



LIVE LIFE YOUR WAY



MAGNUM BERHAD
197501002449 (24217-M)

A N N U A L R E P O R T 2 0 1 9

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This annual report is available on the website at <http://www.magnum.my>



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CORPORATE PROFILE

Magnum Berhad (197501002449) (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. (196801000676) (8272-D) which was founded in 1968, is focused primarily on its licensed lottery business which includes 4-Digit ("4D") numbers forecast betting and its variation games.

The principal activities of its other subsidiaries consist of management services and investment holdings.

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

OUR VISION

To provide an **ENJOYABLE, RESPONSIBLE** and **MEANINGFUL** lifestyle experience for the modern consumer, through innovation and empowerment.

OUR MISSION

To uphold **TRUST AND INTEGRITY** in the lottery, to **BRING JOY** to customers, employees and shareholders, and to raise funds for **GOOD CAUSES**.



CORPORATE STRUCTURE

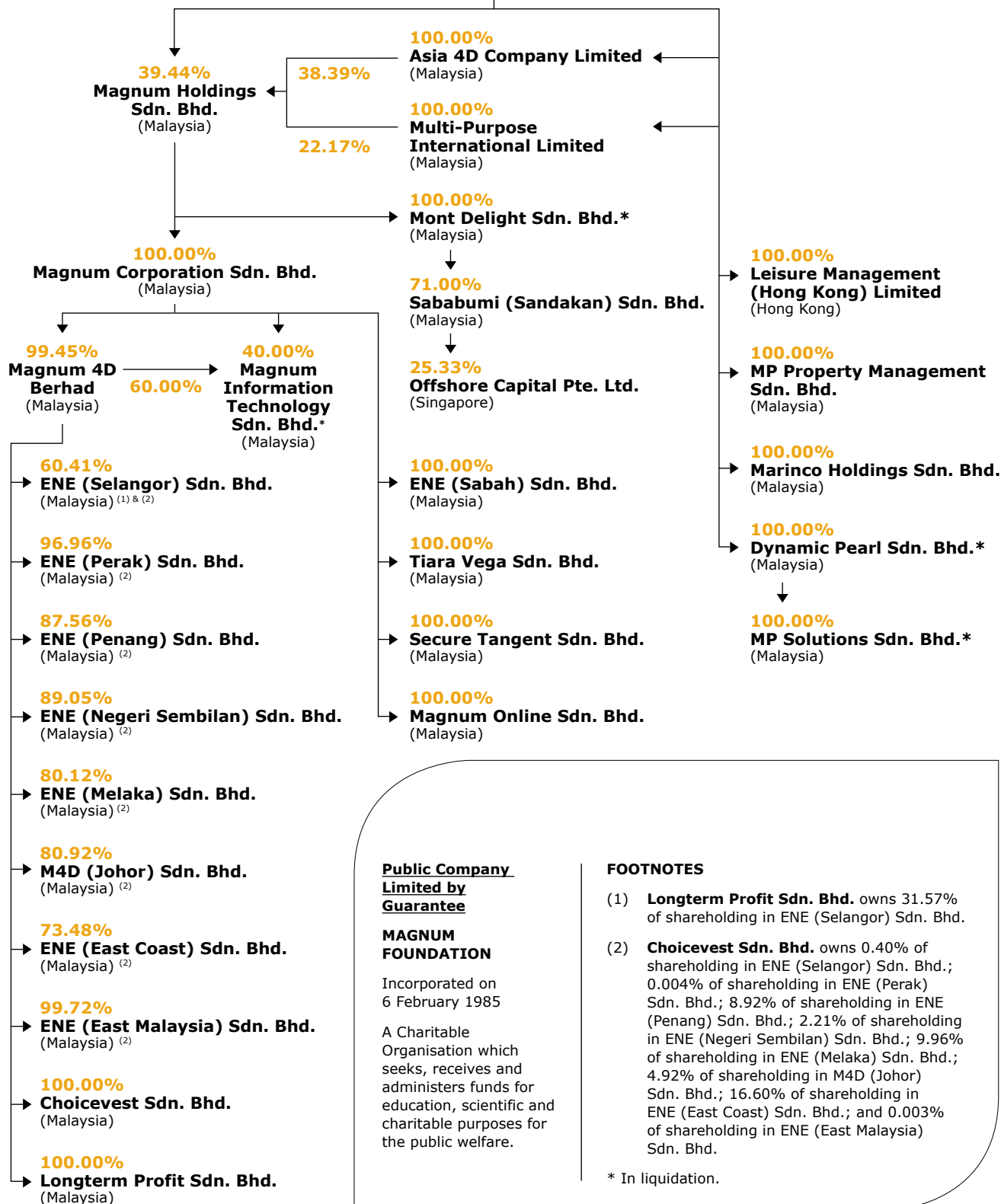
as at 4 May 2020



MAGNUM BERHAD

(Malaysia)

[Listed on Bursa Malaysia Securities Berhad]



CORPORATE INFORMATION

BOARD OF DIRECTORS

TAN SRI DATO' SURIN UPATKOON

Non-Independent
Non-Executive Chairman

DATO' LAWRENCE LIM SWEE LIN

Non-Independent
Executive Director

KRIAN UPATKOON

Non-Independent
Executive Director

DATUK VIJAYARATNAM A/L V. THAMOTHARAM PILLAY

Non-Independent
Non-Executive Director

DATO' LIM TIONG CHIN

Independent
Non-Executive Director

JEAN FRANCINE GOONTING

Independent
Non-Executive Director

BOARD COMMITTEES

GROUP AUDIT COMMITTEE

Chairman

- **Dato' Lim Tiong Chin**

Members

- **Datuk Vijeyaratnam a/l V. Thamotharam Pillay**
- **Jean Francine Goonting**

REMUNERATION COMMITTEE

Chairman

- **Tan Sri Dato' Surin Upatkoorn**

Members

- **Dato' Lim Tiong Chin**
- **Jean Francine Goonting**

NOMINATION COMMITTEE

Chairman

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

Members

- **Dato' Lim Tiong Chin**
- **Jean Francine Goonting**

GROUP RISK MANAGEMENT COMMITTEE

Chairman

- **Dato' Lim Tiong Chin**

Members

- **Dato' Lawrence Lim Swee Lin**
- **Jean Francine Goonting**

SECRETARIES

Leong Kuan Ying

SSM PC No. : 201908000848
(MAICSA 7041318)

Ng Sook Yee

SSM PC No. : 201908002432
(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. : 603-2698 0313

E-Mail : metrasrd@mweh.com.my

AUDITORS

Messrs Ernst & Young PLT,
Chartered Accountants

PRINCIPAL BANKER

Alliance Bank Malaysia Berhad

FIVE YEARS FINANCIAL HIGHLIGHTS

| | 2019 RM'000 | 2018 RM'000 | 2017 RM'000 | 2016 RM'000 | 2015 RM'000 |
|---|----------------|----------------|----------------|----------------|----------------|
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 62,612 | 65,093 | 63,993 | 60,354 | 55,886 |
| Right-of-use assets | 15,703 | – | – | – | – |
| Investment properties | 540 | 546 | 553 | 580 | 580 |
| Investment securities | 398,730 | 370,454 | 256,062 | 249,052 | 260,087 |
| Intangible assets | 2,738,332 | 2,738,347 | 2,738,362 | 2,738,377 | 2,738,392 |
| Deferred tax assets | 8,691 | 11,529 | 7,637 | 11,140 | 3,894 |
| | 3,224,608 | 3,185,969 | 3,066,607 | 3,059,503 | 3,058,839 |
| Current assets | 378,797 | 569,995 | 465,793 | 573,355 | 563,322 |
| TOTAL ASSETS | 3,603,405 | 3,755,964 | 3,532,400 | 3,632,858 | 3,622,161 |
| EQUITY AND LIABILITIES | | | | | |
| Equity attributable to owners of the Company | | | | | |
| Share capital | 2,154,357 | 2,154,357 | 2,154,357 | 1,437,749 | 1,437,749 |
| Reserves | 353,112 | 327,796 | 355,796 | 1,008,510 | 1,009,920 |
| Treasury shares | (30,205) | (30,205) | (30,205) | (30,188) | (29,866) |
| | 2,477,264 | 2,451,948 | 2,479,948 | 2,416,071 | 2,417,803 |
| Shareholders' fund | 2,477,264 | 2,451,948 | 2,479,948 | 2,416,071 | 2,417,803 |
| Non-controlling interests | 22,645 | 40,722 | 40,416 | 40,093 | 40,433 |
| Total equity | 2,499,909 | 2,492,670 | 2,520,364 | 2,456,164 | 2,458,236 |
| Non-current liabilities | 679,707 | 714,737 | 598,873 | 774,695 | 947,047 |
| Current liabilities | 423,789 | 548,557 | 413,163 | 401,999 | 216,878 |
| Total liabilities | 1,103,496 | 1,263,294 | 1,012,036 | 1,176,694 | 1,163,925 |
| TOTAL EQUITY AND LIABILITIES | 3,603,405 | 3,755,964 | 3,532,400 | 3,632,858 | 3,622,161 |
| GROUP RESULTS | | | | | |
| Revenue | 2,705,685 | 2,704,254 | 2,649,207 | 2,659,344 | 2,767,010 |
| Profit before tax | 343,207 | 313,333 | 306,626 | 284,490 | 333,655 |
| Income tax expense | (102,064) | (205,287) | (97,319) | (91,568) | (101,717) |
| Profit for the financial year | 241,143 | 108,046 | 209,307 | 192,922 | 231,938 |
| Non-controlling interests | (1,918) | (2,657) | (2,837) | (3,266) | (5,125) |
| Profit attributable to owners of the Company | 239,225 | 105,389 | 206,470 | 189,656 | 226,813 |
| SELECTED RATIOS | | | | | |
| Basic earnings per share (sen) | 16.8 | 7.4 | 14.5 | 13.3 | 15.9 |
| Net assets per share (RM) | 1.74 | 1.72 | 1.74 | 1.70 | 1.70 |
| Dividend per share (sen) | 16.0 | 15.0 | 11.0 | 13.0 | 16.0 |
| Return on equity (%) | 9.66 | 4.30 | 8.33 | 7.85 | 9.38 |

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 2019 ("FY 2019").**

The Malaysian economy was driven by higher private sector spending and private investments in 2019. However, growth was affected by supply disruptions in the commodities sector. For 2019 as a whole, the economy had expanded by 4.3% (2018: 4.7%), while core inflation remained stable at 1.4%.

Your Company entered the year 2019 riding on a strong wave of a prolonged 4D Jackpot run, breaking multiple sales and payout records in the 10th Year Anniversary of our flagship 4D Jackpot game. It is also very encouraging to see the positive impact of the great strides that the Management has made in implementing key initiatives towards our Customer-Centric vision.

Despite a significant reduction in the number of Special Draws, totalling 14 draws altogether, I am pleased to announce that the FY 2019 financial results for the Group were strong.

As a result of the prolonged Jackpot run in the last quarter of FY 2018 that carried over into FY 2019, your Company achieved a significant growth in turnover for the first two quarters of FY 2019. The 4D Jackpot prize amount

crossed the RM30 million mark in January and again in June 2019. The high Jackpot not only enticed more players to play the 4D Jackpot game but it also attracted more players to play our 4D Classic game as well as mGold variation game. Consequently, your Company registered a revenue of RM2.71 billion, representing 0.1% increase or RM1.43 million as compared to RM2.70 billion recorded in FY 2018.

Operating profit of your Company was higher at RM393.83 million for FY 2019 as compared to RM363.74 million for FY 2018. Profit After Taxation more than doubled to RM241.14 million for FY 2019 as compared to RM108.05 million for FY 2018, mainly due to the settlement of the tax dispute with the Director General of Inland Revenue ("DGIR") in FY 2018.

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

2014 to 2018, for a total amount of RM182,804,674.06. The Inland Revenue Board ("IRB") now claims that MPIL should be taxed under the Income Tax Act 1967 instead of the Labuan Business Activity Tax Act 1990. Since its establishment, MPIL's income including its interest income had been duly assessed under the Labuan Business Activity Tax Act 1990, a position which the IRB had never questioned in the past. Upon consulting our tax solicitors, the Board of Directors is of the view that there are reasonable grounds to challenge the validity of the said notices and the penalty imposed.

