draw achieved arising from introduction of a new game and a more active enforcement on illegal operators by the authorities.

In line with the higher gaming sales, the gaming pre-tax profit increased accordingly by RM8.7 million to RM97.4 million from RM88.7 million recorded in the previous year corresponding quarter. This increase was also boosted by the 'zero' GST effect from 1 June 2018 to 31 August 2018.

**Investment Holding and Others**

Investment Holding and Others division recorded a loss of RM39.3 million compared to RM1.8 million loss in previous year corresponding quarter. The higher losses is mainly due to tax penalty of RM44.2 million incurred and fair value loss on investments of RM0.42 million but mitigated by higher profit recorded by information technology business in the current quarter.

**9 months ended 30 September 2018 versus the same period in 2017**

	9 months ended		Changes	
	30.09.2018 RM'000	30.09.2017 RM'000	RM'000	%
Revenue				
- Gaming	1,979,685	1,973,791	5,894	0.3%
- Investment holding and others	164	330	(166)	-50.3%
	1,979,849	1,974,121	5,728	0.3%
Profit before tax				
- Gaming	249,363	225,308	24,055	10.7%
- Investment holding and others	(40,975)	(4,999)	(35,976)	-719.7%
	208,388	220,309	(11,921)	-5.4%

**Overview**

Group revenue for the current 9 months period was higher by RM5.7 million mainly due to higher gaming revenue. However, the Group registered a lower pre-tax profit by RM11.9 million.

**Gaming**

In line with the increase in gaming sales of RM5.9 mill or 0.3%, pre-tax profit has increased by RM24.1 million mainly due to lower prizes payout in the current financial period and the 'zero' GST effect from 1 June 2018 to 31 August 2018.

**Investment Holding and Others**

The division recorded a pre-tax loss of RM41.0 million in the current financial period when compared to a pre-tax loss of RM5.0 million in the previous year corresponding period. This is mainly due to tax penalty of RM44.2 million incurred but was mitigated by higher pre-tax profit recorded by information technology business, lower fair value loss on quoted investments and other operating expenses reported in the current financial period.



**B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES (Cont'd.)****B2 Material change in Profit Before Tax for the current quarter compared with the immediate preceding quarter****Quarter ended 30 September 2018 versus 30 June 2018**

	3 months ended		Changes	
	30.09.2018 RM'000	30.06.2018 RM'000	RM'000	%
Revenue				
- Gaming	667,124	600,242	66,882	11.1%
- Investment holding and others	(15)	146	(161)	-110.3%
	667,109	600,388	66,721	11.1%
Profit before tax				
- Gaming	97,376	68,249	29,127	42.7%
- Investment holding and others	(39,301)	2,129	(41,430)	1946.0%
	58,075	70,378	(12,303)	-17.5%

**Overview**

Group revenue for third quarter was higher by RM66.7 million as compared to second quarter mainly due to end of World Cup in June and coupled with successful launch of a new game. The group pre-tax profit for the current quarter at RM58.1 million was lower as compared to RM70.4 million recorded in the immediate preceding quarter. The decrease of RM12.3 million is mainly due to losses incurred by the Investment Holding and Others division. Nevertheless, this was mitigated by higher gaming pre-tax profit.

**Gaming**

In line with the increase in gaming sales, the gaming pre-tax profit of RM97.4 million is 42.7% higher than that recorded in preceding quarter. This is mainly contributed by lower prize payout ratio recorded in the current quarter and the 'zero' GST effect from 1 June 2018 to 31 August 2018.

**Investment Holding and Others**

Investment Holding and Others division recorded a loss of RM39.3 million in the current quarter compared to profit of RM2.1 million in preceding quarter. The losses incurred is as a result of tax penalty incurred of RM44.2 million arising from the tax dispute with Director General of Inland Revenue but mitigated by higher pre-tax profit generated by information technology business.

**B3 Prospects**

The amicable settlement of the legal dispute with Director General Of Inland Revenue ("DGIR") afforded certainty as to the financial impact of this matter on the Company.

With the launching of our new game, Magnum Life, in April 2018 and the on-going implementation of the Rebranding & Reimaging Exercise, the Board is optimistic that the financial performance for the financial year 2018 at operational level, excluding the settlement with DGIR, shall at least match that for 2017.

