Live Life YOUR Way

MAGNUM BERHAD (24217-M)

ANNUAL REPORT 2018

WHAT'S INSIDE

CORPORATE PROFILE

Magnum Berhad (24217-M) ("Magnum" or "Company") is the holding company for the Magnum Berhad Group of Companies. The Company was incorporated on 18 August 1975 as Multi-Purpose Holdings Berhad, and has been listed on the Main Market of Bursa Malaysia Securities Berhad (previously known as Main Board of the Kuala Lumpur Stock Exchange) since 11 January 1982. The Company assumed its current name on 28 June 2013.

The Company is an investment holding company and, through its 100%-owned subsidiary, Magnum Corporation Sdn. Bhd. (8272-D) which was founded in 1968, is focused primarily on its licensed lottery business or 4-Digit ("4D") numbers forecast betting and its variation games.

The principal activities of its other subsidiaries consist of management services, investment holdings, and provision of computer software and other related services.

For more information on the Magnum 4D business, kindly visit **www.magnum4d.my**.

Magnum Group's Key Corporate Values:

- **Focus on our core gaming business**
- **Create value for shareholders**
- **Lead the industry through customer-centric innovation**
- **Empower employees to succeed through personal growth**
- **Be a socially responsible and accountable corporate citizen**

CORPORATE STRUCTURE

as at 1 April 2019

MAGNUM BERHAD (24217-M)
[Listed on Bursa Malaysia Securities Berhad]
(Malaysia)

- 39.44% **Magnum Holdings Sdn. Bhd.** (Malaysia)
  - 38.39% **Asia 4D Company Limited** (Malaysia)
  - 22.17% **Multi-Purpose International Limited** (Malaysia)
- 100.00% **Asia 4D Company Limited** (Malaysia)
- 100.00% **Multi-Purpose International Limited** (Malaysia)
- 100.00% **Mont Delight Sdn. Bhd.*** (Malaysia)
  - 71.00% **Sababumi (Sandakan) Sdn. Bhd.** (Malaysia)
    - 25.33% **Offshore Capital Pte. Ltd.** (Singapore)
- 100.00% **Magnum Corporation Sdn. Bhd.** (Malaysia)
  - 99.45% **Magnum 4D Berhad** (Malaysia)
    - 60.00% **Magnum Information Technology Sdn. Bhd.** (Malaysia)
    - 60.41% **ENE (Selangor) Sdn. Bhd.** (Malaysia) [(1) & (2)]
    - 96.96% **ENE (Perak) Sdn. Bhd.** (Malaysia) [(2)]
    - 87.56% **ENE (Penang) Sdn. Bhd.** (Malaysia) [(2)]
    - 89.05% **ENE (Negeri Sembilan) Sdn. Bhd.** (Malaysia) [(2)]
    - 80.12% **ENE (Melaka) Sdn. Bhd.** (Malaysia) [(2)]
    - 80.92% **M4D (Johor) Sdn. Bhd.** (Malaysia) [(2)]
    - 73.48% **ENE (East Coast) Sdn. Bhd.** (Malaysia) [(2)]
    - 99.72% **ENE (East Malaysia) Sdn. Bhd.** (Malaysia) [(2)]
    - 100.00% **Choicevest Sdn. Bhd.** (Malaysia)
    - 100.00% **Longterm Profit Sdn. Bhd.** (Malaysia)
  - 40.00% **Magnum Information Technology Sdn. Bhd.** (Malaysia)
  - 100.00% **ENE (Sabah) Sdn. Bhd.** (Malaysia)
  - 100.00% **Tiara Vega Sdn. Bhd.** (Malaysia)
  - 100.00% **Secure Tangent Sdn. Bhd.** (Malaysia)
  - 100.00% **Magnum Online Sdn. Bhd.** (Malaysia)
- 100.00% **Leisure Management (Hong Kong) Limited** (Hong Kong)
- 100.00% **MP Property Management Sdn. Bhd.** (Malaysia)
- 100.00% **Marinco Holdings Sdn. Bhd.** (Malaysia)
- 100.00% **Dynamic Pearl Sdn. Bhd.*** (Malaysia)
  - 100.00% **MP Solutions Sdn. Bhd.*** (Malaysia)

Public Company Limited by Guarantee

MAGNUM FOUNDATION

Incorporated on 6 February 1985

A Charitable Organisation which seeks, receives and administers funds for education, scientific and charitable purposes for the public welfare.

FOOTNOTES

(1) **Longterm Profit Sdn. Bhd.** owns 31.57% of shareholding in ENE (Selangor) Sdn. Bhd.

(2) **Choicevest Sdn. Bhd.** owns 0.40% of shareholding in ENE (Selangor) Sdn. Bhd.; 0.004% of shareholding in ENE (Perak) Sdn. Bhd.; 8.92% of shareholding in ENE (Penang) Sdn. Bhd.; 2.21% of shareholding in ENE (Negeri Sembilan) Sdn. Bhd.; 9.96% of shareholding in ENE (Melaka) Sdn. Bhd.; 4.92% of shareholding in M4D (Johor) Sdn. Bhd.; 16.60% of shareholding in ENE (East Coast) Sdn. Bhd.; and 0.003% of shareholding in ENE (East Malaysia) Sdn. Bhd.

* In liquidation.

CORPORATE INFORMATION

BOARD OF DIRECTORS

TAN SRI DATO' SURIN UPATKOON
Non-Independent Non-Executive Chairman

DATO' LAWRENCE LIM SWEE LIN
Executive Director

KRIAN UPATKOON
Executive Director

DATUK VIJEYARATNAM A/L V. THAMOTHARAM PILLAY
Non-Independent Non-Executive Director

DATO' WONG PUAN WAH
Independent Non-Executive Director

DATO' LIM TIONG CHIN
Independent Non-Executive Director

BOARD COMMITTEES

GROUP AUDIT COMMITTEE

Chairman
- **Dato' Wong Puan Wah**

Members
- **Datuk Vijeyaratnam a/l V. Thamotharam Pillay**
- **Dato' Lim Tiong Chin**

REMUNERATION COMMITTEE

Chairman
- **Tan Sri Dato' Surin Upatkoon**

Members
- **Dato' Wong Puan Wah**
- **Dato' Lim Tiong Chin**

NOMINATION COMMITTEE

Chairman
- **Datuk Vijeyaratnam a/l V. Thamotharam Pillay**

Members
- **Dato' Wong Puan Wah**
- **Dato' Lim Tiong Chin**

GROUP RISK MANAGEMENT COMMITTEE

Chairman
- **Dato' Lim Tiong Chin**

Members
- **Dato' Wong Puan Wah**
- **Dato' Lawrence Lim Swee Lin**

SECRETARIES

Leong Kuan Ying
MAICSA 7041318

Ng Sook Yee
MAICSA 7020643

REGISTERED OFFICE

35th Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Malaysia

Tel No. : 603-2698 8033
Fax No. : 603-2698 9885
E-Mail : corporate@magnum.my

WEBSITE

www.magnum.my

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

Stock Name : MAGNUM
Stock Code : 3859
Sector : Consumer Products & Services

SHARE REGISTRAR

Metra Management Sdn. Bhd.
35th Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Malaysia

Tel No. : 603-2698 3232
Fax No. : 603-2694 8571
E-Mail : metrasrd@mweh.com.my

AUDITORS

Messrs Ernst & Young,
Chartered Accountants

PRINCIPAL BANKER

Alliance Bank Malaysia Berhad

FIVE YEARS FINANCIAL HIGHLIGHTS

	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	**65,093**	63,993	60,354	55,886	44,091
Investment properties	**546**	553	580	580	580
Investments securities	**370,454**	256,062	249,052	260,087	246,900
Intangible assets	**2,738,347**	2,738,362	2,738,377	2,738,392	2,738,407
Deferred tax assets	**11,529**	7,637	11,140	3,894	9,413
	3,185,969	3,066,607	3,059,503	3,058,839	3,039,391
Current assets	**569,995**	465,793	573,355	563,322	623,752
TOTAL ASSETS	**3,755,964**	3,532,400	3,632,858	3,622,161	3,663,143
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	**2,154,357**	2,154,357	1,437,749	1,437,749	1,437,749
Reserves	**327,796**	355,796	1,008,510	1,009,920	1,031,214
Treasury shares	**(30,205)**	(30,205)	(30,188)	(29,866)	(25,588)
Shareholders' fund	**2,451,948**	2,479,948	2,416,071	2,417,803	2,443,375
Non-controlling interests	**40,722**	40,416	40,093	40,433	37,766
Total equity	**2,492,670**	2,520,364	2,456,164	2,458,236	2,481,141
Non-current liabilities	**714,737**	598,873	774,695	947,047	943,520
Current liabilities	**548,557**	413,163	401,999	216,878	238,482
Total liabilities	**1,263,294**	1,012,036	1,176,694	1,163,925	1,182,002
TOTAL EQUITY AND LIABILITIES	**3,755,964**	3,532,400	3,632,858	3,622,161	3,663,143
GROUP RESULTS					
Revenue	**2,704,254**	2,649,207	2,659,344	2,767,010	2,886,541
Profit before tax	**313,333**	306,626	284,490	333,655	373,710
Income tax expense	**(205,287)**	(97,319)	(91,568)	(101,717)	(112,759)
Profit for the financial year	**108,046**	209,307	192,922	231,938	260,951
Non-controlling interests	**(2,657)**	(2,837)	(3,266)	(5,125)	(4,413)
Profit attributable to owners of the Company	**105,389**	206,470	189,656	226,813	256,538
SELECTED RATIOS					
Basic earnings per share (sen)	**7.4**	14.5	13.3	15.9	18.0
Net assets per share (RM)	**1.72**	1.74	1.70	1.70	1.71
Dividend per share (sen)	**15.0**	11.0	13.0	16.0	20.0
Return on equity (%)	**4.30**	8.33	7.85	9.38	10.50

CHAIRMAN'S STATEMENT

DEAR VALUED SHAREHOLDERS,

ON BEHALF OF THE BOARD OF DIRECTORS OF MAGNUM BERHAD ("MAGNUM OR COMPANY"), I AM PLEASED TO PRESENT OUR ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 ("FY 2018").

The Malaysian economy remained resilient in 2018 and grew by 4.7% for the year. The private sector remained the main driver of growth and the services sector was supported by continued strength in consumer spending particularly in the retail segment. Headline inflation declined to 0.3% in the last quarter of 2018 (3Q 2018: 0.5%), mainly due to transport inflation turning negative. This was aided by combined effects of the zerorisation of the Goods and Services Tax (GST) and the implementation of the Sales and Service Tax (SST) that have continued to exert an overall downward impact to headline inflation during the year.

On the back of a resilient economy, your Company registered a revenue of RM2.70 billion for FY 2018, representing 2.1% increase or RM55.05 million as compared to RM2.65 billion recorded in FY 2017. This increase in FY 2018 has marked a welcome turnaround of the negative revenue trend over previous years.

Your Company recorded a higher operating profit of RM363.74 million for FY 2018 as compared to RM356.03 million for FY 2017. However, after taking into consideration the settlement of the tax dispute with the Director General of Inland Revenue ("DGIR"), the Profit After Taxation for FY 2018 reduced to RM108.05 million as compared to RM209.31 million in FY 2017.

Your Company maintained a steady turnover throughout the year, with a slight decline in the 2nd quarter. Gaming revenue strengthened in the 4th quarter of 2018, on the back of fresh enforcement efforts against illegal gaming activities, as well as strong sales bolstered by a long 4D Jackpot run that saw the Jackpot prize amount cross the RM30 million mark twice in a month.

On the corporate front, on 20 September 2018, your Company and its subsidiary, Magnum Holdings Sdn. Bhd. ("MHSB"), with the agreement with DGIR, had filed a Consent Order with the Kuala Lumpur High Court to enter into a Consent Judgment whereby DGIR agreed to refund the amount of RM47.90 million by way of offset against RM142.89 million due from MHSB, resulting in net payable amount of RM94.99 million by MHSB. Additionally, a tax and penalty amount of RM5.25 million is payable by your Company. The total net amount of RM100.24 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's and MHSB's judicial review applications before the Kuala Lumpur High Court were abated accordingly. The amicable

CHAIRMAN'S STATEMENT (cont'd.)

settlement of the legal dispute with DGIR afforded certainty as to the financial impact of this matter on your Company and MHSB. To-date, I am pleased to inform that your Company and MHSB have been paying these instalment payments from internally generated funds without impacting on the ability of your Company to pay future dividends going forward.

REVIEW OF OPERATIONS

The year 2018 was indeed an eventful year with your Company's principal subsidiary, Magnum Corporation Sdn. Bhd. ("MCSB"), achieving a significant milestone as MCSB celebrated its 50th Anniversary. The Magnum Group has proven to be a caring and responsible corporate citizen for the last 50 years, and it is our promise to continue to inspire hope in the many lives we will touch in the years ahead. With the confidence and support of our Investors, we will continue to prosper together by enriching the lives of our customers, sales partners and employees with renewed vigour to face and overcome new challenges ahead of us.

By now, you would have noticed the new and energised brand identity proudly displaying in all our Magnum stores across the nation. Many strides have been made to not only make our brand more appealing but also more relatable to our customers from all age groups. With rising customer expectations, we are building foundations for a customer-centric culture to adapt effectively to a changing market place. From strategy to the design of products and services, sales and marketing, winning experiences, customer care centre to back office operations; being customer-centric is now our new mantra.

In late 2017, we started on a massive undertaking to renovate all our store-fronts to incorporate our new brand identity and introduce a brighter and more conducive environment for our customers. It has quickly proven effective at giving both old and new customers a refreshing and welcoming experience that they will remember.

To add to the overall customer experience, our stores now feature state-of-the-art Ticket Checkers to make checking for winnings a speedy and fun experience. This customer-friendly application has received wide acclaim, ensuring that everyone claims the winnings that they are entitled to. Newly renovated stores also include a Digital Signage TV to showcase our in-store marketing promotions and help our customers to understand our games better.

To give our customers a complete and seamless experience between stores and online, we have restructured our marketing divisions to merge the digital and in-store teams. As a result, campaigns are better able to engage different segments of our customers, across different channels, from the mobile app to social platforms to the store.

CHAIRMAN'S STATEMENT (cont'd.)

We also continued with the replacement of the Point-of-Sales terminals at our outlets with the latest new generation terminals; this has helped to measurably reduce downtime and lower maintenance costs. To-date, we have completed the installation of new terminals in 4 states, namely Selangor, Negeri Sembilan, Pahang and Sarawak. By the 1st quarter of 2020, we expect to complete this replacement exercise nationwide.

To complement the revamp of our brand identity and re-imaging of our stores, MCSB introduced a new game, Magnum Life. This game is the first of its kind in Malaysia and introduces a unique prize structure whereby the Grand Prize winner will be rewarded with RM1,000 every day for 20 years.

In line with your Company's sustainability goals, Magnum Life's objective is to turn winning big into a fun and responsible experience. The prize will augment the income of the winner, enabling them to pursue work in their field of passion while having the financial freedom to seek experiences and live a fuller life. Magnum Life has been successful in attracting a new generation of customers who desire lifestyle games that are fun and easy to play, with responsible prizes that complement their modern self-identity.

MCSB recognises the importance of appealing to customer preferences, and continues to place emphasis on expanding our portfolio of games to cater to different segments of players and risk appetite.

AWARDS AND RECOGNITION

In continuing our pursuit to provide excellence in all that we do for all stakeholders, your Company diligently maintains and updates its Information Security Management System regularly to meet the ISO/IEC 27001:2013 certification requirements. On top of that, the additional controls stipulated under the World Lottery Association's Security Control Standards (WLA-SCS:2016) are also being complied by your Company. We also continue to be certified with the WLA Responsible Gaming Level 2 framework.

DIVIDENDS

For FY 2018, the Board has declared four interim dividends of an aggregate of 15 sen per share as compared to 11 sen per share for FY 2017. The total payout is equivalent to 197.5% of Profit After Taxation. However, after discounting the one-off and non-recurring tax and penalty expense arising from the tax dispute of RM148.14 million, the total payout is equivalent to 84.96% of gaming profit after tax. This fulfils your Company's dividend policy to distribute at least 80% of its gaming profits after tax annually, subject to amongst others, business prospects, growth or expansion and adequacy of reserves.

APPRECIATION AND ACKNOWLEDGEMENT

The year 2018 had proven to be a remarkable year for all of us, and on behalf of the Board, I wish to record my sincere thanks to the Management and staff for their contribution to the Group all these years. I would also like to take this opportunity to thank all our valued customers, sales partners, suppliers, bankers and business associates for their continuous support and confidence in us to rise to challenges and forge ahead.

My gratitude also goes to my fellow Directors for their invaluable advice to the Group. A special mention to Dato' Wong Puan Wah, who will retire at the conclusion of the forthcoming AGM, and Mr. Sigit Prasetya, who left the Board on 17 January 2019. I sincerely appreciate their contributions, and wish them all the best. In addition, let us welcome our new Board member, Mr. Krian Upatkoon, who was appointed to the Board on 18 February 2019.

Last but not least, to our supportive shareholders, my heartfelt thanks for your trust, unwavering support and strong confidence in the Group.

As we have embraced the customer-centricity in all our undertakings, the Group shall do its utmost best to stay ahead of competition and will continually seek new avenues to generate more value for our shareholders and all other stakeholders.

Therefore, with these new directions being mapped out, we are confident that we are well-equipped to sustain growth and meet new challenges ahead. As always, I look forward to meeting you all at the forthcoming AGM.

TAN SRI DATO' SURIN UPATKOON
Chairman

28 March 2019

主席献词

各位股东，

本人谨此代表万能有限公司（“万能”或“本公司”）董事局呈报2018年度（截至2018年12月31日）万能及其子公司的常年财务报告。

马来西亚的经济在2018年持续反弹，年度经济增长达至4.7巴仙。私营领域仍是马来西亚经济增长的主要动力，而服务业得到持续增长的私人消费支撑，特别是零售业的助力。鉴于运输通胀率呈现负增长，2018年第四季度的通胀率减缓至0.3巴仙(2018年第三季度为0.5巴仙)。消费税(GST)零税率与销售及服务税(SST)的实施所带来的综合影响，促使年度通胀率下滑。

在经济复苏的背景下，本公司在2018年取得27亿令吉的总营业额，比去年的26.5亿令吉增长了2.1巴仙，或相等于5505万令吉。2018年的收入增长扭转了过往数年负收入的趋势。本公司在2018年的营运利润为3亿6374万令吉，较去年的3亿5603万令吉有所增长。然而，基于考量了与内陆税收局(DGIR)的税务协议，本公司2018年的税后盈利减至1亿805万令吉，低于去年的2亿931万令吉。

本公司的营业额全年保持稳定，唯有于第二季度略有下降。2018年第四季度的博彩营收增强，新政策的实施和强力打击非法博彩活动的努力，加上万能万字积宝奖金长期累积受到支持，奖金在一个月内两次突破3千万令吉，使得销售额激增。

在企业方面，于2018年9月20日，本公司与万能控股有限公司(“MHSB”)，即本公司的全资附属公司，已经与内陆税收局达成协议，并向吉隆坡高等法院提交了同意令。内陆税收局同意退还4790万令吉的税务欠款于MHSB，因此，MHSB的应付税款从原本的1亿4289万令吉，减至9499万令吉。本公司则需要支付525万令吉的税务欠款与罚款。两家公司将从2018年12月31日至2019年6月30日，分7期偿还总额1亿零24万令吉的税务欠款。在提交同意令后，内陆税收局已向上诉法院撤回上诉，而本公司和MHSB亦向吉隆坡高等法院撤回司法复审程序。本公司和MHSB与内陆税收局的司法纠纷已达成和解，唯此事件对本公司和MHSB的财务带来冲击。截至目前为止，本人欣然告知各位股东，本公司和MHSB一直是以内部资金偿还分期付款，并无对本公司在未来的股息派发造成影响。

主席献词 (延续)

业务回顾

本公司的独资子公司 - Magnum Corporation Sdn. Bhd. （“MCSB”）于2018年欢庆五十周年庆，这是本公司的重要里程碑。回顾过往五十年，万能集团始终信守企业公民的承诺，我们关心社会，诚信负责，激发人们对未来的希望。在投资者的信心助力和支持下，我们同心共荣，致力为客户、销售伙伴和员工打造精彩生活，并抖擞精神跨步前进，共同克服未来的新挑战。

此时，您必已留意到我们在全国各地的万能门市所展示的全新活力品牌标识。我们的大幅改革，旨在让我们的品牌标识更具吸引力，更易招徕各年龄层的客户。随着客户期望的提高，我们建立以客为尊的企业文化，以顺应日新月异的市场。从战略规划到产品和服务的设计、销售和营销、赢奖体验、客服中心到后台营运，如今“以客为尊”已成为了我们的新标语。

2017年底，我们开始大规模店面改造，融入新品牌标识，为客户展现更明亮、更适宜的投注环境。这些改革迅速取得成效，为新旧客户带来新鲜感十足的待客体验，也给客户留下了良好的印象。

为了提升整体的客户体验，我们的门市现已配备最先进的查票机，让客户透过有趣的方式快速查看中奖号码。操作简易的查票机在推出后广获好评，确保每位得奖者都可领取所赢得的奖金。全新装潢的门市也配备了电子看板，用以展示门市的营销活动，帮助客户更好地了解我们的游戏形式。

为了让客户在门市和网站都可享有轻松流畅的投注体验，我们把网站和门市的营销部门进行合并重组。如此一来，营销活动可透过手机应用程式、社交平台和门市等多元渠道，有效吸引到不同的客户群体。

我们持续以最新一代的销售终端机替换旧机，这有助减少停机时间及降低维修成本。迄今为止，我们已经在四个州属，即雪兰莪、森美兰、彭亨和砂拉越完成了新终端机的安装。预计在2020年第一季度，我们将可在全国各地完成替换行动。

为了配合我们的品牌标识和门市形象改革，MCSB推出了一款名为Magnum Life(万能天天彩)的新游戏。这是大马前所未有的游戏形式，采用独特的派彩结构，游戏的大奖得奖者将可每天获取1千令吉的奖金长达20年。

主席献词 (延续)

Magnum Life与本公司的可持续性发展目标一致，其目的是将赢大奖转变为有趣又安稳的生活体验。奖金将可增加得奖者的收入，让他们尽情去追求理想的工作，同时享有财务自由，去探索并享受充实的生活。Magnum Life 的推出成功吸引到新世代的客户，他们向往有趣易玩的生活化游戏，可按时领取奖金，正符合他们对现代生活的自主述求。

MCSB意识到了解客户偏好的重要性，我们将持续扩增游戏形式以迎合不同的玩家群体和风险承受度。

奖项与荣誉

本公司致力追求卓越，为股东创造更多价值。我们定期维持和更新信息安全管理系统以符合ISO/IEC27001:2013 的认证要求。此外，本公司也成功获得世界彩票协会安全控制标准(WLA-SCS:2016)所规定的额外控制措施的认证。同时，我们也获得世界彩票协会的责任博彩框架的二级认证。

股息

根据2018财政年度的表现，董事局已宣布和派发四次中期股息，股息的总额为每股15仙，高于2017年的每股11仙。总派息额达到税后盈利的197.5巴仙。然而，在扣除因税务纠纷所产生的1亿4814万令吉的一次性及非经常性税款与罚款开支后，总派息额达到博彩税后盈利的84.96巴仙。这符合本公司的派息政策，即依据公司未来的增长与扩张计划及储备金的充足量来持续发放不少于博彩年度盈利之80巴仙的股息。

致诚感谢

2018年对我们所有人来说都是成就非凡的一年，藉此，本人谨代表董事局，至诚感激各管理层和全体员工多年来对本集团的贡献。本人也籍此感谢尊贵的客户、销售伙伴、供应商、银行及商业伙伴们一直以来给予的信任与支持，推动我们开拓进取，迎接挑战。

本人也向为集团建言献策的董事部成员们致谢。本人特别感谢在来届的股东会员大会宣布退休的董事成员Dato' Wong Puan Wah，以及于2019年1月17日卸任董事的Sigit Prasetya 先生。同时，我们也欢迎于2019年2月18日受委成为本集团新董事成员的Krian Upatkoon先生。

最后，本人也衷心感谢所有股东们对本集团所给予的信任、无限的支持与强大的信心。

我们将秉持以客为尊的经营理念，尽最大努力保持竞争优势，持续争取更佳的盈利，以回馈鼎力支持本集团的股东们。

随着新方针的制定，我们满怀信心，凝心聚力推动业务持续增长，昂首迎向未来的挑战。期待在来届的股东会员大会，我们再见!

TAN SRI DATO' SURIN UPATKOON
主席

2019年3月28日

STATEMENT ON MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Magnum Berhad ("Magnum") is principally engaged in investment holding activities while its main subsidiaries are primarily involved in the operations, management and sales of four digit ("4D") numbers forecast betting and its variation games and the provision of information technology services.

Magnum, through its wholly owned indirect subsidiary, Magnum Corporation Sdn. Bhd. ("MCSB"), holds a license to operate the 4D numbers forecast betting and its variation games. MCSB currently offers 4 games, namely the 4D Classic, 4D Jackpot, 4D Jackpot Gold and the newly-launched Magnum Life game. The 4D Classic game remains the most popular game in Malaysia, whilst the 4D Jackpot game attracts a high sales volume when the Jackpot amount is substantial. MCSB through its 8 gaming subsidiaries, which acts as area agents, has an agency network of 485 sales outlets.

In April 2018, the 4D Powerball game which was launched in January 2016 was discontinued and replaced with a new game, Magnum Life. 4D Powerball had performed weaker than projected, mainly due to consumer fatigue from a growing oversupply of similar multi-million ringgit Jackpot-style games in Malaysia. Magnum Life, by offering a unique prize proposition of a fixed payout of RM1,000 per day for 20 years, is expected to broaden the customer demographic by appealing to new casual players who value simplicity and a sense of responsible winning.

The legal gaming industry in Malaysia is highly regulated by the Ministry of Finance ("MOF") which dictate a broad range of operational matters such as Schemes of Operation, taxes, approval of new games, selling hours, prize structure, draw days and location of outlets. Additionally, MOF issues guidelines restricting most forms of traditional advertising. At present, MOF has yet to allow MCSB to operate online sales.

The legal industry's exposure to aggressive illegal betting activities remains its biggest threat to its revenues. The illegal market in Malaysia is estimated to be at least 1.5 times the combined size of the legal industry, and it has been observed to proliferate in regions where enforcement is weak. In recent years, the illegal industry has also been observed to take advantage of online channels and encrypted mobile communications to expand their reach while avoiding enforcement. In the last quarter of 2018 however, increased enforcement in several regions has helped to reduce the openly-visible forms of illegal betting operations.

MCSB is certified by the World Lottery Association ("WLA") in the Security Control Standard, the global lottery industry's only internationally recognised security standard. The certification process is designed to help gaming operators achieve best practices in the effective management of security in their organisations and their compliance will ensure the integrity, availability and confidentiality of a secured operation which is vital to the trust and confidence in the business. MCSB is also certified Level 2 by WLA in the Responsible Gaming Framework, which establishes responsible and sustainable gaming principles in the day-to-day operations to safeguard the players, community, regulators and other stakeholders.

Strategically, a well-rounded games portfolio is viewed as vital for diversifying the market and reducing the dependency on the dominance of 4D Classic which also happens to be the game most often offered by illegal operators. Moving forward, MCSB is increasing investment in innovation as well as customer experience initiatives. Further upgrades to the system and telecommunication network are also expected to deliver higher levels of robustness and system uptime.

MCSB started a 3-year transformation journey through a Rebranding and Reimaging Exercise in late 2017 with a set target to complete by 2020. With this exercise, all MCSB store fronts will undergo an uplift that will improve the overall brand image and in-store experience for customers including ongoing digital initiatives. As of the end of 2018, the first 60 stores have been renovated. Customers and store staff in these uplifted stores have responded overwhelmingly positively, citing a clean and pleasing environment.

STATEMENT ON MANAGEMENT DISCUSSION AND ANALYSIS (cont'd.)

On 20 September 2018, Magnum and its subsidiary, Magnum Holdings Sdn. Bhd. ("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 agreed to refund the amount of RM47.90 million by way of offset against RM142.89 million due from MHSB, resulting in net payable amount of RM94.99 million by MHSB. Additionally, a tax and penalty amount of RM5.25 million is payable by Magnum. The total net amount of RM100.24 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's and MHSB's judicial review applications before the Kuala Lumpur High Court were abated accordingly. The amicable settlement of the legal dispute with DGIR afforded certainty as to the financial impact of this matter on Magnum and MHSB. These instalment payments are paid from internally generated funds without impacting the ability of Magnum to pay future dividends moving forward.

BUSINESS PERFORMANCE

a) REVENUE

Despite conducting 2 fewer draws, the Group recorded a revenue of RM2.70 billion for the financial year ended 31 December 2018 ("FY 2018"), marginally higher as compared to RM2.65 billion recorded in the previous financial year, representing a 2.1% increase or RM55.05 million. This increase in year 2018 marks a reversal of the negative revenue trend that has occurred over recent years.

The increase was mainly due to higher gaming sales per draw achieved arising from the high Jackpot prizes and aided by a more active enforcement on illegal operators by the authorities.

In addition, as the Gaming Revenue was stated net of Gaming Taxes and Goods and Services Tax ("GST"), the implementation of zero-rated GST from 1 June 2018 to 31 August 2018 had lowered the overall GST on gaming supply for the year. This positive financial impact was normalised once the Service Tax ("ST") was imposed on gaming supply with effect from 1 September 2018.

The GST Tribunal case for the dispute in relation to the determination of the value of Gaming Supply in computation of GST has now been transferred to the Custom Appeal Tribunal. If the Custom Appeal Tribunal rules in our favour, it will have a positive financial impact on our future earnings.

The Gaming revenue for FY 2018, without taking into account of any GST/ST expense, increased by 1.67% as compared to the previous year. Comparing on absolute amount (without GST/ST) and sales per draw basis, the 4D Jackpot Gold game recorded the most impressive growth mainly due to a successful introduction of mGold variation play in 2018 followed by the 4D Jackpot game which had benefitted from a good Jackpot run with high Jackpot prizes and activating the cascade feature when the Jackpot 1 prize reached RM30 million; all these happened in the last quarter of 2018.

The 4D Classic game initially recorded a marginal decline in revenue during the year but managed to improve in the 4^{th} quarter as a result of active enforcement on illegal operators by the authorities. With low acceptance by the players on the 4D Powerball game, this game was replaced with a new Magnum Life game.

The Investment Holdings and Others segment recorded a marginally lower revenue of RM0.20 million in FY 2018 as compared to RM0.71 million for FY 2017.

STATEMENT ON MANAGEMENT DISCUSSION AND ANALYSIS (cont'd.)

b) COSTS AND EXPENSES

Total costs and expenses before finance costs of the Group in FY 2018 at RM2.36 billion had increased marginally as compared with RM2.31 billion in FY 2017. The increase of RM50.60 million was mainly due to:

(i) Other expenses increased significantly by RM44.10 million mainly due to tax penalty amounting to RM44.18 million payable to Director General of Inland Revenue ("DGIR") in accordance to the Consent Judgment.

(ii) Administrative expenses increased by RM4.56 million mainly due to increase in salaries-related expenses.

(iii) However, it was mitigated by lower prizes payout which has decreased by RM2.59 million or payout ratio has decreased by 1.2%.

c) PROFIT BEFORE TAX ("PBT")

The Group's PBT for FY 2018 at RM313.33 million was higher by RM6.71 million when compared to the PBT for FY 2017 of RM306.63 million. The increase was mainly attributed to the Gaming segment which contributed an additional RM38.46 million arising from higher sales achieved with lower prizes payout ratio in FY 2018 coupled with zero-rated GST from 1 June 2018 to 31 August 2018. However, the Investment Holdings and Others segment recorded a pre-tax loss of RM39.28 million mainly due to tax penalty of RM44.18 million incurred but was mitigated by lower fair value loss of quoted investments and lower foreign exchange loss in the current financial year.

d) PROFIT AFTER TAX ("PAT")

PAT of the Group for FY 2018 at RM108.05 million was lower than the previous year's PAT of RM209.31 million by RM101.26 million mainly due to the one-off additional tax and penalty payable by the Company and Magnum Holdings Sdn. Bhd. amounting to RM148.14 million.

STATEMENT ON MANAGEMENT DISCUSSION AND ANALYSIS (cont'd.)

e) LIQUIDITY AND CAPITAL RESOURCES

The Group's capital expenditure and working capital requirements have been financed by cash generated from operations.

The Group's Cash and Bank Balances remains at a very healthy amount of RM503.90 million for FY 2018 as compared to RM334.61 million for FY 2017. With a stronger cash flows generated from operations coupled with issuance of new medium term notes, this had enabled the Group to effectively manage the uncertain liquidity issue arising from the legal dispute with DGIR. The accrual of the impending additional tax instalment payments to DGIR had increased the Tax Payable to RM59.13 million for FY 2018 from RM5.69 million for FY 2017. In addition, the accrual of the snowballed Jackpot amount as at year end and tax penalty instalment payments have resulted in the Group's Payables to increase accordingly to RM265.00 million for FY 2018 from RM182.84 million for FY 2017. The Group's capital expenditure incurred in FY 2018 amounted to RM11.55 million, which was mainly attributable to the replacement of the Point-of-Sales terminals at some of our selling outlets and implementation of our Rebranding and Reimaging Exercise.

f) GEARING

In September 2012, MCSB issued Medium Term Notes ("MTN") totaling RM1 billion under its 20 years MTN programme. The proceeds from the issuance had been utilised to pay off its term loan which was taken to finance its selective capital repayment exercise in 2008.

In January 2018, MCSB issued another series of MTN for RM125 million to refinance part of the MTN that has matured in September 2017. In September 2018, one of the MTN's series which amounted to RM225 million had matured and MCSB had refinanced RM215 million via the issuance of two new MTN series in 2018 while redeeming RM10 million for cash from its internally generated funds.

Arising from the above refinances, the gearing ratio of the Group as at end of FY 2018 has increased to 28.5% compared with 27.0% as at end of FY 2017. This ratio is calculated as net debt divided by equity attributable to owners of Magnum. Included within net debt are borrowings, payables less cash and bank balances and short-term deposits.

PROSPECT & MARKET OUTLOOK

The NFO industry continues to operate in a challenging environment with intense competition from illegal operators. Although active enforcement on illegal operators had brought some respite for the industry, nevertheless the legal operators face an uphill battle against illegal operators that increasingly promote digital sales channels to offer modern conveniences to consumers that the regulated industry is prohibited from offering. A greater momentum of enforcement undertaken by the authorities on the illegal operators will be positive for the Company's immediate prospects.

Customer expectations continue to rise. New technologies and methodologies must be embraced to engage with consumers and meet their needs. A strong investment in human resources is increasingly important, and the ability to attract and retain the right talent will determine the Group's long-term competitiveness.

The introduction of the Magnum Life game has proven to be well-received amongst early adopters, enabling favourable growth prospects for the game among new customers.

The number of Special Draws will be reduced from 22 to 11 in 2019. However, Management is optimistic that the growth trend in per-draw revenues will offset the marginal downward pressure caused by the reduction of Special Draws. With many new positive factors in place, Management holds the expectation that the financial performance for the financial year 2019 at operational level, shall at least match that of 2018.

This Statement was approved by the Board on 28 March 2019.

BOARD OF DIRECTORS' PROFILE

TAN SRI DATO' SURIN UPATKOON

Non-Independent Non-Executive Chairman

Tan Sri Dato' Surin Upatkoon, a Thai national, male, aged 70, was appointed Executive Director of Magnum Berhad ("**Magnum**") on 4 August 2000 and subsequently, on 28 August 2002, he was appointed Managing Director of Magnum where he played a major role in formulating the business strategies and direction of Magnum Group and was actively involved in the policy making aspects of the operations of Magnum Group. On 26 June 2013, he relinquished his executive position and was re-designated to Non-Executive Chairman of Magnum. He is also Chairman of the Remuneration Committee of Magnum.

