



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

INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	3 months ended		9 months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM'000	RM'000	RM'000	RM'000
Revenue	485,705	652,104	1,145,803	2,074,753
Cost of sales	(395,972)	(542,070)	(936,647)	(1,696,046)
Gross profit	89,733	110,034	209,156	378,707
Other income	1,104	3,548	5,494	11,830
Administrative expenses	(9,844)	(9,286)	(28,925)	(28,797)
Other expenses	(21,572)	(20,546)	(49,182)	(60,316)
Operating profit	59,421	83,750	136,543	301,424
Finance costs	(12,142)	(12,927)	(36,463)	(38,182)
Profit before tax	47,279	70,823	100,080	263,242
Income tax expense	(16,975)	(21,148)	(37,808)	(77,340)
Profit for the financial period	30,304	49,675	62,272	185,902
Other comprehensive income				
Foreign currency translation	8	(2)	(5)	12
Change in fair value of financial assets at fair-value-through-other comprehensive income	378	78	280	256
	386	76	275	268
Total comprehensive income for the financial period	30,690	49,751	62,547	186,170
Profit for the financial period attributable to:				
Owners of the Company	30,259	48,008	62,187	182,437
Non-controlling interests	45	1,667	85	3,465
	30,304	49,675	62,272	185,902
Total comprehensive income for the financial period attributable to:				
Owners of the Company	30,645	48,084	62,462	182,705
Non-controlling interests	45	1,667	85	3,465
	30,690	49,751	62,547	186,170
Earnings per share attributable to owners of the Company (sen per share) :				
Basic	2.13	3.37	4.37	12.82

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 30 SEPTEMBER 2020

	(UNAUDITED) AS AT 30.9.2020 RM'000	(AUDITED) AS AT 31.12.2019 RM'000
Assets		
Non-current assets		
Property, plant and equipment	61,573	62,612
Right-of-use assets	17,294	15,703
Investment properties	535	540
Investment securities	399,010	398,730
Intangible assets	2,738,320	2,738,332
Deferred tax assets	8,691	8,691
	<u>3,225,423</u>	<u>3,224,608</u>
Current assets		
Inventories	1,946	1,367
Investment securities	23,799	27,599
Receivables	45,998	36,380
Tax recoverable	8,124	6,590
Deposits, cash and bank balances	220,778	306,861
	<u>300,645</u>	<u>378,797</u>
Total Assets	<u>3,526,068</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	(1,163)	(30,205)
Reserves	308,269	353,112
Shareholders' equity	<u>2,461,463</u>	<u>2,477,264</u>
Non-controlling interests	22,728	22,645
Total equity	<u>2,484,191</u>	<u>2,499,909</u>
Non-current liabilities		
Borrowings	758,377	674,530
Lease liability	4,626	3,599
Deferred tax liabilities	1,578	1,578
	<u>764,581</u>	<u>679,707</u>
Current liabilities		
Borrowings	89,982	224,471
Lease liability	1,897	1,322
Payables	169,890	194,612
Tax payable	15,527	3,384
	<u>277,296</u>	<u>423,789</u>
Total liabilities	<u>1,041,877</u>	<u>1,103,496</u>
Total equity and liabilities	<u>3,526,068</u>	<u>3,603,405</u>
Net assets per share attributable to owners of the Company (RM)	<u>1.71</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 30 SEPTEMBER 2020**

	----- Attributable to Owners of the Company -----					
	-----Non-distributable ----					
	SHARE CAPITAL RM'000	OTHER RESERVES RM'000	TREASURY SHARES RM'000	RETAINED PROFITS RM'000	NON- CONTROLLING INTERESTS RM'000	TOTAL EQUITY 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	-	268	-	182,437	3,465	186,170
Dividends paid	-	-	-	(184,984)	-	(184,984)
Dividends paid to non-controlling interests	-	-	-	-	(17,529)	(17,529)
At 30 September 2019	2,154,357	(595,143)	(30,205)	920,513	26,658	2,476,180
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	-	275	-	62,187	85	62,547
Dividends paid	-	-	-	(78,263)	-	(78,263)
Distribution of treasury shares as share dividend	-	-	29,042	(29,042)	-	-
Purchase of additional shares in a subsidiary	-	-	-	-	(2)	(2)
At 30 September 2020	2,154,357	(566,844)	(1,163)	875,113	22,728	2,484,191