On 3 January 2020, the High Court at Labuan had granted leave to MPIL to commence judicial review proceedings against the Director General of Inland Revenue to set aside the notices of assessment for the years of assessment 2014 to 2018. The High Court had also granted MPIL a stay order against the payment of the disputed taxes until the determination of the judicial review application.

CHAIRMAN'S STATEMENT (cont'd.)



REVIEW OF OPERATIONS

FY 2019 was yet another eventful year at Magnum. The 4D Jackpot game celebrated its 10th Year Anniversary, which was commemorated with record jackpots payouts that created many new millionaires, sealing its appeal among both new customers as well as our loyal players. Our newest game, Magnum Life, hit its first birthday with a total of 3 Grand Prize winners, each lucky winner receiving RM1,000 every day for the next 20 years. Together with 4D Jackpot Gold, these three games make up a portfolio of games that continue to attract a growing demographic of new players, notably those between the ages of 21 to 45.

To strengthen the brand identity for our Magnum Life game, we launched a new Magnum brand direction titled 'Live Life Your Way' through all our digital platforms. With younger working-age customers in mind, we aim to build a positive brand appeal for Magnum 4D as the go-to brand for

lifestyle gaming, highlighting the freedom of choice as the ultimate reward for our customers to pursue their aspirations and goals in life according to their own desire and definition of happiness.

On the physical front, our nationwide Rebranding & Reimaging exercise is proceeding ahead of schedule, we successfully completed renovating another 255 of our store-fronts in FY 2019, bringing our total to 65% of stores to-date. Newly-renovated stores are equipped with modern conveniences, including ergonomically-designed writing counters, self-service ticket checking machines and digital information signages. To further improve customer experience at our outlets, Magnum continues to leverage on digital technologies to allow our customers to self-check on their tickets bought as well as to promote our games and disseminate information in a fun and easy to understand manner via our digital signages at our outlets. In tandem with our sales partners' committed cooperation, the new

stores have helped increase our demographic of new and younger patrons, visibly especially in urban areas. We envisage that a full 100% of our stores shall be fully renovated by the 3rd Quarter of FY 2020.

Our exercise to replace the Point-of-Sales terminals with newer models is paying off in a reduction of sales downtime at stores. As at end of FY 2019, we have completed all replacements in six out of our 8 operating regions. Sales staff are also happy to report improved productivity resulting from the larger, intuitive touchscreen displays of the terminal. All terminal replacements shall be completed by the third quarter of FY 2020.

We continue to invest in our people, upgrading their skills and knowledge to be able to keep up with the fast changing customer expectations and preferences. A well-motivated and engaged workforce is vital to achieve our Customer-Centric goals. In line with this direction, we

CHAIRMAN'S STATEMENT (cont'd.)



have significantly increased our investment in developing young talent and greenlighted more initiatives that let employees of all levels take charge of delivering a better experience for our customers. We insist on not just results, but also the right practices and culture that drives those results in a socially as well as environmentally sustainable manner. It is heartening to see our Management embracing these values and imbuing them across the Group in our leaders of tomorrow.

AWARDS AND RECOGNITION

Since 2013, we have successfully attained the World Lottery Association's Security Control Standards certification (WLA SCS:2016). The WLA SCS:2016 certification requires the organisation to also achieve the ISO/IEC 27001:2013 certification which means apart from maintaining an Information Security Management System

(ISMS), we also have to fulfil the requirements to put in place stringent controls for the integrity of the lottery business. We are proud of this achievement which benchmarks us internationally with global lottery players.

Magnum also maintains the WLA Responsible Gaming Level 2 certification.

DIVIDENDS

The Board has declared four interim dividends of an aggregate of 16 sen per share for FY 2019 as compared to 15 sen per share for FY 2018, with the total payout equivalent to 94% of Profit After Taxation. Hence, your Company had fulfilled its 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

Despite various challenges that your Company encountered in FY 2019, especially on the global front such as trade wars, Brexit and the coronavirus epidemic which has ultimately impacted the local Malaysian economy directly, your Company has performed relatively well and continues to address all the challenges with grit and confidence. This could not have been achieved without the wholesome teamwork exhibited by the Management and staff. For this, I wish to record my sincere thanks to the Management and staff for their contribution to the Group.

To all our valued customers, sales partners, suppliers, bankers and business associates, I would like to take this opportunity to thank them for their continuous support and confidence in us.

My heartfelt thanks also go to our supportive shareholders who have been providing unwavering support and strong confidence in the Group.

FY 2019 had also witnessed the appointment of our maiden and first lady Board member in your Company ever since the demerger exercise in 2013 when your Company assumed the present Magnum Berhad's name. Let us all, welcome our new Board member, Ms. Jean Francine Goonting, who was appointed to the Board on 20 August 2019.

In the continuing pursuit of our Group's vision and mission going forward, we have embarked on a Transformation journey in which our goals for the Group are set with basic core values that our Management and Staff will resonate with to further enhance our value to all our Stakeholders.

With our Transformation journey all set to achieve our goals, we believed growth can be further sustained on a long-term basis and meet the expectations of all stakeholders.

With that, I am looking forward to meeting you all at the forthcoming AGM.

**TAN SRI DATO' SURIN
UPATKOON**
Chairman

12 May 2020

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2019年度（截至2019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2019年获得了私营领域消费和私人投资增加的助力。然而，经济增长遭受大宗商品领域供应中断的影响。整体上，2019年的经济增长4.3%（2018年为4.7%），而核心通胀率稳定地保持在1.4%。

得益于4D万能积宝的奖金长期累积，本公司以强势迈入2019年，并在旗舰博彩游戏4D万能积宝面世的第10周年，打破了多项销售和奖金支出记录。管理层以客户为中心的愿景迈出了一大步，并采取重大举措，从而带来的正面影响，令人感到鼓舞。

尽管特别开彩的次数大大减少，总开彩期数仅为14期，但本人依然很高兴地宣布，本集团2019年的财务业绩依然强劲。

鉴于2018年最后一个季度的积宝累积奖金结转至2019年，本公司在2019年的首两个季度营业额达到显著的增长。4D积宝奖金分别在2019年1月和6月突破3千万令吉。高额积宝奖金不仅吸引了更多玩家投注4D万字积宝，也带动了更多玩家投注4D万能万字以及mGold黄金万字。因此，本公司录得27亿1千万

令吉的营业额，比2018年的27亿令吉增加0.1%或143万令吉。

本公司在2019年的营业利润为3亿9千383万令吉，比2018年的3亿6千374万令吉来得更高。2019年的税后利润为2亿4千114万令吉，比2018年的1亿805万令吉增加了一倍有余，主要是跟税务局局长（“DGIR”）解决了2018年的税务纠纷。

本公司在纳闽成立的独资子公司Multi-Purpose International Limited (MPIL)，该公司是万能企业私人有限公司透过选择性资本回退(SCR)所成立的子公司，分别在2019年11月29日和2019年12月2日，收到2014年至2018年课税年度的追税通知书，罚款总额为182,804,674.06令吉。税务局(IRB)如今声称MPIL应根据1967年的所得税法而非1990年的纳闽商业税法来缴税。自成立以来，MPIL的收入（包括其利息收入）皆按纳闽商业税法缴税。IRB在以往从未对此提出过任何质疑。在咨询了我们的税务律师之后，董事会认为有足够合理的理由，对上述通知的有效性和所施加的罚款提出异议。

在2020年1月3日，纳闽高等法院准许MPIL对税务局局长提出司法复审程序，以暂缓2014年至2018课税年度的追税通知书。高等法院也准许MPIL暂缓缴纳该争议性税款的命令，直到确定司法复审的申请为止。

业务回顾

2019年对万能来说又是重要的一年。4D积宝欢庆10周年，并以创纪录的累积奖金作为纪念，打造了多位新晋百万富翁，持续吸引新客户及我们的忠实玩家。而我们最新的游戏，万能天天彩也在它的第一个生日迎来了3位首奖赢家，每位幸运赢家在接下来的20年里，每天可获得1千令吉。加上4D黄金万字积宝，这三项万字游戏所组成的博彩系列，吸引越来越多的新玩家，尤其年龄介于21至45岁的新玩家。

为了提升万能天天彩的品牌形象，我们透过公司所有的数码平台推出了崭新的万能品牌方针，名为“活出精彩人生”。考虑到较年轻的工作群客户，我们致力为万能4D建立正面的品牌吸引力，并使它成为生活化游戏中的首选品牌，并强调以选择自由作为客户的终极奖赏，让客户根据自己的渴望和自定义的快乐去追逐自己理想和生活目标。

主席献词 (延续)

在门市方面，我们在全中国推行的品牌和形象重塑计划的进度超前，在2019年已成功完成255家店面的装修工程，迄今为止已成功翻新的店面总数达到了65%。新装修的商店配备了现代化的便利设施，包括符合人体工学的写字台、自助查票机和电子看板。为了进一步提升商店的客户体验，万能持续利用数码科技技术让客户可自行查票，同时透过电子看板以有趣且容易理解的方式来宣传我们的游戏，并且发布消息。在与销售伙伴的良好合作下，新店面得以完成，新老客户的人数因此有所增加，尤其是在城市地区。我们预计在2020年第三季度将达到100%完成店面翻新的计划。

我们以最新一代的销售终端机替代旧机的做法正逐步彰显成效，减少了商店的销售停机时间。截至2019年末，我们已完成了8个运营地区中

的6个地区内所有的替换工程。销售人员也很高兴地报告称，新终端机相对更大更灵敏的触屏有效地提高了他们工作效率。所有终端机的替换预计可在2020年第三季度完成。

为了迎合客户不断变化的期望与偏好，我们持续地投资培养员工，以提升他们的技能及知识。积极进取的工作团队对实现以客户为中心的目标至关重要。沿着这一个方向，我们已大幅增加了对培育年轻人才的投资，并开创了多项举措，使各级员工都能为客户提供更好的体验。我们注重的不只是成效，同时也坚持以正确做法和公司文化去推动社会和环境的可持续性。令人鼓舞的是，我们的管理层注重这些价值观，并置身将其灌输到整个集团的未来领导者中。

奖项与荣誉

自2013年以来，我们已成功获

得世界彩票协会的安全控制标准认证(WLA-SCS:2016)。WLA SCS:2016认证也要求机构取得ISO/IEC27001:2013认证，这意味着除了维护信息安全管理系统(ISMS)之外，我们还必须严格执行管控要求以保障彩票业的诚信。我们为这一项成就感到骄傲，这奠定了我们的国际声誉，让我们与全球彩票业者并肩而行。

万能也持续获得世界彩票协会的责任博彩框架的二级认证。

股息

董事会已宣布和派发四次中期股息，股息的总额为每股16仙，高于2018年的每股15仙，总派息额达到税后盈利的94%。因此，本公司已经执行了股息政策，即依据公司未来的增长与扩张计划及储备金的充足量，以持续发放不少于年度博彩税后盈利之80%的股息。



主席献词 (延续)

**致诚感谢**

尽管本公司在2019年遇到了各种挑战，特别是全球战线如贸易战、英国脱欧和冠状病毒疫情，这些挑战最终直接影响马来西亚当地的经济，然而公司的表现相对较好，并会持续以毅力和信心坚强应对所有的挑战。如果没有管理层和员工的合作无间，我们绝对不可能实现这一个目标。为此，本人要衷心感谢所有管理层和员工对集团作出的贡献。

对于我们尊贵的客户、销售伙伴、供应商、银行及商业伙伴，本人欲籍此机会感谢他们一直以来给予我们的支持与信任。

本人也衷心感谢所有股东们对本集团所给予的无限支持与强大的信心。

自2013年进行分拆并采用现有的万能有限公司之名称以来，本公司在2019年首次迎来首位女性董事会成员。各位股东，请欢迎于2019年8月20日受委成为本集团新董事成员的Jean Francine Goonting女士。

在持续实践集团愿景和使命的过程中，我们踏上了转型之旅，在此过程中，我们为集团所设定的目标奠定了基本的核心价值观，我们的管理层和员工万众一心，以进一步提高我们对所有利益相关者的价值。

我们制定了转型方案以实现我们的目标，相信在未来可维持长期的业务增长，并满足所有利益相关者的期望。

期待在来届的股东会员大会，我们再见！

**TAN SRI DATO' SURIN
UPATKOON**

主席

2020年5月12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.