Tan Sri Surin completed his secondary education in Han Chiang High School, Penang in 1970. He began his career with MWE Weaving Mills Sdn. Bhd. in 1971 as a manager and he was appointed as the Managing Director of MWE Spinning Mills Sdn. Bhd. in 1974 where he was in charge of its daily operations. Subsequently, he was appointed the Managing Director of MWE Weaving Mills Sdn. Bhd. and a Director of MWE Holdings Berhad. Tan Sri Surin has vast working experience and has played a key role in the expansion and development of the MWE Group of Companies.

Currently, he also sits on the Board of MPHB Capital Berhad (a public listed company), Magnum 4D Berhad and several private limited companies in Malaysia and overseas. He is also a Trustee of Chang Ming Thien Foundation and Magnum Foundation.

Tan Sri Surin is the father of Krian Upatkoon, the Executive Director of Magnum.

As at 1 April 2019, Tan Sri Surin is deemed to have an indirect interest in 510,018,961 ordinary shares in Magnum. By virtue of this deemed interest in the voting shares of Magnum, Tan Sri Surin is also deemed to have an interest in the shares of all the subsidiaries of Magnum to the extent of Magnum's interest in these subsidiaries.

He attended all five board meetings held during the financial year ended 31 December 2018.

BOARD OF DIRECTORS' PROFILE (cont'd.)

DATO' LAWRENCE LIM SWEE LIN

Executive Director

Dato' Lawrence Lim Swee Lin, a Malaysian, male, aged 62, was appointed to the Board of Magnum on 28 June 2013 as a Non-Executive Director and was re-designated to Executive Director on 25 February 2014. He is a member of the Group Risk Management Committee of Magnum.

Dato' Lim started his career with a leading merchant bank in Malaysia where he was principally involved in syndications, debt securitisation and project financing. He was appointed to the Board of MWE Holdings Berhad in August 1989 as Executive Director and was involved in the management and operation of MWE Holdings Berhad Group of Companies until he relinquished the executive position in MWE Holdings Berhad in August 2002. Following the conclusion of a privatisation exercise of MWE Holdings Berhad in October 2018, Dato' Lim had resigned as a director of MWE Holdings Berhad on 31 October 2018.

In August 2000 and October 2002, Dato' Lim was appointed to the Boards of Magnum 4D Berhad and Magnum Corporation Sdn. Bhd. respectively. He is currently the Chief Executive Officer of Magnum Corporation Sdn. Bhd. and Executive Director of Magnum 4D Berhad. He also holds directorships in various subsidiary companies in the Magnum Group and a number of other private and public limited companies, both in Malaysia and overseas. He is also a Trustee of Magnum Foundation.

Since 21 November 2018, Dato' Lim was appointed as the Chairman of World Lottery Association – Security and Risk Management Committee. He was the Chairman and an Executive Committee Member of Asia Pacific Lottery Association ("APLA") from November 2014 until his retirement on 11 October 2018. He also sits on the Board of Directors of Malaysian South-South Corporation Berhad.

Dato' Lim holds a Bachelor of Arts Degree in Economics (Honours) from the University of Sheffield, United Kingdom and a Master Degree in Business Administration from the Victoria University of Manchester, United Kingdom.

As at 1 April 2019, Dato' Lim has a direct shareholding of 8,183,826 ordinary shares in Magnum. He is also deemed to have an indirect interest in 3,000,000 ordinary shares in Magnum held through Zenbell Holdings Sdn. Bhd. and its subsidiary, Zenbell (Selangor) Sdn. Bhd. Dato' Lim does not hold any shares in the subsidiaries of Magnum.

He attended all five board meetings held during the financial year ended 31 December 2018.

BOARD OF DIRECTORS' PROFILE (cont'd.)

KRIAN UPATKOON

Executive Director

Krian Upatkoon, a Thai national, male, aged 39, was appointed as Executive Director of Magnum on 18 February 2019. He is also an Executive Director of Magnum 4D Berhad ("Magnum 4D") since 17 May 2018. He joined the Group on 6 April 2014 as Senior Manager of Business Development & E-Marketing. He was later appointed as Head of Business Development & E-Marketing on 1 February 2016 and subsequently promoted as Deputy General Manager of Magnum 4D Group on 1 March 2017.

Krian holds a Master of Science and Engineering in Computer Engineering and Bachelor of Science and Engineering in Computer Engineering, both from University of Michigan, Ann Arbor, USA.

He has more than 10 years of working experiences in web and application development, and has previously managed large deployments of IT infrastructure. Prior to this, he was employed in companies providing online video content delivery services, network architecture, electronic games development and mobile technologies research.

Krian is also the Executive Director of MWE Holdings Berhad which was a public company listed on the Main Market of Bursa Malaysia Securities Berhad until October 2018. He also holds directorships in various subsidiaries and associate companies in the Magnum Group and a numbers of other private companies.

Krian is the son of Tan Sri Dato' Surin Upatkoon, the Non-Independent Non-Executive Chairman and a major shareholder of Magnum.

As at 1 April 2019, Krian has an indirect interest in 3,000,000 ordinary shares in Magnum held through Zenbell Holdings Sdn. Bhd. and its subsidiary, Zenbell (Selangor) Sdn. Bhd. Krian does not hold any shares in the subsidiaries of Magnum.

As at 1 April 2019, Krian had attended all two board meetings held after his appointment to the Board on 18 February 2019.

DATUK VIJEYARATNAM A/L V. THAMOTHARAM PILLAY

Non-Independent Non-Executive Director

Datuk Vijeyaratnam a/l V. Thamotharam Pillay, a Malaysian, male, aged 67, was appointed to the Board of Magnum on 16 November 1999. He is the Chairman of the Nomination Committee. He is also a member of the Group Audit Committee of Magnum.

He is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Accountants. Datuk Vijeyaratnam has considerable experience in the fields of auditing, financial planning, general management and corporate advisory in various business environments. He is currently the Managing Director of his own corporate advisory and consultancy company.

Presently, Datuk Vijeyaratnam also sits on the Board of Eastern & Oriental Berhad (a public listed company) and several other private limited companies in Malaysia. He is also a Trustee of Magnum Foundation.

As at 1 April 2019, Datuk Vijeyaratnam has a direct shareholding of 1,456,070 ordinary shares in Magnum and an indirect shareholding of 60,000 ordinary shares in Magnum held through his spouse. Datuk Vijeyaratnam does not hold any shares in the subsidiaries of Magnum.

He attended four out of five board meetings held during the financial year ended 31 December 2018.

BOARD OF DIRECTORS' PROFILE (cont'd.)

DATO' WONG PUAN WAH

Independent Non-Executive Director

Dato' Wong Puan Wah, a Malaysian, male, aged 71, was appointed to the Board of Magnum on 25 January 2007. He is the Chairman of the Group Audit Committee. He is also a member of the Group Risk Management Committee, Nomination Committee and Remuneration Committee of Magnum.

Dato' Wong has a Bachelor of Science (honours) in Economics from the University of London. He has over 40 years of experience in journalism and had worked with the Straits Times, the Australian Broadcasting Corporation, The Financial Times of London and The Star. Between 1989 and 1996, he was the business correspondent for Radio Australia in Sydney. He was a Business Editor of the Star in 1996 and was The Star's Group Chief Editor from January 2004 to December 2006. He is also author of two best selling books, "Notes to the Prime Minister: The Untold Story of How Malaysia Beat the Currency Speculators" published in 2011, and "Being Abdullah Ahmad Badawi – The Authorised Biography" published in October 2016.

Dato' Wong was on the Board of Bursa Malaysia Berhad from December 2006 to March 2013. He was also on the Board of Assunta Hospital, a private limited company, for 7 years up to January 2014.

As at 1 April 2019, Dato' Wong has a direct shareholding of 61,000 ordinary shares in Magnum. He does not hold any shares in the subsidiaries of Magnum.

He attended all five board meetings held during the financial year ended 31 December 2018.

DATO' LIM TIONG CHIN

Independent Non-Executive Director

Dato' Lim Tiong Chin, a Malaysian, male, aged 66, was appointed to the Board of Magnum on 22 August 2017. He is the Chairman of the Group Risk Management Committee. He is also a member of the Group Audit Committee, Nomination Committee and Remuneration Committee of Magnum.

Dato' Lim is a Public Accountant by profession, and is a Fellow of the Institute of Chartered Accountants in England and Wales. He is also an Associate Member of the Institute of Certified Public Accountants and Malaysian Institute of Accountants.

Dato' Lim was the Managing Director of A.A. Anthony Securities Sdn. Bhd. from 2001 to February 2013. Prior to joining A.A. Anthony Securities Sdn. Bhd., he was a Partner of Kiat & Associates from 1977 to 1983; the General Manager of A.A. Anthony & Co. Sdn. Bhd. from 1983 to 1985, and the Chairman and Managing Director of A.A. Anthony & Co. Sdn. Bhd. from 1985 to 3 September 2001.

Currently, he also sits on the Board of MPHB Capital Berhad (a public listed company), The Kedah Transport Company Berhad (In voluntary liquidation) and several private limited companies in Malaysia.

As at 1 April 2019, Dato' Lim has a direct shareholding of 4,935,000 ordinary shares in Magnum. He is also deemed to have an indirect interest in 10,512,000 ordinary shares in Magnum held through Keetinsons Sendirian Berhad, T.C. Holdings Sendirian Berhad and Trade Key Investment Limited. Dato' Lim does not hold any shares in the subsidiaries of Magnum.

He attended all five board meetings held during the financial year ended 31 December 2018.

ADDITIONAL INFORMATION:

1. Save for Tan Sri Dato' Surin Upatkoon and Mr Krian Upatkoon, none of the Directors has any family relationship with any other director and/or major shareholder of Magnum;
2. None of the Directors has any conflict of interest with Magnum;
3. None of the Directors has:
   (i) been convicted of any offence within the past five years; and
   (ii) been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year 2018.

KEY SENIOR MANAGEMENT'S PROFILE

DATO' LAWRENCE LIM SWEE LIN

Executive Director of Magnum Berhad; Chief Executive Officer of Magnum Corporation Sdn. Bhd. and Executive Director of Magnum 4D Berhad

Dato' Lawrence Lim Swee Lin, a Malaysian, male, aged 62, was appointed to the Board of Magnum Berhad ("**Magnum**") on 28 June 2013 as a Non-Executive Director and was re-designated to Executive Director on 25 February 2014.

On 28 August 2000 and 4 October 2002, Dato' Lim was appointed to the Boards of Magnum 4D Berhad and Magnum Corporation Sdn. Bhd. respectively. He was re-designated as Chief Executive Officer of Magnum Corporation Sdn. Bhd. from Executive Director with effect from 1 August 2008. His scope of work involves strategic planning & development, managing the overall operations and resources of the company.

Dato' Lim also holds directorships in various subsidiary companies in the Magnum Group and a number of other private and public limited companies, both in Malaysia and overseas. He is also a Trustee of Magnum Foundation.

Since 21 November 2018, Dato' Lim is the Chairman of World Lottery Association – Security and Risk Management Committee. He was the Chairman and an Executive Committee Member of Asia Pacific Lottery Association ("APLA") from November 2014 until his retirement on 11 October 2018. He also sits on the Board of Directors of Malaysian South-South Corporation Berhad.

Dato' Lim started his career with a leading merchant bank in Malaysia where he was principally involved in syndications, debt securitisation and project financing. He was appointed to the Board of MWE Holdings Berhad on 1 August 1989 as Executive Director and was involved in the management and operations of MWE Holdings Berhad Group of Companies until he relinquished his executive position in MWE Holdings Berhad in August 2002. Following the conclusion of a privatisation exercise of MWE Holdings Berhad in October 2018, Dato' Lim had resigned as a director of MWE Holdings Berhad on 31 October 2018.

Dato' Lim holds a Bachelor of Arts Degree in Economics (Honours) from the University of Sheffield, United Kingdom and a Master Degree in Business Administration from the Victoria University of Manchester, United Kingdom.

As at 1 April 2019, Dato' Lim has a direct shareholding of 8,183,826 ordinary shares in Magnum. He is also deemed to have an indirect interest in 3,000,000 ordinary shares in Magnum held through Zenbell Holdings Sdn. Bhd. and its subsidiary, Zenbell (Selangor) Sdn. Bhd. Dato' Lim does not hold any shares in the subsidiaries of Magnum.

KRIAN UPATKOON

Executive Director of Magnum Berhad; and Executive Director of Magnum 4D Berhad

Krian Upatkoon, a Thai national, male, aged 39, was appointed as Executive Director of Magnum Berhad on 18 February 2019. He is also an Executive Director of Magnum 4D Berhad ("Magnum 4D") since 17 May 2018. He joined the Group on 6 April 2014 as Senior Manager of Business Development & E-Marketing. He was later appointed as Head of Business Development & E-Marketing on 1 February 2016 and subsequently promoted as Deputy General Manager of Magnum 4D Group on 1 March 2017.

Krian holds a Master of Science and Engineering in Computer Engineering and Bachelor of Science and Engineering in Computer Engineering, both from University of Michigan, Ann Arbor, USA.

He has more than 10 years of working experiences in web and application development, and has previously managed large deployments of IT infrastructure. Prior to this, he was employed in companies providing online video content delivery services, network architecture, electronic games development and mobile technologies research.

Krian is also the Executive Director of MWE Holdings Berhad which was a public company listed on the Main Market of Bursa Malaysia Securities Berhad until October 2018. He also holds directorships in various subsidiaries and associate companies in the Magnum Group and a numbers of other private companies.

Krian is the son of Tan Sri Dato' Surin Upatkoon, the Non-Independent Non-Executive Chairman and a major shareholder of Magnum Berhad.

As at 1 April 2019, Krian has an indirect interest in 3,000,000 ordinary shares in Magnum held through Zenbell Holdings Sdn. Bhd. and its subsidiary, Zenbell (Selangor) Sdn. Bhd. Krian does not hold any shares in the subsidiaries of Magnum.

KEY SENIOR MANAGEMENT'S PROFILE (cont'd.)

LUM FOOK SENG

Chief Financial Officer of Magnum Berhad; and Chief Financial Officer of Magnum Corporation Sdn. Bhd.

Lum Fook Seng, a Malaysian, male, aged 54, was appointed as Chief Financial Officer of Magnum Berhad and Magnum Corporation Sdn. Bhd. on 1 June 2018. He joined Magnum 4D Berhad (formerly known as Leisure Management Berhad) on 12 February 1992 and was promoted to Acting Finance Manager on 10 May 1993 before assuming the Finance Manager role on 1 January 1994. He was promoted as the Head, Finance and Administration of Magnum 4D Berhad on 1 January 2013.

Fook Seng also sits on the Board of various gaming and non-gaming subsidiaries of Magnum Group.

He is a Registered Accountant and a Fellow member of The Chartered Association of Certified Accountants (ACCA) and a graduate of The Institute of Chartered Secretaries Association (ICSA). He also holds a Diploma in Business Management.

Fook Seng started his accountancy career in Property sector for 3 years before joining Magnum 4D Berhad and to-date, has more than 27 years of experience in Gaming industry, in particular the back room operations.

Currently, his key responsibilities includes financial and management reporting, regulatory compliance, tax planning and compliance, treasury and financing, human resource and administration matters of Magnum Group.

As at 1 April 2019, Fook Seng has a direct shareholding of 80,236 ordinary shares in Magnum. He does not hold any shares in the subsidiaries of Magnum.

SEAH KOK LEONG

General Manager cum Chief Marketing Officer of Magnum 4D Berhad

Seah Kok Leong, a Malaysian, male, aged 60, started his managerial career with the company at the Branch and Regional Office level in 1983 and was promoted to head the Operations Division in 1992. He was appointed as Chief Marketing Officer on 1 January 2010. He also holds the position of General Manager since 1 December 2010.

Kok Leong has vast gaming experience and plays a key role in formulating the marketing and product strategies of the Group for greater market penetration and expansion. He heads the management and operations committee of the Gaming Unit.

He holds a Post-Graduate Diploma in Business Administration from the University of Central Lancashire, United Kingdom.

As at 1 April 2019, Kok Leong has a direct shareholding of 330,838 ordinary shares in Magnum. He does not hold any shares in the subsidiaries of Magnum.

KEY SENIOR MANAGEMENT'S PROFILE (cont'd.)

BEH SWAN SWAN

Chief Information Officer, Magnum Group; and Head, Magnum Group CSR

Beh Swan Swan, a Malaysian, female, aged 60, graduated with a Bachelor of Science (Computer Science) from Monash University, Melbourne, Australia in 1980.

Swan Swan joined Magnum Corporation Sdn. Bhd. ("**MCSB**") as the Software Services Manager on 1 April 1988 when MCSB Group first embarked onto their Computerisation exercise connecting Point-of-Sales terminals from all the Retail Outlets. She is instrumental to set up the IT Division to provide overall IT support for the MCSB Group.

Swan Swan was promoted to General Manager of Magnum Information Technology Sdn. Bhd. in January 1997 and in January 2013, she was redesignated to be the Group Chief Information Officer ("CIO") in MCSB Group.

Swan Swan was appointed to be the Company's Group Risk Management Officer in 2017.

She is also the Head of the Magnum Group CSR division since 2014 and is actively involved in implementing numerous CSR initiatives for the Organisation under the MagnumCares umbrella.

Swan Swan is also serving as the Secretariat Administrator for the Asia Pacific Lottery Association (APLA) and in 2018, she also sits on the World Lottery Association's Security and Risk Management Committee.

Swan Swan is the Immediate Past Chairperson of the Malaysian CIO Chapter which has a membership of more than 100 CIOs from major Corporates in Malaysia. This Chapter is strongly supported by PIKOM which is the National ICT Association of Malaysia.

Swan Swan was awarded the "2017 CIO Excellence Award" from PIKOM for her leadership role in the IT industry in Malaysia. Swan Swan was also awarded with the ASEAN CIO Award 2013 by IDG (International Data Group) ASEAN to be one of the most outstanding CIOs in the ASEAN region at the 2013 CIO/CSO Summit held on 25 September 2013 in Ho Chi Minh, Vietnam.

As at 1 April 2019, Swan Swan has a direct shareholding of 400,534 ordinary shares in Magnum. She does not hold any shares in the subsidiaries of Magnum.

DATUK CHAN CHEE FAI

Chief Commercial Officer of Magnum 4D Berhad

Datuk Chan Chee Fai, a Malaysian, male, aged 55, is the Chief Commercial Officer of Magnum 4D Berhad. He joined the company in June 1991 as an Operations Officer and was appointed to the current position since April 2015.

Datuk Chan holds an Executive Master Degree in Business Administration from University of Lincoln, United Kingdom and is a Fellow of Malaysian Institute of Management.

One of his main areas of responsibility is to oversee the management of the 8 gaming subsidiary companies which in turn manages the 485 Magnum retail outlets spread out in Peninsular Malaysia and the State of Sarawak. Datuk Chan is responsible to ensure compliance of the retail outlets and also on the overall Sales Performance.

Datuk Chan also liaise closely with various Government agencies in ensuring that the Company complies with all regulations required for the gaming business.

As at 1 April 2019, Datuk Chan has a direct shareholding of 25,000 ordinary shares in Magnum. He does not hold any shares in the subsidiaries of Magnum.

ADDITIONAL INFORMATION:

1. Save as disclosed in the profiles of Dato' Lawrence Lim Swee Lin and Krian Upatkoon, none of the other Key Senior Management has any directorship in public companies and listed issuers;
2. Save for Krian Upatkoon, none of the other Key Senior Management has any family relationship with any director and/or major shareholder of Magnum;
3. None of the Key Senior Management has any conflict of interest with Magnum;
4. None of the Key Senior Management has:
   a. been convicted of any offence within the past five years; and
   b. been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year 2018.

SUSTAINABILITY STATEMENT

OVERVIEW

We are pleased to publish for the 3rd consecutive year, Magnum Berhad ("Magnum") together with its principal subsidiary, Magnum Corporation Sdn. Bhd.'s ("MCSB") Sustainability Report which represents our ongoing effort as Malaysia's pioneer and leading gaming Company, to embrace sustainability in both our management decisions and internal processes in operating our business in a responsible manner.

While the business environment that we operate in remains fairly the same as compared to previous year, the economic environment poses a huge challenge with the continuing proliferation of the illegal gaming operators with their aggressive approach.

2018 was a significant year for Magnum as its principal subsidiary, MCSB celebrated its 50th Anniversary. To coincide with this milestone, our Company embarked on a major Rebranding & Reimaging exercise starting with the launching of a new refreshing Company logo that symbolises a dynamic, innovative and progressive company. We have started a 3 year nationwide rebranding and reimaging of our lottery retail outlets and 60 lottery retail outlets had been renovated as at 31 December 2018. Most of our Branch Offices have also been upgraded.

In order to remain relevant in a market where we need to also appeal to the younger players, MCSB launched a new lifestyle game known as "Magnum Life" in April 2018. This game replaced the not so well received 4D Powerball game.

MCSB is the 1st operator in South-East Asia to offer this game. This game appeals to a new segment of market players who accepts a prize payment proposition whereby the thought of winning RM1,000 a day for 20 years for the Grand Prize can offer them financial freedom to augment their lifestyle and pursue their passion. This game has been well-received so far and encourages us to continue to promote this new game. It also allows us to differentiate with our competitors both legal and illegal.

MCSB also recognises that we need to remain focus in providing our customers a pleasant user experience when they visit our store or our website. Whilst we have revamped our website and in the midst of reimaging our outlets, we are also investing in resources to relook at how our processes and policies need to be changed to adapt to making the customer experience pleasant and hassle-free. We call this our 'Customer-First' project.

As we also recognise that we need all the support from our own workforce to pursue mind-set changes and upgrading of skills, we are investing in human capital development programmes with the objective to nurture, enhance, retain our talent and equip them to lead and propel the continuous growth of the Company going forward.

In parallel to what we have set out to achieve, we also take cognisance of our role in discharging our corporate social responsibilities to the community we serve. These are discharged under our MagnumCares umbrella where we believe "Nobody Can Do Everything but Everybody Can Do Something".

In all that we embark on, it clearly demonstrates our commitment and drive to create value and to grow our business in a sustainable manner resulting in us being able to enhance our leading position as the trusted and innovative industry leader who endeavours to uphold the integrity and respect of all our stakeholders.

STRATEGIC APPROACH TO SUSTAINABILITY

As the pioneer and leading gaming operator in Malaysia, MCSB is committed to instil a professional approach to ensure our business operations are benchmarked against global industry best practices; we subject ourselves to be certified under the World Lottery Association's Responsible Gaming Framework and also the World Lottery Association's Security Control Standards; both of which have established standards that lottery operators have to comply in order to achieve their stringent certification approvals.

There are many stakeholders that can influence our business as such, it is important that we maintain a professional relationship with all parties in not only educating them on the challenges we face but also ensuring that they are aware of the role we play in the Community. We are in constant engagement with each stakeholder to understand their concerns and expectations and how all parties can come together to achieve a win-win arrangement best for the industry.

SUSTAINABILITY STATEMENT (cont'd.)

Our commitments to the three categories of achieving business sustainability are as follows:

1. **Economic sustainability**

   Magnum strives to create stakeholder long term value creation by adhering to strong corporate governance practices together with the highest levels of service, integrity and responsibility. We strive to create an organisational environment of engaging key community stakeholders and empowering individuals to contribute to sustainable business development.

2. **Social sustainability**

   Magnum continuously support good causes and practices self-regulation to ensure we voluntarily promote responsible gaming; you can see that in how we design the 'cascading feature' into our 4D Jackpot game and the RM1000 a day for 20 years prize winning in the Magnum Life game. We want to also encourage responsible winning amongst our customers. Magnum offers its games as a lifestyle, fun and entertaining experience.

3. **Environmental sustainability**

   Magnum endeavours to be a responsible corporate citizen by lowering its environmental footprint by maximising efficiency on resources. We are committed to comply with the industry's environmental best practices and strive for continual improvement in environmental management system by supporting conservation efforts.

OUR APPROACH TO SUSTAINABILITY

SUSTAINABILITY STATEMENT (cont'd.)

SCOPE

The scope of this sustainability disclosure encompasses the operation of Magnum, its principal subsidiaries and our entire business operations. Magnum conducts its business primarily in the domestic market.

The business is managed by the sole agent Magnum 4D Berhad and the 8 Area Agents in Selangor (including Federal Territory of Kuala Lumpur), Perak, Penang, Negeri Sembilan, Melaka, Johor, Pahang and Sarawak (including Federal Territory of Labuan). The 8 Area Agents are responsible to manage the retail outlets in their respective jurisdiction. Magnum operates via 485 lottery retail outlets strategically located nationwide, other than in the States of Kelantan, Terengganu and Sabah.

This report describes Magnum and its journey towards ensuring a sustainable business and being a responsible corporate citizen in the Malaysian market.

REPORTING PERIOD

The information in this report covers the reporting period from 1 January 2018 to 31 December 2018. This report has been prepared with reference to the Sustainability Reporting Guide and Toolkits, issued by Bursa Malaysia Securities Berhad.

SOURCES AND DATA GATHERING SYSTEMS

The contents of this report are based on the results of extensive stakeholders' engagement, which involves both internal and external stakeholders and other interested parties. Data sources include internal documents, market surveys, relevant external reports, target focus group studies, workshops, brainstorming sessions and other official sources indicated in this report.

We have not sought external assurance for this report, as we continue to progress and improve data collection systems and we will consider engaging external assurances once our reporting system matures.

FEEDBACK

We welcome your comments, thoughts and remarks to improve our reporting format, which should be directed to our registered office at:

Magnum Berhad
35th Floor, Menara Multi-Purpose, Capital Square,
No.8, Jalan Munshi Abdullah
50100 Kuala Lumpur, Malaysia
Tel: +603 26988033 or Fax: +603 26989885
Email to: corporate@magnum.my

SUSTAINABILITY STATEMENT (cont'd.)

PRINCIPAL RISK AND OPPORTUNITIES

PRINCIPAL RISKS	PRINCIPAL OPPORTUNITIES AND ACTIONS TAKEN
• Strict regulatory bodies and authorities • Attracting negative perception – gambling addiction, creating social ills, source for money laundering • Stiff and unregulated competition from illegal lottery operators and various forms of online and mobile gaming • A weak economic domestic market that affect the disposable income of the people • A weakening global market due to trade wars and economic slowdown and contraction • Increasing costs of living resulting in reduced disposable income and consumer demand • Change in government policies • Reduction in the number of draws that affect Company's top line • Ageing market	• Strict compliance to legislations from all regulators and authorities to safeguard public interest, consumer protection, tax compliances • Proactively promote "Responsible Gaming" to players on the need to play for fun and spend within their means • Positive sign of enforcement agencies increasing effort in curbing illegal gaming and continuous engagement with enforcement agencies to take more proactive action • Compliance with the Anti-Money laundering team to be alerted on any early signs of money laundering activities • Developing effective marketing programmes & strategy to offer more benefits and rewards to attract players to buy from legal operators • Upskilling the operator service level • Reimaging of retail outlets to give it a fresh brand new look to attract more footfalls • Provision of ticket checker at retail outlets to ease checking winning status • Mobile app to provide suite of friendly functionalities especially on the popular scanning of winning status • Prioritising "Customer First" as our new mantra and reviewing processes to be more customer-centric • Developing fun and easy to play games to appeal to new market segment – Magnum Life launched in April 2018

SUSTAINABILITY STATEMENT (cont'd.)

ENGAGEMENT WITH STAKEHOLDERS

Our business system is scaled and shaped by our relations with various internal and external stakeholders governing the markets in which we operate; we believe that disclosure and corporate performance are closely linked. We actively engage with all stakeholders such as regulators, business partners, media, investment community and our customers to understand their needs, expectations and challenges in order to allow us to enhance and develop better business practices, identify and address emerging risks and overall to ensure we can manage our business more impactfully towards matters that can allow us to better manage our Economic, Environmental and Social issues.

Our engagement with various stakeholders is an ongoing process, ensuring that we maintain a strong relationship that is based on trust which is paramount to our business success. We constantly review our approach to ensure that key sustainability challenges impacting our stakeholders, businesses and community are addressed across our value chain. The valuable feedbacks we receive on policies and procedures on our business operations provides an important input in our identification of materiality issue that allow us to formulate key strategies to address concerns that is deemed material by stakeholders and to ensure our business remains sustainable.

SUSTAINABILITY STATEMENT (cont'd.)

A summary of various engagement activities is shown in the table below:

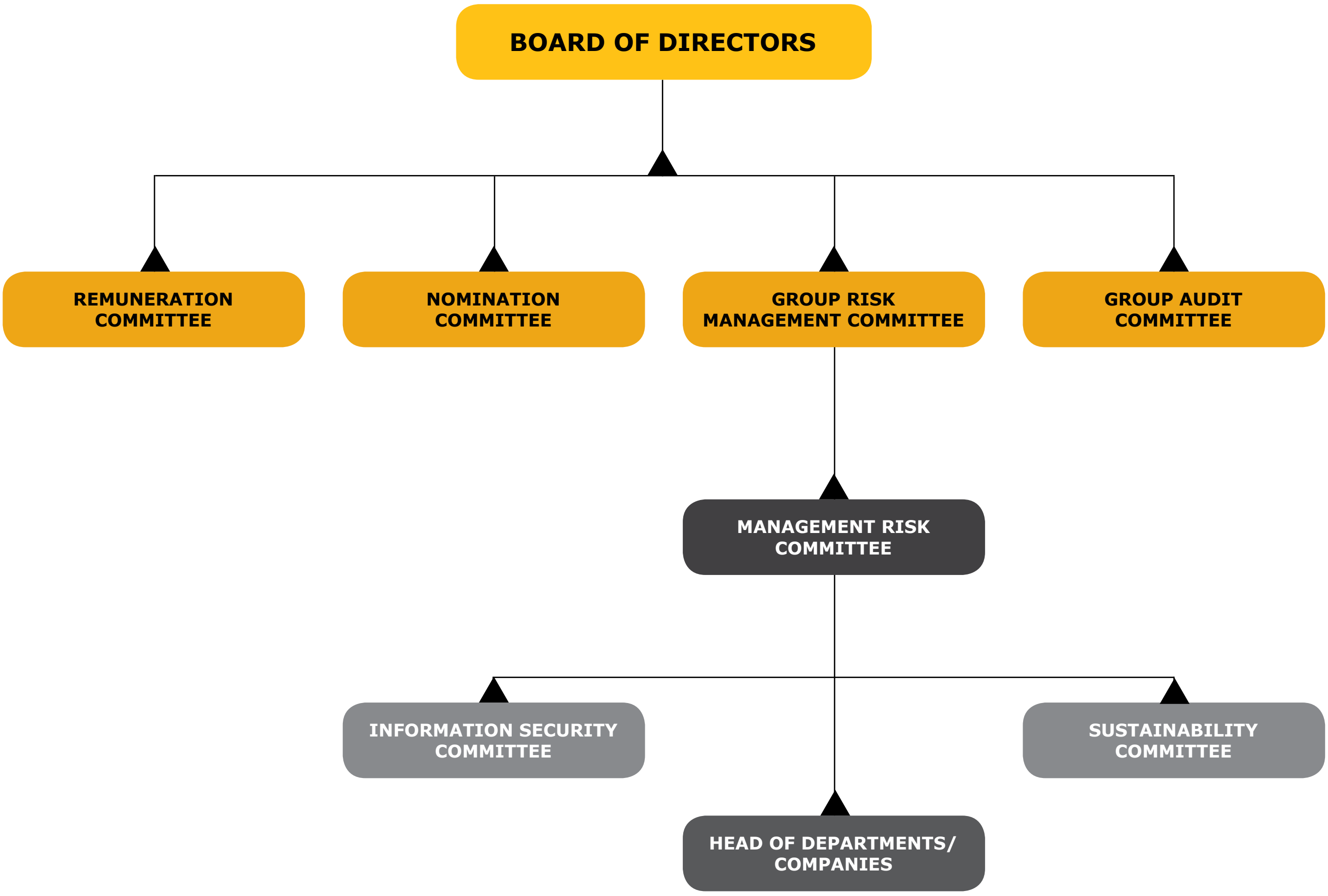
STAKEHOLDERS	ENGAGEMENT APPROACH	STAKEHOLDERS' INTEREST
COMMUNITY	• Sponsorship • Donation drive • Roadshow • Dialogue • Community development and outreach programmes • Community engagement activities • Education programmes	• Community care and support • Good corporate governance • Fostering community initiatives • Inculcate caring and sharing spirit • Empowering employees involvement • Giving back to the community
CUSTOMERS	• Customer Careline • On ground engagement • Face-to-face dialogues • Social media platforms • At retail outlets • Webmaster • Market survey	• Enhancing customer journey & experience • Maintaining high level of customer service satisfaction • Protecting customer personal data privacy • Designing and providing solutions that help meet customers' needs • Creating awareness on responsible gaming • Adopting strategies that provide prompt and complete solution to customers • Encouraging customers to patronise legal operators • Product responsibility
EMPLOYEES	• Dialogue and engagement • Meetings • Focus group discussion • Change agent programme • Training & Development programmes • Recreation and team-building sessions • Mentoring • Workshop • Bulletin board	• Career development • Succession Planning • Internal Communication strategy • Execution of Company direction • Workplace, health and safety practices • Gender equality • Fostering team bonding • Conducive working environment • Fair and just reward compensation • Upskilling and training • Professional and personal development
ENVIRONMENT	• Media • Social Media • Forum • Meetings • Discussions	• Reducing carbon footprint • Responsible waste disposal • Compliance with legal environmental requirements • Optimising resource efficiency • Promote environmental conservation
MEDIA	• Press releases • Media coverage • Press interviews • Press briefings	• Corporate update • Dissemination of draw results • Financial performance update • Update of Company's events • CSR • Industry update

SUSTAINABILITY STATEMENT (cont'd.)

STAKEHOLDERS	ENGAGEMENT APPROACH	STAKEHOLDERS' INTEREST
REGULATORS	• Dialogue sessions • Ad hoc meeting • Regular meetings and consultations • Reporting • Formal and informal meeting • Engagement forum	• Full compliance with legislative framework and regulatory requirements • Ensure accountability and integrity • Regulatory disclosure • Adhere to strict monitoring and enforcement of anti-money laundering policy • Counteracting against illegal and problem gaming • Enforcement of responsible gaming policy • Factors affecting Industry landscape • Timely payment of taxes due
SALES PARTNERS	• Training programmes • Regular engagement • Agency visits • Collaboration programmes • Get-together events • Dialogues	• Exchanging of ideas and market update • Problem solving • Compliance to Company's rules and regulations • Partnership marked with respect and integrity • Provision of hardware and software support and helpdesk services • Offer multiple range of integrated services • Provision of technologically advanced, innovative and safe products
SHAREHOLDERS/ INVESTORS	• Annual General Meeting (AGM) • Quarterly financial reports • Corporate presentation • Company's website • Annual report • Analysts briefings	• Return on investment • Commitment to responsible business practices • Advocating strong corporate governance and compliance • Delivering consistent growth • Effective risk management policy • Uphold high level of ethical values and principles • Public disclosure of information
SUPPLIERS & VENDORS	• Supplier & Vendor assessment • Quotation requests • Tender and bidding • Regular meeting and site visits • Discussion and consultation • Relationship building	• Ethical supplier management system • Uphold business integrity • Fair treatment to business partners • Ethical and responsible conduct

SUSTAINABILITY STATEMENT (cont'd.)

SUSTAINABILITY GOVERNANCE



The Board and Management strongly believe that a genuine commitment to good corporate governance is essential to the sustainability of its business and performance. The Board of Directors is the highest governing body of our sustainability strategy whose roles include goal setting and laying the foundation for the Company to thrive through our sustainability pillars.