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 30 SEPTEMBER 2020

	9 months ended	
	30.9.2020 RM'000	30.9.2019 RM'000
OPERATING ACTIVITIES		
Profit before tax	100,080	263,242
Adjustments for:		
Non-cash items	8,692	7,549
Non-operating items	35,128	33,266
Operating cash flows before working capital changes	<u>143,900</u>	<u>304,057</u>
Changes in working capital:		
Inventories	(579)	(658)
Receivables	(7,179)	(4,736)
Payables	(15,037)	(60,506)
Cash flows generated from operations	<u>121,105</u>	<u>238,157</u>
Income tax refund	2,368	830
Income tax paid	(29,567)	(124,857)
Net cash flows generated from operating activities	<u>93,906</u>	<u>114,130</u>
INVESTING ACTIVITIES		
Proceeds from disposal of :		
- property, plant and equipment	5	171
Purchase of :		
- property, plant and equipment	(6,509)	(14,656)
- additional shares in a subsidiary	(2)	-
Movement in cash deposits pledged	(353)	(586)
Interest paid	(47,802)	(49,718)
Interest received	4,907	11,362
Net cash flows used in investing activities	<u>(49,754)</u>	<u>(53,427)</u>
FINANCING ACTIVITIES		
Dividends paid to shareholders	(78,263)	(184,984)
Dividends paid to the non-controlling interests of subsidiaries	-	(17,529)
Repayment of lease liability	(1,075)	(644)
Net movement in fixed deposits with licensed bank	-	260
Repayment of medium term notes	(50,000)	(40,000)
Transaction cost paid	(1,249)	-
Net cash flows used in financing activities	<u>(130,587)</u>	<u>(242,897)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(86,435)</u>	<u>(182,194)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	<u>279,484</u>	<u>476,190</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u>193,049</u>	<u>293,996</u>
Cash and cash equivalents consist of :		
Deposits, cash and bank balances	220,778	322,027
Cash deposits pledged	(27,729)	(28,031)
	<u>193,049</u>	<u>293,996</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 2020 to 31 March 2020 which had resulted in 6 cancelled draws for the first quarter. 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 had been set by the Government. The CMCO was revised to the Recovery Movement Control Order ("RMCO") on 10 June 2020 and the gaming business of the Group resumed on 17 June 2020 resulting in 34 cancelled draws in the second quarter. The RMCO was subsequently extended to 31 December 2020. In addition, CMCO was reintroduced in various states from 14 October 2020 to 6 December 2020 and may be further extended, enhanced or 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.

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**A7 Dividends Paid**

During the financial period ended 30 September 2020, the Company has paid the following dividends:

- (i) 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;
- (ii) a first interim single tier dividend of 2.5 sen per share in respect of financial year ending 31 December 2020, amounting to RM35.574 million on 26 June 2020; and
- (iii) a second interim share dividend via distribution of 14.224 million treasury shares on the basis of 1 treasury share for every 100 existing ordinary shares held in respect of the financial year ending 31 December 2020, amounting to RM29.042 million on 25 September 2020.