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 has 4 games in its games portfolio, namely the 4D Classic, 4D Jackpot, 4D Jackpot Gold and Magnum Life game. The 4D Classic game remains the best selling game in Malaysia, whilst the 4D Jackpot game remains as the most popular Jackpot game surpassing even any of the local Lotto Jackpot games. MCSB through its 8 gaming subsidiaries, which acts as area agents, has an agency network of 485 sales outlets.

An increasing number of Malaysians are demonstrating a demand for higher quality services and customer experiences, both online as well as in the retail world. The Management has invested in strategic initiatives to build a quality store experience with digital customer engagement, that will equip us to meet the expectations of this new generation of customers.

Magnum outlets' Rebranding & Reimaging renovations started in FY 2018 with 60 outlets, and completed another 255 outlets across the country in FY 2019, bringing our total renovated store-fronts to 315 outlets, or 65%. The remaining renovations of the balance 35% outlets are projected to be completed by FY 2020.

Magnum launched its flagship outlet in Genting Highlands in late 2019. The newly refurbished outlet offers customers a bright modern feel, with fully-digital gaming information displays, ergonomic writing counters and a tablet-based ticket checker. The Genting Highlands outlet showcases the best customer experiences which are replicated across our other outlets throughout the country.

At Magnum, we believe that our people are our most valuable assets. In FY 2019, Magnum invested further on employee development, including a 3-year long programme to train our employees on Design Thinking methodology. This is one of the strategies in Magnum's Transformation journey where an end-to-end review of the business, its people and processes will be carried out with the aim to further improve on both efficiency as well as effectiveness and bring more business value to all our stakeholders. Day to day business challenges are identified, studied in detailed, brained stormed with solutions and the challenges tackled objectively. Along the way,

we wish to create a culture of "dare to try" amongst all employees. Employees are empowered to unleash their minds to be innovative in their daily approach in carrying out their work duties.

On the corporate front, notwithstanding the settlement of the earlier tax dispute with DGIR in FY 2018, on 29 November 2019 and 2 December 2019, Multi-Purpose International Limited ("MPIL"), a Labuan company which is wholly owned subsidiary and which was set up pursuant to the Selective Capital Reduction ("SCR") exercise by Magnum Corporation Berhad, were served with notices of assessment with penalty for year of assessment 2014 to 2018, for a total amount of RM182,804,674.06. The Inland Revenue Board ("IRB") now claims that MPIL should be taxed under the Income Tax Act 1967 instead of the Labuan Business Activity Tax Act 1990. Since its establishment, MPIL's income including its interest income had been duly assessed under the Labuan Business Activity Tax Act 1990, a position which the IRB had never questioned in the past. Upon



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

consulting our tax solicitors, the Board of Directors is of the view that there are reasonable grounds to challenge the validity of the said notices and the penalty imposed.

On 3 January 2020, the High Court at Labuan had granted leave to MPIL to commence judicial review proceedings against the Director General of Inland Revenue to set aside the notices of assessment for the years of assessment 2014 to 2018. The High Court had also granted MPIL a stay order against the payment of the disputed taxes until the determination of the judicial review application.

BUSINESS PERFORMANCE

A) REVENUE

Despite having 14 fewer draws in FY 2019, the Group recorded revenue of RM2.71 billion, which is slightly higher than the revenue of the previous financial year of RM2.70 billion. This represents an increase in revenue of 0.1% or RM1.43 million. Although the increase in FY 2019 is minimal, it has managed to maintain a positive growth trend in the revenue for two years in succession. This is a remarkable achievement considering how highly regulated and challenging our operating environment is.

The two prolonged Jackpot runs in January and June 2019 that saw the Jackpot prize amount exceed RM30 million, not only enticed more players to play the 4D Jackpot game but it also opened more opportunities for more players to play our 4D Classic game as well as mGold variation game. The increase was also aided by a more active enforcement on illegal

operators by the authorities. The legal Number Forecast Operators ("NFOs") welcome the Government's efforts in conducting more raids on these illegal operations as well as the announcement in Budget 2020 that Government will be imposing stiffer mandatory penalties for participation in illegal gaming activities.

Comparing on a gross sales per draw basis, with 14 fewer draws in FY 2019, the 4D Jackpot game with the help of two prolonged Jackpot runs, recorded the most impressive growth amongst all the games. Meanwhile, 4D Jackpot Gold game chalked up good growth mainly due to a successful introduction of mGold variation play in FY 2018. In line with 14 fewer draws, the 4D Classic game also recorded an increase in sales per draw during the year as a result of a sustained enforcement on illegal operators by the authorities. The new Magnum Life game, however, is the only game that showed a decrease on a sales per draw basis as the new product settled down after the first year of launch accompanied by aggressive awareness and marketing campaigns in FY 2018.

In addition, as the Gaming Revenue was stated net of Gaming Taxes and GST or ST, the implementation of zero-rated GST from 1 June 2018 to 31 August 2018 had effectively increase the Gaming Revenue for FY 2018 as compared to a full year ST impact on Gaming Revenue for FY 2019 as ST was imposed on gaming supply with effect from 1 September 2018.

The Custom Appeal Tribunal case for the dispute in relation to the determination of the value of Gaming Supply in computation of GST has now been escalated to the High Court for hearing on 11 June 2020. If the High Court rules in our favour, it will have a positive financial impact on our future earnings.

The revenue of Investment Holdings and Others segment was marginally higher at RM0.65 million in FY 2019 as compared to RM0.20 million for FY 2018.

B) COSTS AND EXPENSES

Total costs and expenses before finance costs of the Group in FY 2019 at RM2.33 billion had decreased marginally as compared with RM2.36 billion in FY 2018. The positive variance of RM27.55 million was mainly due to:

- (i) A decrease in Other expenses in FY 2019 by RM38.47 million predominantly due to tax penalty amounting to RM44.18 million paid to Director General of Inland Revenue ("DGIR") in accordance to the Consent Judgement provided for FY 2018.
- (ii) A decrease in Special Draw contributions in FY 2019 by RM19.35 million as a result of a reduction in the number of Special Draws by 14.

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



- (iii) Prizes payout increased by 0.4% or RM19.93 million and seed money for Jackpot increased by RM4.00 million in FY 2019.
- (iv) Pool Betting Duty increased by RM4.82 million in FY 2019.
- (v) Direct Expenses increased by RM1.28 million in FY 2019.
- (vi) Other administrative expenses remain flat.

C) PROFIT BEFORE TAX ("PBT")

The Group's PBT for FY 2019 at RM343.21 million was higher by RM29.87 million

when compared to the PBT for FY 2018 of RM313.33 million. Whilst the Group's PBT for FY 2019 are predominantly contributed by the gaming segment which recorded a PBT of RM347.67 million, it has nevertheless decreased marginally by RM4.9 million when compared to FY 2018. This decrease was mainly attributed to the marginally higher prizes payout ratio in FY 2019. However, the Investment Holdings and Others segment recorded a much lower pre-tax loss of RM4.47 million in FY 2019 as compared to RM39.28 million for FY 2018 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 FY 2018.

D) PROFIT AFTER TAX ("PAT")

PAT of the Group for FY 2019 at RM241.14 million was more than double the previous year's PAT of RM108.05 million. The RM133.10 million increase was mainly due to the one-off additional tax and penalty amounting to RM148.14 million incurred in FY 2018.

E) LIQUIDITY AND CAPITAL RESOURCES

The Group has financed its capital expenditure and working capital requirements through cash generated from its operations.

The Group's Cash and Bank Balances stands at RM306.86 million for FY 2019 as compared to RM503.90 million for FY 2018. Few major factors had contributed to the lower Cash and Bank Balances such as instalment payments to DGIR for the earlier tax dispute settlement with DGIR, partial retirement of Medium Term Notes ("MTN"), more generous payments of interim dividends in FY 2019, the replacement of the Point-of-Sales terminals at some of our selling outlets and implementation of our Rebranding and Reimaging exercise. Nevertheless, with a continuous strong cash flows generated from operations, this had enabled the Group to invest into the business with the primary objective of attracting more players into our outlets.

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

F) GEARING

MCSB had issued Medium Term Notes ("MTN") totaling RM1 billion under its 20 years MTN programme in September 2012 and utilised to pay off its term loan obtained to finance its selective capital repayment exercise in 2008.

In September 2019, one of the MTN's series which amounted to RM225 million had matured and the Company had refinanced RM185 million via the issuance of two new MTN series in 2019 while redeeming RM40 million MTN for cash from its internally generated funds. As at the 2019 financial year end, the total outstanding under the MTN programme amounted to RM900 million.

With the above refinances, the gearing ratio of the Group as at end of FY 2019 stands at 32.0% as compared to 28.5% as at end of FY 2018. 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.

PROSPECTS &

MARKET OUTLOOK

The NFO industry operates in a challenging environment amidst intense competition from illegal operators. Market observations show that illegal operators invested heavily in digital sales and customer acquisition platforms to avoid easy detection from authorities, while chipping away at the legal NFO industry's market share. Although the NFO

industry players are anticipating to recover market share from the illegals operators through the Government's proposal to introduce stiffer mandatory penalties for illegal gaming activities, these legislations face potential delays in FY 2020.

Subsequent to the reduction in the number of draws in FY 2019, the number of Special Draws have been further reduced from 11 to 8 in FY 2020. In addition, consumer spending on gaming products is expected to be affected during times of economic uncertainties especially in Q1 and Q2 of FY 2020 since Covid-19 was declared a pandemic by the World Health Organisation on 11 March 2020 and the enforcement of the Movement Control Order ("MCO") by the Malaysian Government starting from 18 March 2020. Some of the consequences of the global response to the pandemic have been major market declines in crude oil prices and demand, economic activity and outlook as well as declines and increased volatility in stock markets. Bank Negara Malaysia has announced that it is expecting the Malaysian economy to contract with Gross Domestic Product (GDP) projected between -2.0% and +0.5% in 2020.

As a result of the MCO, all NFOs' outlets including Magnum's have been closed for business since 18 March 2020. As at 12 May 2020, Magnum has cancelled a total of 25 draws. Although the MCO has been changed to Conditional Movement Control Order ("CMCO") from 4 May 2020 onwards, Magnum's sale outlets have remained closed for business. At this juncture, the CMCO has been extended until 9 June 2020 and it is not known whether the CMCO will be further

extended or if the CMCO will be further moderated. To-date, there is no indication as to when the NFOs will be permitted to re-commence business.

This will affect the financial performance of the gaming segment of the Group due to the temporary cessation of its gaming operations. The full extent of the impact of the COVID-19 pandemic post-CMCO on the gaming segment remains uncertain.

However, it is expected that lower consumer spending power and social distancing fears will result in lower earnings for the Group during subsequent quarters this year. The Group anticipates that the second quarter will be the hardest hit as this quarter is expected to have most cancelled draws.

Nevertheless, the NFO industry, in particular, has proven to be relatively resilient in previous economic disruptions and is expected to similarly recover once NFO outlets are able to resume operations. Further information shall be released via announcement of quarterly results as the situation develops.

Hence, with the Transformation journey that the Group has embarked on, the Management is optimistic to continue its transformation of the Group in the right direction to deliver results to stakeholders on a long-term and sustainable basis.

This Statement was approved by the Board on 12 May 2020.

SUSTAINABILITY STATEMENT

OVERVIEW

As Malaysia's pioneer and one of the leading licensed lottery operator in the country, we are pleased to publish our fourth consecutive year's annual Sustainability Report covering i) the Economic, Environmental and Social (EES) strategies, ii) initiatives and iii) performance of our operations. This report covers Magnum Berhad ("Magnum") together with its principal subsidiary, Magnum Corporation Sdn. Bhd. ("MCSB"). This Sustainability Report demonstrates and highlights the Company's commitment to adopt best practices in value creation and instilling a culture of social responsibility to ensure compliance, promote responsible gaming, improving the social impact as a responsible corporate citizen in the community and caring for the mother earth and the environment at large.

