



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

INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2020
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended	
	31.03.2020	31.03.2019
	RM'000	RM'000
Revenue	609,544	756,246
Cost of sales	<u>(493,013)</u>	<u>(628,393)</u>
Gross profit	116,531	127,853
Other income	2,835	4,328
Administrative expenses	(9,324)	(9,305)
Other expenses	<u>(20,380)</u>	<u>(22,516)</u>
Operating profit	89,662	100,360
Finance costs	<u>(12,129)</u>	<u>(12,581)</u>
Profit before tax	77,533	87,779
Income tax expense	<u>(21,469)</u>	<u>(26,832)</u>
Profit for the financial period	<u>56,064</u>	<u>60,947</u>
Other comprehensive income		
Foreign currency translation	-	18
Change in fair value of financial assets at fair-value-through-other comprehensive income	59	126
	59	144
Total comprehensive income for the financial period	<u>56,123</u>	<u>61,091</u>
Profit for the financial period attributable to:		
Owners of the Company	55,593	60,007
Non-controlling interests	471	940
	<u>56,064</u>	<u>60,947</u>
Total comprehensive income for the financial period attributable to:		
Owners of the Company	55,652	60,151
Non-controlling interests	471	940
	<u>56,123</u>	<u>61,091</u>
Earnings per share attributable to owners		
of the Company (sen per share) :		
Basic	<u>3.91</u>	<u>4.22</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 2019 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2020

	(UNAUDITED) AS AT 31.03.2020 RM'000	(AUDITED) AS AT 31.12.2019 RM'000
Assets		
Non-current assets		
Property, plant and equipment	61,751	62,612
Right-of-use assets	15,358	15,703
Investment properties	538	540
Investment securities	398,789	398,730
Intangible assets	2,738,327	2,738,332
Deferred tax assets	8,691	8,691
	<u>3,223,454</u>	<u>3,224,608</u>
Current assets		
Inventories	1,200	1,367
Investment securities	24,937	27,599
Receivables	33,870	36,380
Tax recoverable	8,762	6,590
Deposits, cash and bank balances	276,416	306,861
	<u>345,185</u>	<u>378,797</u>
Total Assets	<u>3,568,639</u>	<u>3,603,405</u>
Equity and liabilities		
Equity attributable to owners of the Company		
Share capital	2,154,357	2,154,357
Treasury Shares	(30,205)	(30,205)
Reserves	366,075	353,112
Shareholders' equity	<u>2,490,227</u>	<u>2,477,264</u>
Non-controlling interests	23,116	22,645
Total equity	<u>2,513,343</u>	<u>2,499,909</u>
Non-current liabilities		
Borrowings	674,562	674,530
Lease liability	3,258	3,599
Deferred tax liabilities	1,578	1,578
	<u>679,398</u>	<u>679,707</u>
Current liabilities		
Borrowings	224,717	224,471
Lease liability	1,308	1,322
Payables	149,118	194,612
Tax payable	755	3,384
	<u>375,898</u>	<u>423,789</u>
Total liabilities	<u>1,055,296</u>	<u>1,103,496</u>
Total equity and liabilities	<u>3,568,639</u>	<u>3,603,405</u>
Net assets per share attributable to owners of the Company (RM)	<u>1.75</u>	<u>1.74</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 2019 and the accompanying explanatory notes attached to these interim financial statements.

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2020**

	----- Attributable to Owners of the Company -----					NON- CONTROLLING INTERESTS RM'000	TOTAL EQUITY RM'000
	----- Non-distributable -----						
	SHARE CAPITAL RM'000	OTHER RESERVES RM'000	TREASURY SHARES RM'000	RETAINED PROFITS RM'000			
At 1 January 2019	2,154,357	(595,411)	(30,205)	923,207		40,722	2,492,670
Effect of adoption of MFRS 16	-	-	-	(147)		-	(147)
	2,154,357	(595,411)	(30,205)	923,060		40,722	2,492,523
Total comprehensive income for the financial period	-	144	-	60,007		940	61,091
Dividends paid	-	-	-	(56,918)		-	(56,918)
At 31 March 2019	2,154,357	(595,267)	(30,205)	926,149		41,662	2,496,696
At 1 January 2020	2,154,357	(567,119)	(30,205)	920,231		22,645	2,499,909
Total comprehensive income for the financial period	-	59	-	55,593		471	56,123
Dividends paid	-	-	-	(42,689)		-	(42,689)
At 31 March 2019	2,154,357	(567,060)	(30,205)	933,135		23,116	2,513,343