**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	
	30.09.2018 RM'000	30.09.2017 RM'000	30.09.2018 RM'000	30.09.2017 RM'000
Current income tax	28,054	25,481	74,023	66,130
Under/(Over) provision of income tax in prior years	99,795	(2,577)	99,795	(1,946)
Over-provision of Real Property Gains Tax in prior year	-	-	(16)	-
<b>Total income tax expense</b>	<b>127,849</b>	<b>22,904</b>	<b>173,802</b>	<b>64,184</b>

The effective tax rate of the Group for the current quarter and current financial period were higher than the statutory tax rate mainly due to additional tax payable arising from the amicable settlement of the legal dispute with Director General of Inland Revenue and non-deductibility of certain expenses. The penalty portion of the Consent Judgement with the DGIR, amounting to RM44.2 million, is reflected separately under Other 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 (Cont'd.)****B8 Borrowings**

The Group's borrowings as at 30 September 2018 are as follows:

	<b>Secured RM'000</b>
<b>Long term</b>	
Medium term notes	712,834
<b>Short term</b>	
Medium term notes	224,426
<b>Total</b>	<u><b>937,260</b></u>

The borrowings are denominated in Ringgit Malaysia.

**B9 Material Litigation**

On 15 May 2017 and 22 May 2017, the Company and its subsidiary, Magnum Holdings Sdn. Bhd. ("MHSB"), 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.

As announced on 20 September 2018, the Company and MHSB with the agreement with Director General Of Inland Revenue ("DGIR"), had filed a Consent Order with the Kuala Lumpur High Court to enter into a Consent Judgment whereby DGIR will refund the amount of RM47.9 million by way of offset against RM142.889 million to MHSB, resulting in the net payable amount of RM94.984 million by MHSB. The tax and penalty amount of RM5.252 million is payable by the Company. The total net amount of RM100.236 million is payable in 7 instalment payments commencing from 31 December 2018 to 30 June 2019 by both companies.

Following the filing of the Consent Order, DGIR has withdrawn its corresponding appeals before the Court of Appeal and the Company and MHSB will withdraw its judicial review applications before the Kuala Lumpur High Court.

**B10 Dividends**

The Board of Directors is pleased to declare a third interim single tier dividend of 4 sen per share (2017 : 4 sen per share) for the financial period, bring the total dividend declared to date for the financial year ending 31 December 2018 to 11 sen per share (2017 : 7 sen per share).

The third interim single tier dividend is to be paid on 28 December 2018 to shareholders registered on the Register of Depositors at the close of business on 17 December 2018.

**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>9 months ended</b>	
	<b>30.09.2018</b>	<b>30.09.2017</b>	<b>30.09.2018</b>	<b>30.09.2017</b>
(Loss)/Profit for the financial period attributable to owners of the Company (RM'000)	<u>(70,509)</u>	<u>63,283</u>	<u>32,482</u>	<u>153,812</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,422,955</u>	<u>1,422,962</u>	<u>1,422,955</u>	<u>1,422,962</u>
<b>Basic (Loss)/Earnings per share (sen)</b>	<u>(4.96)</u>	<u>4.45</u>	<u>2.28</u>	<u>10.81</u>

Notes: The operational EPS after discounting the one-off and non-recurring tax and penalty expense arising from the tax dispute of RM148.1 million are as follows :

Basic Earnings per share (sen)	<u>5.46</u>	<u>4.45</u>	<u>12.69</u>	<u>10.81</u>
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**B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES (Cont'd.)****B12 Auditor's Report on Preceding Annual Financial Statements**

The auditors' report on the financial statements for the year ended 31 December 2017 was not qualified.

**B13 Profit before tax**

	<b>3 months ended 30.09.2018 RM'000</b>	<b>9 months ended 30.09.2018 RM'000</b>
<b>The profit before taxation for the financial period is arrived at after charging/(crediting):</b>		
Amortisation of intangible assets	4	14
Changes in fair value of investment securities	424	1,080
Depreciation of property, plant and equipment	1,886	5,344
Depreciation of investment properties	1	4
Gain on disposal of property, plant and equipment	(74)	(110)
Interest expense	12,431	37,274
Interest income	(3,789)	(11,280)
Property, plant and equipment written off	-	1,479
Realised loss on foreign exchange	-	169
Tax penalty expense	44,176	44,176
Unrealised (gain)/loss on foreign exchange	(58)	358
Write-back of provision for doubtful debts	(9)	(96)

**B14 Derivatives**

Not applicable.

**B15 Fair value changes of financial liabilities**

The carrying amounts of the Group's financial liabilities at amortised cost are reasonable approximations of fair values.

**By Order Of The Board**

**Company Secretary**  
27 November 2018