As we forge ahead in today's fast and dynamic changing world of business, we recognise the necessity to balance and meet the expectations of a broad range of our stakeholders. This impacts the way we are guided to make significant changes in our business operations ensuring responsibility and sustainability for continued growth.

2019 has indeed been a challenging and memorable year for Magnum. Amidst weaker and cautious consumer spending coupled with the high cost of living and despite having 14 fewer draws, our Company managed to achieve a commendable growth with a turnover of RM2.71 billion as compared to RM2.70 billion in the previous year. This is achieved from our concerted efforts in carrying out more customer-centric sales and marketing initiatives together with the ongoing upgrading of our

outlets and digital assets at the stores.

On top of that, there is much positive outcome from the continuous enforcement actions taken by the Government to curb illegal gaming operations by conducting more raids at illegal gaming centres to clamp down on their illicit operations. This together with proposing stiffer fines for both the illegal operators and the customers are very encouraging indeed to curb such vice activities in the community.

The effective roll out of various promotional activities and marketing campaigns supported by strong operational sales execution helped to maintain top line sales against the strong headwind that we faced. Magnum also launched its first ever Huat Ang Pow campaign during the festive Chinese New Year period to reward its customers and followed later by various other game promotions. In keeping with our mantra of "CUSTOMER CENTRICITY", we continue to innovate and develop programmes by always remembering to "start with the customer first", a statement to remind ourselves to constantly deliver top class service providing a good and memorable experience to our customers.

We continue our transformation journey as we move on into the 2nd year of our outlet rebranding and reimagining exercise with the

completion of an additional 255 outlets, bringing our total to 65% of outlets fully renovated to-date. The journey continues with the remaining 35% of outlets expected to be fully renovated by 2020. These newly refurbished outlets brought about new dynamism injecting a refreshing and welcoming experience with fresh outlook that will further appeal and bring extra comfort to our customers. All our renovated outlets are fully equipped and fitted with digital signage for us to communicate our marketing programmes and product illustrations to our customers as well as our state-of-the-art ticket checker to enable our customers to check their tickets and hopefully bring them much joy when they win.

We also launched our first and unique flagship outlet in Genting Highlands that create a different ambience and dimension introducing a more modern outlook in terms of colour schemes and design together with additional digital signage to allow for a more intimate interaction with our customers.

We also introduced an open top counter concept at all our Regional offices enabling a more direct interaction and closer engagement with our customers. We are extremely excited over this as it brings about a different perspective in customer experience that caters for all segments of customers.



Open top concept sales counter

SUSTAINABILITY STATEMENT (cont'd.)



Flagship outlet at Genting Highlands

We will need to continue to innovate to meet the long term expectation of our business and the environment.

This year we achieved a significant milestone as we celebrate the 10th anniversary of our popular 4D Jackpot game. This game was launched on 9th September 2009 and so coincidentally our anniversary year is also a memorable year for us as we reached another milestone where we welcomed our 100th full Jackpot 1 winner. In conjunction with the 10th anniversary celebration, we carried out a "4D Jackpot 10th Anniversary Giveaway" contest whereby we gave away a Grand Prize in travel vouchers worth RM20,000 as an appreciation to thank and reward our loyal customers for their unwavering support.

We take pride to reflect on and bring back fond memories about the achievement that this innovative game was fully designed in-house and rolled out by our own staff and is one and only unique Jackpot game in the world that uses the ever popular 4D game matrix to derive the

winning numbers that guarantees a minimum winning of RM2 million for winning the Jackpot 1.

The game design also incorporates an important responsible gaming feature known as "cascading", and this is effected when the Jackpot 1 prize exceeds RM30 million and if it is still not won, then any amount exceeding RM20 million will cascade and be added into Jackpot 2 prize amount but only if there is a Jackpot 2 winner for that draw. The cascade feature acts as a circuit breaker to prevent the Jackpot 1 amount from growing into a super huge snowballed amount that may cause social implications amongst our customers and creating a wild frenzy among them.

Responsible gaming is one of our key pillars in building a sustainable business. We ensure that we provide a fair and safe gaming environment for our customers. We constantly remind our customers to play for fun and within their financial means. While gaming can also have a negative social impact, the lottery industry has the responsibility to prevent potential negative consequences and minimises harm caused by

gaming. We believe gaming should be fun and fair for all; we have set ourselves the compliance goal to improve the regulatory standing and social impact it potentially has on society.

In line with our responsible gaming goals, we exercise great care in our game design to ensure that our customers are able to play for fun and within their spending limit. Henceforth, we have rolled out different variants of games that provide such protection to our customers such as Mbox – a variant of 4D Classic game, M-System – a variant of 4D Jackpot, mGold – a variant of 4D Jackpot Gold. All these games have a common feature in that it allows a cheaper entry price to play with more chances of winning, albeit for an equivalent fractional prize winning.

We achieved another milestone reaching the 1st anniversary of our successful Magnum Life game that was launched on 23 April 2018. We are extremely glad to see our three (3) Grand Prize winners to date continue receiving their RM1,000 a day payment for the next 20 years. In 2019 there were

SUSTAINABILITY STATEMENT (cont'd.)

a total of thirty four (34) 2nd prize winners each collecting RM1,000 a day for 100 days. The payment of RM1,000 over a time period is one of Magnum's key responsible gaming initiatives that encourages good financial planning in augmenting the income of our winners while allowing them the freedom to live life their way.

We are humbled and encouraged to know that our effort to incorporate sustainability in our business has proven to be impactful by being recognised and included into the FTSE4Good Bursa Malaysia Index.

STRATEGIC APPROACH TO SUSTAINABILITY

For Magnum, our Sustainability approach is not just about addressing near term challenges but also for securing tomorrow's opportunities, and we aim to go beyond that by doing the right things and be a catalyst for change through dynamically building value that is long-lasting and impactful.

We remain steadfast to reinforce and implant sustainability as part of our DNA and continue to do much more to embed sustainability values in engaging with our business partners, customers and communities across our business practices.

We reinforce our reputation as a trust worthy organisation that upholds the highest ethical, sustainable and responsible business practices that can be benchmarked globally.

We continue to deliver continuous profitable growth by adopting effective risk management policy and compliance.

We commenced on our digitisation

and innovation journey to build our brand and products that stands out in the market place.

Magnum operates in a highly regulated domestic market competing with two (2) other National operators basically selling the same popular lottery games of 4D Classic and 4D Jackpot. On top of that, we are competing for market share with a larger pool of illegal operators that have a superior competitive advantage in being able to offer credit sales, higher payouts (as they do not have to pay any taxes to the Government), door to door service, convenience in placing bets via mobile apps/Internet while we are restricted to a smaller addressable market where the legal playing age is 21 years old via our physical outlets. While the whole world has progressed rapidly to take advantage of the Internet and ePayments, basically everything that can now be transacted online, we are still being confined to only selling in-store on a cash basis for the past 50 over years. In spite of all these restrictions and disadvantages, Magnum is confident to continue to rise to the occasion to maintain and sustain growth through innovation and superior execution.

Magnum has thrived and is well regarded to be the industry leader known for its innovative and leadership ideas over the years. Magnum introduced new games and new game variants to capture the interests and imagination of our customers. A good example of this is our latest game, Magnum Life which has a different payment proposition that stands out distinctly in the market; quite a favourite amongst the younger players where they stand to win RM1,000 a day for a period of 20 years.

It has become widely accepted that businesses these days can leverage a lot from Technology to help with its internal operational efficiency as well as deliver innovative ideas to be more competitive.

Similarly, in Magnum, we have and will continue to leverage on a number of current and proven new technologies to help us understand our customer behaviour better; namely being able to gather better insights from our data using Big Data analysis tools and also deploying Cloud technologies to allow us better speed to market and flexibilities. We also utilise various Software as a Service and Platform as a Service subscriptions to pay for what we need and use.

We will complete the last phase in the replacement of our Point-of-Sales terminals nationwide with the remaining outlets in Perak and Penang slated to be upgraded in 2020. With these new generation of terminals, we are able to operate more efficiently and able to improve the service level at our outlets. Moving on, we will continuously look at how to improve our outlets to make it more appealing to attract both existing and new customers to visit us more often.

We continually monitor the changes in our operating environment to ensure that Economic, Environmental and Social (EES) issues that are important to us and our stakeholders are captured and managed on an ongoing basis. Our efforts on this front not only benefit the business but also have a huge positive impact on our employees, our stakeholders and communities at large. Our promise is to always consider the economic, environmental and human impacts as we develop our products and solutions.

SUSTAINABILITY STATEMENT (cont'd.)

OUR APPROACH TO SUSTAINABILITY



Economic Sustainability

Sustaining long-term profitable growth and strengthening loyal partnerships among all stakeholders



Environmental Sustainability

Minimise our environmental footprint by optimising resources and supporting conservation efforts



Social Sustainability

Committed to drive positive sustainable change for our communities

SCOPE

Unless otherwise stated, this report covers the sustainability disclosure of Magnum, its principal subsidiaries and our entire business operations, in driving a sustainable business as well to being a responsible corporate citizen in the market place.

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.

REPORTING PERIOD

The information in this report covers the reporting period from 1 January 2019 to 31 December 2019. 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 interviews, market surveys, target focus group studies, brainstorming sessions, research, stakeholders' dialogue, review of peers' sustainability related articles and other studies to identify the most significant trends in the gaming sector. With regards to the contents of activities, wherever possible, we have included the most recent trends.

Although the report has not been externally assured, we have strong data collection controls and verification processes that ensure the information presented are accurate and complete; external assurance will be considered for future editions once our reporting system matures.

FEEDBACK

We are fully committed to listening to our stakeholders and we welcome feedback, suggestions, comments, thoughts or even compliments pertaining to this report as well as to any aspect of our sustainability performance, 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: +603-2698 8033 or
Fax: +603-2698 9885
Email to: corporate@magnum.my

SUSTAINABILITY STATEMENT (cont'd.)

PRINCIPAL RISKS AND OPPORTUNITIES

PRINCIPAL RISKS

- Increase in gaming taxation
- Strict regulatory bodies and authorities
- Change in government policies
- Changing political landscape may trigger unexpected business disruptions
- Negative connotation and wrong perception of gaming associating with social ills instead of playing for fun
- Misconception that gaming is a source for money laundering
- Likelihood of further reduction in the number of draws
- Stiff and unregulated competition from illegal lottery operators and various form of online gaming
- A soft economic domestic market that affect the disposable income of the people
- Prolonged period of COVID-19 outbreak impacting global businesses and directly affecting our economy too
- Increasing cost of living dampening consumer demand
- Lack of political will by enforcement agencies to crack down on illegal gaming operators
- Ageing customer base

PRINCIPAL OPPORTUNITIES

- Strict compliance to all regulators' and authorities' conditions so as to safeguard public interest, consumer protectionism, tax compliances and be a responsible corporate citizen
- Improving up-selling skills of our sales force to promote and sell wider range of products
- Promoting "Responsible Gaming" to customers on the need to play for fun and bet moderately within their means
- To promote and encourage customers to buy from licensed lottery and not from illegal operators
- Enriching customer experience by way of embracing new technologies
- Be an advocate of intentional disruptor against conventional practice
- Positive sign of enforcement agencies making effort in curbing illegal gaming and continuous engagement with enforcement agencies to take more proactive action
- Strict monitoring by Anti-Money laundering team to detect early sign of money laundering activities
- Prioritising "Customer First" as a philosophy putting customer-centricity as a core value
- The imposition of stern penalties of higher fine and longer jail term as a deterrent to both seller and buyer of illegal lottery
- Developing effective marketing programmes & strategy to offer more rewards and benefits to our customers
- Up skilling the service level by our sales force
- Pursue innovation to revitalise the brand value and best-in-class product
- Bringing positive awareness and publicity through social media engagement
- Reimaging of retail outlet to give it a fresh brand new look to attract more footfalls
- Provision of ticket checker at retail outlet for ease of checking winning status and introducing more customer friendly features
- Mobile app to provide suite of friendly function, especially on the popular scanning of winning status
- Liberalisation by government to allow online gaming to counter against illegal gaming operators
- Designing new and exciting games to appeal to and to capture new market segment of players
- Digitalise the traditional channels to widen the gaming experience

SUSTAINABILITY STATEMENT (cont'd.)