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 2019 and the accompanying explanatory notes attached to these interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2020

	3 months ended	
	31.03.2020	31.03.2019
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax	77,533	87,779
Adjustments for:		
Non-cash items	5,434	9,331
Non-operating items	9,691	8,472
Operating cash flows before working capital changes	<u>92,658</u>	<u>105,582</u>
Changes in working capital:		
Inventories	167	141
Receivables	2,486	(6,475)
Payables	<u>(33,502)</u>	<u>(14,210)</u>
Cash flows generated from operations	61,809	85,038
Income tax refund	-	607
Income tax paid	<u>(26,270)</u>	<u>(50,391)</u>
Net cash flows generated from operating activities	35,539	35,254
INVESTING ACTIVITIES		
Proceeds from disposal of :		
- property, plant and equipment	-	100
Purchase of :		
- property, plant and equipment	(1,574)	(2,447)
Movement in cash deposits pledged	(17)	(19)
Interest paid	(23,768)	(24,575)
Interest received	2,463	4,090
Net cash flows used in investing activities	(22,896)	(22,851)
FINANCING ACTIVITIES		
Dividends paid to shareholders	(42,689)	(56,918)
Repayment of lease liability	(416)	(243)
Net movement in fixed deposits with licensed bank	-	(5)
Net cash flows used in financing activities	(43,105)	(57,166)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(30,462)	(44,763)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	279,484	476,190
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u>249,022</u>	<u>431,427</u>
Cash and cash equivalents consist of :		
Deposits, cash and bank balances	276,416	459,156
Cash deposits pledged	(27,394)	(27,464)
Cash deposits with licensed banks with maturity period of more than 3 months	-	(265)
	<u>249,022</u>	<u>431,427</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 2019 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 2019. 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 2019.

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 2019, except for the adoption of the following amendments to MFRSs and IC Interpretation during the current financial period :

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 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 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to IC Interpretation 132	Intangible Assets - Web Site Costs

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 amendments to MFRSs have been issued by the MASB but are not yet effective and have not been adopted by the Group :

Amendments to MFRSs 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 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

The COVID-19 pandemic has significantly disrupted many business operations in Malaysia and around the world. With widespread concerns about the ongoing COVID-19 pandemic, the Government of Malaysia had on 16 March 2020 declared the Movement Control Order ("MCO") to be effective from 18 March to 31 March 2020 which had resulted in 6 cancelled draws. Subsequently, it was extended to 12 May 2020. The MCO encompasses complete restriction of movement and assembly nationwide, and closure of all government and private premises except those involved in essential services. The MCO was revised to the Conditional Movement Control Order ("CMCO") on 4 May 2020 and was subsequently extended to 9 June 2020 with various economic and social activities allowed, subject to conditions such as the implementation of standard operating procedures which have been set by the Government. The gaming business of the Group, however, remained closed during both the MCO and CMCO and it is not known whether the CMCO will be further extended or if the CMCO will be further moderated.

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.

A EXPLANATORY NOTES PURSUANT TO MFRS 134**A6 Changes in Debt and Equity Securities**

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

A7 Dividends Paid

During the financial period ended 31 March 2020, the Company has paid a fourth interim single tier dividend of 3.0 sen per share in respect of financial year ended 31 December 2019, amounting to RM42.689 million on 27 March 2020.