The Board is supported by the Group Risk Management Committee in charting out the Group's sustainability framework that aligns the key material issues to mirror the strategic pillars of the business and also undertaking an oversight role on the management of material sustainability issues.

The Magnum Sustainability Committee which reports to the Group Risk Management Committee is responsible for charting out the Group's sustainability framework including the formulation of sustainability policies and setting of Key Performance Indicators (KPIs). In addition, the Group Risk Management Committee together with the Sustainability Committee act as the architect and implementer of Magnum sustainability initiatives across the Group. They are also responsible for monitoring, reviewing key risks and opportunities and setting key targets in consultation with all relevant stakeholders. The Heads of Departments/Companies are also included to implement the policies and deliver the KPIs.

The Board and the Management are committed to continually review, assess and improve upon all the sustainability processes from time to time.

To encourage sustainable key performance, the Board, Management and the staff will be incentivised with bonus remuneration.

SUSTAINABILITY STATEMENT (cont'd.)

MATERIALITY

Our sustainability material assessments are considered material when they reflect the organisation's economic, environmental, and social impacts that substantially influence shareholders' decisions. Therefore, such topics represent the sustainability issues pivotal to Magnum and the relevant expectations of stakeholders, taking into account the sustainability context of the industry.

Determining materiality helps us to identify and prioritise on the type of important issues to focus our efforts on and this serves as guidance for the direction of the Company in our sustainability journey. We define material issues as those that would likely to have a significant impact and are relevant to our key stakeholders.

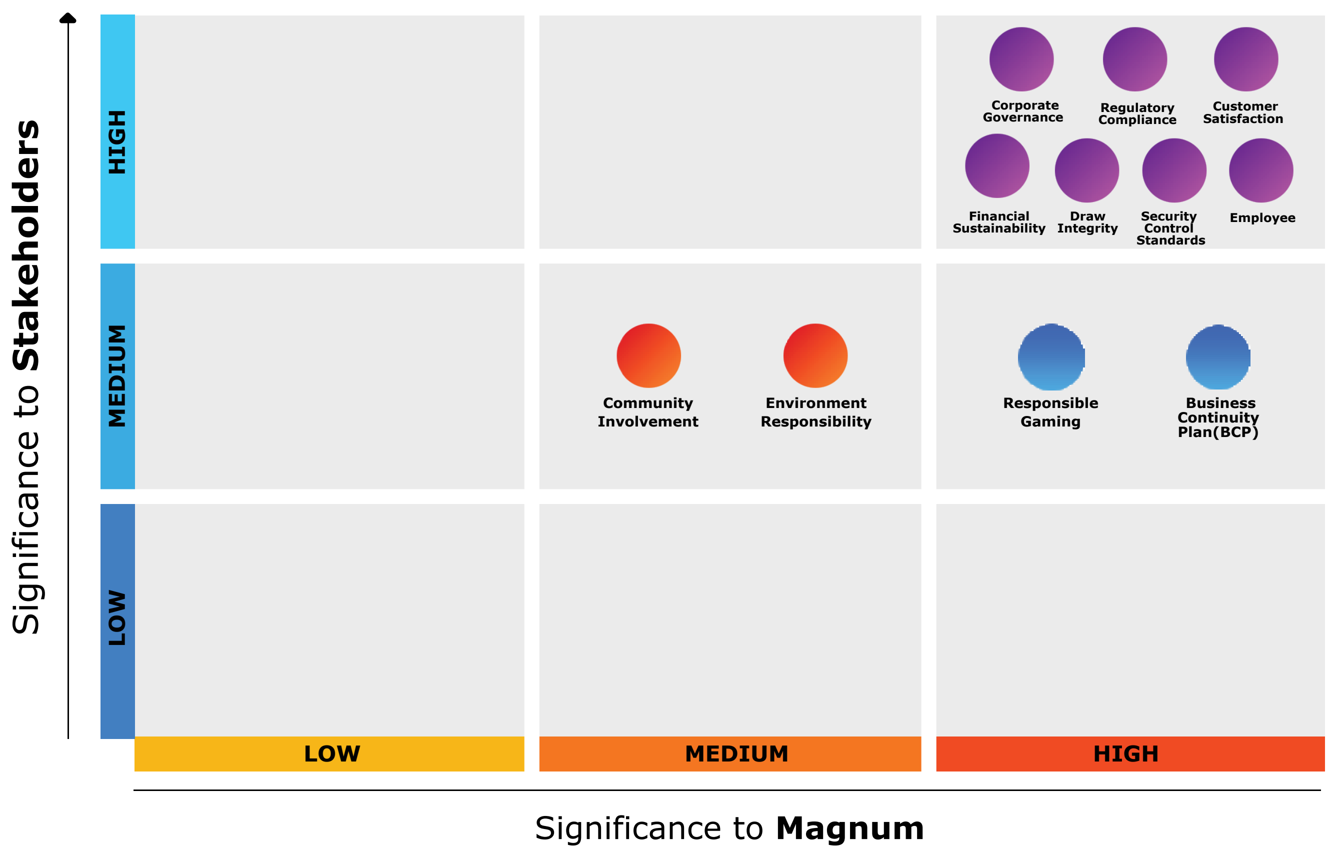
Materiality analysis allows us to take a closer look at the sustainability issues that have the greatest impact and could significantly affect the ability of our Company to execute business strategies.

Our report is structured according to the sustainability topics identified through an identification and prioritisation process after considering on the severity of impacts, risks and opportunities to evaluate the importance and business impact on each topic.

MATERIALITY MATRIX

We consulted both internal and external stakeholders, as well as conducted market research on our industry to evaluate and establish material matters that are unique and industry-relevant that is paramount to ensuring sustainability for our business.

Moving forward, we aim to improve our materiality assessment process by reaching out to more stakeholder groups.



SUSTAINABILITY STATEMENT (cont'd.)

ECONOMIC SUSTAINABILITY

2018 FINANCIAL HIGHLIGHTS

REVENUE:

RM 2.70 BILLION

(2017 : RM 2.65 BILLION)

PROFIT BEFORE TAX

RM 313.3 MILLION

(2017 : RM 306.6 MILLION)

PROFIT AFTER TAX *

RM 108.0 MILLION

(2017 : RM 209.3 MILLION)

DIVIDEND PER SHARE

15.0 SEN

(2017 : 11 SEN)

EARNINGS PER SHARE *

7.4 SEN

(2017 : 14.5 SEN)

RETURN ON EQUITY *

4.30%

(2017 : 8.33%)

* *The lower Profit for the financial year 2018, Basic Earnings Per Share ("EPS") and return on equity were mainly due to the one-off and non-recurring tax and penalty expense arising from the tax dispute of RM148.14 million. After discounting this one-off and non-recurring tax and penalty expense, the Profit for the financial year 2018 is RM256.19 million, the operational EPS is 17.8 sen for financial year 2018 and return on equity is 10.69% for financial year 2018.*

SUSTAINABILITY STATEMENT (cont'd.)

ECONOMIC PERFORMANCE

Despite 2018 being a challenging year, Magnum recorded an increase in revenue of 2.1% as compared to previous year and this marked a welcome turnaround of the negative trend that has occurred over the recent years.

The increase was helped by more active enforcement on illegal operators by the authorities and aided by strong sales from the 4D Jackpot game which experienced a long 4D Jackpot run when the Jackpot amount crossed the RM30 million mark. This triggered the cascade feature together with effective marketing communication strategies helped achieve this positive trend.

Magnum is committed to continue and strengthen our capabilities to deliver and create long term value for our shareholders and increasing value for all stakeholders and to remain resilient and competitive by adopting best practices and good corporate governance.

The number of Special Draws will be reduced from 22 to 11 in 2019. However, the Management is optimistic that the growth trend in per-draw revenues will offset the marginal downward pressure caused by the reduction of Special Draws. Nevertheless, the Management have come out with various strategies to sustain our sales in order to gain back market share from the illegal 4D operators. We will also be introducing programmes to attract and retain existing customers as well as to attract and appeal to new players. We believe that such efforts would positively help to invigorate sales, or at least to mitigate the negative impact to our top-line.

CORPORATE GOVERNANCE & COMPLIANCE

Sound corporate governance is the cornerstone of our operations. Magnum's corporate governance adheres to the following requirements and guidelines:

- Malaysian Code on Corporate Governance 2017
- Ministry of Finance (MOF) – Pool Betting Act 1967, Common Gaming House Act 1953, Gaming Tax Act 1972
- Companies Commission of Malaysia (CCM) – Companies Act 2016
- Securities Commission - Capital Markets & Services Act 2007
- Bursa Malaysia – Main Market Listing Requirements of Bursa Malaysia Securities Berhad
- United Kingdom Accreditation Service (UKAS) – ISO 27001:2013 Information Security Management System (ISMS) Framework
- World Lottery Association ("WLA") – WLA Security Control Standard (WLA-SCS) 2016 and WLA Responsible Gaming Framework
- Malaysian Accounting Standards Board – Malaysian Financial Reporting Standards (MFRSs)
- International Accounting Standards Board (IASB) – International Financial Reporting Standards (IFRSs)

DRAW INTEGRITY

Draw integrity is of paramount importance to MCSB, and MCSB has developed in place a very stringent Standard Operating Procedures ("SOP") on our Lottery Draw Policy and Control to safeguard the integrity of the draw proceedings with each draw being carried out by a team comprising members of draw committee under the close scrutiny by a Senior Head of Department together with a Senior member from the Group Internal Audit Department to ensure that the draw is conducted free of any potential fraudulent attempts.

The adherence to the Lottery Draw Management guidelines and control as advocated by the WLA, of which, MCSB is a member of, has further strengthened and reinforced the control in the management, operations and conduct of the draw.

The Management constantly review the SOP to improve upon the processes and controls and together with the internal and WLA certified auditors' yearly review and audit of this critical operation will ensure that all the procedures are fully complied with.

BUSINESS CONTINUITY PLAN

The purpose of Business Continuity Planning ("BCP") is to provide detailed guidance of a formal recovery plan that allows all business units to achieve timely recovery of services from a disaster. Magnum has put in place a comprehensive BCP plan to ensure that in the event of any disaster disruption, the system can be effectively recovered at the shortest time so as to minimise the impact affecting our entire operations, especially if it happens on a draw day. The BCP plan

SUSTAINABILITY STATEMENT (cont'd.)

not only covers the Gaming operations, but also covers across all business units of Magnum group at all levels to prepare and be ready from any disruption caused by occurrence of any minor or major disaster.

During the year, we conducted and simulated a major critical system disaster drill and also carried out three (3) critical operational BCP drills to ensure all business units and staff are well prepared and familiar on what to do and how to handle the different situation that is affecting them, with the emphasis that staff safety is of utmost priority and of paramount importance in the event of the occurrence of any disaster.

The Management constantly review the BCP ensuring the plan keeps up with the changing dynamics of the business environment and closely monitor and measure the performance against acceptable risks to ensure that our preparation and reaction matches the standards set.

ANTI-MONEY LAUNDERING ACTIVITIES

The gaming industry is often exposed to negative publicity related to alleged association with money laundering, and under the directive of the authorities, Magnum take a serious view of this and establish and maintain an appropriate and comprehensive system and internal controls to enable the identification, monitoring and early detection of such activities. We continue to review and update on compliance measures that is critical to ensure effective surveillance against such activities.

SECURITY CONTROL STANDARD CERTIFICATION

On 4 November 2013, MCSB became the first lottery company in Asia to be awarded with the WLA-SCS (World Lottery Association-Security Control Standard) certification, and MCSB is also the proud member of the Asia Pacific Lottery Association ("APLA") which are member-based organisations that advances the interest of lottery operators.

Developed specially by the WLA for its lottery members, the WLA-SCS:2016 is the only internationally recognised security standard in the lottery sector. It comprises of a set of comprehensive information security controls and management baseline that also incorporates the ISO/IEC 27001:2013, a leading international standard for information security management. The combined security control requirements in both standards provide an effective security framework whereby the people, process and technology are in place in the organisation. By implementing an information security management system compliant with both the WLA-SCS:2016 and ISO/IEC 27001:2013, MCSB ensures that its lottery business and customers' data are well protected against the identified business risks.

The WLA-SCS certification is renewed once every three years, subject to the successful passing of the recertification audit and annual periodic audit. In year 2019, MCSB will continue to pursue for re-certification for the third time, this demonstrates MCSB's continual effort and commitment to security and integrity in its lottery operations.

SOCIAL SUSTAINABILITY

RESPONSIBLE GAMING

Responsible Play is about being informed, having fun, excitement and knowing your limits. MCSB views Responsible Gaming as an integral part in our gaming operations and the Management Team is fully committed and supportive to put in place the necessary processes and procedures under the WLA Responsible Gaming Framework to operate in an ethical and socially responsible manner. MCSB attained the Level 2 Certification for the WLA Responsible Framework on 10 September 2012 and continue to maintain this certification.

MCSB is currently in the midst of finalizing for Level 3 certification, a step further to show our commitment to the community and to live up to our commitment of fair and fun entertainment. We also have a shared responsibility to help our customers only spend what they intended and to have a positive playing experience.

SUSTAINABILITY STATEMENT (cont'd.)

We want the stakeholders to look at us with a different perspective, a Company that is committed to reduce gambling risks by creating and delivering innovative awareness and informative programmes for our customers.

MCSB will be launching the first ever in Malaysia "Winning Handbook". This handbook offers advice and guidance on how to get everyone back on the right track after bringing back home a huge amount of winnings. We are also working towards improving our website by enhancing the Play Responsibly section which includes self-risk assessment on gambling problem.

Magnum Life was the first game that was introduced in line with the Company's Corporate Social Responsibility – Play Responsibly message.

This game offers life enhancing opportunities with worry free money management. With the prize money credited daily into the winner's bank account, winner/(s) can plan and manage his winnings without fear of spending it all at once, especially applicable to the younger generations that value work life balance.

Nevertheless, MCSB will continue to raise its bar by promoting responsible gaming and engaging its players through awareness, education and also build-in safeguards at all its retail outlets, on line channels, promotional and marketing posters to educate and remind players. MCSB is continuing its collaboration work with Gamblers Rehabilitation Centre (GRC) Malaysia, an NGO that provide support and assistance to problem gamblers to seek counselling, rehabilitation and treatment against addictive gambling from professional helpers.

MCSB takes great pride in bringing our Responsible Gaming to another level by being the first local lottery operator to announce and publish in its official newspaper draw results on the same day if any of its Jackpot game is either fully or partially won in all its media channels. The immediate disclosure of whether the Jackpot is won or not won will provide the players with timely information for the players to make a well-informed decision on whether to continue or discontinue playing the Jackpot game having known that the big Jackpot prize has been struck.

4D jackpot

Jackpot 1 RM 34,598,225.23 WON

5356 + 9322	5356 + 2658
9322 + 5356	9322 + 2658
2658 + 5356	2658 + 9322

Jackpot 2 RM 425,149.12 WON

Winning pair matches any 1 of Top 3 & any 1 of Special prizes.

4D jackpot gold

GROUP 1	5 6 2 2 5 8		
GROUP 2	5 6 2 2 5	OR	6 2 2 5 8
GROUP 3	5 6 2 2	OR	2 2 5 8
GROUP 4	5 6 2	OR	2 5 8
GROUP 5	5 6	OR	5 8
		OR	2 2
GOLDEN NUMBER	1 3		

Jackpot 1 RM 7,998,082.33 PARTIALLY WON

Jackpot 1 - Group 1 + Golden Number

Jackpot 2 RM 202,557.40 PARTIALLY WON

Jackpot 2 - Group 2 + Golden Number

SUSTAINABILITY STATEMENT (cont'd.)

EMPLOYEES

Magnum represents multi-racial employers where individual beliefs and needs are appreciated, respected, and operate on a foundation of fairness and respect for the rights of our people. Magnum is committed to fostering fair and equitable treatment by providing employment opportunities and a workplace conditions that values inclusiveness, diversity, and respect for all employees. This equal employment opportunity applies for all employees basing on their qualification, capability and merit without any discrimination with regards to any race, gender or religion.

Magnum appreciates the importance of engaging and empowering our employees as they are the key assets and resources that drives the growth of the Company. We strive to continuously help to groom, nurture and grow with them to create a talented pool of cohesive people with diverse all round skill set through engagement and capacity building.

Employees Training and Development Programme

TRAINING AND DEVELOPMENT PROGRAMME

Nurturing human capital by upskilling, personal development, engagement and involvement

23
External Training and Development Conferences, and Workshops attended by employees from all levels

30
Employees participated in Magnum Leadership and Team Building Programmes

27
Employees involved in Magnum Transformation Brainstorm session

We treat our people well and deploy resources to help them develop and provide a rewarding working life. We create an environment in which employees can excel, develop skills and achieve their career goals.

Our training programmes include on-the-job learning, coaching and feedback. Everyone who works with us receives the necessary resources to perform their work and progress in their careers.

We structure different types of training programmes for all levels of staff ranging from Heads of Department, Managerial level staff, Executive staff, Junior Executive staff and non Executive staff.

Each training module is tailored to the specific needs of the target group to develop them with Management leadership skills, interpersonal skills, communication skills, project management skills, teamwork, technical skills, etc.

Employees are also given opportunity to attend local and overseas industry trade events to gain exposure, exchange views and experiences with industry peers, learn new ideas and understand the latest market trends.

Magnum also has in place an internship programme to offer work training opportunities. During their time with the Company, the interns are guided by an experienced staff to learn and train on various job aspects of the work related to their field of study.

SUSTAINABILITY STATEMENT (cont'd.)

Employee Health & Safety at Work

The responsibilities for health and safety for our employees are shared and are very important. Magnum is committed to providing, maintaining, and promoting a safe, healthy and conducive work environment for all employees and ensuring compliance with all applicable environmental health and safety regulations.

The Company regularly reviews and updates its building and safety procedures to ensure that all employees are aware and comply with all safety condition in the building where they are working at. Briefing sessions, regular drills, inclusive of fire drills are organised and conducted to ensure the staff are aware of the evacuation procedures in the event of a need to evacuate the building.

In addition, maintenance services are regularly conducted for the office building lift, generator set, fire extinguisher and central air-conditioning unit to ensure they are safe to use and free from any hazards that could pose danger to the safety of the employees.

We are proud to state that for year 2018, there is ZERO workplace fatality or any major accident that involves staff's work-injury related incident.

Diversity, Inclusivity and Gender Policy

We pride ourselves in that we innovate by drawing on the diverse perspectives, skills and experience of our employees and other stakeholders.

Magnum strives to continuously nurture a work culture that offers all employees equal opportunities for career development and ensure our people, their skills and abilities are competitive and remain relevant for the future.

We are proud of our organisation that reflects the communities in which we live. Both diversity and inclusion are embraced at every level of the company. The differing backgrounds, opinions, experiences and perspectives of employees strengthen the business. A truly collaborative workplace is essential for our continued growth.

The Company treats all employees fairly and equally and provide equal opportunity to excel and progress on fair merits and capabilities. The strengths of each employee can be seen in the empowerment of the employees participating in various projects that exposes them to a different work perspective environment.

Gender breakdown of Workforce and Management Team

Magnum Group Employees

	2018	2017	2016
Total Employees:	329 people	321 people	319 people
Male	175 – 53.2%	173 – 53.9%	172 – 53.9%
Female	154 – 46.8%	148 – 46.1%	147 – 46.1%

SUSTAINABILITY STATEMENT (cont'd.)

Managerial Employees

	2018	2017	2016
Total Employees:	48 people	46 people	43 people
Male	29 – 60.4%	28 – 60.9%	27 – 62.8%
Female	19 – 39.6%	18 – 39.1%	16 – 37.2%

Sales Operators and Training Programme

AGENCY TRAINING AND DEVELOPMENT PROGRAMME

Strengthening customer centric skill-sets for sustainable growth

1994 Sales Operators Trained
Magnum Life new game

500 Sales Operators Trained
on new Photon terminal operations

Following the success of the HUAT customer service training last year, Magnum continued the training programme by conducting a Nationwide new product training that coincided with the launching of the new Magnum Life game in April 2018. The training module covered the understanding on the mechanics of this game, the selling points, marketing strategy and terminal operations to sell this game.

A total of 500 sales operators were trained following the replacement of the selling terminals to the new Photon terminals. Training was conducted for the operators in the States of Negeri Sembilan, Pahang and Sarawak in November 2018.

Magnum continuously supports and engage with our sales partners and sales operators by conducting regular training and through dialogues to enhance their sales technique and to provide better customer service.

SUSTAINABILITY STATEMENT (cont'd.)

Customer Care

CUSTOMER SERVICE

Improving customer satisfaction and business operations from customers' feedbacks

+11% in customer calls

1600 calls in 2018	**1440 calls** in 2017	**890 calls** in 2016

Magnum believes that customers are very important and valuable to us and places them as the fore-front of our business, and it is a business philosophy and operating strategy that directs employees to, and guides them in delivering greater satisfaction to our customers in order to deepen the customer relationship and create the foundation for a growth partnership based on mutual trust. Active listening is essential to delivering greater satisfaction. By actively listening to customers' concerns, ideas and suggestions, Magnum can better understand their needs.

With the emphasis on "Customer First" – it has become an integral part of Magnum customer driven centricity philosophy with the goals of constantly putting the customer at the core of whatever we do and ensure our deliverables meet the high standard of our customers' expectation and to continue strive to serve them better and to instil this philosophy to become the DNA of the Company's culture. Thus, in engaging our customers, not only do we need to provide them with superior services and quality products, but we also need to get their buy-in for our sustainability goals and initiatives.

By far, our CARELINE and webmaster are the most popular channels that the customers and general public use to get in touch with us for product enquiries, service enquiries, claiming information regarding their winning ticket, feedbacks and complaints. The information gathered are invaluable feedbacks for the respective division to analyse and take corrective or pro-active measures to enhance our service levels at all fronts.

SUPPLIERS

Magnum work with suppliers that can ensure to deliver high-quality goods and services and meet the utmost economic, ethical and socio-environmental standards on capability, competency, compliance, value and support. Good working relationships with suppliers are essential to maintaining a dependable competent source of uninterrupted supply of goods and services. Magnum's Code of Conduct and our Procurement Policy not only sets the parameters for acceptable behavior of employees, but it also serves as a guide to the moral, legal and ethical standards that is expected when doing business with suppliers.

COMMUNITY

Magnum Group CSR

Our Caring for the Community Initiatives in 2018

Since the inception of MCSB in 1968, we believe in championing the communities where we serve and empowering our people to also discharge out the spirit of caring and sharing to those in need.

Through the various sustainable and charitable programmes carried out under the umbrella of MagnumCares, it is Magnum's hope that we are able to inspire hope to all the people we have touched.

1 "Cepat-Cepat Tolong" Emergency Aid Programme (since 2012)

RM 116,585.40 contributed

48 hours response

64 cases adopted

Respond speedily to emergency circumstances encountered by the Community (floods, fire, haze, missing person, etc). We believe in giving Help when it is needed most to be very meaningful.

SUSTAINABILITY STATEMENT (cont'd.)

2 Academic Motivation Awards (since 1995)

2,639
STUDENTS
every year

Most Caring Teachers Award

60
TEACHERS
acknowledged every year

3 Welfare Homes Outreach Programme (since 1979)

227
Welfare Homes
in 2018

13,704
Beneficiaries
in 2018

RM 701,300
contributed
in 2018

SUSTAINABILITY STATEMENT (cont'd.)

4 Community Support Programme at Magnum outlets (since 2009)

200
Individuals / Families benefited every year

5 "I Can See Clearly Now" Eye Awareness Campaign (since 2012)

257
Primary Schools

20
Charity Homes

13,747
Spectacles contributed

72,598
Students screened

300
Employees participated

RM1,050,972
Funds Raised

6 Care Action 123 – Dual Blessing Bhd. (NGO for physically–challenged members)

In support of their occupational training, financial aid programme, transportation to return home during Chinese New Year

180
Beneficiaries (2018)

15
Families (2018)

7 National Secondary School Mandarin Debate Competition for Secondary Schools

2,000
STUDENTS
in 2018

200
SCHOOLS
in 2018

RM 57,500
contributed to all winners at State and National level in 2018 in the form of trophies and cash awards

SUSTAINABILITY STATEMENT (cont'd.)

8 Teachers Teaching Workshop in support of Teachers Association

220
Secondary School Teachers (2018)

9 Orang Asli Empowerment Project (in Muadzam Shah, Pahang)– partnered with like-minded NGOs

16
Families benefitted

3
Wells constructed

LEARNING CENTRE
equipped with teaching facilities, amenities and materials

10 English for Better Opportunities (EBO) – a collaboration with The Star Education Programme

English Learning Workshops for **150** Students and Free newspapers for English classes in **10** Schools in 2018

Workshops for **30** Teachers from **4** Schools in 2018

11 Project WATTS, a collaboration with Truly Loving Company in a Green Initiative to support the Alzheimer's Disease Foundation

100
Energy Saving Light tubes

4
Energy saving Air-Conditioners

3
Energy Saving Refrigerators

1
Energy-Saving Washing Machine

12
Employee Volunteers

12 Early Childhood Education Project in support of Tamil Schools in rural area

91
Beneficiary Students

2
Schools received Education Materials

Supporting various NGOs in their causes

HOSPIS Malaysia
– support in providing assistance to those medically ill

NASAM
– Food & Fun Fair fundraising and NASAM Walk 4 Health with Magnum staff volunteers participation

Nalanda Education Centre
- Family Fun Fair to help provide education assistance to students from poor families

12th Relay for Life Cancer Awareness with National Cancer Society of Malaysia
– Public Awareness programme to educate on cancer

The National Autism Society of Malaysia (OUG Centre)
– caring for special needs children

EduCare School Project with Siri Jayanti Dhamma School
– providing school bags to students

Mums Sew With Love Community Project
- to assist mothers to be self-sustaining

And many more Charitable Organisations........................

SUSTAINABILITY STATEMENT (cont'd.)

ENVIRONMENTAL SUSTAINABILITY

Protection of the environment is the responsibility of each and every one of us on earth and Magnum is committed to play her role by being a responsible corporate citizen in protecting and promoting a healthy ecosystem for all to enjoy.

While our business is not in the emissions-heavy industry, we are conscious of our environmental footprint and strive to consciously protect our environment in the conduct of our business.

REDUCTION IN PAPER CONSUMPTION

In our continuous commitment to reduce paper consumption, a committee has been formed to look at various initiatives to reduce the usage and consumption of paper in the Group. Initiatives implemented are as follows:

- To save resources by using both sides of the paper
- Minimise printing of paper used in the office
- Using common folders to share documents amongst departments to reduce replicating documents printed and stored
- Deploying e-forms to replace paper forms used in the office

CARBON FOOTPRINT

Energy management is the key to saving energy and with less burning, it will result in lower carbon dioxide emissions, the primary contributor to global warming. The management of energy conservation in the form of reducing the carbon footprint is an on-going initiative committed by Magnum by reducing the usage and consumption of electricity in our workplace. We have continuously taken additional initiatives to identify, evaluate, manage and monitor the main environmental risks affecting all activities of our business units.

We have been implementing efficiency measures targeted at reducing energy consumption, waste management and recycling through the following initiatives:

- We now use energy saving LED lighting to light up the signboard at all our newly renovated retail outlets, this will result in a significant savings of 47% in energy consumption.
- The replacement of energy saving UPS and Air-Conditioning units in our Data Centre has resulted in a reduction of 20% in energy consumption.
- Moving forward, as part of our replacement policy, we are committed to replace other Air-Conditioning units and electrical appliances used with the energy saving units.
- Increasing the effort to recycle the use of the plastic core used in our paper ticket roll. The numbers of recycle cores used have been increased to 29,000 cores as compared to previous year of 28,800 cores.

Magnum is committed to the 3R concept of Reduce, Reuse and Recycle and constantly remind our workforce to practise good 3R habits both at work and at home. Recycling bins are strategically placed in all pantry areas for ease of waste disposal. We also discourage the use of non-biodegradable items such as polystyrene cups, plates and takeaway containers.

This Sustainability Statement was approved by the Board on 28 March 2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of Magnum Berhad ("Company" or "Magnum") continues to practise a high standard of corporate governance in all areas of its activities throughout the Company and its subsidiaries (collectively "Group") with integrity, transparency, accountability and professionalism to ensure long-term sustainability and business prosperity as well as to preserve stakeholders' trust.

The Board is pleased to present the Corporate Governance Overview Statement ("this Statement") which provides shareholders and investors of Magnum with an overview of the manner in which the Group has, during the financial year ended 31 December 2018, applied the key principles and practices prescribed in the Malaysian Code on Corporate Governance published in April 2017 ("MCCG 2017") by the Securities Commission Malaysia and the corporate governance requirements prescribed in the Main Market Listing Requirements ("MMLR") issued by Bursa Malaysia Securities Berhad.

The detailed application by the Group for each Practice prescribed in the MCCG 2017 is disclosed in the Corporate Governance Report ("CG Report") which is available on the Company's website at www.magnum.my.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

1 BOARD RESPONSIBILITIES

1.1 Clear Duties and Responsibilities of the Board

The Board as a whole is explicitly responsible for the stewardship of the Company, and in discharging its obligations diligently with integrity and in an objective manner. Each director has a legal duty to act in the best interest of the Company at all times. The Board assumes, among others, the following principal duties and responsibilities:-

(a) Establishing the corporate vision and mission, as well as the philosophy of the Group;

(b) Reviewing, adopting and monitoring the overall strategies and direction of the Group including setting performance objectives and approving the annual operating budgets for the Group as well as ensuring that the strategies promote good corporate governance culture and sustainability;

(c) Overseeing the conduct and performance of the Group's businesses to evaluate whether the businesses are properly managed. This includes ensuring that the solvency of the Group and the ability of the Group to meet its contractual obligations and to safeguard its assets;

(d) Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;

(e) Succession planning for the Board and Senior Management, including appointing, training, fixing the compensation of, and where appropriate, replacing Key Senior Management;

(f) Developing and implementing an investor relations programme or stakeholders' communications policy for the Group to ensure an effective, transparent and regular communication with its stakeholders;

(g) Reviewing the adequacy and the integrity of the Group's internal control systems and management information system, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;

(h) Overseeing the operations of the Group's Enterprise Risk Management Framework, assessing its effectiveness and reviewing any major/significant financial and non-financial risks facing the Group;

(i) Review and support the World Lottery Association's Responsible Gaming Framework established to ensure compliance to a comprehensive set of standards related to social responsibility; and

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd.)

(j) Review and ensure Management compliance to the World Lottery Association's Security Control Standards 2016 which includes the Information Security Management System Standard ISO/IEC 27001:2013.

1.2 Division of roles and responsibilities of the Board members

The roles and responsibilities of the Chairman, the Executive Directors and the Non-Executive Directors are clearly segregated, each having separate responsibilities and authority.

The Chairman of the Board provides overall leadership to the Board in decision making, instil good governance practices and is primarily responsible for the orderly conduct and working of the Board.

The Executive Directors are responsible for the day-to-day running of the Group's business and implementation of Board's policies and decisions.

The Non-Executive Directors play the key supporting role in contributing their knowledge and experience in the decision making process and towards the formulation of the Company's goals and policies.

The distinct and separate roles with clear division of responsibilities in the Board ensure a balance of power and authority at all times, such that no one individual has unfettered decision making powers.

1.3 Clear functions for the Board and Management

The Board has a formal schedule of matters reserved specifically for its decision set out in the Authority Chart, which includes the approval of corporate and business continuity plans, annual budgets, acquisitions and disposal of assets that are material to the Group, major investments, changes to management and control structure of the Group, including key policies, procedures and authority limits.

The Authority Chart guides the Management, headed by the Executive Directors, in the day-to-day running of the Group's business. The Authority Chart also spells out the approving limits and the types of authority delegated by the Board to Senior Management who is responsible for the implementation of Board's policies and decisions.

The Management establishes targets and milestones which are presented to and approved by the Board. These targets and milestones are monitored and reviewed regularly and responsibilities re-aligned when necessary to ensure the Group's needs are consistently met.

The Board also maintains specific Board committees with clear responsibilities and terms of reference to assist the Board in carrying out its stewardship role and function, and fulfilling its fiduciary duties and responsibilities.

1.4 Board Charter

Since February 2013, the Board has established a Board Charter which sets out the composition, principal roles and responsibilities of the Board, its various Board Committees, individual directors and Management.

The Board Charter also outlines the processes and procedures for the Board and its Committees to be effective and efficient.

The Board through the Nomination Committee had reviewed the Board Charter in November 2018 to ensure it remains relevant and consistent with the Board's objectives and responsibilities, and all relevant standards of corporate governance.

The Board Charter is available on the Company's website at www.magnum.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd.)

1.5 Directors' Code of Business Conduct and Ethics

The Board has adopted the Directors' Code of Business Conduct and Ethics which serves as a guide for the Board in discharging its oversight role effectively.

The Code of Business Conduct and Ethics requires all Directors to observe high ethical business standards, honesty and integrity and to apply these values to all aspects of the Group's business and professional practice and act in good faith in the best interests of the Group and its shareholders at all times.

The Directors' Code of Business Conduct and Ethics are available on the Company's website at www.magnum.my.

1.6 Support from Company Secretaries

The Board is supported by suitably qualified and competent Company Secretaries. Every Director has ready and unhindered access to the advice and services of the Company Secretaries. Both Company Secretaries are qualified to act as company secretary and meet the requirement under Section 235 of the Companies Act 2016.

The Company Secretaries play an advisory role to the Board particularly with regard to the Company's constitution, Board policies and procedures, corporate governance issues and Directors' responsibilities in complying with regulatory requirements, codes, guidance and legislation.

The Company Secretaries also regularly update the Board on changes to statutory and regulatory requirements and advise the Board on the impact, if any, to the Company and the Board. The Company Secretaries attend all Board and Board Committees meetings as well as general meetings and ensure that deliberations and decisions are well documented and kept, and subsequently communicated to the relevant Management for appropriate actions.

The Company Secretaries also serve notices to the Directors and principal officers to notify and periodically remind them of the closed periods for dealings in the Company's shares pursuant to the provisions under the MMLR. In addition, they work closely with Management to facilitate the flow of timely and accurate information to the Board.

The Company Secretaries constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments through attendance at relevant conferences and continuous training programmes.

The Board is satisfied with the support and performance provided by the Company Secretaries in assisting the Board to discharge its duties.

1.7 Board Meetings and Supply of Information to the Board

The Board meets not less than five times a year principally to review and approve the quarterly results for announcements. The Board meetings' dates of the Company are planned ahead of schedule and a commitment is obtained from the Directors on their availability to attend the Board meetings. All Directors of the Company in office have complied with the requirement to attend a minimum of 50% of the Board meetings held.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd.)

The attendance of each Director at Board meetings, where a total of five meetings were held during the financial year ended 31 December 2018, are as set out below:-

Director	Number of Board Meetings Attended	Held	%
Tan Sri Dato' Surin Upatkoon	5	5	100
Dato' Lawrence Lim Swee Lin	5	5	100
Datuk Vijeyaratnam a/l. V. Thamotharam Pillay	4	5	80
Dato' Wong Puan Wah	5	5	100
Dato' Lim Tiong Chin	5	5	100
Sigit Prasetya [1]	5	5	100

Note:
[1] Resigned on 17 January 2019

All members of the Board have complied with the provision in the MMLR, which stipulates that each member shall not hold more than five directorships in public listed companies to ensure that their commitment, resources and time are more focused to enable them to discharge their duties effectively.

The Board recognises that decision making process is highly dependent on the quality of information furnished. As such, the Board expects and receives adequate, timely and quality information on an ongoing basis to enable the effective discharge of its duties.

The Board receives updates from the Management on the Group's operations and performance as well as the status of implementation of the Board's policies and decisions during the Board meetings.

Prior to a meeting, a formal agenda and the relevant proposal papers together with supporting documents are provided to the Board members not less than five business days or a shorter period, where deliberations involve price-sensitive information in accordance with the listing requirements, before the relevant Board and Board Committee meetings to ensure that they have sufficient time to peruse, deliberate, obtain additional information and/or seek further clarification on the matters to be tabled at the meetings.