ENGAGEMENT WITH STAKEHOLDERS

In order to ensure the effectiveness and increase the value of the contribution we make to society, we regularly review and consider emerging issues and changing stakeholder expectations to ensure our list of material issues is up to date. We engage our stakeholders to build trust through structured engagement and accountable actions to understand their concerns and emerging priorities. Through the close working relationship we have established with them, we are able to better identify and address issues, pooling together diverse groups of expertise and expectation, in collectively achieving far greater positive impact on our EES indicators.

Owing to our extensive engagement, we are confident that we are doing what matters to our stakeholders and this year's Sustainability Plan was formulated after consulting our stakeholders and studying the most important issues that we must address if the Company is to create value in the future.



SUSTAINABILITY STATEMENT (cont'd.)




We have conducted an extensive review and found that this year's materiality matrix still remained relevant to our businesses and stakeholders.

| STAKEHOLDERS | ENGAGEMENT APPROACH | STAKEHOLDERS' INTEREST |
|--|---|--|
|  Customers | <ul style="list-style-type: none"> • Call centre • Face-to-face dialogue • Social media platforms • At point of sale • Webmail • Customer satisfaction survey • Press releases • Roadshows • Walk-about programme & campaign • Market survey • Prototyping project engagement • On ground engagement • Events & activities | <ul style="list-style-type: none"> • Enhancing customer service levels and satisfaction • Improving process efficiency • Ensuring protection against ticket fraud and scams • Protecting customer personal data privacy • Designing and providing solutions that helps customer meet their evolving preferences • Creating awareness on responsible gaming • Meeting customers' satisfaction and expectation • Adopting strategies that provide prompt and complete solution to customers • Encouraging customers to patronise legal operators • Product responsibility • To provide a fair and safe gaming environment • Guaranteed payment |
|  Shareholders/ Investors | <ul style="list-style-type: none"> • Annual General Meeting (AGM) • Annual and sustainability report • Corporate presentation • Investors meeting • Quarterly financial reports • Company's website • Analysts briefings • Press release • Dialogue • Correspondence • Reporting | <ul style="list-style-type: none"> • Return on investment • Commitment to responsible business practices • Advocating strong corporate governance and compliance • Performance of market share price • Delivering consistent growth • Effective risk management policy • Ensuring good business conduct • Uphold high level of ethical values and principles • Timely public disclosure of information • Staying ahead of emerging competition |
|  Regulators | <ul style="list-style-type: none"> • Regular meetings and consultations • Reporting • Engagement forum • Dialogue sessions • Working group presentations • Formal and informal meetings • Ad hoc meeting | <ul style="list-style-type: none"> • Cultivate an ethical culture that complies with regulations • Ensuring accountability and integrity • Regulatory disclosure • Counteracting against illegal and problem gaming • Enforcement of responsible gaming policy • Factors affecting Industry landscape • Full compliance with legislative framework and regulatory requirements • Timely payment of tax due • Manage data governance, data privacy and cyber security • Strict monitoring and enforcement of anti-money laundering policy |

SUSTAINABILITY STATEMENT (cont'd.)

| STAKEHOLDERS | ENGAGEMENT APPROACH | STAKEHOLDERS' INTEREST |
|--|--|--|
|  Sales Partner | <ul style="list-style-type: none"> • Performance Enhancement Team Programme (PET) • Dialogue • Social gathering • Periodic engagement • Agency visit • Mystery shopper • Get-together events • Training programmes • Small gathering • Collaboration programmes | <ul style="list-style-type: none"> • Increase efficiency and productivity • Working together to increase market share • Established partnership marked with respect, integrity and excellence • Market intelligence • Provision of technologically advanced, innovative and safe products • Compliance to Company's rules and regulations • Offer multiple range of integrated services • Exchanging of ideas and latest market update • Problem solving • Provision of hardware, software and helpdesk services |
|  Employees | <ul style="list-style-type: none"> • Employee engagement programmes • Meetings • Management of Project • Change agent programme • Training & Development programmes • Email communication • Recreation and team-building sessions • Workshop • Brainstorming session • Bulletin board • Get together • Sports club recreational activities and gathering • Mentoring • Open door policy • Dialogue and engagement • Focus group discussion | <ul style="list-style-type: none"> • Career development • Employment equality • Remuneration and benefits • Business strategy • Company's goals and direction • Workplace, health and safety • Gender equality • Fostering team bonding • Conducive working environment • Fair and just reward compensation • Career advancement planning • Succession planning • Balance career and personal life • Ensuring employees are empowered to deliver to the best of their ability • Enhance talent management processes • Enriching career and development opportunities |
|  Community | <ul style="list-style-type: none"> • Sponsorship • Meetings • Donation drive • Road-show • Education programmes • Dialogue • Employee volunteerism • Community development and outreach programmes • Website and social media • Community engagement activities • Partnership | <ul style="list-style-type: none"> • Encourage community empowerment • Fostering community initiatives • Combining effort to protect the environment • Giving back to the community and society • Inculcate caring and sharing attitude • Empowering employees involvement • Serving the underserved and vulnerable • Good corporate governance • Community care and support |

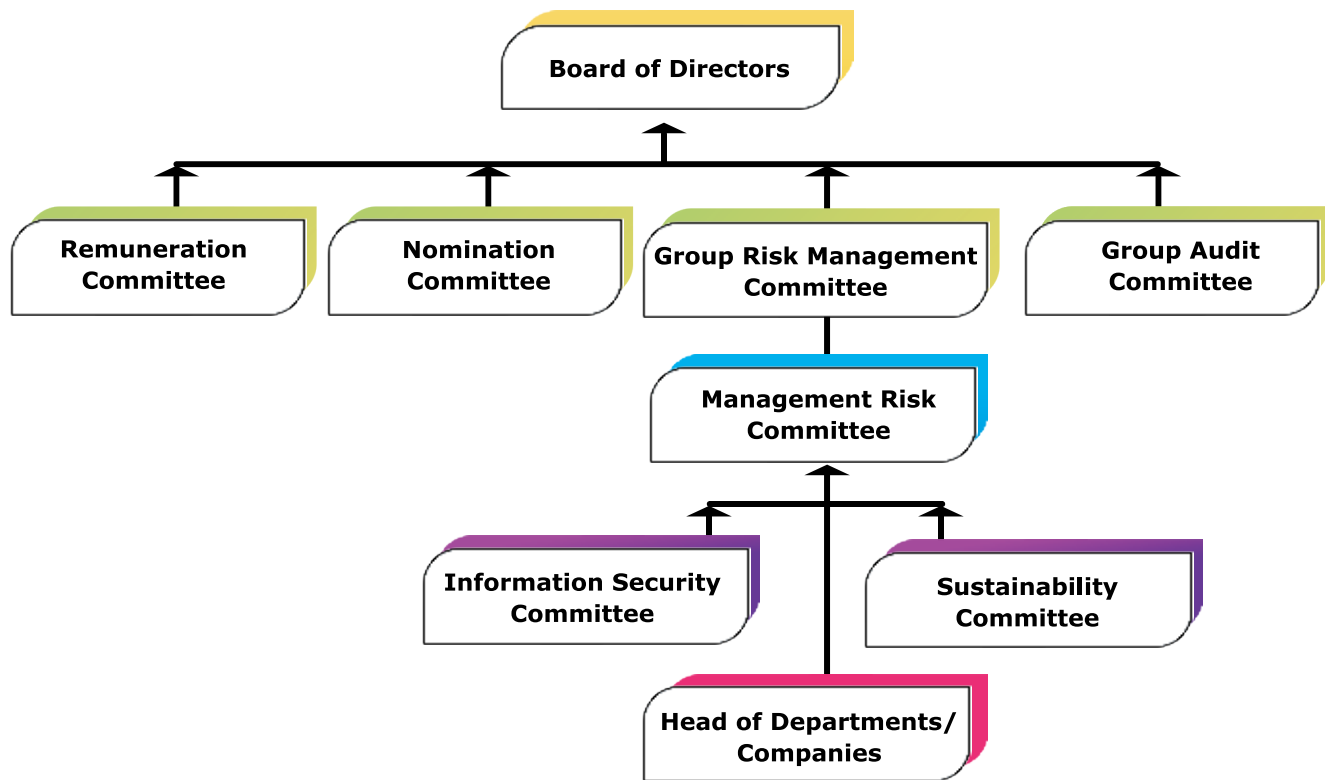
SUSTAINABILITY STATEMENT (cont'd.)

| STAKEHOLDERS | ENGAGEMENT APPROACH | STAKEHOLDERS' INTEREST |
|---|---|---|
|  Environment | <ul style="list-style-type: none"> • Discussions • Social media • Forum • Meetings • Media | <ul style="list-style-type: none"> • Managing our environment footprint • Always find GREEN solutions • Promote environmental conservation • Compliance with legal environmental requirements • Promote environment consciousness • Reducing carbon footprint • Optimising resource efficiency • Playing a role in combating climate change • Responsible waste disposal |
|  Supplier & Vendors | <ul style="list-style-type: none"> • Supplier & Vendor assessment • Quotation requests • Tender and bidding • Regular meeting and site visits • Discussion and consultation • Relationship building | <ul style="list-style-type: none"> • Ethical supplier management system • Uphold business integrity • Fair treatment to business partners • Reviewing of operations and performance standard • Ethical and responsible conduct • Assessment of service level • Assessment on product and service quality • Quality control |
|  Media | <ul style="list-style-type: none"> • Website • Press interviews • Media coverage • Formal function • Press releases | <ul style="list-style-type: none"> • Dissemination of draw results • Update of Company's events • Timely publication of latest news in e-paper • Company news update in a timely manner • Corporate update • Financial performance update • CSR engagement • Industry update |



SUSTAINABILITY STATEMENT (cont'd.)

SUSTAINABILITY GOVERNANCE



Sustainability is governed across various levels in the organisation – from the Board and Management to the business units and working groups. The Board has overall responsibility for sustainability for Magnum and provides oversight with the support of the various committees where material EES framework topics are reviewed with periodic updates on various sustainability programmes, upcoming activities as well as market condition that have an impact on our sustainability strategy.

The Group Risk Management Committee is responsible for managing and formulation of sustainability policies, defining framework of rules and procedures

and procedures on how business operations is governed and is supported in the execution by the Management Risk Committee whose function works in collaboration with working groups including the Sustainability Committee, Information Security Committee and all Heads of Department to develop action plans and implement the Group's sustainability related matters, material issues and strategies aligned with the framework guided by our key corporate values.

In addition, the Group Risk Management Committee monitors the implementation of sustainability initiatives in Magnum and reporting on our strategy and performance to the Board. The

Board and the Management are committed to continually review, refine and improve all these processes over time.

Our EES performance is integral to our success as we strive to build a sustainable future and through these principles, we endeavor to identify and manage material risks and opportunities by formulating strategic sustainability policies and initiatives.

To embed sustainability across the organisation, we reward our Management and staff on the managing of various Economic, Environmental and Social issues. The reward is determined during the annual assessment review basing on awarding of variable

SUSTAINABILITY STATEMENT (cont'd.)

bonus system and other incentives that are tied to their performance. This incentive demonstrates how we ensure clear lines of overall ownership and accountability of EES issues among members of senior Management.