A8 Segmental Information

	3 months ended	
	31.03.2020 RM'000	31.03.2019 RM'000
Segmental Revenue		
Gaming	609,539	756,245
Investment holdings & others	73,155	57,130
	682,694	813,375
Eliminations	(73,150)	(57,129)
Total	609,544	756,246
Segmental Results		
Gaming	81,043	95,861
Investment holdings & others	69,627	49,047
	150,670	144,908
Eliminations	(73,137)	(57,129)
Profit Before Tax	77,533	87,779

A9 Material Subsequent Events

As disclosed in note A4, it is envisaged that the full impact of the COVID-19 pandemic shall be felt in second quarter of financial year ending 31.12.2020

A10 Changes in Composition of the Group

There were no changes in the composition of the Group during the financial period ended 31 March 2020.

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 March 2020					
Current	FVTPL	24,937	-	-	24,937
Non-current	FVOCI	13,360	-	-	13,360
Non-current	FVOCI	-	-	385,429	385,429
		38,297	-	385,429	423,726
31 December 2019					
Current	FVTPL	27,599	-	-	27,599
Non-current	FVOCI	13,301	-	-	13,301
Non-current	FVOCI	-	-	385,429	385,429
		40,900	-	385,429	426,329

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 2019.

B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES**B1 Review of Performance of the Group****Quarter ended 31 March 2020 versus the same quarter in 2019**

	3 months ended		Changes	
	31.03.2020 RM'000	31.03.2019 RM'000	RM'000	%
Revenue				
- Gaming	609,539	756,245	(146,706)	-19.4%
- Investment holdings and others	5	1	4	400.0%
	609,544	756,246	(146,702)	-19.4%
Profit/(Loss) before tax				
- Gaming	81,043	95,861	(14,818)	-15.5%
- Investment holdings and others	(3,510)	(8,082)	4,572	-56.6%
	77,533	87,779	(10,246)	-11.7%

Overview

The Group registered a total revenue of RM609.5 million for the current quarter, which is RM146.7 million lower than the previous year's corresponding quarter of RM756.2 million. In line with lower revenue, the profit before tax has dropped by RM10.2 million to RM77.5 million when compared to RM87.8 million recorded in the previous year's corresponding quarter. The lower Group revenue and pre-tax profit is mainly attributable to the Gaming division.

Gaming

Gaming sales for the current quarter at RM609.5 million is lower than the previous year's corresponding quarter by 19.4% or RM146.7 million. The decrease is mainly due to lower sales as a result of closure of selling outlets starting from 18 March 2020, in compliance with the announced MCO by the Government of Malaysia. Six draws were cancelled during this MCO period up to 31 March 2020.

In line with the lower gaming sales, gaming pre-tax profit decreased by RM14.8 million from RM95.9 million recorded in the previous year's corresponding quarter.

Investment Holdings and Others

Investment Holdings and Others division recorded a lower loss of RM3.5 million in the current quarter mainly due to lower fair value loss on investments in the current year quarter.

B2 Material change in Profit Before Tax for the current quarter compared with the immediate preceding quarter**Quarter ended 31 March 2020 versus 31 December 2019**

	3 months ended		Changes	
	31.03.2020 RM'000	31.12.2019 RM'000	RM'000	%
Revenue				
- Gaming	609,539	630,487	(20,948)	-3.3%
- Investment holdings and others	5	445	(440)	-98.9%
	609,544	630,932	(21,388)	-3.4%
Profit before tax				
- Gaming	81,043	74,694	6,349	8.5%
- Investment holdings and others	(3,510)	5,271	(8,781)	-166.6%
	77,533	79,965	(2,432)	-3.0%

Overview

The Group reported a lower revenue by RM21.4 million when compared to the immediate preceding quarter. The lower revenue is mainly due to 6 lesser draws arising from cancellation of 6 draws during the MCO period, but mitigated by higher seasonal Chinese New Year festive gaming sales in the current quarter.

The pre-tax profit for the current quarter at RM77.5 million was lower as compared to RM80.0 million recorded in the immediate preceding quarter. The decrease of RM2.4 million was mainly due to pre-tax loss incurred by Investment and Other division but mitigated by higher gaming pre-tax profit.

Gaming

Despite a lower gaming sales by RM20.9 million in the current quarter, gaming pre-tax profit was higher by RM6.3 million as a result of lower prizes payout ratio in the current quarter.