A8 Segmental Information

	9 months ended	
	30.9.2020 RM'000	30.9.2019 RM'000
Segmental Revenue		
Gaming	1,145,621	2,074,552
Investment holdings & others	73,278	387,199
	1,218,899	2,461,751
Eliminations	(73,096)	(386,998)
Total	1,145,803	2,074,753
Segmental Results		
Gaming	106,831	272,980
Investment holdings & others	66,386	377,260
	173,217	650,240
Eliminations	(73,137)	(386,998)
Profit Before Tax	100,080	263,242

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 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
30 September 2020					
Current	FVTPL	23,799	-	-	23,799
Non-current	FVOCI	13,581	-	-	13,581
Non-current	FVOCI	-	-	385,429	385,429
		37,380	-	385,429	422,809
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 30 September 2020 versus the same quarter in 2019**

	3 months ended		Changes	
	30.9.2020 RM'000	30.9.2019 RM'000	RM'000	%
Revenue				
- Gaming	485,570	652,077	(166,507)	-25.5%
- Investment holdings and others	135	27	108	400.0%
	485,705	652,104	(166,399)	-25.5%
Profit/(Loss) before tax				
- Gaming	49,631	73,897	(24,266)	-32.8%
- Investment holdings and others	(2,352)	(3,074)	722	-23.5%
	47,279	70,823	(23,544)	-33.2%

Overview

The Group registered a total revenue of RM485.7 million for the current quarter, which is RM166.4 million lower than the previous year's corresponding quarter of RM652.1 million. In line with lower revenue, the Group has registered a lower profit before tax of RM47.3 million as compared to RM70.8 million profit before tax recorded in the previous year's corresponding quarter. The lower Group revenue and pre-tax profit was mainly due to the Gaming division.

Gaming

Despite the same number of draws being conducted in the current quarter and the previous year's corresponding quarter, gaming sales for the current quarter at RM485.6 million is lower than the previous year's corresponding quarter by 25.5% or RM166.5 million. The decrease is mainly due to the imposition of the new Standard Operating Procedure on the sales outlets pursuant to the MCO in its various forms and lower disposable income of our players affected by the prolonged pandemic.

In line with the lower gaming sales, Gaming division recorded a lower pre-tax profit of RM49.6 million as compared to pre-tax profit of RM73.9 million recorded in the previous year's corresponding quarter.

Investment Holdings and Others

Investment Holdings and Others division recorded a favourable variance by RM0.7 million mainly due to lower fair value loss on investments in current quarter as compared to previous year's corresponding quarter.

9 months ended 30 September 2020 versus the same period in 2019

	9 months ended		Changes	
	30.9.2020 RM'000	30.9.2019 RM'000	RM'000	%
Revenue				
- Gaming	1,145,621	2,074,552	(928,931)	-44.8%
- Investment holdings and others	182	201	(19)	-9.5%
	1,145,803	2,074,753	(928,950)	-44.8%
Profit/(Loss) before tax				
- Gaming	106,831	272,980	(166,149)	-60.9%
- Investment holdings and others	(6,751)	(9,738)	2,987	-30.7%
	100,080	263,242	(163,162)	-62.0%

Overview

The Group registered a total revenue of RM1.146 billion for the current 9 months period, which is RM929.0 million lower than the previous year's corresponding period of RM2.075 billion. In line with lower revenue, the profit before tax has decreased by RM163.1 million to RM100.1 million when compared to RM263.2 million achieved in the previous year's corresponding period. The lower Group revenue and pre-tax profit was mainly due to the Gaming division.

Gaming

Gaming sales for the current 9 months period at RM1.146 billion is lower than the previous year's corresponding period by 44.8% or RM928.9 million. The lower sales is attributable to the cancellation of 40 draws in the first and second quarters during the MCO and CMCO period.

In line with the lower gaming sales, gaming pre-tax profit decreased by RM166.2 million from RM273.0 million recorded in the previous year's corresponding period to RM106.8 million achieved in the current 9 months period.