The Board has direct access to Senior Management staff and has full and unrestricted access to all information pertaining to the Group's businesses and affairs, whether as a full Board or in their individual capacity. The Directors may, if necessary, obtain independent professional advice in the furtherance of their duties from external consultants at the Company's expense.

1.8 Whistle Blowing Policy

As part of the Group's continuous efforts to ensure good corporate governance practices, the Group has established a Whistle Blowing Policy to provide a clear line of communication and reporting of concerns by employees at all levels in confidence and without the risk or fear of reprisal. This policy serves as a guide for employees to report or raise any genuine concerns about possible improprieties in matters of financial reporting, unethical behaviour, non-compliance with regulatory requirements and other malpractices. Each allegation will be dealt with fairly and equitably. Action will be taken based on the nature of the allegation and may be resolved by agreed action.

1.9 Strategies promoting Sustainability

The Board is aware of the importance of business sustainability and ethical practices. The Board continuously instils the need to cultivate and promote good corporate values throughout the Group by upholding the value of 'Tone at the top'.

The Board also ensures that there is a plan for promoting sustainability embedded in the development of the Group's strategies, taking into account the economic, environmental, social and governance

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd.)

aspects of its business operations. These strategies seek to meet the expectations of stakeholders such as customers, shareholders, regulators, bankers and the communities in which the Group operates.

A summary of the Group's management of material economic, environmental and social risks and opportunities is provided in the Sustainability Statement of this Annual Report.

1.10 Directors' Training

The Board places the responsibility for training of directors on the Nomination Committee which on a yearly basis, evaluates and determines the training needs of Directors.

During the year, all the Directors in office were periodically updated on new regulations and statutory requirements, particularly on changes or amendments made to the MMLR. Besides these periodical updates, the Directors have attended the following training programmes during the financial year ended 31 December 2018:-

Director	Seminar/Workshop/Training Courses attended
Tan Sri Dato' Surin Upatkoon	• 12 March 2018 : The Changing Role Of Company's Board & Its Members In The Wake Of The New CG Code
Dato' Lawrence Lim Swee Lin	• 28 February 2018 : Corporate Governance Briefing Session – MSSG Reporting & CG Guide
Datuk Vijeyaratnam a/l V. Thamotharam Pillay	• 8 March 2018 : Malaysian Code on Corporate Governance and its Impact on Directors • 5 November 2018 : Enterprise Risk Management – What Directors Need To Know
Dato' Wong Puan Wah	• 28 February 2018 : Corporate Governance Briefing Session MSSG Reporting & CG Guide • 4 December 2018 : Breakfast Series "Companies of the Future – The Role for Boards"
Dato' Lim Tiong Chin	• 12 March 2018 : The Changing Role Of Company's Board & Its Members In The Wake Of The New CG Code
Sigit Prasetya (1)	• 4 September 2018 : Creating And Delivering Compelling Pitches Course

Note:
(1) Resigned on 17 January 2019

All the Directors have successfully completed the Mandatory Accreditation Programme (MAP) in compliance with the MMLR.

The Board is mindful of the need to keep abreast with changes in both regulatory and business environments as well as with new developments within the industry in which the Group operates. The Directors will continue to undergo other relevant training programmes to upgrade themselves to effectively discharge their duties as Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd.)

2 BOARD COMPOSITION

2.1 Board Size and Balance

The Board currently has six members, comprising a Non-Executive Chairman, two Executive Directors and three Non-Executive Directors, of whom two are Independent Directors. The composition of two Independent Non-Executive Directors meets the one-third requirement for Independent Non-Executive Directors under the MMLR.

The Board comprises individuals of high calibre and integrity, and they possess a diverse range of backgrounds, skills and expertise, all of which complement each other. The composition of the Board remains adequate to provide for a diversity of views, facilitate effective decision making, and appropriate balance of Executive, Independent and Non-Independent Directors. A brief profile of each Director is set out in this Annual Report.

The Board is mindful of Practice 4.1 of the MCCG 2017 which stated that at least half of the board comprises Independent Directors. For Large Companies, the Board comprises a majority independent directors.

Notwithstanding this, the Board is of the opinion that there is no issue with regards to the balance of power and authority on the Board as the roles of the Non-Executive Chairman, Executive Directors and Non-Executive Director are clearly set out, separated and established. The decision making process of the Board is based on collective decisions without any individual exercising any considerable concentration of power or influence and well balanced by the presence of strong elements of independence with a large majority of Non-Executive Directors in the Board. The Board, nonetheless, will work towards increasing the number of independent directors on the Board and eventually adopt the prescribed Practice 4.1 by year 2021.

2.2 Board Independence

The Board comprises two Executive Directors and four Non-Executive Directors whereby one-third are Independent Non-Executive Directors. The Non-Executive Directors are not employees of the Company and they do not participate in the day to day management of the Company. Thus, they remain objective and independent minded when they participated in the deliberations and decision making of the Board. This ensures effective check and balance in the functioning of the Board.

Should a Director be interested in any transaction to be entered into by the Company, the interested Director will abstain from deliberations and decisions of the Board on the transaction. Hence, the Directors have the ability to exercise their duties and make decisions which are in the best interest of the Company.

2.3 Tenure of Independent Directors

The Board is mindful of the Step Up Practice 4.3 of the MCCG 2017 on a policy of limiting the tenure of Independent Directors to nine years of service. Each of the two Independent Directors of the Company has provided an annual confirmation of his independence to the Nomination Committee.

The Company's shareholders had, at the 42nd Annual General Meeting held on 30 May 2018, approved the retention of Dato' Wong Puan Wah as an Independent Director of the Company until the conclusion of the next Annual General Meeting in 2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd.)

Dato' Wong Puan Wah, who had served as an Independent Director of the Company for a cumulative period of twelve years as at 25 January 2019, has indicated that he does not wish to continue to act in his capacity as an Independent Director of the Company in line with Guidance 4.2 of the MCCG 2017. Hence, the Company will not be seeking shareholders' approval at the forthcoming 2019 Annual General Meeting to retain Dato' Wong Puan Wah as an Independent Director of the Company.

The other Independent Director namely, Dato' Lim Tiong Chin, has served the Board in such capacity for less than nine years.

2.4 Board Diversity Policy

Since November 2014, the Board has adopted a Board Diversity Policy which set out the approach to achieve boardroom diversity. This policy aspires to ensure the mix and profiles of the Board members from a number of aspects including but not limited to gender, age, ethnicity, background, skills, knowledge and length of service.

The Board recognises diversity, including the facet of gender, as an important criterion to determine board composition as it provides the necessary range of perspectives, experiences and expertise required to achieve effective stewardship and management of the Company and the Group.

However, at present, the Board does not have any female Directors and has yet to formalise targets and measures on the aspect of gender diversity. Although the Board did not set any target for Board representation in its diversity policy, the Board will continue to take the necessary measures to gradually achieve at least 30% women Directors on the Board by year 2020 in line with the enumeration in Practice 4.5 of the MCCG 2017.

In its effort to promote gender diversity in the boardroom, the Board through its Nomination Committee will undertake several concerted steps to ensure that independent women candidates are sought from various sources including professional bodies as part of its recruitment exercise. The Nomination Committee will also consider candidates recommended by the existing Board members, Management or major shareholders, former Directors or Senior Management.

At present the avenues for inducting women Directors into the Board is rather limited due to the nature of the industry and the highly regulated environment in which the Group operates. Notwithstanding the inherent constraints, the Group will recalibrate its approach in regard to drive a more holistic sourcing approach. It should also be noted that the Group always practises equal opportunity, and all appointment and employment opportunities are based on objective criteria and meritocracy.

On the Management front, the Board's commitment to promote the Group's 'Diversity, Inclusive and Gender Policy' for the workplace is reflected in the Group's healthy employee gender profile with 47% female to 53% male employees, and the high percentage of female employees at 40% holding supervisory and management positions as at 31 December 2018.

2.5 Board Committees

The Board has delegated certain functions to the Committees it established to assist and complement the Board in the execution of its responsibilities. Each Board Committee operates within its terms of reference, which clearly define its functions and authority. The terms of reference of all the Board Committees are available on the Company's website at www.magnum.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd.)

Although specific authority are delegated to the Board Committees, the Board keeps itself abreast of the key issues and decisions made by each Board Committee through the reports by the Chairman of the Board Committee and the tabling of minutes of the Board Committee meetings at Board meetings. The various Board Committees, their compositions, and the number of meetings held and attended by each Committee member during the year 2018 are summarised as follows:-

(a) Nomination Committee

The Nomination Committee currently consists exclusively of the following Non-Executive Directors, the majority of whom are Independent:-

	No. of meetings attended/held	%
• **Chairman**		
Datuk Vijeyaratnam a/l V. Thamotharam Pillay *(Non-Independent Non-Executive Director)*	2/2	100
• **Members**		
Dato' Wong Puan Wah *(Independent Non-Executive Director)*	2/2	100
Dato' Lim Tiong Chin *(Independent Non-Executive Director)*	2/2	100

The key responsibilities of the Nomination Committee are as follows:-

(a) Identify and recommend new nominees to the Board and Committees of the Board of the Company and its subsidiary companies;

(b) Assist the Board to systematically assess the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each Individual Director on an annual basis; and.

(c) Assist the Board in reviewing its required mix of skills and experience and other qualities which Non-Executive Directors should bring to the Board.

The main activities of the Nomination Committee during the financial year 2018 are summarised as follows:-

- engaged an independent expert to facilitate the assessment of performance of individual Directors and the Board as a whole as part of the annual assessment which covered effectiveness of the Board, its Committees and the contributions of each Individual Directors for assessment year 2017. These assessments were benchmarked against its recognised frameworks namely, the Board Charter and each Board Committee's Terms of Reference as well as requirements and best practices recommended by the regulators;

- through the independent facilitator, reviewed the overall composition of the Board and Board Committees in terms of its appropriate size and diversity in knowledge, skills, experience, core competencies, gender, age, ethnicity and background, and the balance between the numbers of Executive, Non-Executive and Independent Directors;

- through the independent facilitator, assessed the independence of Independent Directors;

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd.)

- reviewed, justified and recommended to the Board the retention of an Independent Director, Dato' Wong Puan Wah, who has served in such capacity for a consecutive or cumulative term exceeding nine years, subject to shareholders' approval;
- determined those Directors who would retire by rotation at the forthcoming Annual General Meeting based on the Company's Constitution, reviewed the retiring directors' eligibility and made the necessary recommendations to the Board for their re-election;
- reviewed the Board Charter; and
- assessed the training needs for the Directors.

Although the Chairman of the Nomination Committee is not an Independent Director nor a Senior Independent Non-Executive Director, the Board is of the view that the Nomination Committee is able to perform its duties transparently and independently. The Board, nonetheless, will by year 2021 apply Practice 4.7 of the MCCG 2017 which prescribed that the Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

(b) Remuneration Committee

The Remuneration Committee currently consists exclusively of Non-Executive Directors, the majority of whom are Independent:-

	No. of meetings attended/held	%
• **Chairman** Tan Sri Dato' Surin Upatkoon *(Non-Independent Non-Executive Director)*	2/2	100
• **Members** Dato' Wong Puan Wah *(Independent Non-Executive Director)*	2/2	100
Dato' Lim Tiong Chin *(Independent Non-Executive Director)*	2/2	100

The principal responsibilities of the Remuneration Committee include the formulation of a fair remuneration policy such as rewards and benefits and other terms of employment of the Executive Directors as well as for the Key Senior Management. The Remuneration Committee reviews and ensures that the remuneration fairly reflects the responsibilities, the expertise required by the Group and the complexity of its operations. The said remuneration should also be in line with the business strategy and long term objectives of the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd.)

(c) Group Audit Committee

The Group Audit Committee currently consists exclusively of the following Non-Executive Directors, the majority of whom are Independent:-

	No. of meetings attended/held	%
• **Chairman**		
Dato' Wong Puan Wah *(Independent Non-Executive Director)*	5/5	100
• **Members**		
Datuk Vijeyaratnam a/l V. Thamotharam Pillay *(Non-Independent Non-Executive Director)*	4/5	80
Dato' Lim Tiong Chin *(Independent Non-Executive Director)*	5/5	100

The Group Audit Committee reviews the Group's financial reporting process, the system of internal control, the audit process and the Group's process for monitoring compliance with laws and regulations, and such other matters which may be delegated by the Board from time to time.

(d) Group Risk Management Committee

The Group Risk Management Committee currently consists of the following Directors, the majority of whom are Independent Non-Executive Directors:-

	No. of meetings attended/held	%
• **Chairman**		
Dato' Lim Tiong Chin *(Independent Non-Executive Director)*	2/2	100
• **Members**		
Dato' Lawrence Lim Swee Lin *(Executive Director)*	2/2	100
Dato' Wong Puan Wah *(Independent Non-Executive Director)*	2/2	100

The principal responsibilities of the Group Risk Management Committee include the review of the adequacy of the Group's risk management policies and framework and ensuring that adequate infrastructure, resources and systems are in place for risk management in the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd.)

2.6 Nomination and Appointment to the Board

The Nomination Committee oversees the overall composition of the Board in terms of the appropriate size, balance between the numbers of Executive, Non-Executive and Independent Directors, and a wide mix of various elements required to be appointed as Directors of the Company in accordance with the MMLR.

In respect of the appointment of Directors, the Nomination Committee practices a clear and transparent nomination process which involves the following:-

Stage 1 : Identification of candidates

Stage 2 : Meeting up the candidates

Stage 3 : Evaluation of suitability of candidates

Stage 4 : Final deliberation by the Nomination Committee

Stage 5 : Recommendation to the Board

The Nomination Committee considers, among others, the following aspects in making the selection of candidates to be appointed as Director:-

(a) the person must have the key qualities such as honesty and integrity;

(b) the person must have the appropriate qualification, training, skills, practical experience and commitment to effectively fulfills the role and responsibilities of the position; and

(c) the person must manage his debts and financial affairs prudently.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board and the overall effectiveness of the Board, taking into account the nature of the industry and the highly regulated environment in which the Group operates. The proposed appointment of a new Director to the Board will be approved by the full Board based on the recommendation of the Nomination Committee.

During the financial year 2018, no new Directors were appointed to the Board.

2.7 Annual Assessment of Board, its Committees and Individual Directors

The Nomination Committee has a formal assessment in place to assess the effectiveness of the Board as a whole, the performance of its Committees and the contribution of each Individual Director on an annual basis by way of a set of customised self-assessment questionnaires. The evaluation process is led by the Chairman of the Nomination Committee and supported by the Company Secretaries. All assessments and evaluations carried out by the Nomination Committee are properly documented.

In line with Practice 5.1 of MCCG 2017, the Company had in February 2018 engaged an independent expert, KPMG Management & Risk Consulting Sdn. Bhd., to facilitate an objective, professional and candid board effectiveness evaluations ("BEE") for assessment year 2017. The BEE exercise shall be facilitated by a professional, experienced and independent expert every three years.

For the assessment year 2018, the BEE was carried out internally through directors' self-assessment questionnaires, which are tailored-made and premised on qualitative and quantitative criteria. The assessment criteria are benchmarked against good governance practices prescribed by the regulators and best practices as well as the Board's and its Committees' duties and responsibilities set out the Board Charter, the Terms of Reference of each Committee and other internal policy documents.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd.)

The assessment of the Board is based on specific criteria, covering areas such as board conduct, board processes, board accountability, board governance, succession planning and interaction with Management and Stakeholders.

Each Board Committee is assessed based on the extent to which it had discharged its roles and functions set out in its terms of reference and each Committee Member's contribution to interaction, discussion and participation in the Committee's activities.

For individual self-assessment, the assessment criteria include integrity, commitment, leadership, knowledge and communication ability.

The criteria for assessing the Independent Directors include the relationship between the Independent Director and the Company and his involvement in any significant transaction with the Company.

Based on the assessments conducted for the financial year 2018, the Nomination Committee is satisfied with the contribution and performance of each individual directors, the Board as a whole and the Board Committees as well as the independence and objective judgements that the Independent Directors have brought to the Board.

2.8 Re-election of Directors

The Constitution of the Company provides that all Directors shall retire from office at least once every three years and that at every Annual General Meeting, at least one-third of the Board for the time being shall retire from office and shall be eligible for re-election. The Constitution further provides that those Directors appointed during the financial year shall retire from office and they may offer themselves for re-election.

The process of re-election of Directors ensures that shareholders have a regular opportunity to reassess the composition of the Board. The election of each Director is voted on separately by the shareholders at the Annual General Meeting.

Retiring Directors who are seeking re-elections are subject to Directors' assessment overseen by the Nomination Committee.

Upon the recommendation of the Nomination Committee, the Directors, Dato' Lawrence Lim Swee Lin and Dato' Wong Puan Wah, who will be retiring by rotation at the forthcoming Annual General Meeting are eligible to stand for re-election.

Dato' Lawrence Lim Swee Lin, being eligible, had offered himself for re-election as an Executive Director of the Company.

Dato' Wong Puan Wah, due to his twelfth year of service as an Independent Director, had in his letter, which was received on 21 February 2019, indicated that he does not wish to offer himself for re-election as an Independent Director and hence, he would retire at the conclusion of the forthcoming 43rd Annual General Meeting.

Krian Upatkoon, who was appointed as an Executive Director on 18 February 2019, will also be retiring at the forthcoming Annual General Meeting and being eligible, he had offered himself for re-election.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd.)

3 REMUNERATION

3.1 Remuneration Policy

The Board has in place a Remuneration Policy which guides the Group in formulating a fair and competitive remuneration needed to attract, retain, motivate and reward its Directors and Senior Management of high quality to manage the businesses of the Magnum Group successfully.

The Executive Directors' and Senior Management's remunerations are linked to the corporate and individual performance. The Executive Directors of the Company who are also employees within the Group are remunerated separately in accordance with their employment contracts.

All the Non-Executive Directors, except for those Non-Executive Directors who had waived their entitlements on their own accord, receive a standard fixed fee approved by shareholders at the Annual General Meeting.

The directors' fees payable to the Non-Executive Directors are endorsed by the Board based on the recommendation of the Remuneration Committee and are tabled for approval by shareholders at the Annual General Meeting of the Company. Each individual Director abstains from the Board's decision on his own remuneration package.

The quantum of the fixed fee takes into consideration the Directors' increased fiduciary duties and the level of responsibilities under the relevant regulatory requirements. Additional allowances are also paid to Independent Non-Executive Directors in accordance with the number of meetings attended during the year.

The Company reimburses reasonable expenses incurred by the Non-Executive Directors in the course of carrying out their duties.

This remuneration policy is subject to regular review by the Board through its Remuneration Committee and will be amended as appropriate to reflect the current best practices. The Remuneration Committee had last reviewed and amended the policy in August 2018.

The Remuneration Policy is available on the Company's website at www.magnum.my.

3.2 Disclosure of Director's Remuneration

The details on the remuneration received or to be received by each Director of the Company, including the remuneration for services rendered as a group, during the financial year ended 31 December 2018 are as follows:-

	Company			Subsidiaries				Group
	Directors' Fees (RM)	Meeting Allowance (RM)	Benefits-in-kind based on estimated money value (RM)	Directors' Fees (RM)	Salaries (RM)	Bonuses and Other Emoluments (RM)	Benefits-in-kind based on estimated money value (RM)	Total (RM)
Non-Executive Director								
TSU	-	-	-	50,000	-	-	-	50,000
DVJ	95,000	-	28,702	-	-	-	-	123,702
DWPW	95,000	7,500	-	-	-	-	-	102,500
DLTC	95,000	7,500	-	-	-	-	-	102,500
SP (1)	-	-	-	-	-	-	-	-
Executive Director								
DLSL	-	-	-	55,000	1,092,000	806,260	17,760	1,971,020

Notes:
TSU – Tan Sri Dato' Surin Upatkoon
DVJ – Datuk Vijeyaratnam a/l V. Thamotharam Pillay
DWPW – Dato' Wong Puan Wah
DLTC – Dato' Lim Tiong Chin
SP – Sigit Prasetya
DLSL – Dato' Lawrence Lim Swee Lin
(1) Resigned on 17 January 2019

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd.)

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

4. Group Audit Committee

4.1 Effective and Independent Group Audit Committee

The Group's financial reporting and internal control system are reviewed by the Group Audit Committee of the Group which comprises three Non-Executive Directors with a majority of two Independent Directors.

The Chairman of the Group Audit Committee is an Independent Non-Executive Director and is not the Chairman of the Board. All Group Audit Committee members are financially literate and have sufficient understanding of the Group's businesses.

The Group Audit Committee operates within its Terms of Reference which clearly define its functions and authority. The Terms of Reference of the Group Audit Committee is available on the Company's website at www.magnum.my.

The Group Audit Committee meets not less than four times a year and always before the Board Meeting to ensure that all critical issues highlighted by the internal and external auditors can be brought to the attention of the Board on a timely basis. The minutes of the Group Audit Committee meetings are tabled at the Board Meeting for notation and action where appropriate.

A summary of the activities of the Group Audit Committee in the discharge of its functions and duties including how it has met its responsibilities for the financial year 2018 are set out in the Group Audit Committee Report in this Annual Report.

4.2 Relationship with the Auditors

The Board maintains a transparent and professional relationship with the Company's auditors, both internal and external, through the Group Audit Committee.

The Group Audit Committee has been explicitly accorded the power to communicate directly with both the internal and external auditors. The external auditors, Messrs. Ernst & Young ("EY"), are invited to attend the Group Audit Committee meetings at least twice a year to review the audit process and to discuss the Company's annual financial statements, the audit findings, the audit plan as well as problems and reservations arising from the final audit. The Group Audit Committee also meets with the external auditors whenever it deems necessary.

In addition, the external auditors are invited to attend the Annual General Meeting of the Company and are available to answer shareholders' questions relating to the conduct of the statutory audit and the preparation and contents of their audit report. The external auditors will report to the Group Audit Committee and the Management on any weaknesses in the internal control systems and any non-compliance of accounting standards that come to their attention in the course of their audit.

The Group Audit Committee is tasked with the authority from the Board to review any matters concerning the appointment and re-appointment, audit fee, resignation or dismissal of external auditors.

Though the declaration of independence, integrity and objectivity made by the external auditors in their status audit report for each financial year end would suffice to serve as a written assurance from the external auditors on their independence and integrity, the Group Audit Committee ensures that the independence and objectivity of the external auditors are not compromised by conducting annual assessment to review and monitor the suitability and independence of the external auditors. This assessment task forms part of the Group Audit Committee's functions as set out in its Terms of Reference.

The Group Audit Committee is satisfied with EY's performance, technical competency and audit independence and accordingly, has recommended their re-appointment as the Company's external auditors for the financial year ending 31 December 2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd.)

5. Risk Management And Internal Control Framework

5.1 Risk Management and Internal Control System

The Board is fully aware of their overall responsibility of continuously maintaining a sound system of internal control which covers not only financial controls but also operational and compliance controls as well as risk management and the need to review its effectiveness regularly in order to safeguard shareholders' investment and Group's assets. The system of internal control involves each key business unit and its management, including the Board, and is designed to meet the business units' particular needs, and to manage the risks to which they are exposed.

The Group Risk Management Committee ("GRMC") assists the Board to oversee the risk management matters relating to the activities of the Group. The GRMC provides oversight and direction for the implementation and application of the risk management framework, reviewing risk management process and assessing whether they provide reasonable assurance that risks are effectively managed, reviewing key risks to ensure that action and risk mitigation plans have been implemented effectively, encouraging promotion of risk management awareness among the staff and reporting key business risks of the Group to the Board.

The overview of the state of internal control and risk management within the Group is set out in the Statement on Risk Management and Internal Control in this Annual Report.

5.2 Internal Audit Function

The Group's internal audit function is outsourced to MPHB Capital Berhad's Group Internal Audit ("GIA") Department, which reports directly to the Group Audit Committee ("GAC"). The GIA assists the GAC and Board in providing independent assessment and assurance on the adequacy, efficiency and effectiveness of the Group's internal control system. The internal auditors are guided by the standards of best professional practice, such as those published by the Institute of Internal Auditors and the relevant guidelines and recommendations from the relevant authorities.

The GIA carry out audits in accordance with the risk-based internal audit plan reviewed and approved by the Audit Committee. The results of the review presented in the internal audit report, which include audit findings, recommendations and management's responses, are discussed with Senior Management and subsequently presented to the GAC. Follow-up reviews are also conducted by GIA to ensure that management's action plans in respect of the matters highlighted in the internal audit reports have been adequately addressed.

The summaries of activities of the internal audit function during the financial year are set out in the Group Audit Committee Report.

5.3 Financial Reporting

The Board is responsible for the quality and completeness of publicly disclosed financial reports. In presenting the annual financial statements and quarterly results announcement of the Group, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Board is assisted by the Group Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting to ensure that information to be disclosed are accurate, adequate and in compliance with relevant disclosure requirements.

The Directors' Responsibility Statement in respect of the preparation of the annual audited financial statements of the Company and the Group is set out below.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd.)

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by law to prepare financial statements for each financial year which have been drawn up in accordance with the requirements of the applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards, the provisions of the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

It is the responsibility of the Directors to ensure that the financial statements for each financial year present a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year.

In preparing the financial statements for the year ended 31 December 2018, the Directors have:

- *adopted and applied appropriate and relevant accounting policies consistently;*
- *made judgements and estimates that are reasonable and prudent; and*
- *prepared financial statements on a going concern basis.*

The Directors have ensured that proper accounting records are kept which enable the preparation of the financial statements with reasonable accuracy.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

5.4 Corporate Disclosure Policy

The Board acknowledges the importance of ensuring that it has in place, appropriate corporate disclosure policies and procedures which leverages on information technology.

The Board has established an internal Corporate Disclosure Policy to facilitate the handling and disclosure of material information in compliance with the provisions of the MMLR. It also serves as a guide to enhance the awareness among employees of the Company's disclosure requirements and practices. Clear roles and responsibilities of Directors, Management and Employees are provided together with levels of authority to be accorded to designated persons in the handling and disclosure of material information. It also sets out the measures to be taken by the Company to ensure proper handling of confidential information by Directors, employees and relevant parties to avoid leakage and improper use of such information.

5.5 Procedural Manual For Related Party Transactions

Since May 2011, the Group has in place a Procedural Manual For Related Party Transactions to ensure related party transactions within the Group are being carried out fairly and are not detrimental to the interest of minority holders of the Company.

The Board through the Group Audit Committee also reviews any related party transactions and every half-yearly, reviews the recurrent related party transactions at its quarterly meeting to ensure that these transactions were made at arm's length and on normal commercial terms which are generally available to the public or on terms and conditions negotiated between the Group and the related parties, in either case, these transactions are not detrimental to any shareholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd.)

PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

6. Communication with Stakeholders

6.1 Communication with Shareholders and Investors

The Board recognises the importance of timely and equal dissemination of clear, relevant and comprehensive information on major developments of the Group to shareholders and investors, which is carried out by means of various disclosures, press releases and announcements to the stock exchange, taking into consideration the legal and regulatory framework governing the release of material and price-sensitive information.

The Group's performance is reported quarterly to the stock exchange and on a yearly basis, the Annual Report is an important channel used by the Company to provide its shareholders and investors with information on its business, financial performance and other key activities.

The Company has, from time to time, held meetings and dialogues with investors and research or investment analysts to convey information regarding the Group's progress, performance and business strategies. Press interviews were also conducted on significant corporate developments to keep the investing community and shareholders updated on any major developments of the business of the Group.

In addition, the Group maintains a website at www.magnum.my which is updated from time to time to provide shareholders and members of the public the current information and events relating to the Group.

7. Conduct of General Meetings

7.1 Annual General Meeting

The Annual General Meeting is the principal forum for dialogue with the shareholders and serves as a platform for shareholders to obtain full understanding on the Company and its operations. At every Annual General Meeting, the Executive Directors or the Chief Financial Officer presents a brief review of the Group's operational and financial performance to the shareholders.

Shareholders are given both the opportunity and time to raise questions pertaining to issues in the Annual Report, resolutions being proposed and the Group's operations, performance and direction. Board members, Senior Management, the external auditors and relevant advisors are on hand to answer questions raised and give clarifications as required.

The Company sent out the Notice of the 2019 Annual General Meeting and related papers to shareholders on 30 April 2019 at least twenty eight days before the meeting on 29 May 2019. Each item of special business included in the Notice of the Annual General Meeting is accompanied by a full explanation of the effects of the proposed resolution to facilitate full understanding and evaluation of the issues involved.

The AGM of the Company has always been held in the close vicinity of the city centre of Kuala Lumpur to facilitate maximum participation of shareholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd.)

In compliance with the MMLR, all motions put forth for shareholders' approval at the Annual General Meeting are to be voted by poll. Since May 2017, the Company had successfully conducted a secured electronic poll voting at all the Company's Annual General Meetings.

The Company will continue to explore and take leverage of new technology to enhance the quality of engagement with its shareholders and to facilitate further participation by shareholders at the Company's general meetings.

The detailed results of the voting in terms of the number of votes and percentages for and against each resolution transacted at a general meeting will be announced to the stock exchange and made available on the Company's website, www.magnum.my.

CONCLUSION

The Board is mindful of the need to regularly review the Group's corporate governance practices against the principles in the MCCG 2017 with the view of ensuring that they remain relevant in meeting with the challenges of its business environment. The Board is satisfied that the Company has substantially applied the principles and best practices prescribed in the MCCG 2017 during the year 2018 and to date.

This Corporate Governance Overview Statement was approved by the Board on 28 March 2019.

ADDITIONAL COMPLIANCE INFORMATION

1. Status Of Utilisation Of Proceeds Raised From Corporate Proposals

There were no proceeds raised from any corporate proposals during the financial year 2018.

2. Audit And Non-Audit Fees

During the financial year ended 31 December 2018, the following audit and non-audit fees were paid to the Group's external auditors, Messrs. Ernst & Young ("**EY**"):-

Services rendered by EY	Subsidiaries RM	Company RM	Total (Group) RM
Audit	540,280	80,000	620,280
Non-Audit			
(a) Review of Statement on Risk Management and Internal Control	–	5,990	5,990
(b) Professional Service in connection with Magnum Corporation Sdn. Bhd.'s Medium Term Notes - Review of financial covenant ratios	3,000	–	3,000
Total	543,280	85,990	629,270

3. Material Contracts Involving Directors And/Or Major Shareholders

There were no material contracts entered into by the Company and/or subsidiaries involving the interests of Directors and/or Major Shareholders, either still subsisting at the end of the financial year 2018 or entered into since the end of the previous financial year.

GROUP AUDIT COMMITTEE REPORT

COMPOSITION

The Group Audit Committee ("GAC") was established by the Board from amongst its non-executive members for Magnum Berhad ("Magnum" or "Company") and its subsidiaries (collectively "Magnum Group" or "Group"). The GAC comprises three members, all of whom are Non-Executive Directors with a majority of two Independent Directors. The members of the GAC during the financial year ended 31 December 2018 were as follows:

1. Dato' Wong Puan Wah
   (Chairman / Independent Non-Executive Director)

2. Datuk Vijeyaratnam a/l V. Thamotharam Pillay
   (Member / Non-Independent Non-Executive Director)

3. Dato' Lim Tiong Chin
   (Member / Independent Non-Executive Director)

The GAC Chairman is an Independent Non-Executive Director and is not the Chairman of the Board. All GAC members are financially literate and have sufficient understanding of the Group's businesses. Two of the members (Datuk Vijeyaratnam a/l V. Thamotharam Pillay and Dato' Lim Tiong Chin) are fellow members of the Institute of Chartered Accountants in England and Wales and members of the Malaysian Institute of Accountants.

The GAC operates within its Terms of Reference which clearly define its functions and authority. The Terms of Reference of the GAC is available on the Company's website at www.magnum.my.

EVALUATION OF THE GROUP AUDIT COMMITTEE

In March 2019, the Board through its Nomination Committee had reviewed the composition and term of office of the GAC members. The Nomination Committee also assessed the performance of the GAC and its members during the year 2018 through an annual Board Committee effectiveness evaluation with the assistance from the Company Secretaries.

Having considered the outcome of the evaluation, the Board is satisfied that the GAC and its members have discharged their functions, duties and responsibilities in accordance with the GAC's Terms of Reference and has supported the Board in ensuring the Group upholds the appropriate corporate governance standards during the year 2018.

The GAC is mindful of the need to continuously undertake professional development training to keep themselves abreast with the developments of the relevant accounting and auditing standards, practices and rules. Details of the training programmes attended by the GAC members during the year 2018 are disclosed in the Corporate Governance Overview Statement in this Annual Report.

MEETINGS AND ATTENDANCE

The GAC meets quarterly, and as and when required. The meetings' dates are planned ahead at the end of every financial year with each date coincides with the key dates in the Company's financial reporting cycle. The GAC meetings were appropriately structured through the use of agenda, which were distributed to members together with the papers and reports relevant to the items on the agenda not less than five business days or a shorter period, where deliberations involve price-sensitive information pursuant to the listing requirements, before the meeting to enable the members to prepare for the meeting.

GROUP AUDIT COMMITTEE REPORT (cont'd.)

Meetings of the GAC were held with the presence of the Executive Directors, Chief Financial Officer or Head of Finance, Head of Group Internal Auditors and the representatives of the external auditors as and when required. Other directors and employees shall attend any particular GAC meeting only at the GAC's invitation, specific to the relevant meeting.

The Executive Directors and the Chief Financial Officer or Head of Finance were invited to all GAC meetings to facilitate direct communications as well as to provide clarifications on audit issues and the Group's performance and operations. The Head of the Group Internal Auditors attended all GAC meetings to table the internal audit reports.

The external auditors were also invited to attend the GAC meetings to present their audit plan and audit findings, and to assist the GAC in its review of year-end financial statements.

The GAC also meet at least twice a year with the external auditors without the presence of any Executive Board members and Senior Management to provide the external auditors an avenue to candidly express any concerns they may have, including those relating to their ability to perform their work without restraint or interference.

Minutes of each GAC meeting were recorded and tabled for confirmation at the following GAC meeting and subsequently presented to the Board for notation. The GAC Chairman will convey to the Board matters of significant concern as and when raised by the external auditors or internal auditors.

During the financial year ended 31 December 2018, the GAC held a total of five meetings to conduct and discharge its functions in accordance with its Terms of Reference. The details of attendance of the GAC members are as follows:-

	Number of GAC meetings		
GAC Members	**Attended**	**Held**	**%**
Dato' Wong Puan Wah	5	5	100
Datuk Vijeyaratnam a/l V. Thamotharam Pillay	4	5	80
Dato' Lim Tiong Chin	5	5	100

SUMMARY OF WORK DURING THE FINANCIAL YEAR 2018

During the financial year ended 31 December 2018, the GAC had worked closely with Management, internal and external auditors to carry out its duties and responsibilities as set out in its Terms of Reference. The GAC had discharged its oversight role by carrying out the following activities during the financial year 2018:-

1. Financial Reporting

- Reviewed with Management the quarterly unaudited financial results of the Magnum Group against preceding and corresponding quarters as well as cumulative periods, and recommended the same for Board's consideration and approval before releasing to the stock exchange. The review covers, among others, assessment of the Group's investments, the adequacy of disclosures and the appropriateness of the accounting policies applied.

  The GAC had sought explanations from Senior Management including the Chief Financial Officer or Head of Finance on the reasons for the following:-

  - any significant variances in the financial performance of the Group;
  - any significant changes in accounting policies and adoption of new or updated accounting standards, and its impact to the Group's financial results;
  - the assumptions, significant judgement and estimates made by Management.

GROUP AUDIT COMMITTEE REPORT (cont'd.)