MATERIALITY

This Sustainability Report is based on sustainability topics identified and prioritised through materiality analysis processes. To determine material topics that have big impacts, Magnum conducted a thorough analysis to identify its business priorities and its stakeholders' main expectations. It analysed other organisations' sustainability and social responsibility reports including interviews, research, stakeholders' dialogue, review of peers' sustainability related articles and

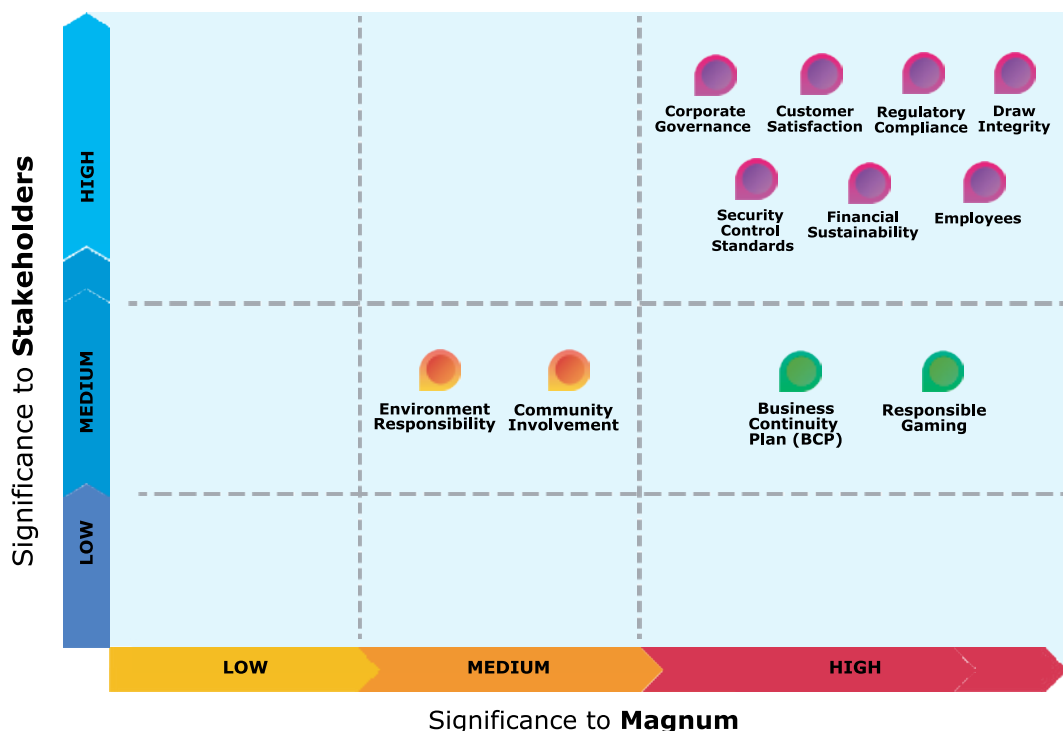
other studies to identify the most significant trends in the gaming sector. Notwithstanding, periodic consultation with various internal stakeholders were also carried out to evaluate and establish material matters that are deemed of highly importance and relevant to our industry and nature of business.

To successfully deliver our business value proposition to our stakeholders, we constantly engage with our wide range of stakeholders, both internal and external in an open dialogue to identify and respond to key material issues for a deeper understanding in evaluating and refreshing our materiality assessment to shape and mapped them against our strategic priorities. The open dialogue allows us to keep abreast of what is happening and the concerns and priorities our stakeholders

have. Regular engagement also gives us the opportunity to keep us agile to initiate collaboration in understanding the core input on relevant material focus areas and be part of formulating or facilitating a solution.

Our materiality matrix results guide us in our strategic decision-making, track issues of concern to prioritise sustainability programmes and establish meaningful metrics to measure against our performance. Taking into consideration the matters raised by both internal and external stakeholders, we have conducted an internal review and found that last year's materiality matrix still remained and relevant to our businesses and stakeholders. Moving forward, we will undertake a fresh review of our material issues and sustainability matters to ensure that relevant material issue is kept up to date.

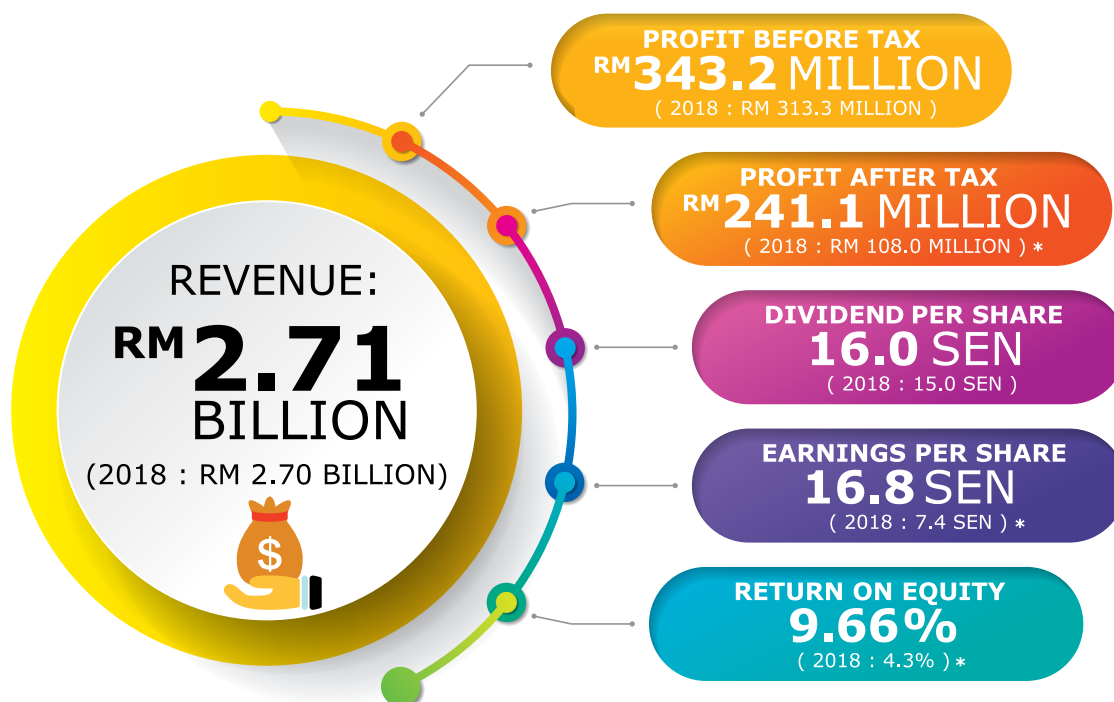
MATERIALITY MATRIX



SUSTAINABILITY STATEMENT (cont'd.)

ECONOMIC SUSTAINABILITY

2019 FINANCIAL HIGHLIGHTS



* 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.

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 and Companies (Amendment) Act 2019
- Securities Commission - Capital Markets & Services Act 2007 and Capital Markets and Services (Amendment) Act 2010, 2011, 2012 and 2015
- 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)

SUSTAINABILITY STATEMENT (cont'd.)

LOTTERY DRAW

Integrity Above All

MCSB draws are carried out under strict security guidelines and procedures in accordance with established security standards in the Standard Operating Procedures (SOP) of our Lottery Draw Policy. The draw procedure policy is drawn up to ensure the integrity of our draw proceedings. The adherence to the Lottery Draw Management guidelines and control as advocated by the World Lottery Association (WLA) is a strong testimony of our fullest commitment in ensuring strictest control is adopted in our draw management operation.

The specially designed draw auditorium and the draw equipment are located in a secure location in Wisma Magnum and is placed under strict observation under 24 hour security guard surveillance and the area is tagged strictly as a limited access facility. The entire security area is also monitored under 24 hour video surveillance and is reinforced further by security alarm at all strategic areas.

A core draw team of 4 members making up the "Draw Committee" are responsible for the conduct of each draw, and the core draw members are selected from a pool of senior management staff and executives of Magnum. The draw team is headed by a Senior Head of Department and witnessed by member from the Group Internal Audit Department to ensure that the draw is conducted free of any potential fraudulent attempts. Strict controls and security measures are in place for every draw.

The Draw Committee and internal auditor complete a detailed checklist that thoroughly

scrutinises all aspects of each draw. During the pre draw test, the set of draw balls used for each draw are selected at random and each ball will go through a stringent weighing and scanning tests. Similarly, the draw machines will also go through a pre draw tests to ensure that the machines are working properly. Additional controls are taken on the checking and auditing for pre and post draw on sales and liability.

The draw is open to public to witness and members of the public can register for a chance to being selected randomly to be in a team of three (3) members of public selected to participate as drum starters for the draw.

BUSINESS CONTINUITY

MANAGEMENT PLAN

Business continuity planning is the process of creating systems of prevention and recovery to deal with potential threats to a company. In addition to prevention, the goal is to enable ongoing operations before and during execution of disaster recovery. BCP is a set of contingencies to minimise potential harm to businesses during adverse scenarios.

A disaster may affect numerous operations in varying degrees. The scope of a Business Recovery Plan assumes a disruption of operations and may affect up to a point that the entire chain of business is significantly affected and may lead to a complete standstill.

Magnum has developed a robust Business Continuity Planning Guide and implements a business continuity plan to address potential interruptions to business processes. The recovery plans and procedures

are based upon the assumption of a business disruption caused by environmental, natural disasters and infrastructural related.

This framework and model allows identified management leaders to make decisions during emergencies, and the steps needed to recover. The Business Recovery Plan undergoes yearly testing and during the year we conducted three (3) operational drills to switch-over key and critical operations to the Secondary site to ensure all affected business units staffs are familiar with the procedures when they are faced with such a situation. The BCP is being constantly reviewed after each exercise and updated from time to time.

ANTI-MONEY LAUNDERING

MONITORING

The government is taking a tighter compliance stand against money laundering and has taken proactive action to impose more strict scrutiny to monitor unusual gaming trends among players to flag for further investigation.

There is no escaping that the gaming industry is always perceived to be associated with and attract negative publicity as an easy target for money laundering activities. Magnum has implemented effective processes and controls to continuously deter money laundering, monitor customer activity, and identify and report suspicious activity. Magnum employees are required to be aware of the risks posed by fraud and money laundering and they are required to understand the issues on any suspicion of money laundering, especially during claim of lottery prize winnings.

SUSTAINABILITY STATEMENT (cont'd.)

SECURITY STANDARDS AND

CERTIFICATIONS

Information Security Management System (ISMS)

In MCSB, the security of its lottery operations plays a critical role to the company's success and business sustainability. Reliable security is the backbone of the MCSB's lottery systems and is fundamental to MCSB's core values. In order to uphold the highest level of integrity and public confidence, MCSB is committed to maintaining and following rigorous security controls and procedures to ensure its lottery operations are well-secured and conducted in a manner compliant with the relevant standards and regulations. These security controls and procedures are constantly reviewed and enhanced, in line with the change in technologies and cyber security threat landscape.

On 4 November 2013, MCSB raised its security bar by becoming the first lottery company in Asia to have achieved the WLA-SCS (World Lottery Association-Security Control Standard) certification. This accomplishment demonstrates that MCSB has met international standards in ensuring the security and integrity of its lottery operations. The WLA-SCS certification which is specially developed by WLA for its lottery members, is the only internationally accredited certification and security standard in the lottery industry. It comprises of a set of security control requirements and management baseline to manage and to safeguard the confidentiality, integrity and availability of the lottery operations. In addition to the lottery-specific control requirements, the WLA-SCS also encompasses all the established methodologies and security best practices from ISO/IEC 27001:2013, the most widely recognised international standard

for the management of information security. The combined security requirements in both standards provide an effective security framework to identify, manage, and reduce security risks in the lottery operations and processes. Both the WLA-SCS and ISO/IEC 27001:2013 standards are renewed on a three-year cycle basis. To attain the certifications, a comprehensive assessment by third-party certified auditors is conducted once every year to validate the security compliance in MCSB.

In year 2019, MCSB has again reaffirmed its continual commitment to the security and integrity of its lottery operations with the achievement in both standards for the third certification cycle.

SOCIAL SUSTAINABILITY

Responsible gaming

Responsible gaming programmes are a critical part of everyday business practices in the gaming industry. The central goal of these programmes is to ensure that players responsibly enjoy the games as a form of entertainment. We believe gaming should be fair and fun at all times. We want our players to spend within their spending limit and understand the risk of going overboard.

MCSB has been promoting responsible gaming and shall continue to improve and find suitable ways to measure its effectiveness. Strong integrity and the proactive way to providing

customer centric are the vital points to play in a highly regulated industry.

Player education and player protection have become especially essential as the lottery industry moves towards its primary goal of bringing in new players mainly the new generation. For existing players, it is also important to help them understand how current games or new game features will affect them and how to protect them from fraud and lottery scams.