Investment Holdings and Others

Investment Holdings and Others division recorded a favourable variance of RM3.0 million in the current 9 months period mainly due to lower fair value loss on investments recorded in the current 9 months 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 September 2020 versus 30 June 2020**

	3 months ended		Changes	
	30.9.2020 RM'000	30.6.2020 RM'000	RM'000	%
Revenue				
- Gaming	485,570	50,512	435,058	861.3%
- Investment holdings and others	135	42	93	221.4%
	485,705	50,554	435,151	860.8%
Profit/(Loss) before tax				
- Gaming	49,631	(23,843)	73,474	-308.2%
- Investment holdings and others	(2,352)	(889)	(1,463)	164.6%
	47,279	(24,732)	72,011	-291.2%

Overview

The Group reported a higher revenue by RM435.2 million when compared to the immediate preceding quarter. In line with the higher revenue, the Group recorded a pre-tax profit of RM47.3 million for the current quarter as compared to pre-tax loss of RM24.7 million recorded in the immediate preceding quarter. The higher Group revenue and pre-tax profit was mainly due to the Gaming division.

Gaming

In line with higher gaming sales by RM435.1 million in the current quarter, Gaming division recorded a pre-tax profit of RM49.6 million in the current quarter. The higher revenue is mainly due to 42 draws conducted in the third quarter as compared to only 6 draws conducted in the second quarter after the resumption of gaming business on 17 June 2020 during the RMCO period.

Investment Holdings and Others

Investment Holdings and Others division recorded an unfavourable variance of RM1.5 million in the current quarter mainly due to higher fair value loss on investments in the current quarter.

B3 Prospects

The government of Malaysia had reintroduced CMCO in various states effective from 14 October 2020 to 6 December 2020 and this may be further extended, enhanced or moderated.

Notwithstanding the above, most economic activities are allowed to proceed as long as respective businesses adhered to the new Standard Operating Procedure.

Our average sales per draw is expected to recover further in the fourth quarter of the year, but the overall performance will still be below the pre-MCO levels.

B NOTES REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA SECURITIES**B4 Statement of the Board of Directors' opinion on achievability of revenue or profit estimate, forecast, projection and internal targets previously announced**

Not applicable.

B5 Profit Forecast and Profit Guarantee

There was no profit forecast or profit guarantee issued by the Company.

B6 Income Tax Expense

	3 months ended		9 months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM'000	RM'000	RM'000	RM'000
Current income tax	17,020	21,150	37,853	77,340
Over provision in prior year	(45)	(2)	(45)	-
Total income tax expense	16,975	21,148	37,808	77,340

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 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 30 September 2020 are as follows:

	Secured RM'000
Long term	
Medium term notes	758,377
Short term	
Medium term notes	89,982
Total	848,359

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. Case management hearing was held on 1 October 2020 and the Court has fixed the next mention date on 1 December 2020.

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

The Board of Directors is pleased to declare a third interim single tier dividend of 2.0 sen per share (2019 : 4.0 sen per share) for the financial period, bring the total cash dividend (4.50 sen per share) and share dividend (2.04 sen per share) declared to date for the financial year ending 31 December 2020 to 6.54 sen per share (2019 : 13.0 sen per share).

The third interim single tier dividend is to be paid on 24 December 2020 to shareholders registered on the Register of Depositors at the close of business on 14 December 2020.

B11 Basic Earnings Per Share

Basic earnings per share 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		9 months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
Profit for the financial period attributable to owners of the Company (RM'000)	30,259	48,008	62,187	182,437
Weighted average number of ordinary shares in issue ('000)	1,423,215	1,422,955	1,423,215	1,422,955
Basic earnings per share (sen)	2.13	3.37	4.37	12.82

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

	ended 30.9.2020 RM'000	ended 30.9.2020 RM'000
The profit before taxation for the financial period is arrived at after charging/(crediting):		
Amortisation of intangible assets	4	12
Changes in fair value of investment securities	1,430	3,800
Depreciation of property, plant and equipment	2,688	7,545
Depreciation of investment properties	1	5
Depreciation of right-of-use assets	376	1,127
Gain on disposal of property, plant and equipment	(5)	(5)
Gain on right-of-use lease modification	(260)	(260)
Interest expense	12,142	36,463
Interest income	(1,025)	(4,870)
Property, plant and equipment written off	2	3
Unrealised gain on foreign exchange	-	(381)

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
26 November 2020