- Reviewed and discussed the annual audited financial statements of the Group with the external auditors, Messrs. Ernst & Young, and the Management focusing on the following:-

    - significant matters highlighted in the financial statements including any significant financial reporting issues;
    - any change in accounting policies and practices;
    - significant judgements and estimates made by the Management,
    - audit differences and how these matters were addressed or significant adjustments arising from the audit;
    - going concern assumption; and
    - compliance with applicable accounting standards and other legal requirements.

The GAC had discussed the key audit matters raised by the external auditors with the Management and the disclosure thereof in the Auditors' Report for the financial year ended 31 December 2018 for the Magnum Group.

Having satisfied that the financial statements and reports complied with the relevant accounting standards and other applicable laws and regulations, the GAC recommended the same for the Board's consideration and approval.

2. Matters relating to external audit

- Reviewed the Audit Planning Memorandum of the external auditors, which outlines the audit scope, methodology and timeline for completion of the audit, areas of audit emphasis and focus on key audit matters, fraud considerations and the risk of management override and impact of new and revised auditors' reporting standards including non-audit services for the financial year ended 31 December 2018. The audit plan also encompasses the affirmation of the external auditors' independence.

- Discussed and considered the audit results in terms of the significant accounting adjustments, auditing issues and representation letters arising from the audit.

- Had two private meetings with the external auditors during the financial year, once in February 2018 and another in November 2018, without the presence of any Executive Board members and Management, to discuss issues arising from the final audits, or any other matters the auditors may wish to discuss, including the level of assistance provided by the Group's employees to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information. There were no areas of concern raised by the external auditors that needed to be escalated to the Board.

- Reviewed the performance of the external auditors including assessment of their independence, objectivity and effectiveness, having regard to several factors including the qualification, experience and technical knowledge of the engagement partner and audit staff, the resources of the audit firm, their quality control processes and the level of non-audit services.

  Based on the results of the evaluation, the GAC is of the view that the provision of non-audit services by the external auditors did not impair the objectivity, judgement and independence of the external auditors. The GAC is satisfied with the external auditors' technical competency, audit independence and performance and, accordingly, had recommended the re-appointment of the external auditors for the ensuing financial year.

3. Matters relating to internal audit

- Reviewed the Group Internal Auditors' progress of audit activities and the internal audit reports of the Group, which highlighted issues, recommendations and Management's responses to ensure appropriate actions were taken to improve the system of internal controls based on improvement opportunities identified in the internal audit reports.

GROUP AUDIT COMMITTEE REPORT (cont'd.)

- Reviewed and approved the Group Internal Audit's Annual Audit Plan in ensuring scope adequacy and comprehensive coverage on the audit activities and principal risk areas are adequately identified and covered during the year 2019.
- Reviewed the adequacy of resources and the competencies of the Group Internal Auditors to ensure satisfactory performance by Group Internal Auditors.

  The GAC is satisfied with the objectivity, independence and performance of the Group Internal Auditors. The Group Internal Auditors had sufficient resources to carry out and complete all audit assignments planned for the year 2018 in a timely manner and in accordance with its Internal Audit Charter. The Group Internal Auditors had also promptly responded to all issues raised by the GAC, provided constructive observations and recommendations in areas which required improvements in the internal control system to the Management, and has shown to be objective and independent in carrying out the internal audit functions for the Group.

4. Matters relating to risk management and internal control

- Reviewed with the Group Compliance Officer, the records and documents relating to compliance with the internal policy and compliance procedures in relation to the Group's reporting obligations to Bank Negara Malaysia under the Anti-Money Laundering and Anti-Terrorism Financing Act 2001 and any subsequent amendments.
- Monitored and reviewed with the internal auditors, the progress of agreed corrective actions on audit findings to ensure all audit issues are resolved within the agreed stipulated period.
- Reviewed with the external auditors, the Statement on Risk Management and Internal Control and recommended the same to the Board for approval prior to its inclusion in the Company's 2017 Annual Report.

5. Matters relating to related party transactions

- Reviewed every half-yearly the terms and procedures of recurrent related party transactions entered into by the Group and any conflict of interest situations arising from those transactions to ensure that these transactions, which are necessary for the day-to-day operations of the Magnum Group, were made:-

  (a) in the ordinary course of business;

  (b) at arm's length; or

  (c) on normal commercial terms (which are generally available to the public) or on terms and conditions negotiated between the Magnum Group and the related parties, in either case, these transactions are not detrimental to any shareholders.

  The GAC took note that there were no conflicts of interest situations for operational matters as reported in the recurrent related party transaction of the Magnum Group by the Management at the quarterly GAC meetings.

6. Other Matters

- Reviewed and amended the Terms of Reference to reflect the relevant changes in line with the Company's application of the Malaysian Code on Corporate Governance which was published in April 2017 by the Securities Commission.
- Reviewed the Group Audit Committee Report, the Corporate Governance Overview Statement and the Corporate Governance Report, and recommended the said Reports and Statements to the Board for approval prior to their inclusion in the Company's 2017 Annual Report.

GROUP AUDIT COMMITTEE REPORT (cont'd.)

SUMMARY OF INTERNAL AUDIT FUNCTION OR ACTIVITIES

The Group has outsourced the internal audit function to MPHB Capital Berhad's Group Internal Audit ("GIA") Department. The GIA plays an essential role in assisting the GAC in discharging its duties and responsibilities. GIA reports directly to the GAC and maintains its impartiality, proficiency and due professional care. The Internal Audit Charter, which was approved by the GAC, defines the authority, duties and responsibilities of GIA.

The GIA undertakes independent, regular and systematic review on the adequacy and effectiveness of the internal control, governance and risk management processes within the Group so as to provide reasonable assurance that such system continues to operate satisfactory, effectively and in compliance to the Group's established policies and procedures.

The activities undertaken by the GIA Department during the financial year ended 31 December 2018 included the following:

(1) Prepared the annual audit plan for the review and approval of the GAC. The plan adopted a risk-based methodology by focusing on key risk areas. The audit plan took into consideration the previous audit findings, risk registers of the operating companies under the Group, including the input from the Senior Management and Chairman of GAC on their concerns and expected scope of audit.

(2) Updated the GAC on the status of internal audit plan and highlighted changes in the plan for GAC's approval, taking into account changes in the business and operating environment.

(3) Performed risk-based audits in accordance with the internal audit plan, which covered the review of internal control system, risk management, accounting and management information system. The reviews evaluated the followings:

   a) Efficiency and effectiveness of the management control and monitoring functions;

   b) Adequacy and effectiveness of internal controls as well as compliance with International Standards Organisation (ISO/IEC 27001:2013) and World Lottery Association Security Control Standard (WLA-SCS:2016) requirements and internal policies and procedures;

   c) Adequacy and comprehensiveness of existing policies and procedures;

   d) Efficiency and effectiveness in relation to the existing work processes;

   e) Assess staffing adequacy in relation to the existing work processes;

   f) Adequacy of management oversight on the risk management process; and

   g) Identify areas for further improvements.

(4) Carried out special assignments requested by the Management and/or the GAC.

(5) Performed regular observations and verifications of the weekly and special draws.

(6) Performed verification of the submissions to the Ministry of Finance for pool betting and gaming tax and unclaimed prize money.

(7) Issued audit reports to the GAC and Management incorporating findings and recommendations to rectify weaknesses or enhance controls as noted in the course of audit. Management's comments were incorporated in the audit findings with a commitment to improve on an agreed timeline.

(8) Conducted follow-up reviews to ensure that all corrective and preventive actions had been taken by the Management on the agreed audit issues and recommendations disclosed in the audit reports and subsequently, provided updates on their status to the GAC at GAC's quarterly meetings.

The costs incurred for the internal audit function of the Group for financial year ended 31 December 2018 was RM0.49 million. (For the financial year ended 31 December 2017, the cost was RM0.56 million).

This Report was approved by the Board on 28 March 2019.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

This Statement on Risk Management and Internal Control is made pursuant to Paragraph 15.26(b) of Bursa Malaysia Securities Berhad's Main Market Listing Requirements which require the Board of Directors ("Board") to include in the Company's Annual Report a statement about the state of the Company's risk management and internal control. Accordingly, the Board is pleased to present the Statement on Risk Management and Internal Control for the financial year ended 31 December 2018. The statement prepared is guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. The Statement outlines the nature and scope of risk management and internal control of the Group during the financial year under review.

BOARD RESPONSIBILITY

The Board acknowledges its responsibilities and reaffirms its commitments for the maintenance of an effective system of internal control and risk management practices for the Group's sound system of internal control to enhance good corporate governance, covering not only operational, financial and compliance controls as a safeguard to the assets of the Group and shareholders' investment.

Whilst such system is designed to manage the Group's risks within an acceptable risk profile, the Board is aware that it may not eliminate totally the risk that may impede the achievement of the Group's policies, goals and objectives. In this regard, the risk management framework and internal control system can only provide reasonable assurance, and not absolute assurance against material misstatement of financial information and records or against financial losses or fraud.

The Group Audit Committee ("GAC") assists the Board to review the adequacy and effectiveness of internal control and governance systems of the Group and ensures that appropriate methods and procedures are in place to obtain the level of assurance required by the Board.

The Group Risk Management Committee ("GRMC") was established to support the Board to oversee the overall risk management. The GRMC performs its risk oversight responsibilities and is guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES

1. Risk Management

The Group adopts the enterprise risk management framework ("ERM Framework") which is designed to manage risks in an integrated, systematic and consistent manner. The ERM Framework outlines the policy, risk governance structure, responsibilities and risk management process of the Group. In November 2013, its principal subsidiary Magnum Corporation Sdn. Bhd. ("MCSB") has been awarded with both the World Lottery Association Security Control Standard "WLA-SCS" & International Standards Organisation "ISO27001" certifications and subsequently the re-certification was awarded in November 2016. This reaffirms MCSB's commitment to establish a comprehensive Information Security Management System to ensure its information security risks are managed according to global standards and industry best practices.

The Board regards risk management as an integral part of the operations and processes of the Group and is assisted by the GRMC to:

- Provide oversight of the Group's significant risks;
- Ensure that Management maintains a sound system of risk management and internal control to safeguard shareholders' interests and the Group's assets; and
- Determine the nature and extent of significant risks which the Group is willing to take in achieving its strategic objectives.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd.)

The responsibility of risk management and control is delegated to the appropriate levels of management within the Group. The Management Risk Committee ("MRC"), consisting of Senior Management and key personnels of the companies in the Group, was established to assist the GRMC to perform risk assessment annually. The MRC is supported by a Risk Management Officer who coordinates the risk management activities and compiling risk information of the Group into the risk register. During the year, the Group has reviewed and updated the risk register. The likelihood and impact of the risks have been assessed and appropriate mitigation actions have been implemented for the risks identified.

The responsibility for day to day risk management resides with the Management of each company/department under the Group where they are the risk owners to provide the leadership to drive the risk management culture across their own company/department. They are also responsible to monitor, assess and manage the risks associated with the business and operations of the Company/department to ensure the business operations are consistent with the corporate objectives, strategies and budgets approved by the Board including addressing issues emanating from external business environment and internal operating conditions.

The established Information Security Committee ("ISC"), comprises Chief Executive Officer ("CEO"), Heads of departments ("HOD") from the Group, Group Internal Audit ("GIA"), and Information Security Manager, is responsible for the implementation, maintenance and continuous improvement of the Information Security Management System ("ISMS") under the WLA-SCS and ISO27001 certifications.

2. Risk Management Process

The ERM Framework encompasses the risk management methodology and approach to facilitate risk identification, assessment, evaluation, treatment, monitoring, reporting and communication. The key aspects of the risk management process are as follows:

- The Heads of every department/company under the Group are required to identify the risks that could prevent the Group from achieving its objectives.
- The identified risks are analysed based on its likelihood of occurrence and its impact to the respective company, in order to determine the overall risk level. An appropriate risk treatment was implemented based on the overall risk exposure and the company's risk tolerance.
- Internal control policies and procedures were established to ensure the risk responses and treatments decided are effectively carried out. This includes establishing clear defined roles and responsibilities, approving authority limits and key performance indicators and having control measures/compliance check to ensure adherence of policies and procedures established.
- Information and communication channels are in place to ensure all levels of the company are aware of their roles and responsibility under the company's ERM Framework to ensure appropriate mitigation actions are executed against events that may affect the achievement of the company's goals and objectives.
- Regular monitoring and reporting mechanism is defined and implemented by each company to ensure the internal control policies and procedures are adhered accordingly.

During the financial year, GRMC meeting had been conducted twice to review and evaluate the adequacy of risk management activities, as well as recommend measures to be adopted to mitigate their business risk exposures.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd.)

3. Internal Control System

The key elements of the Group's system of internal control that the Board has established in reviewing the adequacy and effectiveness of the risk management and internal control system are as follows:

- Board Committees, i.e. GAC, GRMC, Nomination Committee and Remuneration Committee are established with formal terms of references clearly outlining their functions and duties delegated by the Board. The Board Committees assist the Board to review the effectiveness of the on-going monitoring processes on risk and control matter for areas within their scope of work.

- Clearly defined organisational structure with proper delegation of responsibilities to the management and operating units, including authorisation levels for all aspects of business operations.

- The Authority Chart provides guidance on the division of responsibilities between the Board and Management. It also ensures that a system of internal control and checks and balances are incorporated therein. The Authority Chart is periodically reviewed and updated to reflect changes in the business, operational and organisational environment.

- An annual budget is reviewed and approved by the Board. The actual performance is assessed against the approved budget where explanations, clarifications and corrective actions taken for significant variances are regularly reported by the Management to the Board. Regular reports on key operating statistics, including legal and regulatory matters are also submitted to the Board for review. The Board also approves any changes or amendments to the Group's policies.

- The key policies and procedures are in place to guide employees in their day-to-day work and also as part of systems of governance, risk management and internal control, i.e.:

    - The lottery-specific security and IT security of the Group adopts the international standard, WLA-SCS:2016 and ISO/IEC 27001:2013 for an effective security management structure. The ISMS policies and procedures are in place to improve its information security corporate governance;

    - The Group has in place internal policies and procedures relating to Anti-Money Laundering and Counter Financing of Terrorism ("AML/CFT") to detect money laundering and terrorism financing activities. The Compliance Officer is appointed to review and monitor any suspicious transactions and reports to Bank Negara Malaysia ("BNM") accordingly; and

    - Various internal policies and procedures, which are set out in standard operating manuals, covering core operational areas of the Group, have been formalised and documented to ensure the uniformity and consistency of practices and controls within the Group.

  The policies and procedures are subject to review as processes change or when new business requirements need to be met. This is to ensure that they remain effective and relevant to support the Group's business activities at all times as it continues to grow.

- The Group places much emphasis on human capital management and talent management with the objectives of ensuring staff of all levels are adequately trained, competent to carry out their duties and responsibilities and with proper succession planning in place towards achieving the Group's objectives. Roles and responsibilities are clearly defined in the job description for each position.

- Various Management Committees at senior level have been established by Management to assist and support the Board to oversee areas such as business operations, risk management, system implementation and support, staff disciplinary issues etc.

- The Management team undertakes site visits to the operating units and communicates with various levels of staff to gauge the effectiveness of the strategies discussed and implemented as well as understand their problems and concerns with regard to daily operations. This is to ensure transparent and open channel of communication is maintained and enable prompt corrective actions taken for any deficiencies noted.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd.)

- The Board is cognisant of the importance of Business Continuity Management ("BCM") in strengthening the Group's resilience in response to the evolving business environment and to protect shareholders' value. The Business Continuity and Disaster Recovery Plan ("BCP/DRP") is created to ensure the Company's critical business functions can be maintained, or restored in a timely fashion, in the event of material disruptions arising from internal or external events. It is reviewed on an annual basis to ensure that it is up-to-date and remains relevant to the business environment.
- Whistleblowing Policy enables the business within the Group to respond nimbly to concerns raised notwithstanding changes in the environment and to ensure that the corporate culture of integrity, transparency and accountability are upheld across the Group. The Policy encourages and provides a channel to employees to report in good faith and in confidence, without fear of reprisals, of concerns about possible improprieties. Allegations of improprieties which are reported via the whistleblowing channels are appropriately followed up and the outcomes will be reported to the Board. All the disclosures made under the Policy will be handled with strict confidence.
- Regular assessment on the adequacy and integrity of the internal controls and monitoring of compliance with policies and procedures are carried out through internal audits. The internal audit function provides a systematic and disciplined approach to evaluate and improve the effectiveness of the Group's risk Management, internal control and governance processes.
- In addition to the above internal controls, the GAC also reviews the detailed audit reports and management letter from its external auditors.

BOARD ASSESSMENT

In respect of the year ended 31 December 2018, the Board has received assurance from the Executive Director and Chief Financial Officer that the Company's internal control and risk management system is operating adequately and effectively, in all material aspects, based on the framework adopted by the Group.

The Board considered the Group's risk management and internal control system effective and adequate for the year under review and up to the date of approval of this Statement. No significant areas of concern that might affect the financial, operational, compliance controls and risk management functions of the Group were identified.

However, the Board is also cognisant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board and the Management maintain an on-going commitment to continue taking appropriate measures to enhance and strengthen the risk management and internal controls of the Group.

REVIEW OF THIS STATEMENT

As required by Paragraph 15.23 of the Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. This review was performed in accordance with Audit and Assurance Practice Guide 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report ("AAPG 3") issued by the Malaysian Institute of Accountants ("MIA"). Based on the review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the risk management and internal control system within the Group.

AAPG 3 does not required the external auditors to consider whether the Statement on Risk Management and Internal Control covers all the risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board and management thereon.

This Statement was approved by the Board on 28 March 2019.

DIRECTORS' REPORT AND 2018 AUDITED FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Group consist of:

- investment holding and management services;
- operation and management of a licensed four digit numbers forecast betting and its variation games; and
- provision of computer software and other related services.

The principal activity of the Company is investment holding.

Other information relating to the subsidiaries are disclosed in Note 35 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit/(loss) for the financial year	108,046	(432,022)
Attributable to:		
Owners of the Company	105,389	(432,022)
Non-controlling interests	2,657	–
	108,046	(432,022)

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIRECTORS' REPORT (cont'd.)

DIVIDENDS

The amounts of dividends paid by the Company since 31 December 2017 were as follows:

	RM'000
In respect of the financial year ended 31 December 2017:	
Third interim single-tier dividend of 4% on 1,422,955,323 ordinary shares declared on 27 February 2018 and paid on 30 March 2018	56,918
In respect of the financial year ended 31 December 2018:	
First interim single-tier dividend of 4% on 1,422,955,323 ordinary shares declared on 21 May 2018 and paid on 29 June 2018	56,918
Second interim single-tier dividend of 3% on 1,422,955,323 ordinary shares declared on 24 August 2018 and paid on 28 September 2018	42,689
Third interim single-tier dividend of 4% on 1,422,955,323 ordinary shares declared on 27 November 2018 and paid on 28 December 2018	56,918
	213,443

Subsequent to the financial year end, the Directors had on 21 February 2019 declared a fourth interim single-tier dividend of 4% on 1,422,955,323 ordinary shares amounting to RM56,918,000 in respect of financial year ended 31 December 2018. The dividend will be paid on 29 March 2019.

This dividend payment will be accounted for in equity as an appropriation of retained profits during the financial year ending 31 December 2019.

The Directors do not recommend any payment of final dividend in respect of financial year ended 31 December 2018.

DIRECTORS

The Directors of the Company and certain subsidiaries of the Group in office since the beginning of the financial year to the date of this report are:

Tan Sri Dato' Surin Upatkoon	
Dato' Lawrence Lim Swee Lin	
Krian Upatkoon	(appointed on 18 February 2019)
Datuk Vijeyaratnam a/l V. Thamotharam Pillay	
Dato' Wong Puan Wah	
Dato' Lim Tiong Chin	
Sigit Prasetya	(resigned on 17 January 2019)

DIRECTORS' REPORT (cont'd.)

DIRECTORS (cont'd.)

The Directors of certain subsidiaries of the Group in office since the beginning of the financial year to the date of this report, excluding those Directors listed above are:

Beh Swan Swan	
Lum Fook Seng	
Kheoh And Yeng	
Ivevei Upatkoon	
Datuk Seri Ramli Bin Shaari	(resigned on 1 January 2019)
Datuk Mohd Yusof Bin Abd Rahaman	(resigned on 1 January 2019)

In accordance to Clause 90 of the Company's Constitution, Dato' Lawrence Lim Swee Lin and Dato' Wong Puan Wah retire from the Board. Dato' Lawrence Lim Swee Lin being eligible offers himself for re-election, while Dato' Wong Puan Wah indicates that he does not wish to offer himself for re-election at the forthcoming Annual General Meeting.

In accordance to Clause 97 of the Company's Constitution, Krian Upatkoon retires from the Board and being eligible offers himself for re-election at the forthcoming Annual General Meeting.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Group as shown in Note 8(a) to the financial statements) by reason of a contract made by the Group or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except as disclosed in Note 30 to the financial statements.

The Directors' remuneration of the Group and of the Company for the current financial year are RM2,345,000 and RM329,000 respectively.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

During the financial year, the Company, maintained a Directors' and Officers' Liability Insurance Policy ("the Policy") for the purpose of Section 289 of the Companies Act 2016 in Malaysia. This insurance covers any legal liability incurred by the Directors and Officers of the Company and its subsidiaries in the discharge of their duties while holding office for the Company and its subsidiaries. The Directors and Officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them. The premium paid for the Policy for the current financial year amounted to RM157,463.

DIRECTORS' REPORT (cont'd.)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of Directors in office at the end of the financial year in shares in the Company or its related corporations during the financial year were as follows:

	Number of ordinary shares			
	1.1.2018	Acquired	Disposed	31.12.2018
Tan Sri Dato' Surin Upatkoon				
Deemed interest #	495,018,961	12,000,000	–	507,018,961
Dato' Lawrence Lim Swee Lin				
Direct interest	8,183,826	–	–	8,183,826
Deemed interest *	3,000,000	–	–	3,000,000
Datuk Vijeyaratnam a/l V. Thamotharam Pillay				
Direct interest	1,406,070	50,000	–	1,456,070
Indirect interest ^	60,000	–	–	60,000
Dato' Wong Puan Wah				
Direct interest	61,000	–	–	61,000
Dato' Lim Tiong Chin				
Direct interest	4,935,000	–	–	4,935,000
Deemed interest **	10,512,000	–	–	10,512,000

\# *Deemed interest held through his shareholdings in Cypress Holdings Limited, Pinjaya Sdn. Bhd. and indirect interest held through his daughter.*
* *Deemed interest held through Zenbell Holdings Sdn. Bhd. and its subsidiary, Zenbell (Selangor) Sdn. Bhd.*
^ *Indirect interest held through his spouse.*
** *Deemed interest held through Keetinsons Sendirian Berhad, T.C. Holdings Sendirian Berhad and Trade Key Investment Ltd.*

Tan Sri Dato' Surin Upatkoon, by virtue of his interest in shares in the Company, is also deemed interested in the shares or securities of the subsidiaries of the Company to the extent of the Company's interest in these subsidiaries.

Save as disclosed above, none of the Directors in office at the end of the financial year had any interest in shares or securities in the Company or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

(i) to ascertain that proper action has been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

DIRECTORS' REPORT (cont'd.)

OTHER STATUTORY INFORMATION (cont'd.)

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

(i) it necessary to write off any bad debts or the amount of the allowance for doubtful debts inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the Directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Auditors' remunerations of the Group and of the Company for the current financial year are RM643,000 and RM107,000 respectively.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit, to the extent such claims result from or arise out of any misrepresentation or fraudulent act or omission by the Company, its staff or agents on the Company's behalf. No payment has been made to indemnify Ernst & Young for the financial year ended 31 December 2018.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 28 March 2019.

Dato' Lawrence Lim Swee Lin **Datuk Vijeyaratnam a/l V. Thamotharam Pillay**

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, **Dato' Lawrence Lim Swee Lin** and **Datuk Vijeyaratnam a/l V. Thamotharam Pillay**, being two of the Directors of Magnum Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 82 to 155 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia, so as to give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 28 March 2019.

Dato' Lawrence Lim Swee Lin **Datuk Vijeyaratnam a/l V. Thamotharam Pillay**

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, **Lum Fook Seng**, being the officer primarily responsible for the financial management of Magnum Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 82 to 155 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed **Lum Fook Seng**
at Kuala Lumpur in the Federal Territory
on 28 March 2019.

Lum Fook Seng

Before me,
M. Sivanason (Licence No. W590)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MAGNUM BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Magnum Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 82 to 155 .

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Revenue and cost of sales
(Refer to Note 4 and 5 to the financial statements.)

The Group heavily relies on information technology system for processing and recording significant volume of transactions. We focused on this area because many of the key financial controls which we seek to rely on in our audit are related to information technology and automated controls.

We involved our information technology specialists to test the operating effectiveness of automated controls over the revenue and cost of sales processes. We carried out tests of the operation of key programmes to establish the accuracy of calculations of prize payments and the correct generation of certain reports to accrue for prize payables. In addition, we also tested the cash reconciliations to determine the occurrence and measurement of revenue and prize payments.

INDEPENDENT AUDITORS' REPORT (cont'd.)
TO THE MEMBERS OF MAGNUM BERHAD

Key Audit Matters (cont'd.)

Impairment of intangible assets

(Refer to summary of significant accounting policies in Note 2.4 and 2.8, significant accounting estimates and judgement in Note 3(a), and the disclosure of gaming rights and goodwill in Note 16 to the financial statements.)

The gaming rights and goodwill amounting to RM1,836 million and RM902 million, which represent approximately 49% and 24% respectively, of total assets of the Group.

The gaming rights and goodwill are subject to an annual impairment test. The Group estimated the recoverable amount of the gaming rights and goodwill based on value in use ("VIU"). Estimating the VIU of the cash-generating units ("CGU") involves significant judgements and estimates about future cash inflows and outflows, and discounting them at an appropriate rate. Specifically, we focused on the assumptions relating to revenue growth rate, payout ratio, discount rate and terminal growth rate.

We obtained an understanding of the methodology adopted by the management in estimating the recoverable amount of the gaming rights and goodwill and assessed whether such methodology is consistent with those used in the industry. We evaluated the management's key assumptions on revenue growth rate and payout ratio by comparing to the historical trend. We also involved our internal valuation specialists in the evaluation of the discount rate and terminal growth rate to assess whether the rates used reflect the current market assessments. In addition, we also evaluated the adequacy of the disclosures of key assumptions on which the Group based its projections on.

Valuation of unquoted investments

(Refer to summary of significant accounting policies in Note 2.10, significant accounting estimates and judgement in Note 3, and Note 15 to the financial statements.)

The Group estimated the fair value of its unquoted investments based on income approach. Such valuation is based on assumptions that are highly judgemental. Due to the significance of the unquoted investment and the subjective nature of the valuation, we consider this to be an area of audit focus.

In addressing this area of audit focus, we obtained an understanding of the methodology adopted by the management in estimating the fair value of the unquoted investments. We involved our internal valuation specialists to assess whether such methodology is consistent with those used in the industry and to evaluate the management's key assumptions relating to revenue growth, direct expenses and long term growth rate by comparing to the historical performance of the investee and the future market outlook. We also assessed whether the discount rate used to determine the present value of the cash flows reflects the return that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the entity expects to derive. In addition, we also evaluated the adequacy of the disclosures of key assumptions on which the Group based its projections on.

INDEPENDENT AUDITORS' REPORT (cont'd.)
TO THE MEMBERS OF MAGNUM BERHAD

Information Other than the Financial Statements and Auditors' Report thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

INDEPENDENT AUDITORS' REPORT (cont'd.)
TO THE MEMBERS OF MAGNUM BERHAD

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd.)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors is disclosed in Note 35 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Kua Choh Leang
No. 02716/01/2021 J
Chartered Accountant

Kuala Lumpur, Malaysia
28 March 2019

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue	4	2,704,254	2,649,207	731,931	143,233
Cost of sales	5	(2,201,205)	(2,199,259)	–	–
Gross profit		503,049	449,948	731,931	143,233
Other income	6	19,088	15,827	9,588	1,585
Administrative expenses		(38,031)	(33,474)	(2,615)	(2,772)
Other expenses		(120,371)	(76,276)	(1,166,417)	(6,814)
Operating profit/(loss)		363,735	356,025	(427,513)	135,232
Finance costs	7	(50,402)	(49,399)	(2,281)	(544)
Profit/(loss) before tax	8	313,333	306,626	(429,794)	134,688
Income tax expense	9	(205,287)	(97,319)	(2,228)	(2,086)
Profit/(loss) for the financial year		108,046	209,307	(432,022)	132,602
Profit/(loss) attributable to:					
Owners of the Company		105,389	206,470	(432,022)	132,602
Non-controlling interests		2,657	2,837	–	–
		108,046	209,307	(432,022)	132,602

	Note	Group 2018	Group 2017
Earnings per share attributable to owners of the Company (sen per share)			
Basic	10	7.4	14.5

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit/(loss) for the financial year	108,046	209,307	(432,022)	132,602
Other comprehensive income				
Items to be reclassified to profit or loss in subsequent periods:				
Foreign currency translation, representing net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	(17)	22	–	–
Items that will not be reclassified to profit or loss in subsequent periods:				
Change in fair value of financial assets, representing net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	(32)	(586)	–	(477)
Other comprehensive loss for the year, net of tax	(49)	(564)	–	(477)
Total comprehensive income/(loss) for the financial year	107,997	208,743	(432,022)	132,125
Attributable to:				
Owners of the Company	105,340	205,906	(432,022)	132,125
Non-controlling interests	2,657	2,837	–	–
Total comprehensive income/(loss) for the financial year	107,997	208,743	(432,022)	132,125

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Assets					
Non-current assets					
Property, plant and equipment	12	65,093	63,993	355	2
Investment properties	13	546	553	655	–
Investment in subsidiaries	14	–	–	2,675,244	1,989,879
Investment securities	15	370,454	256,062	357,429	243,005
Intangible assets	16	2,738,347	2,738,362	–	–
Deferred tax assets	24	11,529	7,637	–	–
		3,185,969	3,066,607	3,033,683	2,232,886
Current assets					
Inventories	17	1,076	1,104	–	–
Investment securities	15	34,182	45,877	34,182	45,877
Receivables	18	26,395	32,006	8,260	1,372,733
Tax recoverable		4,447	52,196	2,645	1,215
Deposits, cash and bank balances	19	503,895	334,610	8,079	1,051
		569,995	465,793	53,166	1,420,876
Total assets		3,755,964	3,532,400	3,086,849	3,653,762
Equity and liabilities					
Equity attributable to owners of the Company					
Share capital	20	2,154,357	2,154,357	2,154,357	2,154,357
Treasury shares	20	(30,205)	(30,205)	(30,205)	(30,205)
Other reserves	21	(595,411)	(673,745)	173,501	1,720
Retained profits	22	923,207	1,029,541	771,709	1,415,454
		2,451,948	2,479,948	3,069,362	3,541,326
Non-controlling interests		40,722	40,416	–	–
Total equity		2,492,670	2,520,364	3,069,362	3,541,326
Non-current liabilities					
Borrowings	23	713,480	597,363	–	–
Deferred tax liabilities	24	1,257	1,510	–	–
		714,737	598,873	–	–
Current liabilities					
Amounts due to subsidiaries	25	–	–	15,113	111,657
Borrowings	23	224,426	224,628	–	–
Payables	26	265,005	182,841	2,374	779
Tax payable		59,126	5,694	–	–
		548,557	413,163	17,487	112,436
Total liabilities		1,263,294	1,012,036	17,487	112,436
Total equity and liabilities		3,755,964	3,532,400	3,086,849	3,653,762

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Attributable to owners of the Company						
	Non-distributable						
Group	Share capital (Note 20) RM'000	Other reserves (Note 21) RM'000	Treasury shares (Note 20) RM'000	Retained profits (Note 22) RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2018	2,154,357	(673,745)	(30,205)	1,029,541	2,479,948	40,416	2,520,364
Effect of MFRS 9 adoption	–	80,103	–	–	80,103	–	80,103
At 1 January 2018, restated	2,154,357	(593,642)	(30,205)	1,029,541	2,560,051	40,416	2,600,467
Total comprehensive income for the financial year	–	(49)	–	105,389	105,340	2,657	107,997
Transactions with owners							
Dividends (Note 11)	–	–	–	(213,443)	(213,443)	–	(213,443)
Dividends paid to non-controlling interests	–	–	–	–	–	(2,234)	(2,234)
Acquisition of additional shares in subsidiaries from non-controlling interests	–	–	–	–	–	(117)	(117)
Total transactions with owners	–	–	–	(213,443)	(213,443)	(2,351)	(215,794)
Transfer of fair value gain of financial assets at fair value through other comprehensive income ("FVOCI") upon divestment	–	(1,720)	–	1,720	–	–	–
At 31 December 2018	2,154,357	(595,411)	(30,205)	923,207	2,451,948	40,722	2,492,670

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont'd.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Attributable to owners of the Company							
	Non-distributable							
Group	**Share capital (Note 20) RM'000**	**Share premium (Note 20) RM'000**	**Other reserves (Note 21) RM'000**	**Treasury shares (Note 20) RM'000**	**Retained profits (Note 22) RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At 1 January 2017	1,437,749	716,608	(673,465)	(30,188)	965,367	2,416,071	40,093	2,456,164
Total comprehensive income for the financial year	–	–	(564)	–	206,470	205,906	2,837	208,743
Transactions with owners								
Dividends (Note 11)	–	–	–	–	(142,296)	(142,296)	–	(142,296)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(2,303)	(2,303)
Acquisition of additional shares in a subsidiary from non-controlling interests	–	–	–	–	–	–	(211)	(211)
Purchase of own shares (Note 20)	–	–	–	(17)	–	(17)	–	(17)
Transfer to share capital pursuant to Section 618(2) of the Companies Act 2016	716,608	(716,608)	–	–	–	–	–	–
Total transactions with owners	716,608	(716,608)	–	(17)	(142,296)	(142,313)	(2,514)	(144,827)
Realisation of fair value loss on financial assets upon maturity	–	–	284	–	–	284	–	284
At 31 December 2017	2,154,357	–	(673,745)	(30,205)	1,029,541	2,479,948	40,416	2,520,364

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Company	Non-distributable Share capital (Note 20) RM'000	Share premium (Note 20) RM'000	Other reserves (Note 21) RM'000	Treasury shares (Note 20) RM'000	Retained profits (Note 22) RM'000	Total equity RM'000
At 1 January 2018	2,154,357	–	1,720	(30,205)	1,415,454	3,541,326
Effect of MFRS 9 adoption	–	–	80,103	–	–	80,103
At 1 January 2018, restated	2,154,357	–	81,823	(30,205)	1,415,454	3,621,429
Total comprehensive loss for the financial year	–	–	–	–	(432,022)	(432,022)
Transactions with owners						
Dividends (Note 11)	–	–	–	–	(213,443)	(213,443)
Capital distribution from a subsidiary (Note 21)	–	–	93,398	–	–	93,398
Total transactions with owners	–	–	93,398	–	(213,443)	(120,045)
Transfer of fair value gain of financial assets at FVOCI upon divestment	–	–	(1,720)	–	1,720	–
At 31 December 2018	2,154,357	–	173,501	(30,205)	771,709	3,069,362
At 1 January 2017	1,437,749	716,608	2,197	(30,188)	1,425,148	3,551,514
Total comprehensive income for the financial year	–	–	(477)	–	132,602	132,125
Transactions with owners						
Dividends (Note 11)	–	–	–	–	(142,296)	(142,296)
Purchase of own shares (Note 20)	–	–	–	(17)	–	(17)
Transfer to share capital pursuant to Section 618(2) of the Companies Act 2016	716,608	(716,608)	–	–	–	–
Total transactions with owners	716,608	(716,608)	–	(17)	(142,296)	(142,313)
At 31 December 2017	2,154,357	–	1,720	(30,205)	1,415,454	3,541,326

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Group	2018 RM'000	2017 RM'000
Operating activities		
Profit before tax	313,333	306,626
Adjustments for:		
Depreciation of property, plant and equipment	8,779	7,213
Depreciation of investment properties	7	27
Finance costs	50,402	49,399
Amortisation of intangible assets	15	15
Net (gain)/loss on disposal of:		
- property, plant and equipment	(154)	(138)
- investment securities	139	–
Interest income	(18,489)	(15,197)
Dividend income	(120)	(533)
Property, plant and equipment written off	1,657	34
Impairment loss of property, plant and equipment	–	303
Net (reversal)/allowance for impairment loss:		
- trade receivables	(82)	(179)
- other receivables	–	166
Realisation of fair value loss on financial assets upon maturity	–	284
Unrealised loss on foreign exchange	180	1,361
Net loss arising from fair value change in investment securities	1,601	4,914
Operating cash flows before changes in working capital	357,268	354,295
Changes in working capital:		
Decrease in inventories	28	128
Decrease/(increase) in receivables	5,512	(1,808)
Increase in payables	78,622	7,823
Cash flows generated from operations	441,430	360,438
Net income tax paid	(108,269)	(63,455)
Real Property Gains Tax refund	16	–
Net cash flows generated from operating activities	333,177	296,983

CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Group	2018 RM'000	2017 RM'000
Investing activities		
Proceeds from disposals of:		
- property, plant and equipment	167	155
- investment securities	9,955	13,000
Purchase of:		
- additional shares in subsidiaries from non-controlling interests	(117)	(211)
- property, plant and equipment	(11,549)	(11,206)
- investment securities	(34,321)	(13,089)
Dividend received from quoted shares	120	533
Interest received	18,437	13,895
Movement in fixed deposits with licensed bank	(7)	(8)
Movement in cash deposits pledged	(507)	(480)
Net cash flows (used in)/generated from investing activities	(17,822)	2,589
Financing activities		
Net drawdown/(repayment) of medium term notes	114,423	(175,000)
Dividends paid to:		
- shareholders	(213,443)	(142,296)
- non-controlling interests	(2,234)	(2,303)
Purchase of own shares	–	(17)
Interest paid	(45,330)	(49,899)
Net cash flows used in financing activities	(146,584)	(369,515)
Net increase/(decrease) in cash and cash equivalents	168,771	(69,943)
Cash and cash equivalents at 1 January	307,419	377,362
Cash and cash equivalents at 31 December (Note 19)	476,190	307,419

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Company	2018 RM'000	2017 RM'000
Cash flows from operating activities		
(Loss)/profit before tax	(429,794)	134,688
Adjustments for:		
Depreciation of property, plant and equipment	26	–
Depreciation of investment properties	3	–
Net loss arising from fair value change in investment securities	1,601	4,914
Unrealised loss on foreign exchange	–	697
Net (reversal)/allowance for impairment loss:		
- other receivables	–	166
- subsidiaries	(8)	341
Dividend income	(731,931)	(143,233)
Impairment loss on investment in subsidiaries	1,162,222	–
Net loss on disposal of investment securities	139	–
Finance costs	2,281	544
Interest income	(9,512)	(1,512)
Operating cash flows before changes in working capital	(4,973)	(3,395)
Changes in working capital:		
(Increase)/decrease in receivables	(10)	249
Increase in payables	1,595	39
Inter-company balances	(2,613)	(405)
Cash flows used in operations	(6,001)	(3,512)
Interest paid	(2,217)	–
Net tax paid	(3,657)	(373)
Net cash flows used in operating activities	(11,875)	(3,885)
Cash flows from investing activities		
Additional investment in subsidiaries	(300)	–
Purchase of:		
- property, plant and equipment	(379)	–
- investment securities	(34,321)	–
Proceeds from disposal of investment securities	9,955	–
Net advances to subsidiaries	(296,000)	–
Dividends received	552,940	143,233
Interest received	1,451	152
Net cash flows generated from investing activities	233,346	143,385
Cash flows from financing activities		
Dividends paid	(213,443)	(142,296)
Net repayment of advances from a subsidiary	(1,000)	–
Purchase of own shares	–	(17)
Net cash flows used in financing activities	(214,443)	(142,313)
Net increase/(decrease) in cash and cash equivalents	7,028	(2,813)
Cash and cash equivalents at 1 January	1,051	3,864
Cash and cash equivalents at 31 December (Note 19)	8,079	1,051

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office and the principal place of business of the Company are both located at 35th Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 35. There have been no significant changes in the nature of these principal activities during the financial year.

These financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 March 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia. At the beginning of the current financial year, the Company adopted new and amended MFRSs which are mandatory for financial periods beginning on or after 1 January 2018 as fully described in Note 2.2.

The financial statements have been prepared on the historical cost basis other than as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except on 1 January 2018, the Group and the Company adopted the following new and amended MFRSs which are mandatory for financial periods beginning on or after 1 January 2018.

Description	Effective for annual periods beginning on or after
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 140 Transfer of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 - 2016 Cycle	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Changes in accounting policies (cont'd.)

The adoption of the above standards and amendments did not result in material impact to the financial statements of the Group and of the Company except MFRS 9. The effects of adoption of MFRS 15 and MFRS 9 are discussed below:

MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Interpretation 13 Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue – Barter Transactions Involving Advertising Services. The Group and the Company adopted MFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date.

MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers, which requires the Group and the Company to determine its performance obligation. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The adoption of the MFRS 15 has no impact to the financial statements of the Group and of the Company.

MFRS 9 Financial Instruments

MFRS 9 replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting. MFRS 9 is effective for financial periods beginning on or after 1 January 2018. Retrospective application is required, but comparative information is not compulsory.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the cash flow characteristics and business model in which the financial assets are managed. The new standard contains three classifications, financial assets measured at amortised cost, fair value through profit or loss and fair value through other comprehensive income and it eliminates the existing MFRS 139 categories of loans and receivables, held to maturity, and available for sale.

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss model. Under MFRS 9, loss allowances are measured on either 12-month expected credit loss or lifetime expected credit loss.

As permitted by the transitional provision of MFRS 9, the Group and the Company elected not to restate comparative information for prior periods with respect to classification and measurement and impairment requirements.

The following are the changes in the classification of the Group's and of the Company's financial assets:

(a) Unquoted equity investments

The unquoted equity investments previously classified as available for sale ("AFS") are now classified and measured as equity instruments designated at fair value through other comprehensive income. The Group and the Company elected to classify irrevocably its unquoted equity investments under this category as it intends to hold these investments for the foreseeable future. There were no impairment losses recognised in profit or loss for these investments in prior years.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Changes in accounting policies (cont'd.)

MFRS 9 Financial Instruments (cont'd.)

The following are the changes in the classification of the Group's and the Company's financial assets: (cont'd.)

(a) Unquoted equity investments (cont'd.)

The effect of adopting MFRS 9 as at 1 January 2018 was, as follows:

	1 January 2018 RM'000
Group and Company	
Assets	
Investment securities	
Fair value through other comprehensive income	
Unquoted shares in Malaysia	80,103
Equity	
Revaluation reserves	80,103

(b) Quoted debt instruments

Quoted debt instruments previously classified as AFS are now classified and measured as debt instruments at fair value through other comprehensive income. The Group and the Company expect not only to hold the assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis. The Group's and the Company's quoted debt instruments are Malaysian Government Securities that passed the solely payments of principal and interest ("SPPI") test.

(c) Trade and other receivables

Trade and other receivables previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortised cost.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's and the Company's financial liabilities.

Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in other reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139.

The adoption of MFRS 9 as further disclosed in Note 2.10 has no material impact to the financial statements of the Group and of the Company, other than that disclosed in Note 2.2(a).

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.3 Standards and interpretations issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and of the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards and interpretations, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 9 Prepayment Features with Negative Compensation	1 January 2019
MFRS 16 Leases	1 January 2019
Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatment	1 January 2019
Amendments to MFRS 2 Share-based Payment	1 January 2020
Amendments to MFRS 3 Business Combinations	1 January 2020
Amendments to MFRS 6 Exploration for and Evaluation of Mineral Resources	1 January 2020
Amendments to MFRS 14 Regulatory Deferral Accounts	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to MFRS 134 Interim Financial Reporting	1 January 2020
Amendments to MFRS 137 Provision, Contingent Liabilities and Contingent Asset	1 January 2020
Amendments to MFRS 138 Intangible Assets	1 January 2020
Amendments to IC Interpretation 12 Service Concession Agreements	1 January 2020
Amendments to IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
Amendment to IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2020
Amendments to IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2020
Amendments to IC Interpretation 132 Intangible Assets-Website Costs	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The Directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application, except as discussed below:

MFRS 16 Leases

The adoption of MFRS 16 is expected to have the following impact at initial application:

Leases in which the Group is a lessee

The Group will recognise new assets and liabilities for its operating leases. Nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Currently, the Group recognises operating lease on a straight-line basis over the term of the lease.

The Group has assessed the estimated impact and the initial application of MFRS 16 will have no material impact on its opening retained earnings and its statement of financial position as at 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.3 Standards and interpretations issued but not yet effective (cont'd.)

MFRS 16 Leases (cont'd.)

Leases in which the Group is a lessor

Lessor accounting under MFRS 16 is substantially unchanged from current accounting treatment under MFRS 117. Based on the information currently available, there are no contracts that are or contain a lease in which the Group expects to reclassify as a finance lease.

2.4 Subsidiaries and basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in profit or loss.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The Group controls an investee if, and only if, the Group has:

(i) power over the investee (such as existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) exposure, or rights, to variable returns from its investment with the investee; and

(iii) the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) the contractual arrangement(s) with the other vote holders of the investee;

(ii) rights arising from other contractual arrangements; and

(iii) the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.4 Subsidiaries and basis of consolidation (cont'd.)

(b) Basis of consolidation (cont'd.)

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the owners of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies to be in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in other expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of comprehensive income. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in the profit or loss.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.4 Subsidiaries and basis of consolidation (cont'd.)

(b) Basis of consolidation (cont'd.)

Business combinations and goodwill (cont'd.)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

2.5 Transactions with non-controlling interest ("NCI")

NCI represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and is presented separately in the consolidated profit or loss and within equity in the statements of financial position, separately from equity attributable to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group and the Company depreciate them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, as follows:

	%
Leasehold land	2 - 5
Buildings on leasehold land and freehold land	2 - 5
Plant and equipment	5 - 33.3
Computer equipment	12.5 - 30

Freehold land has an unlimited useful life and therefore is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.6 Property, plant and equipment (cont'd.)

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognised.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

2.7 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Leasehold land and building are depreciated over the shorter of the residual lease period and estimated useful life. Freehold land has an unlimited useful life and therefore is not depreciated.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its use or disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment up to the date of change in use.

2.8 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

(a) Gaming rights

The costs of gaming rights ("Rights") acquired in a business combination are their fair values at the date of acquisition. Following the initial recognition, the Rights are carried at cost less any accumulated impairment losses. The Rights comprise:

- a license for four digit number forecast betting operations in Malaysia under Section 5 of the Pool Betting Act, 1967 ("License") which is renewable annually; and
- trademarks, trade dress, gaming design and processes and agency network.

The License has been renewed annually since 1969.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.8 Intangible assets (cont'd.)

(b) Research and development costs

Research costs are expensed as incurred. Deferred development costs arising from development expenditures on an individual project are recognised when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during development. Deferred development costs have a finite useful life and are amortised over the period of expected sales from the related project on a straight line basis.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or CGU fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. A long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statements of profit or loss in expense categories consistent with the function of the impaired asset.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.9 Impairment of non-financial assets (cont'd.)

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at reporting date either individually or at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for intangible assets by assessing the recoverable amount of each CGU to which the intangible assets relate. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Financial assets

(i) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payment of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.10 Financial instruments (cont'd.)

(a) Financial assets (cont'd.)

(i) Initial recognition and measurement (cont'd.)

The Group's and the Company's business model for managing financial assets refers to how they manage their financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, such as the date that the Group and the Company commit to purchase or sell the asset.

(ii) Subsequent measurement

<u>Financial assets at amortised cost</u>

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial asset in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost include trade and other receivables.

<u>Financial assets at fair value through OCI (debt instruments)</u>

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.10 Financial instruments (cont'd.)

(a) Financial assets (cont'd.)

(ii) Subsequent measurement (cont'd.)

Financial assets at fair value through OCI (debt instruments) (cont'd.)

The Group's debt instruments at fair value through OCI includes Malaysian Government Securities previously classified as available for sale financial assets included under other non-current financial assets.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group and the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as revenue or other income in the statement of profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Unquoted shares in Malaysia previously classified as available for sale financial assets are now classified and measured as fair value through OCI. The Group and the Company elected to classify irrevocably its non-listed equity investments under this category as it intends to hold these investments for the foreseeable future. There were no impairment losses recognised in profit or loss for these investments in prior years.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition. If doing so, it eliminates or significantly reduces an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes quoted shares in Malaysia and outside Malaysia, which the Group and the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as revenue in the statement of profit or loss when the right of payment has been established.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.10 Financial instruments (cont'd.)

(a) Financial assets (cont'd.)

(iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (such as removed from the statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a 'pass-through' arrangement, they evaluate if and to what extent they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's and of the Company's continuing involvement in the asset. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

(b) Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

(ii) Subsequent measurement

Trade and other payables, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statements of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.10 Financial instruments (cont'd.)

(b) Financial liabilities (cont'd.)

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in statements of profit or loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.11 Impairment of financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECL") for all debt instruments not held at fair value through profit or loss. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL is recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL is provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group and the Company apply the low credit risk simplification. At every reporting date, the Group and the Company evaluate whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group and the Company reassess the internal credit rating of the debt instrument. In addition, the Group and the Company consider that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

Other financial assets including investment securities, short-term deposits and cash and cash equivalents are placed with reputable financial institutions. The Group and the Company consider these counterparties have a low risk of default and a strong capacity to meet contractual cash flows, and are of low credit risk. The impairment provision is determined based on the 12-month ECL.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.11 Impairment of financial assets (cont'd.)

The Group and the Company consider a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.12 Taxes

(a) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statements of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investment in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investment in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.12 Taxes (cont'd.)

(b) Deferred tax (cont'd.)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group and the Company offset deferred tax assets and deferred tax liabilities if and only if they have legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.13 Inventories

Inventories are stated at lower of cost and net realisable value.

Ticket stocks are stated at the lower of cost and net realisable value, with cost being determined on the first in, first out basis. Cost includes actual cost of materials and incidentals in bringing stocks into store. In arriving at net realisable value, due allowance is made for obsolete and slow moving items.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits which have a maturity of three months or less which are subject to an insignificant risk of changes in value. These may also include bank overdrafts that form an integral part of the Group's and of the Company's cash management.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.15 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.16 Treasury shares

Own equity shares repurchased are recognised at amount of consideration paid, including directly attributable costs, in equity. Repurchased shares are held as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the purchase, sale, reissuance or cancellation of the treasury shares. Any difference between the carrying amount and the consideration, if reissued, is recognised in equity, as appropriate.

2.17 Provisions

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as other expenses.

2.18 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.19 Current versus non-current classification

The Group and the Company present assets and liabilities in the statements of financial position based on current/non-current classification.

An asset is classified as current when:

(i) it is expected to be realised or intended to be sold or consumed in normal operating cycle;

(ii) it is held primarily for the purpose of trading;

(iii) it is expected to be realised within twelve months after the reporting period; or

(iv) cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.19 Current versus non-current classification (cont'd.)

A liability is classified as current when:

(i) it is expected to be settled in normal operating cycle;

(ii) it is held primarily for the purpose of trading;

(iii) it is due to be settled within twelve months after the reporting period; or

(iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.20 Revenue and other income recognition

Revenue is measured based on the consideration specified in a contract with a customer and exclude amounts collected on behalf of third parties. The Group and the Company recognise revenue when or as it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(i) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;

(ii) the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(iii) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, an entity satisfies the performance obligation at a point in time.

The specific recognition criteria described below must also be met before revenue and other income is recognised.

(a) Dividend income

Dividend income is recognised when the right to receive payment is established.

(b) Revenue from gaming activities

Revenue from gaming activities is recognised based on ticket sales at a point in time net of gaming tax and Goods and Services Tax ("GST") or Service Tax ("ST") in respect of draw days within the financial year.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.20 Revenue and other income recognition (cont'd.)

(c) Revenue from services

Revenue from services rendered is recognised over a period of time net of service taxes and discounts as and when the services are rendered.

(d) Interest income

Interest income is recognised on a time proportion basis that reflects the effective yield of the asset.

2.21 Employee benefits

(a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The companies in the Group make contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.22 Foreign currencies

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.22 Foreign currencies (cont'd.)

(b) Foreign currency transactions (cont'd.)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

The principal exchange rates used in the translation of foreign monetary assets of the Group and of the Company and financial statements of a foreign subsidiary are as follows:

	2018 RM	2017 RM
1 United States Dollar	4.14	4.06
1 Pound Sterling	5.25	5.46
100 Philippine Peso	7.90	8.15
100 Hong Kong Dollar	55.93	51.98
100 Japanese Yen	3.75	3.59

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange prevailing at the reporting date and income and expenses are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.23 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

The Group as lessee

Operating lease payments are recognised as an expense in statements of profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.23 Leases (cont'd.)

The Group as lessor

Assets leased out under operating leases are presented on the statement of financial position according to the nature of the assets. Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

2.24 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future event not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.25 Segment reporting

Segment reporting in the financial statements are presented on the same basis as it is used by management internally for evaluating operating segment performance and in deciding how to allocate resources to operating segments. Operating segments are distinguishable components of the Group that engage in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance, and for which discrete financial information is available.

All transactions between operating segments are conducted based on mutually agreed allocation bases, with intra-segment revenue and costs being eliminated. Income and expenses directly associated with each segment are included in determining business segment performance.

2.26 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(i) in the principal market for the asset or liability; or

(ii) in the absence of a principal market, in the most advantageous market for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.26 Fair value measurement (cont'd.)

The principal or the most advantageous market must be accessible to the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

(i) Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

(ii) Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or

(iii) Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group and the Company have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

The preparation of the Group's and of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd.)

Key sources of estimation uncertainty (cont'd.)

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial year end that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

(a) Impairment of goodwill and gaming rights

The Group determines whether the goodwill and gaming rights which have indefinite useful lives, are tested for impairment either annually or on a more frequent interval, depending on events or changes in circumstances that indicate the carrying value may be impaired. This requires an estimation of the value in use of the CGU to which the goodwill and gaming rights belongs to.

In assessing value in use, the management is required to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate to their present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and gaming rights and sensitivity analysis to changes in the assumptions are as disclosed in Note 16.

The Group will continue the annual renewal of the license for the four digit numbers forecast betting operation in Malaysia ("License") indefinitely and considers the License to contribute to the Group's net cash inflows indefinitely. Historically, there has been no compelling challenge to the License renewal. The technology used in the gaming activities is provided by an oversea's software supplier and is further supported by a subsidiary of the Group and is not expected to be replaced by another technology at any time in the foreseeable future.

(b) Valuation of unquoted financial assets

The Group and the Company carry its unquoted financial assets at fair value of which is determined using valuation techniques based on market conditions existing at the reporting date. The valuation was based on income approach and comparative valuation to test the key assumptions. Valuation techniques are subjective in nature and significant judgement is involved in establishing the fair value of the unquoted financial assets as the valuations are dependent on market conditions and the management is required to make certain key assumptions about the model inputs, including revenue growth, direct expenses and long term growth rate. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted financial assets.

(c) Income taxes

Significant estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax, tax recoverable and deferred tax provisions in the period in which such determination is made. Details of income tax expense and deferred tax are disclosed in Note 9 and Note 24, respectively.

The Directors of the Group and of the Company are of the opinion that total tax recoverable of RM4,447,000 (2017: RM52,196,000) is recoverable, subject to the agreement of the Inland Revenue Board of Malaysia.

(d) Investment in subsidiaries

The Company reviews its investment in subsidiaries when there are indicators of impairment. Impairment is measured by comparing the carrying amount of an investment with its recoverable amount. Significant estimation is required in determining the recoverable amount. When value in use calculation are undertaken, management must estimate the expected future cash flows from the asset and choose a suitable discount rate in order to calculate the present value of those cash flows. Details of investment in subsidiaries are disclosed in Note 14.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. REVENUE

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Investment income in respect of gross dividends from:				
- subsidiaries	–	–	731,811	142,700
- investment securities:				
- quoted in Malaysia	–	393	–	393
- quoted outside Malaysia	120	140	120	140
	120	533	731,931	143,233
Sale of four digit forecast tickets	2,704,053	2,648,494	–	–
Sale of computer software and consultancy services	81	180	–	–
	2,704,254	2,649,207	731,931	143,233

5. COST OF SALES

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cost of gaming activities	2,201,205	2,199,259	–	–

6. OTHER INCOME

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Gain on disposal of:				
- investment securities	30	–	30	–
- property, plant and equipment	154	138	–	–
Interest income (Note 6(a))	18,489	15,197	9,512	1,512
Gain on foreign exchange	–	17	–	–
Reversal of allowance for impairment:				
- trade debtors	82	250	–	–
- subsidiary	–	–	36	–
Others	333	225	10	73
	19,088	15,827	9,588	1,585

(a) Interest income

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Interest income on:				
- short term deposits	15,411	13,281	1,472	152
- subsidiary	–	–	5,463	–
- Malaysian Government Securities	501	556	–	–
- Investment securities	2,577	1,360	2,577	1,360
	18,489	15,197	9,512	1,512

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. FINANCE COSTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest expense on:				
- bank overdrafts	–	3	–	–
- medium term notes	48,556	47,190	–	–
- loan from subsidiaries	–	–	2,281	544
Transaction costs (Note 23)	1,492	1,850	–	–
Others	354	356	–	–
	50,402	49,399	2,281	544

8. PROFIT/(LOSS) BEFORE TAX

The following amounts have been included in arriving at profit/(loss) before tax:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Depreciation of investment properties (Note 13)	7	27	3	–
Depreciation of property, plant and equipment (Note 12)	8,779	7,213	26	–
Directors' remuneration (Note 8(a))	2,345	1,989	329	289
Auditors' remuneration (Note 8(b))	643	594	107	73
Amortisation of intangible assets (Note 16)	15	15	–	–
Rent of land and buildings	1,385	1,382	–	20
Employee benefits expense (Note 8(c))	33,704	29,874	286	278
Impairment loss on property, plant and equipment	–	303	–	–
Net loss arising from fair value change in investment securities	1,601	4,914	1,601	4,914
Allowance for impairment:				
- trade receivables (Note 18(a))	–	71	–	–
- other receivables (Note 18(b))	–	166	–	166
- subsidiaries (Note 18(c))	–	–	28	341
Property, plant and equipment written off	1,657	34	–	–
Loss on disposal of investment securities	169	–	169	–
Impairment loss on investment in subsidiaries	–	–	1,162,222	–
Unrealised loss on foreign exchange	180	1,361	–	697
Realisation of fair value loss on financial assets upon maturity	–	284	–	–

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. PROFIT BEFORE TAX (cont'd.)

(a) Directors' remuneration

The details of remuneration receivable by Directors of the Company during the financial years are as follows:

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Executive Directors' remuneration:				
- fees	50	–	–	–
- salaries and other emoluments	1,898	1,686	–	–
- benefits-in-kind	18	14	–	–
	1,966	1,700	–	–
Non-executive Directors' remuneration:				
- fees	335	248	285	248
- allowances and other emoluments	15	16	15	16
- benefits-in-kind	29	25	29	25
	379	289	329	289
Total Directors' remuneration	2,345	1,989	329	289
Less: Estimated money value of benefits-in-kind	(47)	(39)	(29)	(25)
Total Directors' remuneration excluding benefits-in-kind	2,298	1,950	300	264

The number of Directors of the Company whose total remuneration excluding benefits-in-kind for the Group during the financial year fell within the following bands is analysed below:

	Number of Directors 2018	Number of Directors 2017
Executive Directors:		
RM1,650,001 - RM1,700,000	–	1
RM1,850,001 - RM1,900,000	1	–
Non-executive Directors:		
RM0 - RM50,000	2	4
RM50,001 - RM100,000	–	2
RM100,001 - RM150,000	3	–

(b) Auditors' remuneration

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Auditors of the Company:				
- statutory audit	609	595	80	59
- under/(over) provision in prior year	25	(10)	21	8
- other services	9	9	6	6
	643	594	107	73

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. PROFIT BEFORE TAX (cont'd.)

(c) Employee benefits expense

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Wages, salaries and bonuses	28,977	25,712	256	247
Defined contribution plan	3,800	3,383	24	23
Other staff related expenses	927	779	6	8
	33,704	29,874	286	278

Included in employee benefits expense of the Group are Executive Directors' remuneration amounting to RM1,948,000 (2017: RM1,686,000).

9. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2018 and 31 December 2017 are:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Statements of profit or loss:				
Current income tax:				
Malaysian income tax	110,015	96,731	2,285	364
Under/(over) provision in prior years	99,433	(232)	(57)	1,722
	209,448	96,499	2,228	2,086
Deferred tax (Note 24):				
Origination and reversal of temporary differences	(4,557)	(1,133)	–	–
Under provision in prior years	412	1,953	–	–
	(4,145)	820	–	–
Real Property Gains Tax	(16)	–	–	–
Income tax expense	205,287	97,319	2,228	2,086

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

9. INCOME TAX EXPENSE (cont'd.)

Reconciliations between tax expense and accounting profit/(loss)

The reconciliations between tax expense and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the financial years ended 31 December 2018 and 31 December 2017 are as follows:

	2018 RM'000	2017 RM'000
Group		
Profit before tax	313,333	306,626
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	75,200	73,590
Income not subject to tax	(211)	(235)
Non-deductible expenses	31,308	22,243
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(729)	–
Deferred tax assets not recognised in respect of other deductible temporary differences	(110)	–
Under/(over) provision of income tax in prior years	99,433	(232)
Under provision of deferred tax in prior years	412	1,953
Real Property Gains Tax	(16)	–
Income tax expense	205,287	97,319

	2018 RM'000	2017 RM'000
Company		
(Loss)/profit before tax	(429,794)	134,688
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	(103,151)	32,325
Income not subject to tax	(175,672)	(34,376)
Non-deductible expenses	281,108	2,415
(Over)/under provision of income tax in prior years	(57)	1,722
Income tax expense	2,228	2,086

Domestic income tax is calculated at the Malaysian statutory rate of 24% (2017: 24%) of the estimated assessable profit for the financial year. Taxation for other jurisdiction is calculated at the rate prevailing in the respective jurisdictions.

The Group has the following tax losses, capital allowances and other temporary deductible differences that are available indefinitely for off-setting against future taxable profits of the entities where they arose:

	Group	
	2018 RM'000	2017 RM'000
Unused tax losses, unabsorbed capital allowances and other temporary deductible differences	5,715	9,212

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

9. INCOME TAX EXPENSE (cont'd.)

The following are tax losses, capital allowances and temporary deductible differences for which deferred tax have not been recognised as the Group could not anticipate when they would realise:

	Group	
	2018 RM'000	**2017 RM'000**
Unused tax losses, unabsorbed capital allowances and other temporary deductible differences	5,715	9,212
Deferred tax at 24% (2017: 24%)	1,372	2,211

10. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue (net of treasury shares) during the financial year.

	Group	
	2018 RM'000	**2017 RM'000**
Profit for the financial year attributable to owners of the Company	105,389	206,470

	2018 '000	**2017 '000**
Weighted average number of ordinary shares in issue	1,422,955	1,422,960

	2018 Sen	**2017 Sen**
Basic earnings per share	7.4	14.5

The Group has no potential ordinary shares in issue as at reporting date and therefore, diluted earnings per share has not been presented.

There have been no other transactions involving ordinary shares or potential shares since the reporting date and before the completion of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. DIVIDENDS

	Group/Company				
		Dividends in respect of year		Dividends recognised in year	
	2018 RM'000	2017 RM'000	2016 RM'000	2018 RM'000	2017 RM'000
Fourth interim single-tier dividend of 3% on 1,422,965,323 ordinary shares	–	–	42,689	–	42,689
First interim single-tier dividend of 3% on1,422,955,323 ordinary shares	–	42,689	–	–	42,689
Second interim single-tier dividend of 4% on 1,422,955,323 ordinary shares	–	56,918	–	–	56,918
Third interim single-tier dividend of 4% on 1,422,955,323 ordinary shares	–	56,918	–	56,918	–
First interim single-tier dividend of 4% on 1,422,955,323 ordinary shares	56,918	–	–	56,918	–
Second interim single-tier dividend of 3% on 1,422,955,323 ordinary shares	42,689	–	–	42,689	–
Third interim single-tier dividend of 4% on 1,422,955,323 ordinary shares	56,918	–	–	56,918	–
	156,525	156,525	42,689	213,443	142,296

Subsequent to the financial year end, the Directors had on 21 February 2019 declared a fourth interim single-tier dividend of 4% on 1,422,955,323 ordinary shares amounting to RM56,918,000 in respect of financial year ended 31 December 2018. The dividend will be paid on 29 March 2019.

This dividend payment will be accounted for in equity as an appropriation of retained profits during the financial year ending 31 December 2019.

The Directors do not recommend any payment of final dividend in respect of financial year ended 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Buildings on freehold land and leasehold buildings and land RM'000	Plant and equipment RM'000	Computer equipment RM'000	Capital work-in-progress RM'000	Total RM'000
At 31 December 2018						
Cost						
At 1 January 2018	9,580	38,698	24,235	66,227	5,545	144,285
Additions	–	25	4,172	2,112	5,240	11,549
Disposals	–	–	(468)	(31)	–	(499)
Write-off	–	(20)	(303)	(511)	(1,562)	(2,396)
Reclassification	–	–	2,207	–	(2,207)	–
At 31 December 2018	9,580	38,703	29,843	67,797	7,016	152,939
Accumulated depreciation						
At 1 January 2018	–	13,885	20,084	46,020	–	79,989
Depreciation charge for the year (Note 8)	–	798	2,957	5,024	–	8,779
Disposals	–	–	(455)	(31)	–	(486)
Write-off	–	(8)	(275)	(456)	–	(739)
At 31 December 2018	–	14,675	22,311	50,557	–	87,543
Accumulated impairment losses						
At 1 January 2018/ 31 December 2018	–	303	–	–	–	303
Net carrying amount						
At 31 December 2018	9,580	23,725	7,532	17,240	7,016	65,093

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. PROPERTY, PLANT AND EQUIPMENT (cont'd.)

Group	Freehold land RM'000	Buildings on freehold land and leasehold buildings and land RM'000	Plant and equipment RM'000	Computer equipment RM'000	Capital work-in-progress RM'000	Total RM'000
At 31 December 2017						
Cost						
At 1 January 2017	9,580	38,712	22,975	62,454	2,791	136,512
Additions	–	–	462	6,941	3,803	11,206
Disposals	–	–	(2)	(1,303)	–	(1,305)
Write-off	–	(14)	(249)	(1,865)	–	(2,128)
Reclassification	–	–	1,049	–	(1,049)	–
At 31 December 2017	9,580	38,698	24,235	66,227	5,545	144,285
Accumulated depreciation						
At 1 January 2017	–	12,688	19,102	44,368	–	76,158
Depreciation charge for the year (Note 8)	–	1,198	1,211	4,804	–	7,213
Disposals	–	–	(1)	(1,287)	–	(1,288)
Write–off	–	(1)	(228)	(1,865)	–	(2,094)
At 31 December 2017	–	13,885	20,084	46,020	–	79,989
Accumulated impairment losses						
At 1 January 2017	–	–	–	–	–	–
Charge for the year	–	303	–	–	–	303
At 31 December 2017	–	303	–	–	–	303
Net carrying amount						
At 31 December 2017	9,580	24,510	4,151	20,207	5,545	63,993

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. PROPERTY, PLANT AND EQUIPMENT (cont'd.)

Company	Plant and equipment RM'000	Computer equipment RM'000	Total RM'000
At 31 December 2018			
Cost			
At 1 January 2018	442	20	462
Addition	379	–	379
Write-off	–	#	–
At 31 December 2018	821	20	841
Accumulated depreciation			
At 1 January 2018	442	18	460
Depreciation charge for the year (Note 8)	26	*	26
Write-off	–	#	–
At 31 December 2018	468	18	486
Net carrying amount			
At 31 December 2018	353	2	355
At 31 December 2017			
Cost			
At 1 January 2017	442	26	468
Write-off	–	(6)	(6)
At 31 December 2017	442	20	462
Accumulated depreciation			
At 1 January 2017	442	24	466
Depreciation charge for the year (Note 8)	–	*	–
Write-off	–	(6)	(6)
At 31 December 2017	442	18	460
Net carrying amount			
At 31 December 2017	–	2	2

* *Depreciation charge for the year amounted to RM370 and RM371 for the financial year ended 31 December 2018 and 31 December 2017, respectively.*

\# *Computer equipment at cost of RM371 and accumulated depreciation of RM370 being written off during the financial year.*

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. INVESTMENT PROPERTIES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cost				
At 1 January	580	580	–	–
Addition	–	–	658	–
At 31 December	580	580	658	–
Accumulated depreciation				
At 1 January	27	–	–	–
Depreciation charge for the year (Note 8)	7	27	3	–
At 31 December	34	27	3	–
Net carrying amount	546	553	655	–
Estimated fair value	658	658	658	–

The investment properties acquired by the Company during the financial year was arising from capital distribution as disclosed in Note 21.

Investment properties comprise freehold land and leasehold land. Freehold land has an unlimited useful life and therefore is not depreciated while leasehold land is depreciated over the shorter of their estimated useful life and lease term of 99 years (2017: 99 years).

Investment properties are stated at cost. The estimated fair values are based on Directors' estimation, on direct comparison method. The fair values are categorised as Level 3 under the fair value hierarchy.

Valuation technique	Significant unobservable inputs
Direct comparison method	Selling price per square foot of comparable properties adjusted for location, accessibility, size, title conditions and restrictions, land tenure, zoning or designated use, building, improvements and amenities and time element.

Direct comparison method

Under the direct comparison method, a property's fair value is estimated based on comparable transactions. This approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. In theory, the best comparable sale would be an exact duplicate of the subject property and would indicate, by the known selling price of the duplicate, the price for which the subject property could be sold.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. INVESTMENT IN SUBSIDIARIES

	Company	
	2018 RM'000	2017 RM'000
Unquoted shares, at cost (a)	2,091,841	2,091,841
Add: Addition (b)	1,847,587	–
Less: Accumulated impairment losses (c)	(1,264,184)	(101,962)
	2,675,244	1,989,879

Details of the subsidiaries are disclosed in Note 35.

(a) During the financial year, the Company exercised the option to convert its holdings of 290,667,243 Irredeemable Covertible Preference Shares to ordinary share in Asia 4D Company Limited ("Asia 4D") at USD1,000 per share ("the Conversion").

Subsequent to the Conversion, Asia 4D Holdings Limited ("Asia 4D Holdings") exercised its put option to sell and required the Company to purchase 1 ordinary share in Asia 4D at an exercise price of USD1 per share pursuant to the Put Option Agreement entered into between the Company and Asia 4D Holdings in 2011. As a result, Asia 4D became a wholly owned subsidiary of the Company.

(b) During the financial year, the Company has addition in certain subsidiaries as follows:

(i) Asia 4D Company Limited ("Asia 4D")

The Company converted the amount due from Asia 4D of RM505,920,000 into 124,687 ordinary shares at USD1,000 per share.

(ii) Magnum Holdings Sdn. Bhd. ("MHSB")

739,896,548 shares at RM1 per share in MHSB were transferred to the Company by Multi-Purpose International Limited, a wholly owned subsidiary, for the settlement of amount due to the Company.

The Company has also converted the amount due from MHSB amounted to RM601,470,385 to 601,470,385 ordinary shares in MHSB at RM1 per share.

Accordingly, the total additional cost of investment in MHSB during the financial year amounted to RM1,341,366,000.