Since MCSB has been firmly committed to achieving its objectives on Responsible Gaming issues:

- tools to prevent excessive gaming
- preventing underage gaming
- initiatives to support problem gamblers

MCSB employs the best practices and is certified at Level 2 under WLA Responsible Gaming Framework which establishes responsible and sustainable gaming principles for the day-to-day operations to safeguard the players, community, regulators and other stakeholders.

Keeping with the objective of being a responsible operator, MCSB highly value responsible gaming as an integral part of our gaming operations and the Management is fully committed and supportive to put in place the necessary processes and procedures under to operate in an ethical and socially responsible manner.



SUSTAINABILITY STATEMENT (cont'd.)

Moving Towards On Line Winning Payment

MCSB is working towards in improving its payment service level by taking into consideration the underlying factor of our responsible gaming approach to protect our customers from excessive gaming after they win big. We are working towards by offering the option of online banking by transferring the winnings direct to the winner's bank account when they come to claim their prizes. Aside from the speed of claiming winning, this will act as a safeguard to the claimant as by doing so, the winning is directly bank into the claimant's bank account; hence, the claimant shall fear no more of being robbed. Indirectly, it taught the player to be a responsible gambler as he/she did not waste the winnings instantly in betting more. Another advantage, while the money is save in the bank, the player can earn additional bank interest and delay in decision to withdraw the winnings giving some cooling time to think carefully and make a wise decision to invest their winnings and not in spending part or all the winnings into gaming.

MCSB had produced its very first "Winner Handbook" and is widely available nationwide at all Regional Offices. We always remind our players that when they play, they play within their spending limit and treat it as entertainment. When a player wins big, a player will then begin a new and exciting chapter of his/her life. With this handbook, we aim to provide an insight to the winner's experience that the windfall should never become a nightmare or complicates their life. It helps to guide the winner to plan and make decision wisely in order to have a best experience of their life. The handbook serves



as a guide, provides important key points on how to manage their winnings smartly.

MCSB has been mindful of the impact of communication to the masses on its advertising and promotion communicated through various channels and has always exercise restraint in its promoting & marketing activities, and in particular protection of vulnerable groups, especially minor, in a very responsible manner.

EMPLOYEES

The Magnum team comprises of individuals with a diverse range of multi-racial ethics group, cultural backgrounds and professional experience as we highly value a non-discriminating, diverse and inclusive workforce, reflecting our belief in diversity and equality. We build an inclusive organisation where everyone has equal opportunity to reach his/her potential.

To provide a space where employees feel safe and secure to be able to deliver their best, Magnum puts

great emphasis on the importance of a healthy workplace culture and we provide a conducive environment to enable employees to create results through efficient manners of working to their fullest potential. We ensure we follow all employment laws and regulations and aim to be an industry leader in fair employment practices.

Our people are our most valuable assets and together align with our culture, it enables us to attract and retain the best people by ensuring everybody feel important and we value that each of our diverse employees has their own strengths and exerts their abilities to the fullest extent. Our ultimate success and achievements are a result of their high-performance and commitment. As an equal opportunity employer that embraces diversity in the workplace, we strive to maintain an inclusive work culture that supports diverse talent to contribute positively to the growth and productivity of the Company.

SUSTAINABILITY STATEMENT (cont'd.)

Training and Development

We believe that Magnum's humanising mission is reflected in our ability to attract, develop, retain and grow the best-in-class talent. We have implemented various initiatives throughout the year to upskill our workforce so that they remain relevant and future-ready to continually thrive in a rapidly evolving business environment.

Our people initiatives and policies have not only shown results to retain and develop the best talent, but also in building a workforce that is innovative, productive and engaged. This results in a strong and positive impact to the Group's overall momentum and performance, particularly in driving change mind sets at all levels. Our workplace efforts are further boosted by our initiatives to create a caring and gender-friendly environment.

Creating a sustainable business starts from within our operations. We find it of great importance to support employees so they thrive at work, and to provide them with training and development programmes which empower responsibility and encourage opportunities to lead.

Magnum highly values training and

continuous learning by investing in its human capital in the personal development and professional growth of the people providing them opportunity to chart their careers across different business units and ensuring they are ready to take over to become the current and future generation of leader to lead the Company forward. We strongly value that training and reskilling will be essential for significantly enhance employee performance and experience that redefines the nature of work. In line with our mission to transform into a customer-centric organisation, we dispatch the first pioneer group of employees to the highly acclaimed Design Thinking ("DT") workshop. This pioneer group will be first of few groups that the Company is embarking to continue our leadership interventions and skills-building through this key DT signature development programme to groom a large pool of change agents creating a future-ready ecosystem capable group ready to champion and drive our Transformation journey.

"Design Thinking" is about changing mindset in bringing out and unleashing creativity and developing self-belief. The concept behind design thinking is to create products or processes with the end user in mind.



SUSTAINABILITY STATEMENT (cont'd.)

Apart from the Design Thinking workshop, other employees are given the chance to improve their competencies through providing impactful training and development programmes to upskill their learning and personal development. Apart from external training, we also conducted various internal training initiatives to expose the staff in empowering them into working on various customer-centric projects.

We are building up a robust talent pipeline management framework that incorporates the development and inculcate a culture of innovation and agile talents who are able to operate successfully in diverse cultures and market environment. We are also investing and building up talent capacity in learning and development in the long-term by developing our people and improving capabilities across the organisation to ensure sustainable operational growth.

Magnum is committed to providing a supportive and collaborative environment that fosters a positive and strong culture for a future-proof workforce that thrives in the market place.

To provide opportunity for young people a chance to experience and gain job knowledge on working life, Magnum's internship programme continues to take in interns and they are placed in a department relevant to their course to offer the work training opportunities. During their internship, the interns are guided by experienced staff to learn and train on various job aspects of the work related to their field of study.

We take pride in bringing into the Magnum family in extending job opportunity to our ex-intern who had graduated and joined us as permanent staff and absorbed

at the department that they are placed at during their internship.

ENSURING HEALTH**AND SAFETY**

Above all, ensuring the health, safety and well-being of our people is of utmost importance to us as a healthy mind and body reduces the risk of accidents due to inattention and lack of focus. Magnum promotes workplace wellness and has taken a holistic view of wellbeing by creating a conducive and balanced working environmental encircling good practices, safety and well being of all our stakeholders. We also aim to maintain and enhance safe, healthy and fit working environments by giving due consideration to the physical and mental health of our employees. Our employees are entitled to and provided with free medical benefits from a panel of approved clinic doctors, subsidised dental care and other health benefits.

Across our divisions, effective policies and frameworks are put in place to guide implementation of initiatives that promote healthy and safe spaces. The importance of complying with all occupational health and safety laws and regulations, such as those designed to prevent workplace accidents are strictly observed and complied with and communicated regularly to our business divisions. Any case of non-compliance will have to be directly reported to management for prompt follow-up actions to be taken. We welcome and value the feedback from all stakeholders as they improve and validate our performance.



ZERO ACCIDENTS OCCURRED WITHIN THE WORK PLACE

Following a comprehensive security assessment review, the Company has identified the threat of "act of terrorism" as a high risk that could potentially threatens the safety and well-being to occupants at all our buildings/premises and it may also greatly disrupt our business activities. To address the new threat, safety improvement was further enhanced by reinforcing existing security measures and the introduction of additional precautionary measures was integrated to support our emergency preparedness:

- Enforcement of stricter access of public members into our office building
- Restricting access by guests to certain working areas and certain floors only and they must always be accompanied
- Reinforcing and installing additional doors at critical areas
- Installing of Panic room
- Progressively upgrading of CCTV surveillance system
- Increasing the coverage of strategic areas under CCTV surveillance
- Drafting of a new lockdown SOP for employees to react in the event the security access of the building is breached

SUSTAINABILITY STATEMENT (cont'd.)

• Installing of additional loud-speaker and siren at every floor

Ensuring the health and workplace safety of our employees is always the highest priority of Magnum and we constantly ensure each and every employee knows what to do and how to react in the event of any emergency. We take a serious view to ensure that building fixtures and fittings are safe from harm to all employees and conduct emergency drill exercise to instil a sense of emergency preparedness among all employees helping them to familiarise with various emergencies such as:

- Annually conducting at least one building fire and evacuation drill
- Annually conducting at least two lockdown drills
- Annual briefing on security control and emergency evacuation for draw auditorium
- Periodic maintenance services of lift
- Periodic maintenance services of generator set
- Periodic maintenance services of uninterrupted power supply
- Periodic maintenance services of centralised air-conditioning
- Periodic maintenance services of fire fighting system
- Yearly replacement of fire extinguishers
- All year round maintenance on building and premise fixture and fittings
- No smoking policy within office facilities, including employees, customers and visitors
- Wheel chair for ease of ferrying victim in need
- Life-saving talk by medical professionals

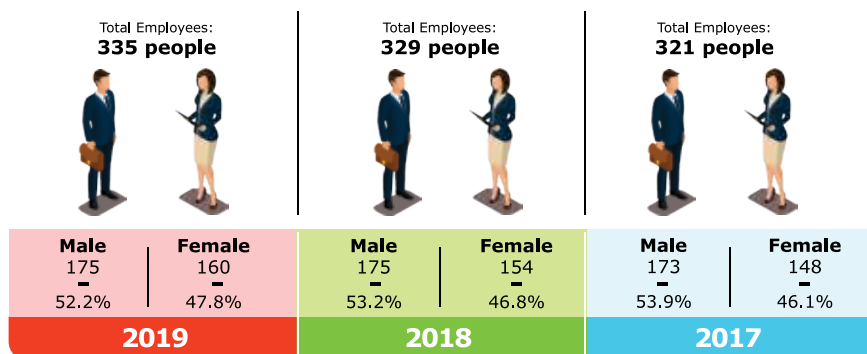
Supporting a gender balanced workforce and equal opportunities at all levels across the organisation

Leveraging diversity and cultural experience to forge strong connections with our customers and communities

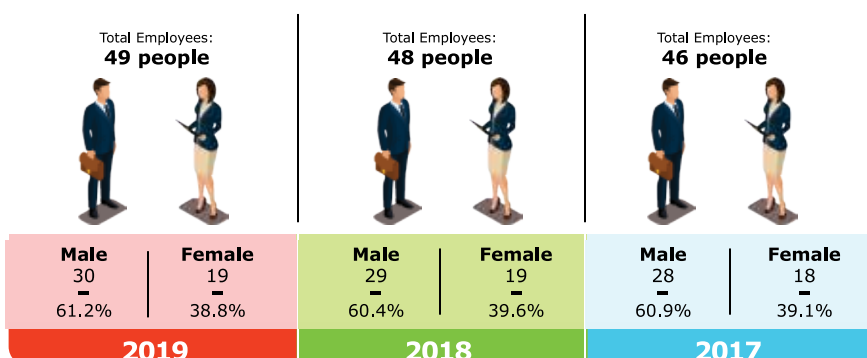
Synergistically tapping different perspectives to create an organisation that is dynamic, agile and innovative

GENDER BREAKDOWN

Magnum Group Employees



Managerial Employees



SUSTAINABILITY STATEMENT (cont'd.)

Sales Force Training Programme

Our sales force who are constantly being the face of Magnum are the front liners who commit their duty to serving and satisfying various types of customers daily in their pursuit of buying and winning a hope. No matter how great our product is or how dedicated the sales force is, one of the things that customers most likely remember is the direct interaction they have with the company, and the service quality offers defines the customer's satisfaction and experience.

Armed with our HUAT training that specialises training in uplifting customer service level, we have constantly remind our sales force to apply the HUAT technique as we focus on giving the best value and experience to our customers and deepening our engagement and relationship with them in this highly competitive market.

While there is no national training for the year, we have continued to engage our sales force in other forms of training, like targeted training workshops, outlet visit, marketing programmes, motivational sessions and performance enhancement team programmes with the objective to develop their self-confidence, pride and a sense of purpose in delivering their crucial daily responsibilities. We also train them on understanding customer needs and expectations through listening, managing their emotions when dealing with difficult situations and various customer personalities.

On the non-service level, we also train them on up-selling skills to sell different products, deeper understanding of certain products, and techniques to promote sale of least popular product of their

respective outlet and maintaining a clean and airy premise for the comfort of customers.

With this, we hope our sales force will be able to achieve a higher standard in creating customers satisfaction and loyalty armed with the necessary skills to meet, exceed or even, WOW our customers.