Investment Holdings and Others

Investment Holdings and Others division recorded an unfavourable variance of RM8.8 million in the current quarter mainly due to higher fair value loss on investments and lower interest income in the current year quarter.

B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES**B3 Prospects**

Number Forecast Betting Operators ("NFOs") are listed as prohibited activities under the regulations of MCO and hence gaming outlets are not allowed to operate during this MCO period. Although most economic sectors and activities are allowed to operate effective from 4 May 2020 upon announcement of CMCO, NFOs will remain closed until further notice. As a result, up to 22 May 2020, a total of 29 draws were cancelled.

The Group expects to experience the impact from Covid-19 pandemic fullest in the second quarter ending 30 June 2020 as majority of the cancelled draws falls in this quarter. Post CMCO, it is expected that the disposable income of the players would be affected as a result of economy downturn and with the imposition of new Standard Operating Procedure like social distancing, mask, sanitiser and contact tracing, this would further instill fears that may prevent the players to play in our outlets. Hence, the Group envisages that there will be an impact for both 3rd quarter as well as 4th quarter of 2020.

Nevertheless, the NFO industry, in particular, has proven to be relatively resilient in previous economic disruptions and expect to recover once NFOs outlets are able to resume operations.

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	
	31.03.2020	31.03.2019
	RM'000	RM'000
Current income tax	21,469	26,832
Total income tax expense	21,469	26,832

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.

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 2020 are as follows:

	Secured RM'000
Long term	
Medium term notes	674,562
Short term	
Medium term notes	224,717
Total	899,279

The borrowings are denominated in Ringgit Malaysia.

B9 Material Litigation

On 29 November 2019 and 2 December 2019, Multi-Purpose International Limited ("MPIL"), a Labuan company which is wholly owned by Magnum Berhad (and which was set up pursuant to the Selective Capital Reduction ("SCR") exercise by Magnum Corporation Berhad), were served with notices of assessment with penalty for year of assessment 2014 to 2018, for a total amount of RM182,804,674.06.

The Inland Revenue Board ("IRB") now claims that MPIL should be taxed under the Income Tax Act 1967 instead of the Labuan Business Activity Tax Act 1990. Since its establishment, MPIL's income including its interest income had been duly assessed under the Labuan Business Activity Tax Act 1990, a position which the IRB had never questioned in the past. Upon consulting its tax solicitors, the Board of Directors is of the view that there are reasonable grounds to challenge the validity of the said notices and the penalty imposed.

On 3 January 2020, the High Court at Labuan had granted leave to MPIL to commence judicial review proceedings against the Director General of Inland Revenue to set aside the notices of assessment for the years of assessment 2014 to 2018. The High Court also granted MPIL a stay order against the payment of the disputed taxes until the determination of the judicial review application. To date, as a result of the prolonged MCO, no hearing date has yet been fixed.

B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES**B10 Dividends**

The Board of Directors is pleased to declare a first interim single tier dividend of 2.5 sen per share (2019 : 4 sen) for the financial year ending 31 December 2020 to be paid on 26 June 2020 to shareholders registered on the Register of Depositors at the close of business on 15 June 2020.

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	
	31.03.2020	31.03.2019
Profit for the financial period attributable to owners of the Company (RM'000)	55,593	60,007
Weighted average number of ordinary shares in issue ('000)	1,422,955	1,422,955
Basic EPS (sen)	3.91	4.22

B12 Auditor's Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2019 was not qualified.

B13 Profit before tax

	3 months ended	
	31.03.2020	31.03.2019
	RM'000	RM'000
The profit before taxation for the financial period is arrived at after charging/(crediting):		
Amortisation of intangible assets	4	4
Changes in fair value of investment securities	2,662	7,064
Depreciation of property, plant and equipment	2,435	2,056
Depreciation of investment properties	2	2
Depreciation of right-of-use assets	332	207
Gain on disposal of property, plant and equipment	-	(99)
Interest expense	12,129	12,581
Interest income	(2,439)	(4,012)
Property, plant and equipment written off	1	2
Unrealised gain on foreign exchange	(286)	(112)
Write-back of provision for doubtful debts	-	(2)

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
22 May 2020