(iii) Marinco Holdings Sdn. Bhd. ("Marinco")

The Company has increased its investment in Marinco through subscription of an additional 300,000 ordinary shares at RM1 per share.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. INVESTMENT IN SUBSIDIARIES (cont'd.)

(c) The impairment assessment in cost of investment in subsidiaries is discussed as follows:

(i) Magnum Holdings Sdn. Bhd. ("MHSB")

When there is an indication of impairment, the recoverable amount of investment in the subsidiary is estimated. The recoverable amount is based on the higher of value in use or fair value less costs to sell. Significant estimates and assumptions are made in determining value in use and fair value less costs to sell.

Based on the key assumptions, the recoverable amount was estimated to be lower than the carrying amount and an impairment loss of the cost of investment in MHSB amounting to RM1,136,812,000 was recognised by the Company during the financial year. The impairment loss was included in other expenses in the statements of profit or loss during the financial year.

Key assumptions used in the value in use calculations are disclosed in Note 16.

(ii) Dynamic Pearl Sdn. Bhd. ("DPSB")

The Company aslo recognised an impairment loss of RM25,410,000 on the cost of investment in DPSB, a wholly owned subsidiary under member's voluntary liquidation.

15. INVESTMENT SECURITIES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current				
Fair value through other comprehensive income				
Unquoted shares in Malaysia	357,429	243,005	357,429	243,005
Malaysian Government Securities	13,025	13,057	–	–
Total non-current investment securities	370,454	256,062	357,429	243,005
Current				
Fair value through other comprehensive income				
Investment Management Funds	–	4,874	–	4,874
Fair value through profit or loss				
Quoted shares in Malaysia	12,701	19,987	12,701	19,987
Quoted shares outside Malaysia	21,481	21,016	21,481	21,016
Total current investment securities	34,182	45,877	34,182	45,877
Total investment securities	404,636	301,939	391,611	288,882

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. INVESTMENT SECURITIES (cont'd.)

The following table provides information on the interest rate of Malaysian Government Securities at the reporting date.

	Group 2018 %	Group 2017 %
Interest rate per annum	3.80 - 4.06	3.80 - 4.06

16. INTANGIBLE ASSETS

Group	Goodwill RM'000	Four digit gaming rights RM'000	Development cost for Jackpot games RM'000	Total RM'000
Cost				
At 1 January 2018/31 December 2018 and at 1 January 2017/31 December 2017	901,531	1,836,199	748	2,738,478
Accumulated amortisation				
At 1 January 2018	–	–	116	116
Amortisation for the year (Note 8)	–	–	15	15
At 31 December 2018	–	–	131	131
At 1 January 2017	–	–	101	101
Amortisation for the year (Note 8)	–	–	15	15
At 31 December 2017	–	–	116	116
Net carrying amount				
At 31 December 2018	901,531	1,836,199	617	2,738,347
At 31 December 2017	901,531	1,836,199	632	2,738,362

The development cost for Jackpot games represents internal development cost capitalised and have remaining amortisation period of 41 to 45 years (2017: 42 to 46 years).

Key assumptions used in value in use calculations

The gaming rights and goodwill have been allocated to the Group's Cash-Generating Unit ("CGU") identified from the gaming segment.

The recoverable amount of the CGU has been determined based on value in use calculations using cash flow projections based on financial budget approved by the Board of Directors covering a five-year period (2017: five-year period).

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. INTANGIBLE ASSETS (cont'd.)

Key assumptions used in value in use calculations (cont'd.)

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of gaming rights and goodwill:

(i) Revenue

The bases used to determine the future earnings potential are historical sales and expected growth rates of the relevant industry.

(ii) Payout ratio

Payout ratio is based on the average payout ratio offered in the previous year after taking into account the theoretical payout ratio.

(iii) Discount rate

The discount rate used is 8.20% (2017: 8.30%) and reflects specific risks relating to the gaming segment.

(iv) Terminal growth rate

The terminal growth rate of 1.14% (2017: 1.14%) represents the growth rate applied to extrapolate cash flow beyond the five year financial budget period. This growth rate is based on management's assessment of future trends in the gaming industry and based on both external and internal sources.

Sensitivity to changes in assumptions

With regard to the assessment of value in use for the gaming segment, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount to materially exceed its recoverable amount.

17. INVENTORIES

	Group	
	2018	**2017**
	RM'000	**RM'000**
At cost:		
Ticket stocks	1,076	1,104

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM7,238,000 (2017: RM6,728,000).

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

18. RECEIVABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current				
Trade receivables (a)	2,832	12,348	–	–
Less: Allowance for expected credit losses ("ECL")	(6)	(88)	–	–
Trade receivables, net	2,826	12,260	–	–
Other receivables (b)	10,944	7,843	7,392	331,724
Prepayments	13,152	12,430	1,034	1,023
Amounts due from subsidiaries (c)	–	–	376	1,040,493
Less: Allowance for ECL	(527)	(527)	(542)	(507)
Other receivables, net	23,569	19,746	8,260	1,372,733
Total receivables	26,395	32,006	8,260	1,372,733
Total receivables	26,395	32,006	8,260	1,372,733
Add: Deposits, cash and bank balances (Note 19)	503,895	334,610	8,079	1,051
Less: Prepayments	(13,152)	(12,430)	(1,034)	(1,023)
Total financial assets carried at amortised cost	517,138	354,186	15,305	1,372,761

(a) Trade receivables

The Group has no significant concentration of credit risk, disclosed in Note 31(c), that may arise from exposures to a single debtor or to group of debtors.

Gaming

Trade receivables amounting to RM2,789,000 (2017: RM12,222,000) are due and payable on the same day and shall be banked in within the banking hours on the same day. The amount received after the banking hours shall be paid on the following banking day. The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date.

Information technology services

Normal credit term for information technology services is 60 days (2017: 60 days). The Group applies the simplified approach whereby allowance for impairment are measured at lifetime ECL.

Ageing analysis of trade receivables for information technology services

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2018 RM'000	2017 RM'000
Neither past due nor impaired	37	38
Impaired	6	88
	43	126

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

18. RECEIVABLES (cont'd.)

(a) Trade receivables (cont'd.)

Information technology services (cont'd.)

Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Trade receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance for ECL used to record the impairment are as follows:

	Group Individually impaired	
	2018 RM'000	2017 RM'000
Trade receivables - nominal amounts	6	88
Less: Allowance for ECL	(6)	(88)
	–	–

Movement in allowance for ECL:

	Group	
	2018 RM'000	2017 RM'000
At 1 January	88	302
Charge for the year (Note 8)	–	71
Written back	(82)	(250)
Written off	–	(35)
At 31 December	6	88

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

18. RECEIVABLES (cont'd.)

(b) Other receivables

Breakdown of other receivables of the Group and of the Company are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Dividend receivable (i)	–	–	–	326,930
Deposits	1,625	1,641	658	658
Others	9,319	6,202	6,734	4,136
	10,944	7,843	7,392	331,724

(i) Dividend receivable

The dividend receivable amounted to RM505,920,000 (2017: RM326,930,000) was converted into ordinary shares in Asia 4D Company Limited as further detailed in Note 14(b)(i).

The Group and the Company apply the simplified approach whereby allowance for impairment are measured at lifetime ECL. Movement in allowance for ECL:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	527	361	166	–
Charge for the year (Note 8)	–	166	–	166
At 31 December	527	527	166	166

(c) Amounts due from subsidiaries

The amounts due from subsidiaries consist of amount which are unsecured, repayable on demand and non-interest bearing.

During the financial year, amounts due from a subsidiary amounted to RM300,342,522 and RM739,896,548 was settled by way of cash and transfer of ordinary shares in Magnum Holdings Sdn. Bhd. as further detailed in Note 14(b)(ii), respectively.

The Company applies the simplified approach whereby allowance for impairment are measured at lifetime ECL.

Movement in allowance for ECL:

	Company	
	2018 RM'000	2017 RM'000
At 1 January	341	–
Charge for the year (Note 8)	28	341
Written back	(36)	–
Unrealised loss on foreign exchange	43	–
At 31 December	376	341

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19. DEPOSITS, CASH AND BANK BALANCES

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash at banks and on hand	37,855	31,654	282	472
Short term deposits with licensed banks	466,040	302,956	7,797	579
Deposits, cash and bank balances	503,895	334,610	8,079	1,051
Less:				
Cash deposits pledged (Note 23)	(27,445)	(26,938)	–	–
Cash deposits with licensed banks with maturity period of more than 3 months	(260)	(253)	–	–
Cash and cash equivalents	476,190	307,419	8,079	1,051

Included in deposits placed with licensed banks of the Group is an amount of RM27,445,000 (2017: RM26,938,000) which is pledged to licensed banks as security for banking facilities granted to subsidiaries and borrowings as disclosed in Note 23.

The range of interest rate (per annum) and maturity tenure of deposits are as follows:

	Group 2018	Group 2017	Company 2018	Company 2017
Interest rate (%)	0.88 - 3.80	0.88 - 3.73	3.05 - 3.60	2.90 - 3.10
Maturities (days)	1 - 365	1 - 365	1 - 33	2 - 14

20. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	Number of ordinary shares		Amount		
	Share capital (Issued and fully paid) '000	Treasury shares '000	Share capital (Issued and fully paid) RM'000	Share premium RM'000	Treasury shares RM'000
At 1 January 2018/31 December 2018	1,437,749	(14,793)	2,154,357	–	(30,205)
At 1 January 2017	1,437,749	(14,783)	1,437,749	716,608	(30,188)
Purchase of own shares	–	(10)	–	–	(17)
Transfer of share premium	–	–	716,608	(716,608)	–
At 31 December 2017	1,437,749	(14,793)	2,154,357	–	(30,205)

The Company has not issued any new shares or debentures during the financial year.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (cont'd.)

Treasury Shares

The share buy-back mandate expired and was renewed at the 42nd Annual General Meeting held on 30 May 2018.

The Company has not repurchased any shares from the open market during the financial year.

Of the total 1,437,748,654 (2017: 1,437,748,654) issued and fully paid ordinary shares as at 31 December 2018, 14,793,331 (2017: 14,793,331) are held as treasury shares by the Company. The total cost of acquisition of the treasury shares as at 31 December 2018 was amounted to RM30,205,000 (2017: RM30,205,000).

21. OTHER RESERVES

	Capital reserve RM'000 Note 21(a)	Revaluation reserve RM'000 Note 21(b)	Other reserve RM'000 Note 21(c)	Total RM'000
Group				
At 1 January 2018	20,832	1,800	(696,377)	(673,745)
Effect of MFRS 9 adoption	–	80,103	–	80,103
At 1 January 2018, restated	20,832	81,903	(696,377)	(593,642)
Total other comprehensive income	–	(32)	(17)	(49)
Transfer to retained profits	–	(1,720)	–	(1,720)
At 31 December 2018	20,832	80,151	(696,394)	(595,411)
At 1 January 2017	20,832	2,102	(696,399)	(673,465)
Total other comprehensive income	–	(586)	22	(564)
Transfer to profit or loss	–	284	–	284
At 31 December 2017	20,832	1,800	(696,377)	(673,745)
Company				
At 1 January 2018	–	1,720	–	1,720
Effect of MFRS 9 adoption	–	80,103	–	80,103
At 1 January 2018, restated	–	81,823	–	81,823
Capital distribution from a subsidiary*	93,398	–	–	93,398
Transfer to retained profits	–	(1,720)	–	(1,720)
At 31 December 2018	93,398	80,103	–	173,501
At 1 January 2017	–	2,197	–	2,197
Total other comprehensive income	–	(477)	–	(477)
At 31 December 2017	–	1,720	–	1,720

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21. OTHER RESERVES (cont'd.)

(a) Capital reserve

In accordance with Article 138 of the Company's Constitution of a subsidiary, the capital reserve arose from the gain on disposal of investments transferred from retained profits in prior years.

* During the financial year, Dynamic Pearl Sdn. Bhd. ("DPSB"), a wholly owned subsidiary under member's voluntary liquidation, made a capital distribution of RM93,398,000 consist of investment properties and set-off of amount due to DPSB at fair value amounting to RM658,000 and RM92,740,000, respectively.

(b) Revaluation reserve

Revaluation reserve represents the cumulative fair value changes, net of tax, of financial assets at fair value through other comprehensive income.

Effect of MFRS 9 adoption represents differences in the carrying amount of unquoted shares in Malaysia as at 1 January 2018 which is now designated at fair value through other comprehensive income.

Fair value changes amounted to RM1,720,000 has been transferred to retained profits upon divestment of investment management funds during the financial year.

(c) Other reserve

Mainly represents the difference of non-controlling interest acquired and the fair value of consideration paid arising from acquisition of additional shares in subsidiaries and exchange differences arising from the translation of the financial statements of a subsidiary whose functional currency is different from the Group's presentation currency.

22. RETAINED PROFITS

The Company's retained profits are available for distribution as single-tier dividends.

23. BORROWINGS

	Group	
	2018 RM'000	**2017 RM'000**
Current		
Secured:		
Medium term notes	224,426	224,628
Non-current		
Secured:		
Medium term notes	713,480	597,363
Total loans and borrowings	937,906	821,991

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

23. BORROWINGS (cont'd.)

The remaining maturities of the borrowings are as follows:

	Group 2018 RM'000	Group 2017 RM'000
On demand within one year	224,426	224,628
Later than 1 year and not later than 2 years	223,973	223,919
Later than 2 years and not later than 3 years	89,996	223,458
Later than 3 years and not later than 4 years	174,785	–
Later than 4 years	224,726	149,986
	937,906	821,991

	Group 2018 RM'000	Group 2017 RM'000
At 1 January	821,991	995,141
Net issuance/(repayment) during the financial year	115,000	(175,000)
Transaction cost capitalised	(577)	–
Amortisation of transaction costs (Note 7)	1,492	1,850
At 31 December	937,906	821,991
Due within a year	224,426	224,628
Due within two to five years	663,478	497,383
Due more than five years	50,002	99,980
	937,906	821,991

In 2012, a subsidiary, Magnum Corporation Sdn. Bhd. ("MCSB"), took up a 20 years Medium Term Notes ("MTN") programme of up to RM1,000,000,000 at nominal value. As at 31 December 2018, total medium term notes amounting to RM940,000,000 (2017: RM825,000,000) in nominal value remain outstanding.

The MTN shall mature and be redeemed in the following years:

Series	Maturity	Tenure	Group 2018 RM'000	Group 2017 RM'000
4.84% p.a. fixed rate MTN	September 2018	6 years	–	225,000
5.00% p.a. fixed rate MTN	September 2019	7 years	225,000	225,000
5.07% p.a. fixed rate MTN	September 2020	8 years	225,000	225,000
5.43% p.a. fixed rate MTN	September 2021	3 years	90,000	–
5.40% p.a. fixed rate MTN	September 2022	5 years	50,000	50,000
5.45% p.a. fixed rate MTN	September 2022	4 years	125,000	–
5.45% p.a. fixed rate MTN	January 2023	5 years	125,000	–
5.55% p.a. fixed rate MTN	September 2023	8 years	50,000	50,000
5.15% p.a. fixed rate MTN	September 2024	8 years	50,000	50,000
			940,000	825,000

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

23. BORROWINGS (cont'd.)

The MTN is secured by the following:

(i) first and third party charges over all the shares directly or indirectly, legally and beneficially owned by MCSB in Magnum 4D Berhad ("M4DB");

(ii) first and third party charges over all the shares held directly or indirectly, legally and beneficially owned by M4DB in certain gaming subsidiaries; and

(iii) all monies deposited or held in Cash Deposit Account (Note 19).

Reconciliation of movement in liabilities to cash flows arising from financing activities

Group	1 January 2018 RM'000	Cash flows RM'000	Transaction costs RM'000 (Note 7)	Reclassification RM'000	31 December 2018 RM'000
Interest-bearing borrowings:					
- current	224,628	(225,000)	(202)	225,000	224,426
- non-current	597,363	339,423	1,694	(225,000)	713,480
Total liabilities from financing activities	821,991	114,423	1,492	–	937,906

	1 January 2017 RM'000	Cash flows RM'000	Transaction costs RM'000 (Note 7)	Reclassification RM'000	31 December 2017 RM'000
Interest-bearing borrowings:					
- current	224,639	(225,000)	(11)	225,000	224,628
- non-current	770,502	50,000	1,861	(225,000)	597,363
Total liabilities from financing activities	995,141	(175,000)	1,850	–	821,991

24. DEFERRED TAX ASSETS/(LIABILITIES)

	Group 2018 RM'000	Group 2017 RM'000
At 1 January	6,127	6,947
Recognised in profit or loss (Note 9)	4,145	(820)
At 31 December	10,272	6,127
Presented after appropriate offsetting as follows:		
Deferred tax assets (a)	11,529	7,637
Deferred tax liabilities (b)	(1,257)	(1,510)
	10,272	6,127

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

24. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd.)

The components and movements of deferred tax assets and liabilities during the financial years prior to offsetting are as follows:

(a) Deferred tax assets of the Group

	Others RM'000
At 1 January 2018	9,244
Recognised in profit or loss	3,701
At 31 December 2018	12,945
At 1 January 2017	11,140
Recognised in profit or loss	(1,896)
At 31 December 2017	9,244

(b) Deferred tax liabilities of the Group

	Property, plant and equipment RM'000	Receivables RM'000	Total RM'000
At 1 January 2018	(3,111)	(6)	(3,117)
Recognised in profit or loss	438	6	444
At 31 December 2018	(2,673)	–	(2,673)
At 1 January 2017	(4,091)	(102)	(4,193)
Recognised in profit or loss	980	96	1,076
At 31 December 2017	(3,111)	(6)	(3,117)

25. AMOUNTS DUE TO SUBSIDIARIES

Amounts due to subsidiaries are unsecured, interest-free and repayable on demand except for an amount owing to a subsidiary of RM15,000,000 (2017: RM16,000,000) which bears interest at 5.44% (2017: 3.40%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. PAYABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current				
Trade payables	154,112	131,208	–	–
Other payables and accruals (a)	107,526	48,435	2,041	471
Provisions	3,367	3,198	333	308
Total payables	265,005	182,841	2,374	779
Add:				
- Loans and borrowings (Note 23)	937,906	821,991	–	–
- Amounts due to subsidiaries (Note 25)	–	–	15,113	111,657
Less: Provisions	(3,367)	(3,198)	(333)	(308)
Total financial liabilities carried at amortised cost	1,199,544	1,001,634	17,154	112,128

Other payables are non-interest bearing, unsecured and repayable on demand.

(a) Included in other payables is tax penalty as disclosed in Note 29.

27. OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group entered into operating lease agreements for the use of certain office premises. These non-cancellable leases have an average life of between 1 to 3 years with certain contracts carrying renewal options in the contracts.

The future aggregate minimum lease payments under operating leases contracted for as at the reporting date but not recognised as liabilities, are as follows:

	2018 RM'000	2017 RM'000
Future minimum rental payments:		
Not later than 1 year	1,053	1,053
Later than 1 year and not later than 3 years	526	1,579
	1,579	2,632

28. CAPITAL COMMITMENTS

	Group	
	2018 RM'000	2017 RM'000
Capital expenditure approved and contracted for:		
Computer hardware and software	8,838	15,730
Signages	–	1,931
Renovation	619	–
	9,457	17,661

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. CONTINGENT LIABILITY

On 15 May 2017 and 22 May 2017, the Company and Magnum Holdings Sdn. Bhd. ("MHSB"), a wholly owned subsidiary of the Company, were served with notices of additional tax assessment inclusive of penalties by the Inland Revenue Board of Malaysia ("IRBM") for the years of assessment 2008, 2011, 2012, 2013, 2014 and 2015 for the Company and years of assessment 2008, 2009, 2010, 2011, 2012 and 2013 for MHSB pursuant to the disallowance of deduction of certain interest expenses incurred for investments amounting to RM477,096,000.

Both the Company and MHSB had appointed a reputable firm of tax solicitors, who filed leave applications to commence judicial review proceedings and stay of proceedings against the enforcement of the assessment issued by the IRBM. On 9 August 2017, the Kuala Lumpur High Court had granted leave to both the Company and MHSB to commence judicial review proceedings with the view of quashing the notices of assessments and a stay of proceedings against the enforcement of payment until the disposal of the judicial review proceedings.

On 20 September 2018, the Company and MHSB through their legal counsels with the agreement of the Director General Of Inland Revenue ("the Respondent") filed a Consent Order with the Kuala Lumpur High Court to enter into a Consent Judgment for inter-alia, the following:

- the Respondent has agreed to refund the amount of RM47,904,444 by way of offset against RM142,888,941 in respect of MHSB, resulting in the net payable amount of RM94,984,498 by MHSB; and

- the Company and MHSB will make full and final settlement of additional tax payable and penalty amounting to RM5,251,980 and RM94,984,498 covering the years of assessment from 2008 to 2015 and from 2008 to 2013, respectively, to be discharged by seven instalment payments from 31 December 2018 to 30 June 2019.

Following the filing of the Consent Order, the Respondent has withdrawn its judicial review before the Court of Appeal and the Company's and MHSB's judicial review before the Kuala Lumpur High Court were abated accordingly. The additional tax payable and the tax penalty have been accrued in tax payable and other payables as further detailed in Note 26, respectively.

30. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
With subsidiaries:				
Dividend income	–	–	(731,811)	(142,700)
Interest expense payable on loans	–	–	2,281	544
With other related parties:				
Insurance premium payable	910	1,484	161	164
Management fees payable	801	651	78	74
Professional fees payable	819	869	789	832
Computer software service income	(52)	(102)	–	–

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. SIGNIFICANT RELATED PARTY DISCLOSURES (cont'd.)

(a) Related party transactions (cont'd.)

(i) The Directors of the Company are of the opinion that the above transactions are entered into in the normal course of business and based on negotiated and mutually agreed terms. Outstanding balances in respect of the above transactions with subsidiaries are disclosed in Note 25. There are no outstanding balances in respect of transactions with related parties.

(ii) Related parties refer to the following:

- Metra Management Sdn. Bhd., incorporated in Malaysia, which is a company in which a Director has a substantial interest.

- Wejay Consult Sdn. Bhd., incorporated in Malaysia, which is a company in which a Director has a substantial interest.

- MPI Generali Insurans Berhad, incorporated in Malaysia, which is a company in which a Director has a substantial interest.

- MPHB Capital Berhad, incorporated in Malaysia, which is a company in which a Director has a substantial interest.

(b) Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group and certain members of senior management of the Group.

The remuneration and compensation of the Directors of the Company and other members of key management during the financial year were as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Short-term employee benefits	6,711	6,365	329	289
Post-employment benefits:				
- Defined contribution plan	708	677	–	–
- Other long-term benefits	165	28	–	–
	7,584	7,070	329	289

Included in the total compensation of key management personnel are Directors' remuneration as detailed in Note 8(a).

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include foreign exchange risk, liquidity risk, credit risk and market price risk.

The Group's and the Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity, credit risks and market price risk. The Group operates within clearly defined guidelines that are approved by the Board.

It is, and has been throughout the current and previous financial year, the Group's policy not to engage in speculative transactions. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group is exposed to transactional currency risk that is denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Philippine Peso and Sterling Pound.

The net unhedged financial assets of the Group that are not denominated in their functional currencies are as follows:

Group	**Deposit, cash and bank balances RM'000**
At 31 December 2018	
Sterling Pound	191
Philippine Peso	5,635
At 31 December 2017	
Sterling Pound	81
Philippine Peso	5,885

The Group does not have any significant exposure to the fluctuations in foreign exchange rates.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

In the management of liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by the management to finance the Group's operations. The Group maintains sufficient levels of cash to fund the Group's operations.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd.)

(b) Liquidity risk (cont'd.)

At the reporting date, approximately 25% (2017: 28%) of the Group's borrowings (Note 23) will mature in less than one year at the reporting date.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

Financial liabilities:	On demand or within one year RM'000	One to two years RM'000	Two to three years RM'000	Three to four years RM'000	More than four years RM'000	Total RM'000
2018						
Group						
Trade and other payables	261,638	–	–	–	–	261,638
Loans and borrowings	274,413	262,867	116,543	196,675	236,359	1,086,857
Total undiscounted financial liabilities	536,051	262,867	116,543	196,675	236,359	1,348,495
Company						
Payables, representing total undiscounted financial liabilities	17,154	–	–	–	–	17,154
2017						
Group						
Trade and other payables	179,643	–	–	–	–	179,643
Loans and borrowings	266,598	255,805	244,382	8,050	165,975	940,810
Total undiscounted financial liabilities	446,241	255,805	244,382	8,050	165,975	1,120,453
Company						
Payables, representing total undiscounted financial liabilities	112,128	–	–	–	–	112,128

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd.)

(c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument, leading to a financial loss. The Group's and the Company's exposure to credit risk arises primarily from receivables. For other financial assets including investment securities and deposits, cash and bank balances, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. The impairment provision is determined based on the 12-month ECL.

Credit risks are mainly associated with the risk of selling agents defaulting and the cash deposits placed with financial institutions. The risks relating to the selling agents are minimised by obtaining security deposits from agents as well as applying strict credit approval, monitoring and enforcement policies. The management minimises the risk by placing the cash deposits with financial institution with good credit rating.

The Group and the Company do not have any significant exposure to any individual agent nor does it have any major concentration of credit risk related to any financial instruments.

(d) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to equity price risk arising from its investment in quoted equity instruments. The quoted equity instruments in Malaysia are listed on the Bursa Malaysia, whereas the quoted equity instruments outside Malaysia are listed on Philippine Stock Exchange in Philippines and the quoted debt instruments relate to Malaysian Government Securities. These instruments are classified as held for trading or fair value through other comprehensive income financial assets. The Group does not have exposure to commodity price risk.

At the reporting date, the exposure to listed equity securities at fair value was RM47,207,000 (2017: RM54,060,000). A decrease of 10% on the market price could have an impact of approximately RM3,418,000 (2017: RM4,100,000) and RM1,303,000 (2017: RM1,306,000) on the income and equity attributable to the Group respectively.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Fair value of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

	Note
Receivables	18
Deposits, cash and bank balances	19
Borrowings	23
Amounts due to subsidiaries	25
Payables	26

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd.)

(b) Fair value measurements

The fair values of all the financial assets for which fair values are disclosed are categorised as below under the fair value hierarchy as described in Note 2.26.

The following table provides the fair value measurement hierarchy of the Group's assets:

Quantitative disclosure for fair value measurement hierarchy for assets as at 31 December 2018:

Group

At 31 December 2018	Date of valuation	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Non-current asset					
Financial assets at fair value through other comprehensive income:					
Unquoted shares in Malaysia	31 December 2018	357,429	–	–	357,429
Malaysian Government Securities	31 December 2018	13,025	13,025	–	–
Current assets					
Financial assets at fair value through profit or loss:					
Quoted securities	31 December 2018	34,182	34,182	–	–

Quantitative disclosure for fair value measurement hierarchy for assets as at 31 December 2017:

Group

At 31 December 2017	Date of valuation	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Non-current asset					
Financial assets at fair value through other comprehensive income (previously classified as available for sale investment):					
Malaysian Government Securities	31 December 2017	13,057	13,057	–	–

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd.)

(b) Fair value measurements (cont'd.)

The following table provides the fair value measurement hierarchy of the Group's assets: (cont'd.)

Quantitative disclosure for fair value measurement hierarchy for assets as at 31 December 2017: (cont'd.)

Group

At 31 December 2017	Date of valuation	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Current assets					
Financial assets at fair value through other comprehensive income (previously classified as available for sale investment):					
Investment Management Funds	31 December 2017	4,874	–	–	4,874
Financial assets at fair value through profit or loss:					
Quoted securities	31 December 2017	41,003	41,003	–	–

There has been no transfer between Level 1, Level 2 and Level 3 for the financial year under review.

The following table provides the fair value measurement hierarchy of the Company's assets:

Quantitative disclosure for fair value measurement hierarchy for assets as at 31 December 2018:

Company

At 31 December 2018	Date of valuation	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Non-current asset					
Financial assets at fair value through other comprehensive income:					
Unquoted shares in Malaysia	31 December 2018	357,429	–	–	357,429
Current asset					
Financial assets at fair value through profit or loss:					
Quoted securities	31 December 2018	34,182	34,182	–	–

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd.)

(b) Fair value measurements (cont'd.)

The following table provides the fair value measurement hierarchy of the Company's assets: (cont'd.)

Quantitative disclosure for fair value measurement hierarchy for assets as at 31 December 2017:

Company

At 31 December 2017	Date of valuation	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Current asset					
Financial assets at fair value through other comprehensive income (previously classified as available for sale investment):					
Investment Management Funds	31 December 2017	4,874	–	–	4,874
Financial assets at fair value through profit or loss:					
Quoted securities	31 December 2017	41,003	41,003	–	–

There has been no transfer between Level 1, Level 2 and Level 3 for the financial year under review.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Deposits, cash and bank balances, receivables, payables and borrowings

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

(ii) Quoted investments

The fair value of quoted investments is determined by reference to stock exchange quoted market bid prices at the close of the business at the reporting date.

(iii) Malaysian Government Securities

The Malaysian Government Securities Indicative Price is listed on Bank Negara Malaysia website.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd.)

(b) Fair value measurements (cont'd.)

The following methods and assumptions are used to estimate the air values of the following classes of financial instruments: (cont'd.)

(iv) Unquoted shares in Malaysia

The fair values of unquoted shares in Malaysia have been measured using valuation models which uses both observable and non-observable data. The non-observable inputs to the models include assumptions of revenue growth, direct expenses and long term growth rate.

(v) Amount due from/to subsidiaries

The Company does not anticipate the carrying amounts recorded at the reporting date that would eventually be received or settled to be significantly different from the fair values as the amounts are repayable on demand.

33. CAPITAL MANAGEMENT

The primary objective of the Group's and of the Company's capital management is to maintain an optimal capital structure in order to support its business and maximise shareholders' value. The Group and the Company manage its capital structure and make adjustments to it, in light of changes in economic condition. To maintain or adjust its capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group and the Company monitor capital using a gearing ratio, which is the net debt divided by equity attributable to owners of the Company. The Group and the Company include within its net debt, borrowings, payables, amount due to subsidiaries, less cash and bank balances and short term deposits.

The gearing ratios as at 31 December 2018 and 31 December 2017 are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Payables	265,005	182,841	2,374	779
Amounts due to subsidiaries	–	–	15,113	111,657
Borrowings	937,906	821,991	–	–
Less:				
Deposits, cash and bank balances	(503,895)	(334,610)	(8,079)	(1,051)
Net debt	699,016	670,222	9,408	111,385
Equity attributable to owners of the Company	2,451,948	2,479,948	3,069,362	3,541,326
Gearing ratio	28.5%	27.0%	0.3%	3.1%

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. SEGMENT INFORMATION

(a) Business segment:

The Group was organised into two major business segments:

(i) Gaming

(ii) Investment holdings and others

Other business segments include information technology services and dormant companies.

The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business based on negotiated and mutually agreed terms.

31 December 2018	Gaming RM'000	Investment holdings and others RM'000	Eliminations RM'000	Total RM'000
Revenue				
External	2,704,053	201	–	2,704,254
Inter-segment	–	262,234	(262,234)	–
Total revenue	2,704,053	262,435	(262,234)	2,704,254
Results				
Segment results	421,126	214,457	(271,848)	363,735
Finance costs				(50,402)
Segment profit before tax				313,333
Income tax expense				(205,287)
Segment profit				108,046
Assets and liabilities				
Segment assets	3,315,952	7,198,443	(6,774,407)	3,739,988
Unallocated corporate assets				15,976
Total assets				3,755,964
Segment liabilities	1,167,522	47,999	(12,610)	1,202,911
Unallocated corporate liabilities				60,383
Total liabilities				1,263,294
Other information				
Capital expenditure	10,958	591	–	11,549
Depreciation	8,575	211	–	8,786
Amortisation	15	–	–	15
Unrealised loss on foreign exchange	176	4	–	180
Fair value change in relation to financial instrument	–	1,601	–	1,601
Non-cash expenses other than depreciation, amortisation and impairment losses	1,656	1	–	1,657

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. SEGMENT INFORMATION (cont'd.)

(a) Business segment (cont'd.)

31 December 2017	Gaming RM'000	Investment holdings and others RM'000	Eliminations RM'000	Total RM'000
Revenue				
External	2,648,494	713	–	2,649,207
Inter-segment	–	303,773	(303,773)	–
Total revenue	2,648,494	304,486	(303,773)	2,649,207
Results				
Segment results	376,506	282,748	(303,229)	356,025
Finance costs				(49,399)
Segment profit before tax				306,626
Income tax expense				(97,319)
Segment profit				209,307
Assets and liabilities				
Segment assets	3,163,725	6,800,460	(6,491,618)	3,472,567
Unallocated corporate assets				59,833
Total assets				3,532,400
Segment liabilities	999,724	104,320	(99,212)	1,004,832
Unallocated corporate liabilities				7,204
Total liabilities				1,012,036
Other information				
Capital expenditure	10,870	336	–	11,206
Depreciation	6,853	387	–	7,240
Amortisation	15	–	–	15
Unrealised loss on foreign exchange	664	697	–	1,361
Fair value change in relation to financial instrument	–	4,914	–	4,914
Non-cash expenses other than depreciation, amortisation and impairment losses	337	237	–	574

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. SEGMENT INFORMATION (cont'd.)

Inter-segment revenue are eliminated upon consolidation and reflected in the 'eliminations' column. All other adjustments and eliminations are part of detail reconciliation presented below:

Notes: Nature of adjustments and eliminations to arrive at the amounts reported in the consolidated financial statements

A. Inter-segment revenues are eliminated on consolidation

B. Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements

	Group	
	2018 RM'000	**2017 RM'000**
Property, plant and equipment written off	1,657	34
Allowance for impairment:		
- trade receivables	–	71
- other receivables	–	166
Impairment loss of property, plant and equipment	–	303
	1,657	574

C. Capital expenditure consist of:

	Group	
	2018 RM'000	**2017 RM'000**
Property, plant and equipment	11,549	11,206

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. SUBSIDIARIES

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group#		% of ownership interest held by non-controlling interests#	
			2018	2017	2018	2017
Direct subsidiaries of the Company						
Magnum Holdings Sdn. Bhd.	Malaysia	Investment holding	39.44	100.00	–^	–
Multi-Purpose International Limited	Malaysia	Investment holding	100.00	100.00	–	–
Leisure Management (Hong Kong) Limited (1)	Hong Kong	Investment holding	100.00	100.00	–	–
Dynamic Pearl Sdn. Bhd. (2)	Malaysia	Investment holding	100.00	100.00	–	–
Marinco Holdings Sdn. Bhd.	Malaysia	Property investment	100.00	100.00	–	–
MP Property Management Sdn. Bhd.	Malaysia	Property management	100.00	100.00	–	–
Asia 4D Company Limited (3)	Malaysia	Investment holding	100.00	–	–	–
Subsidiary of Magnum Holdings Sdn. Bhd.						
Magnum Corporation Sdn. Bhd.	Malaysia	Investment holding and operation of four digit numbers forecast betting game	100.00	100.00	–	–

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. SUBSIDIARIES (cont'd.)

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group#		% of ownership interest held by non-controlling interests#	
			2018	2017	2018	2017
Subsidiaries of Magnum Corporation Sdn. Bhd.						
Magnum 4D Berhad	Malaysia	Investment holding and management services	99.45	99.45	0.55	0.55
ENE (Sabah) Sdn. Bhd.	Malaysia	Investment holding	100.00	100.00	–	–
Tiara Vega Sdn. Bhd.	Malaysia	Investment holding	100.00	100.00	–	–
Secure Tangent Sdn. Bhd.	Malaysia	Providing information technology services	100.00	100.00	–	–
Magnum Online Sdn. Bhd.	Malaysia	Investment holding	100.00	100.00	–	–
Subsidiaries of Magnum 4D Berhad						
ENE (Selangor) Sdn. Bhd.	Malaysia	Forecast betting	92.39	92.37	7.61	7.63
ENE (Perak) Sdn. Bhd.	Malaysia	Forecast betting	96.96	96.96	3.04	3.04
ENE (Penang) Sdn. Bhd.	Malaysia	Forecast betting	96.48	96.48	3.52	3.52
ENE (Negeri Sembilan) Sdn. Bhd.	Malaysia	Forecast betting	91.26	91.26	8.74	8.74
ENE (Melaka) Sdn. Bhd.	Malaysia	Forecast betting	90.08	90.08	9.92	9.92
M4D (Johor) Sdn. Bhd.	Malaysia	Forecast betting	85.84	85.67	14.16	14.33
ENE (East Coast) Sdn. Bhd.	Malaysia	Forecast betting	90.08	90.08	9.92	9.92
ENE (East Malaysia) Sdn. Bhd.	Malaysia	Forecast betting	99.72	99.72	0.28	0.28

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. SUBSIDIARIES (cont'd.)

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group[#]		% of ownership interest held by non-controlling interests[#]	
			2018	2017	2018	2017
Subsidiaries of Magnum 4D Berhad (cont'd.)						
Longterm Profit Sdn. Bhd.	Malaysia	Investment holding and four digit agency management	100.00	100.00	–	–
Magnum Information Technology Sdn. Bhd.	Malaysia	Providing information technology services	60.00	60.00	– *	– *
Choicevest Sdn. Bhd.	Malaysia	Investment holding	100.00	100.00	–	–
Subsidiary of Dynamic Pearl Sdn. Bhd.						
MP Solutions Sdn. Bhd. (2)	Malaysia	Providing information technology services	100.00	100.00	–	–

(1) Audited by firms of auditors other than Ernst & Young.
(2) In liquidation.
(3) Deemed 99.99% interest held by the Group in the previous financial year.
 # Equals to the proportion of voting rights held.
** The remaining 40% is interest held through Magnum Corporation Sdn. Bhd.*
^ The remaining 38.39% and 22.17% are interests held through Asia 4D Company Limited and Multi-Purpose International Limited, respectively.

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. SUBSIDIARIES (cont'd.)

Summarised financial information of subsidiaries which have non-controlling interests that are material to the Group are set out below. The summarised financial information below are the amount before inter-company elimination.

(i) Summarised statement of financial position:

	ENE (Selangor) Sdn. Bhd.		M4D (Johor) Sdn. Bhd.	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Non current assets	206,799	207,272	20,510	20,625
Current assets	91,209	65,504	40,802	37,344
Total assets	298,008	272,776	61,312	57,969
Non current liabilities	872	1,103	125	138
Current liabilities	47,457	24,148	9,537	6,014
Total liabilities	48,329	25,251	9,662	6,152
Net assets	249,679	247,525	51,650	51,817
Total equity	249,679	247,525	51,650	51,817
Attributable to non-controlling interests	19,001	18,886	7,314	7,425

(ii) Summarised statement of comprehensive income:

	ENE (Selangor) Sdn. Bhd.		M4D (Johor) Sdn. Bhd.	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Revenue	81,761	82,863	21,239	21,904
Profit for the year	18,752	19,947	3,119	3,918
Profit attributable to:				
Owners of the Company	17,325	18,425	2,677	3,357
Non-controlling interests	1,427	1,522	442	561
Total comprehensive income	18,752	19,947	3,119	3,918
Dividend paid to non-controlling interests	1,263	1,340	465	471

NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. SUBSIDIARIES (cont'd.)

(iii) Summarised statement of cash flows:

	ENE (Selangor) Sdn. Bhd. 2018 RM'000	ENE (Selangor) Sdn. Bhd. 2017 RM'000	M4D (Johor) Sdn. Bhd. 2018 RM'000	M4D (Johor) Sdn. Bhd. 2017 RM'000
Net cash generated from/ (used in) operating activities	25,946	9,727	2,599	(5,085)
Net cash generated from/ (used in) investing activities	1,435	(52,847)	1,881	(17,350)
Net increase/(decrease) in cash and cash equivalents	27,381	(43,120)	4,480	(22,435)
Cash and cash equivalents at 1 January	55,201	98,321	33,879	56,314
Cash and cash equivalents at 31 December	82,582	55,201	38,359	33,879

TOP 10 LIST OF PROPERTIES OWNED BY MAGNUM GROUP

AS AT 31 DECEMBER 2018

LOCATION	TENURE	RESIDUAL LEASE (YEARS)	EXPIRY DATE	APPROX. AREA	DESCRIPTION	AGE OF BUILDING (YEARS)	NBV (RM'000)	LAST REVALUATION DATE/ ACQUISITION DATE
FEDERAL TERRITORY								
Wisma Magnum, 111, Jalan Pudu, 55100 Kuala Lumpur	Freehold	–	–	795.44 sq.m.	Commercial 5 1/2-Storey Office Building	76	1,760	10.12.1980
17 & 19, Jalan Maharajalela, 50150 Kuala Lumpur	Freehold	–	–	248.95 sq. m.	Commercial 4-Storey Shophouse	40	2,393	15.11.1972
SELANGOR								
Unit No. 038, P.T. No. 36922, Bandar Kinrara	Freehold	–	–	3,320 sq. ft.	Residential Double Storey Semi-Detached	16	1,308	16.5.2002
PERAK								
No. 1 & 1A, Hala Datuk 5, Jalan Datoh, 30000 Ipoh	Freehold	–	–	3,692 sq.ft.	Commercial Double Storey Corner Shopoffice	11	1,980	15.10.2014
PENANG								
Lot PT 18, HS(D) 6800, Bandar Bukit Bendera, Daerah Timor Laut, Mukim 12, District of Barat Daya	Leasehold	37	2055	3,921.40 sq.m.	Residential Double Storey Bungalow	-	3,079	31.12.2002
2, Jalan Bahaudin, Tanjung Bungah, 11200 Penang	Freehold	–	–	5,438 sq. ft.	Residential Single Storey Bungalow	31	2,226	26.9.1979
294 & 296, Vantage Point, Jalan Jelutong, 11600 Penang	Freehold	–	–	6,846 sq. ft.	Commercial 3-Storey Shoplot	15	5,035	20.11.2014
NEGERI SEMBILAN								
14, Jalan Era Square 2, Era Square, 70200 Seremban	Freehold	–	–	1,541 sq. ft.	Commercial 3-Storey Office Shophouse	15	1,282	31.03.2013
SARAWAK								
Lot 12227, Block 16 KCLD, P1B-6-1, Jalan Datuk Tawi Sli, (Trinity Hub), 93250 Kuching	Leasehold	58	–	6,716.73 sq. ft.	Commercial 3-Storey Office Building	3	5,088	01.03.2016
UNITED KINGDOM								
Flat No 3 Whaddon House, William Mews, London SW1X9HG	Leasehold	86	2104	1,144 sq. ft.	Residential Apartment	38	7,429	22.11.2010

ANALYSIS OF EQUITY SECURITIES

AS AT 1 APRIL 2019

Class of Security	:	Ordinary Shares
Total Issued Share Capital	:	1,437,748,654
Voting rights	:	One (1) vote per ordinary share

	No. of Holders	% of Holders	No. of Shares	% of Shares
LARGEST SHAREHOLDERS	30	0.09	898,894,410	62.51
SIZE OF HOLDINGS				
Less than 100 shares	2,116	6.43	77,763	0.01
100 to 1,000 shares	5,783	17.56	3,552,138	0.25
1,001 to 10,000 shares	19,417	58.97	75,559,799	5.25
10,001 to 100,000 shares	4,981	15.13	138,719,161	9.65
100,001 to less than 5% of issued shares	629	1.91	889,839,793	61.89
5% and above of issued shares	1	–	330,000,000	22.95
TOTAL	32,927	100.00	1,437,748,654	100.00

THIRTY (30) MAJOR SHAREHOLDERS AS SHOWN IN THE RECORD OF DEPOSITORS AS AT 1 APRIL 2019

	Name	Shareholdings	%
1.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged securities account for Casi Management Sdn. Bhd. (49156 JTRK)	330,000,000	22.95
2.	Casi Management Sdn. Bhd.	70,755,051	4.92
3.	Cartaban Nominees (Asing) Sdn. Bhd. Qualifier: Exempt An for Union Bancaire Privee, UBP SA, Singapore Branch	44,867,960	3.12
4.	Shan Hijauan Sdn. Bhd.	41,481,290	2.89
5.	Malaysia Nominees (Tempatan) Sendirian Berhad Qualifier: Pledged securities account for MWE Holdings Berhad (30-00098-000)	39,500,000	2.75
6.	Citigroup Nominees (Tempatan) Sdn. Bhd. Qualifier: Exempt An for AIA Bhd	34,901,300	2.43
7.	HSBC Nominees (Asing) Sdn. Bhd. Qualifier: Exempt An for Credit Suisse (SG BR-TST-Asing)	34,007,300	2.36
8.	Shamara Finance Limited	28,271,266	1.97
9.	HLB Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged securities account for MWE Holdings Berhad (PJCAC)	26,528,810	1.84
10.	Citigroup Nominees (Tempatan) Sdn. Bhd. Qualifier: Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	23,104,100	1.61
11.	Allamanda Growth Limited	21,250,000	1.48
12.	Malaysia Nominees (Tempatan) Sendirian Berhad Qualifier: Pledged securities account for Casi Management Sdn. Bhd. (30-00097-000)	20,000,000	1.39

ANALYSIS OF EQUITY SECURITIES (cont'd.)
AS AT 1 APRIL 2019

THIRTY (30) MAJOR SHAREHOLDERS AS SHOWN IN THE RECORD OF DEPOSITORS AS AT 1 APRIL 2019 (cont'd.)

	Name	Shareholdings	%
13.	Multi-Purpose Capital Holdings Berhad	19,020,000	1.32
14.	Magnum Berhad Qualifier: Share Buy Back Account	14,793,331	1.03
15.	Citigroup Nominees (Asing) Sdn. Bhd. Qualifier: Exempt An for UBS AG Singapore (Foreign)	14,005,149	0.97
16.	Asmara Land Sdn. Bhd.	13,437,200	0.93
17.	MPI Generali Insurans Berhad	12,952,100	0.90
18.	Zane Land Sdn. Bhd.	12,500,000	0.87
19.	Inter Pacific Equity Nominees (Asing) Sdn. Bhd. Qualifier: Sakarin Uppatthangkul	12,205,000	0.85
20.	Cartaban Nominees (Asing) Sdn. Bhd. Qualifier: Exempt An for State Street Bank & Trust Company (West CLT OD67)	10,444,200	0.73
21.	Inter-Pacific Equity Nominees (Asing) Sdn. Bhd. Qualifier: Citibase Limited	9,070,400	0.63
22.	Citigroup Nominees (Asing) Sdn. Bhd. Qualifier: CBLDN For Union Bancaire Privee	8,450,000	0.59
23.	HSBC Nominees (Asing) Sdn. Bhd. Qualifier: JPMCB NA for Vanguard Total International Stock Index Fund	7,782,800	0.54
24.	Inter-Pacific Equity Nominees (Asing) Sdn. Bhd. Qualifier: Suthera Uppaputthangkul	7,623,153	0.53
25.	Citigroup Nominees (Tempatan) Sdn. Bhd. Qualifier: Great Eastern Life Assurance (Malaysia) Berhad (LGF)	7,343,300	0.51
26.	Greenland Timber Industries (Private) Limited	7,000,000	0.49
27.	Panorama Alfa Sdn. Bhd.	7,000,000	0.49
28.	Citigroup Nominees (Tempatan) Sdn. Bhd. Qualifier: Great Eastern Life Assurance (Malaysia) Berhad (LSF)	6,970,000	0.48
29.	HSBC Nominees (Asing) Sdn. Bhd. Qualifier: JPMCB NA for Vanguard Emerging Markets Stock Index Fund	6,830,700	0.47
30.	T.C. Holdings Sendirian Berhad	6,800,000	0.47
	TOTAL	898,894,410	62.51

ANALYSIS OF EQUITY SECURITIES (cont'd.)

AS AT 1 APRIL 2019

SUBSTANTIAL SHAREHOLDERS AS SHOWN IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 1 APRIL 2019

Name	Direct Interest No. of shares	Direct Interest %	Indirect / Deemed Interest No. of shares	Indirect / Deemed Interest %
Casi Management Sdn. Bhd.	420,755,051	29.569	19,939,100 [(a)]	1.401
Hanton Capital Limited	–	–	440,694,151 [(b)]	30.970
Cedar Holdings Limited	–	–	440,694,151 [(c)]	30.970
Kularb Kaew Company Limited	–	–	440,694,151 [(c)]	30.970
Cypress Holdings Limited	–	–	440,694,151 [(d)]	30.970
Tan Sri Dato' Surin Upatkoon	–	–	510,018,961 [(e)]	35.842

Notes:-

(a) *Deemed interest by virtue of its shareholdings in MPHB Capital Berhad and its subsidiary, Multi-Purpose Capital Holdings Berhad (collectively "MPHB Capital Berhad Group") pursuant to Section 8(4) of the Companies Act 2016 ("the Act").*
(b) *Deemed interest by virtue of its shareholdings in Casi Management Sdn. Bhd. pursuant to Section 8(4) of the Act.*
(c) *Deemed interest by virtue of its shareholdings in Hanton Capital Limited pursuant to Section 8(4) of the Act.*
(d) *Deemed interest by virtue of its shareholdings in Cedar Holdings Limited and Kularb Kaew Company Limited pursuant to Section 8(4) of the Act.*
(e) *Deemed interest by virtue of his shareholdings in Cypress Holdings Limited and Pinjaya Sdn. Bhd. pursuant to Section 8(4) of the Act; and indirect interest held through his children pursuant to Section 59(11) of the Act.*

DIRECTORS' INTEREST AS SHOWN IN THE REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 1 APRIL 2019

(A) Interest In Securities In Magnum Berhad ("Magnum")

Name	Direct Interest No. of shares	Direct Interest %	Indirect / Deemed Interest No. of shares	Indirect / Deemed Interest %
Tan Sri Dato' Surin Upatkoon	–	–	510,018,961 [(a)]	35.842
Dato' Lawrence Lim Swee Lin	8,183,826	0.575	3,000,000 [(b)]	0.211
Krian Upatkoon	–	–	3,000,000 [(b)]	0.211
Datuk Vijeyaratnam a/l V. Thamotharam Pillay	1,456,070	0.102	60,000 [(c)]	0.004
Dato' Wong Puan Wah	61,000	0.004	–	–
Dato' Lim Tiong Chin	4,935,000	0.347	10,512,000 [(d)]	0.739

Notes:-

(a) *Deemed interest by virtue of Section 8(4) of the Act through his shareholdings in Cypress Holdings Limited and Pinjaya Sdn. Bhd.; and indirect interest held through his children pursuant to Section 59(11) of the Act.*
(b) *Deemed interest by virtue of Section 8(4) of the Act through Zenbell Holdings Sdn. Bhd. and its subsidiary, Zenbell (Selangor) Sdn. Bhd.*
(c) *Deemed interest by virtue of his indirect interest held through his spouse pursuant to Section 59(11) of the Act.*
(d) *Deemed interest by virtue of Section 8(4) through Keetinsons Sendirian Berhad, T.C. Holdings Sendirian Berhad and Trade Key Investment Ltd.*

(B) Interest In Securities In Related Corporations

Tan Sri Dato' Surin Upatkoon is, by virtue of his interest of not less than 20% in the voting shares of Magnum, is also deemed to have interest in the securities of the subsidiaries of Magnum to the extent of Magnum's interest in these subsidiaries.

Save as disclosed above, none of the Directors of Magnum had any interest in the securities of the subsidiaries of Magnum as at 1 April 2019.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Third Annual General Meeting ("**43rd AGM**") of Magnum Berhad ("**Company**" or "**Magnum**") will be held at the Grand Ballroom, First Floor, Flamingo hotel by the lake, No. 5 Tasik Ampang, Jalan Hulu Kelang, 68000 Ampang, Selangor Darul Ehsan on Wednesday, 29 May 2019 at 9:30 a.m. for the transaction of the following business:-

AGENDA

AS ORDINARY BUSINESS

1. To consider and receive the Report of the Directors and the Audited Financial Statements for the year ended 31 December 2018 together with the Report of the Auditors thereon. **(Please refer to Explanatory Note 1)**

2. (a) To approve the payment of Directors' fees of RM95,000 per annum for each of the Non-Executive Directors in respect of the year ended 31 December 2018 totalling RM285,000, an increase of RM5,000 for each Non-Executive Director *(Year 2017: RM90,000 each per annum)*. **(Resolution 1)**

   (b) To approve the payment of the Directors' remuneration (excluding Directors' fees) to the Non-Executive Directors of up to an amount of RM100,000 for the period from 29 May 2019 until the next Annual General Meeting of the Company. **(Resolution 2)**

3. (a) To re-elect the Director, Dato' Lawrence Lim Swee Lin, who is retiring by rotation in accordance with Clause 90 of the Constitution of the Company. **(Resolution 3)**

   (b) To note that Dato' Wong Puan Wah will be retiring by rotation pursuant to Clause 90 of the Constitution of the Company and he will not be seeking re-election at this Annual General Meeting. Hence, Dato' Wong Puan Wah will retain office until the close of the 43rd AGM.

   (c) To re-elect the Director, Krian Upatkoon, who is retiring in accordance with Clause 97 of the Constitution of the Company. **(Resolution 4)**

4. To re-appoint Messrs. Ernst & Young as Auditors of the Company for the financial year ending 31 December 2019 and to authorise the Board of Directors to fix their remuneration. **(Resolution 5)**

AS SPECIAL BUSINESS

5. To consider and, if thought fit, to pass the following **Ordinary Resolutions**:-

   (A) PROPOSED RENEWAL OF THE AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 **(Resolution 6)**

   "THAT, subject always to the Companies Act 2016, the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and approvals of any other relevant governmental and/or regulatory authorities, the Directors of the Company be and are hereby empowered, pursuant to Sections 75 and 76 of the Companies Act 2016, to allot shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares allotted pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the

NOTICE OF ANNUAL GENERAL MEETING (cont'd.)

Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company after the approval was given or at the expiry of the period within which the next Annual General Meeting is required by law to be held after the approval was given, whichever is earlier, unless such approval is revoked or varied by the Company at a general meeting."

(B) PROPOSED RENEWAL OF THE AUTHORITY FOR MAGNUM TO PURCHASE ITS OWN SHARES **(Resolution 7)**

"THAT, subject always to the Companies Act 2016, the Company's Constitution, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and any other relevant governmental and/or regulatory authorities, approval be and is hereby given for the renewal of the authority granted by the shareholders of the Company at the Forty-Second Annual General Meeting of the Company held on 30 May 2018, authorising the Company to purchase and/or hold as treasury shares from time to time and at any time such number of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company ("**Proposed Share Buy-Back Renewal**") provided that:-

(1) The maximum number of shares which may be purchased and/or held as treasury shares by the Company at any point of time pursuant to the Proposed Share Buy-Back Renewal shall not exceed ten per centum (10%) of the total issued shares of the Company (including the shares previously purchased and held as treasury shares) provided always that in the event that the Company ceases to hold all or any part of such shares as a result of, amongst others, cancellation of shares, sale of shares on the open market of the Bursa Securities or distribution of treasury shares to shareholders as dividend, the Company shall be entitled to further purchase and/or hold such additional number of shares as shall, in aggregate with the shares then still held by the Company, not exceed ten per centum (10%) of the total issued shares of the Company for the time being quoted on the Bursa Securities;

(2) The maximum amount of funds to be allocated by the Company pursuant to the Proposed Share Buy-Back Renewal shall not exceed the sum of retained profits of the Company. As at 31 December 2018, the audited retained profits of the Company amounted to approximately RM771.709 million;

AND THAT authority is hereby given to the Directors to decide in their absolute discretion to deal in any of the following manners the shares in the Company purchased by the Company pursuant to the Proposed Share Buy-Back Renewal:-

(i) to cancel the shares purchased; or

(ii) to retain the shares purchased as treasury shares, to be either distributed as share dividends to the shareholders and/or re-sold on the open market of the Bursa Securities and/or subsequently cancelled; or

(iii) a combination of (i) and (ii) above; or in any other manners as allowed by the Companies Act 2016;

NOTICE OF ANNUAL GENERAL MEETING (cont'd.)

AND THAT such authority shall commence immediately upon the passing of this resolution, until the conclusion of the next Annual General Meeting of the Company unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

at the expiry of the period within which the next Annual General Meeting is required by law to be held, unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting, whichever is earlier but shall not prejudice the completion of purchase(s) by the Company before the aforesaid expiry date, and in any event, in accordance with the provisions of the Listing Requirements and any other relevant authorities;

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement, finalise and give full effect to the Proposed Share Buy-Back Renewal with full powers to assents to any conditions, modifications, variations and/or amendments (if any) as may be required or imposed by the relevant authorities and with the fullest power to do all such acts and things thereafter in accordance with the Companies Act 2016, the provisions of the Company's Constitution and the requirements and/or guidelines of Bursa Securities for the Main Market and all other relevant governmental and/or regulatory authorities."

6. To consider and, if thought fit, to pass the following **Special Resolution**:-

PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY **(Resolution 8)**

"THAT the proposed amendments to the Company's Constitution as set out in Part B (Appendix II) of the Document to Shareholders dated 30 April 2019 accompanying the Company's Annual Report for the financial year ended 31 December 2018 be and are hereby approved AND THAT the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

7. To transact any other business of which due notice shall have been given in accordance with the Constitution of the Company and the Companies Act 2016.

BY ORDER OF THE BOARD

LEONG KUAN YING (MAICSA 7041318)
NG SOOK YEE (MAICSA 7020643)
Chartered Secretaries

Kuala Lumpur
30 April 2019

NOTICE OF ANNUAL GENERAL MEETING (cont'd.)

NOTES:-

PROXY

1. A member whose name appears in the Record of Depositors on **16 May 2019** shall be regarded as a member entitled to attend, speak and vote at the meeting or to appoint proxy to attend, speak and vote on its behalf at the meeting.

2. A proxy may but need not be a member of the Company.

3. A member, other than an authorised nominee or an exempt authorised nominee, shall be entitled to appoint one or more proxies (or in the case of a corporation, to appoint representative(s) in accordance with Section 333 of the Companies Act 2016) to attend and vote at the same meeting in his stead.

4. A member who is an authorised nominee may appoint one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

5. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which an exempt authorised nominee may appoint in respect of each omnibus account it holds.

6. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

7. If the appointor is a corporation, the form of proxy must be executed either under its Common Seal or under the hand of its officer or attorney duly authorised.

8. To be valid, the form of proxy duly completed and signed before a witness must be deposited at the registered office of the Company at 35th Floor, Menara Multi-Purpose, Capital Square, No. 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur not less than 48 hours before the time for holding the meeting. Fax copy of the duly executed form of proxy is not acceptable.

REGISTRATION AND OTHER MATTERS

9. Registration will start at 7:30 a.m. in Mewah Hall at Ground Floor, Flamingo hotel by the lake and will end at a time as directed by the Chairman of the meeting. Shareholders are encouraged to be punctual.

10. Light refreshments will only be served before the commencement of the 43rd AGM.

EXPLANATORY NOTES ON ORDINARY BUSINESS

1. Directors' Report, Audited Financial Statements and Auditors' Report

Agenda item 1 is meant for discussion only. The provisions of Sections 248(2) and 340(1) of the Companies Act 2016 and the Constitution of the Company require that the Audited Financial Statements and Reports of the Directors and Auditors thereon be laid before the Company at its Annual General Meeting. Hence, this Agenda item is not a business which requires a resolution to be put to vote by shareholders.

2. Resolutions 1 and 2 – Payment of Directors' Fees and Other Remuneration

The proposed ordinary Resolution 1, if passed, will authorise the payment of RM95,000 per annum (*Year 2017: RM90,000 each per annum*) as Directors' fees for each of the Non-Executive Directors for the financial year 2018 totalling RM285,000, an increase of RM5,000 for each Non-Executive Director pursuant to Clause 99 of the Company's Constitution.

NOTICE OF ANNUAL GENERAL MEETING (cont'd.)

In August 2018, the Board through the Remuneration Committee had conducted a review of the Directors' Fees and in view of the increasing responsibility of directors, the Remuneration Committee has recommended the increase in the Directors' Fees for the financial year 2018 from RM90,000 per annum to RM95,000 per annum for each Non-Executive Director of the Company.

The proposed ordinary Resolution 2 is to seek shareholders' approval pursuant to Section 230 of the Companies Act 2016 for the payment of up to RM100,000 as Directors' remuneration (excluding Directors' fees) to the Non-Executive Directors for the period from 29 May 2019 to the next Annual General Meeting.

The total estimated amount of Directors' remuneration (excluding Directors' fees) payable to the Non-Executive Directors is calculated based on the number of scheduled Board's and Board Committees' meetings, and other benefits such as club memberships and cars for the Non-Executive Chairman and Directors, including allocation of additional allowances to any new Non-Executive Directors appointed during the period from 29 May 2019 until the next Annual General Meeting in 2020.

The payment of Directors' remuneration (excluding Directors' fees) will be made on monthly basis and/or as and when incurred if the ordinary Resolution 2 has been passed at the 43rd AGM. This authority under ordinary Resolution 2, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

The breakdown and details of the Directors' remuneration including Directors' Fees are set out in the Annual Report under the Corporate Governance Overview Statement.

3. Resolutions 3 and 4 – Re-election of Retiring Directors

Clause 90 of the Constitution of the Company provides that one-third (1/3) of the Directors of the Company for the time being shall retire by rotation at an AGM of the Company. All Directors shall retire from office at least once in three (3) years but, shall be eligible for re-election.

Clause 97 of the Constitution of the Company provides that the Director appointed either to fill a casual vacancy or as an addition to the existing Directors shall hold office only until the next Annual General Meeting and shall be eligible for re-election.

The proposed ordinary Resolutions 3 and 4 are to seek shareholders' approvals for the re-elections of Dato' Lawrence Lim Swee Lin and Krian Upatkoon respectively as Directors of the Company. Both Dato' Lawrence Lim Swee Lin and Krian Upatkoon, who are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election.

In determining the eligibility of the Directors standing for re-election at the 43rd AGM, the Nomination Committee had considered the evaluations on the contributions and performance of the Individual Directors, including the effectiveness of the Board as a whole and the Board Committees; and for Independent Non-Executive Directors only, the level of independence demonstrated by the Independent Non-Executive Directors and their ability to act in the best interest of the Company. The Board has agreed with the Nomination Committee's recommendation for the retiring Directors pursuant to Clauses 90 and 97 of the Company's Constitution.

4. Resolution 5 – Re-appointment of Messrs. Ernst & Young (Firm No. AF: 0039) as Auditors of the Company

The proposed ordinary Resolution 5 is to re-appoint Messrs. Ernst & Young as Auditors of the Company. The Board had at a meeting held on 28 March 2019 approved the recommendation by the Group Audit Committee ("**GAC**") on the re-appointment of Messrs. Ernst & Young as Auditors of the Company. The Board is satisfied that Messrs. Ernst & Young has met the relevant criteria prescribed by Paragraph 15.21 of the Main Market Listing Requirements, which was concluded through the assessment carried out by the GAC on the suitability and independence of the external auditors.

NOTICE OF ANNUAL GENERAL MEETING (cont'd.)

EXPLANATORY NOTES ON SPECIAL BUSINESS

5. Resolution 6 – Renewal of the Authority to Allot Shares Pursuant to Sections 75 and 76 of the Companies Act 2016

The proposed ordinary Resolution 6 is a renewal of the mandate obtained from the members at the last Annual General Meeting held on 30 May 2018, and if passed, will give the Directors of the Company, from the date of the 43rd AGM, authority to allot shares from the unissued capital of the Company of up to 10% of the total issued shares of the Company for such purposes as the Directors deem fit and in the interest of the Company. The authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company or at the expiry of the period within which the next Annual General Meeting is required by law to be held after the approval was given, whichever is earlier.

This general mandate sought will provide flexibility to the Company of any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions. The Company did not issue any new ordinary shares pursuant to the shareholders' mandate obtained at the last Annual General Meeting held on 30 May 2018 and to-date, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is obtained, the Company will make an announcement in respect of the purpose and utilisation of proceeds arising from such issue.

6. Resolution 7 – Renewal of the Authority for the Company to purchase its own shares

The proposed ordinary Resolution 7 is a renewal of the mandate for the Company to repurchase its own shares and if passed, will empower the Company to purchase and/or hold from time to time up to ten per centum (10%) of the total issued shares of the Company.

The details of the Proposed Share Buy-Back Renewal are set out in the Share Buy-Back Statement which forms Part A of the Document to Shareholders dated 30 April 2019 and is dispatched together with the Company's 2018 Annual Report.

7. Resolution 8 – Amendments To The Constitution Of The Company

The proposed special Resolution 8 is to is to seek shareholders' approval pursuant to Section 36 of the Companies Act 2016 for the Company's Constitution to be amended to:-

(a) allow the Board to cancel or postpone a meeting of members without having to hold the meeting on the original specified date and thereafter adjourning it;

(b) facilitate and further advance administrative efficiency particularly, in issuance of any notice or documents required to be sent under the Listing Requirements to members of the Company, taking full advantage of new technology leverages; and

(c) allow the Company to destroy certain documents which have been kept for 7 years, should the Company consider it to be appropriate.

The details of the proposed amendments to the Company's Constitution are set out in Part B of the Document to Shareholders dated 30 April 2019 which is dispatched together with the Company's 2018 Annual Report.

VOTING BY POLL

Pursuant to Paragraph 8.29A of Bursa Malaysia Securities Berhad's Main Market Listing Requirements, all resolutions set out in this notice are to be voted by poll.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

(PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD)

1. Details of individuals who are standing for election as Directors (excluding Directors standing for re-election)

No individual is seeking for new election as a Director at the 43rd Annual General Meeting of the Company.

2. General mandate for issue of securities in accordance with Paragraph 6.03(3) of Bursa Malaysia Securities Berhad's Main Market Listing Requirements

Details of the general mandate/authority for Directors to allot and issue shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in the Explanatory Notes on Special Business of the Notice of 43rd Annual General Meeting.

PERSONAL DATA PRIVACY

By submitting an instrument appointing proxy(ies) and/or representatives to attend, speak and vote at the 43rd AGM and/or any adjournment thereof, a member of the Company:- (i) consents to the processing of the member's personal data by the Company (or its agents): (a) for processing and administration of proxies and representatives appointed for the 43rd AGM; (b) preparation and compilation of the attendance lists, minutes and other documents relating to the 43rd AGM (which includes any adjournments thereto); and (c) for the Company's (or its agents') compliance with any applicable laws, listing rules, regulations and/or guidelines (collectively, "**the Purposes**"); (ii) warrants that he or she has obtained such proxy(ies)' and/or representative(s)' prior consent for the Company's (or its agents') processing of such proxy(ies)' and/or representative(s)' personal data for the Purposes; and (iii) agrees that the member will indemnify the Company for any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Note: The term "processing" and "personal data" shall have the meaning as defined in the Personal Data Protection Act, 2010.

FORM OF PROXY

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

CDS ACCOUNT NUMBER	NO. OF SHARES

I/We ______________________________ Tel No. ______________________
(FULL NAME IN BLOCK CAPITALS)

I.C No. ______________ (old) ______________ (new) / Co. No. ______________

of ____
(ADDRESS)

being a member/members of **MAGNUM BERHAD,** hereby appoint :-

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him, THE CHAIRMAN OF THE MEETING as my/our proxy/proxies to vote for me/us on my/our behalf at the Forty-Third Annual General Meeting (“**43rd AGM**”) of the Company to be held at the **Grand Ballroom, First Floor, Flamingo hotel by the lake, No. 5 Tasik Ampang, Jalan Hulu Kelang, 68000 Ampang, Selangor Darul Ehsan on Wednesday, 29 May 2019, at 9.30 a.m.** and any adjournment thereof.

My/Our proxy is to vote as indicated below:-

RESOLUTIONS		*FOR	*AGAINST
1.	To approve the payment of Directors’ fees of RM95,000 per annum for each of the Non-Executive Directors in respect of the year ended 31 December 2018 totalling RM285,000		
2.	To approve the payment of Directors’ remuneration (excluding Directors’ fees) to the Non-Executive Directors of up to RM100,000 for the period from 29 May 2019 until the next Annual General Meeting		
3.	To re-elect Dato’ Lawrence Lim Swee Lin as Director of the Company		
4.	To re-elect Krian Upatkoon as Director of the Company		
5.	To re-appoint Messrs. Ernst & Young as Auditors of the Company for the financial year ending 31 December 2019 and to authorise the Board of Directors to fix their remuneration		
6.	To renew the authority for the Directors to allot shares pursuant to Sections 75 and 76 of the Companies Act 2016		
7.	To renew the authority for the Company to purchase its own shares		
8.	To amend the Constitution of the Company		

** Please indicate with an “X” in the space provided on how you wish your votes to be cast. If you do not do so, your proxy shall vote or abstain from voting at his/her discretion.*

As witness my/our hand(s) this _______ day of ____________________, 2019

____
Signature(s) of Shareholder/
Joint Shareholders

____
Signature of Witness

____
Name of Witness

Notes:

1. A member whose name appears in the Record of Depositors on **16 May 2019** shall be regarded as a member entitled to attend, speak and vote at the meeting or to appoint proxy to attend, speak and vote on its behalf at the meeting.
2. A proxy may but need not be a member of the Company.
3. A member, other than an authorised nominee or an exempt authorised nominee, shall be entitled to appoint one or more proxies (or in the case of a corporation, to appoint representative(s) in accordance with Section 333 of the Companies Act 2016) to attend and vote at the same meeting in his stead.
4. A member who is an authorised nominee may appoint one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which an exempt authorised nominee may appoint in respect of each omnibus account it holds.
6. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
7. If the appointer is a corporation, the form of proxy must be executed either under its Common Seal or under the hand of its officer or attorney duly authorised.
8. To be valid, the form of proxy duly completed and signed before a witness, must be deposited at the registered office of the Company at 35th Floor, Menara Multi-Purpose, Capital Square, No. 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur not less than 48 hours before the time for holding the meeting. Fax copy of the duly executed form of proxy is not acceptable.
9. Please type or write clearly using BLOCK LETTERS. The Company reserves the right to reject any form of proxy that is illegible or incorrectly filled. Any alteration to the instrument appointing a proxy must be initialised.

VOTING BY POLL

Pursuant to Paragraph 8.29A of Bursa Malaysia Securities Berhad's Main Market Listing Requirements, all resolutions set out in the notice of the 43rd AGM are to be voted by poll.

STAMP

THE COMPANY SECRETARIES
MAGNUM BERHAD (24217-M)

35th Floor, Menara Multi-Purpose
Capital Square, No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur, Malaysia

PERSONAL DATA PRIVACY

By submitting an instrument appointing proxy(ies) and/or representatives to attend, speak and vote at the 43rd AGM and/or any adjournment thereof, a member of the Company:- (i) consents to the processing of the member's personal data by the Company (or its agents): (a) for processing and administration of proxies and representatives appointed for the 43rd AGM; (b) preparation and compilation of the attendance lists, minutes and other documents relating to the 43rd AGM (which includes any adjournments thereto); and (c) for the Company's (or its agents') compliance with any applicable laws, listing rules, regulations and/or guidelines (collectively, "the Purposes"); (ii) warrants that he or she has obtained such proxy(ies)' and/or representative(s)' prior consent for the Company's (or its agents') processing of such proxy(ies)' and/or representative(s)' personal data for the Purposes; and (iii) agrees that the member will indemnify the Company for any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Note: The term "processing" and "personal data" shall have the meaning as defined in the Personal Data Protection Act, 2010.

Notice

There will be no distribution of door gifts.

有万能，有惊喜，有快乐

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