CUSTOMER SERVICE

AT THE CORE

In order to achieve customer satisfaction, it is important to obtain the views of a wide range of customers and to have a mechanism in place for effectively reflecting these in our products and services for a bettering customer experience and support. For this purpose, we pay special attention to communicating with our customers at various customer communicating channels as we aim to grasp their views, as well as seek to respond in a speedy, accurate and fair manner.

The core of what we do is to understand our customer needs and how we can deliver the best experience and improve service quality across all touch points to meet customer evolving expectations in a competitive environment.

In line with our mantra of "Customer First" mindset, we need to deepen and build a strong customer relationship to engage closely with our customers. To meet customer expectations, we need to listen attentively to understand their pain-points and to come out with effective solutions to address their concerns. We also need to show empathy when we failed to meet their expectation and develop effective solution to strengthen our customer centric

efforts as spurred by our service vision.

From our multiple communication channels, the webmaster is the most popular channel for customers to get in touch with us to lodge complaints and to provide valuable feedbacks and suggestions. The CARELINE still remains the most popular channel for customers to seek enquiries in product, prize structure, special draw day, business hours, and claims information regarding their winning.

We continue to be committed to deepening customer relationships, responding to customer needs and improving our standard of service as all these are fundamentals to our business.

SUPPLIERS

Magnum is committed to deal and working with suppliers that upholds the principles in integrity, honesty, fairness and build ethical and transparent businesses. Magnum strives to work only with suppliers that uphold high ethical standards and advocate effective governance practices and compliance with the rule of law. All suppliers must be able to meet our stringent requirements in ensuring high level of confidentiality in accordance with the terms of the contract, act of professionalism in delivering quality goods and services to Magnum.

All these procurement for goods and services must adhere to Magnum's Code of Conduct and Procurement Policy to comply with the parameters set-forth for acceptable behaviour of employees to observe, but also serves as a guide on the moral, legal and ethical standards that is expected when dealing with Suppliers.

SUSTAINABILITY STATEMENT (cont'd.)

COMMUNITY

Magnum Group CSR

Our 2019 CSR Initiatives at a glance

Since the inception of MCSB in 1968, we believe in championing our multi-cultural communities and helping make an impact to those we have touched. The greatness of a community can be measured by the compassionate actions of its members and MCSB's CSR activities have been carefully created to serve our communities in Malaysia.

The aspiration of MagnumCares is to inspire hope and help alleviate the people's livelihood sustainably. In 2019, we empowered and conducted a wide variety of assistance ranging from education, medical and welfare to under-privileged and physically challenged communities. "There is no power for change greater than a community discovering what it cares about."

We are happy to share the outcome as tabled below.

In the year of 2019, MagnumCares has touched:



2,951

Individuals



15,923

Residents in the Welfare Homes



31,436

Students



272

Schools

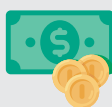


235

Non-Government Organisations (NGOs)

Sharing on our Signature Programmes

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



RM 132,585.40

contributed

Commit to respond within
48 hours

71 cases

adopted

Respond speedily to emergency circumstances encountered by the Community (floods, fire, haze, missing person, etc)

2 Academic Motivation Awards (since 1995)



2,588

Students

(in 2019)



Most Caring Teachers Award

61

Beneficiary Schools

(in 2019)

SUSTAINABILITY STATEMENT (cont'd.)

3 Welfare Homes Outreach Programme (since 1979)



233
Welfare Homes
and school
(in 2019)



15,923
Beneficiaries
(in 2019)



RM 665,750
contributed
(in 2019)



Provided household and
educational materials



Before



After



SUSTAINABILITY STATEMENT (cont'd.)

4 Community Support Programme at Magnum outlets (since 2009)



185
Families
(in 2019)



RM 447,621
contribution including public
donation (in 2019)



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



309
Beneficiary
Schools



22
Beneficiary
Charity Homes



15,980
Spectacles
contributed



85,086
Students
screened



RM1,223,974
Funds Raised



300
Employee Volunteers



6 Financial Aid Scheme for Sales Operators (since 2010)



RM 1,225,936
contributed
(in 2019)



448
operators benefitted

SUSTAINABILITY STATEMENT (cont'd.)

7 MagnumCares's Other CSR Initiatives

Over and above our own signature programmes, MagnumCares also supported many initiatives from the under-privileged and physically challenged communities.

I) EDUCATION



Provided **teaching and learning facilities and equipment** for students, teachers and NGO leaders



Built **learning centres** for better education



Provided **specialised educational materials**



16,360 students benefitted



36 teachers benefitted



220 schools benefitted



5 NGO leaders were provided professional coaching skills

II) MEDICAL



wheelchairs, suction pumps machine, colostomy bags provided



160 individuals/patients benefitted

SUSTAINABILITY STATEMENT (cont'd.)

III) WELFARE & COMMUNITY



Supported many different types of communities (physically challenged, Orang Asli, stroke survivors, B40 families)



Provided **occupational training and transportation** for physically challenged friends



Provided **financial assistance and household materials** to B40 families

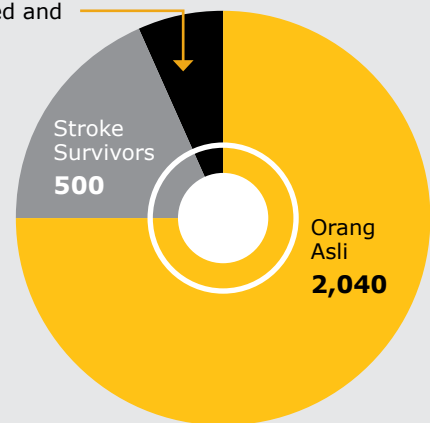


In conjunction with World Environment Day, employees volunteered to **clean up** various areas in the Kepong community

Physically challenged and B40 families
180



2,720
Beneficiaries



Provided **participation kits and contribution** towards fundraising of the stroke survivors for the National Stroke Association of Malaysia (NASAM)'s 2nd Stroke Games



Distributed **free masks** to customers in Sri Aman, Sarawak due to hazardous haze levels in September/October 2019

SUSTAINABILITY STATEMENT (cont'd.)

ENVIRONMENTAL SUSTAINABILITY



ALWAYS FIND GREEN SOLUTIONS

The lottery industry generally has a low impact on the environment relative to its scale of operations as our main materials used are paper based. However, Magnum's commitment to environment protection and resource conservation is critical to promote environmental stewardship to the public and working for a greener future. We fully undertake responsible practices to mitigate the direct and indirect environmental impacts of our development and operations in a responsible manner to protect mother earth.

Sustainability challenges such as climate change, water scarcity, waste management and pollution, requires the responsibility of each and every one not only to make sustainable development thrive, but also in keeping the planet sustainable for human life. We aim to reduce, reuse and recycle without compromising on the quality we deliver as we strive to minimise our impact on the environment and we encourage all stakeholders to think likewise and act green every step of the way.

Through regular monitoring of resource consumption, we are informed of the environmental footprint we leave behind, consumption patterns as well as the amount of waste generated. By reducing our carbon footprint, making optimum use of our limited resources and working together

with our many community partners, we aim to improve our business performance and contribute to a greener, more sustainable society.

We, at Magnum play our role as a responsible citizen to champion green consumption and aim to empower individuals to make positive changes and underscore the importance of collective efforts towards sustainable development as we set clear goals by adopting environment friendly practices to ensure efficient use of natural resources on conservation, minimising carbon foot print by adopting environment friendly practices.

**WE ARE
COMMITTED TO
GIVE BACK**

In our continuous commitment to reduce our own environmental impacts and contribute to the resolution of environmental sustainability, we make use of staff engagement strategies to bring higher level of awareness and promote environmental education as a platform to embed sustainability concepts to our employees. And, as a result for their contribution, we have implemented the following initiatives:

PAPER AVOIDANCE AND REDUCTION

- Using recycle papers for our bet slips at our outlets
- Minimise paper usage through the use of e-invitations and e-brochures
- All minutes of meeting & project papers migrated over to digital copy instead of hard copy
- Sharing documents to cloud-based solution
- Encourage paperless meeting
- Development of digital initiatives to minimise usage of paper
- Paper reduction training for high-usage departments
- Deploying e-forms to replace forms for various uses
- Saving resources by using both sides of the paper
- Using digital signage to communicate with our customers which has reduced the usage of posters and flyers
- Stepping up efforts to review and implement measures to reduce the amount of thermal paper used for bet tickets, which are not recyclable

SUSTAINABILITY STATEMENT (cont'd.)

We are very encouraged by our paper conservation efforts as for the year paper consumption has fallen by 43 reams or 6.1%, from 701 reams used in 2018 compared to 658 reams (excluding reams used by a newly absorbed department) used in 2019.

AVOIDING PLASTIC USE

Plastic never goes away, plastic affects human health, plastic spoils our groundwater, plastic threatens wildlife, plastic pile up in the environment and plastic poisons our food. All these are the destructive and devastating effects of plastic pollution that causes harm and serious health issues to human and nature. Magnum is committed to reduce the usage of plastic to minimise the harm in destructing the environment. The following are the initiatives that have been implemented to contribute to lower environmental footprint:

- Minimising the use of plastic ticket roll cores used in our thermal paper ticket roll. We cut down the usage from 29,000 cores in 2018 to 22,600 cores in 2019, a reduction of 6,400 cores or 22% by recycling the ticket roll cores and a reduction in the consumption of thermal tickets due to lesser draws
- Moving forward, we are targeting to gradually reduce the usage of plastic core and replace with cardboard core
- We will replace and use 100% of cardboard core once the contract of using plastic core expires

- We have stopped the usage of single-use plastic bag used on our ground event and have now replaced with the usage of recycle woven bag
- Water station are available for staff to refill water instead of buying single-use plastic bottled drinks
- Discourage the use of plastic straw

REDUCING CARBON FOOTPRINT

We are conscious in minimising our carbon footprint in our energy conservation as we strive to implement various initiatives to reduce the electricity consumption throughout all areas of our operations. We continue to take proactive actions to identify, evaluate and to monitor to improve efficiency in optimising our consumption to reduce carbon emission. Due to adverse climate change, it is incumbent upon all stakeholders to play their part responsibly to protect mother earth.

The following are the initiatives that we have implemented to manage our carbon footprint:

- Alternate between fan and air-condition usage
- Managing on efficient use of electricity consumption that resulted in cost saving of 0.75% on our electricity bills
- Regular communication and awareness to employees on energy-saving practices such as switching off lights during lunch breaks and minimising use of air-conditioning

- Replacement of conventional lights with energy efficient LEDs lights in all offices and buildings
- Replacement of conventional lights with energy efficient LEDs lights in outlets and it is expected by end of 2020, 100% of outlets and Regional Offices are fitted with LED energy saving lights
- Using video conferencing for local and outstation meeting, thus cutting down travelling on personal car to reduce carbon emission
- Encourage staff to use staircase instead of taking lift
- Encourage carpooling

OTHER ENVIRONMENTAL INITIATIVES

There is high level of awareness and consciousness among employees that espoused friendly environment and we are encouraged to see their commitment in doing the following:

- Bringing own food container/tumbler while buying outside food/drink
- Volunteering for green project
- More people using the staircase
- Taking public transport
- Riding bicycle to office
- Collection of recycle products
- Respect to 3R concepts of Reduce, Reuse and Recycle

This Sustainability Statement was approved by the Board on 12 May 2020.

BOARD OF DIRECTORS' PROFILE

TAN SRI DATO' SURIN UPATKOON

Non-Independent Non-Executive Chairman

Tan Sri Dato' Surin Upatkoorn, a Thai national, male, aged 71, 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 MPH 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's is the father of Krian Upatkoorn, the Executive Director of Magnum.

As at 4 May 2020, Tan Sri Surin is deemed to have an indirect interest in 522,426,954 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 2019.



BOARD OF DIRECTORS' PROFILE (cont'd.)

DATO' LAWRENCE LIM SWEE LIN

Non-Independent Executive Director

Dato' Lawrence Lim Swee Lin, a Malaysian, male, aged 63, 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 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 4 May 2020, 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 2019.

BOARD OF DIRECTORS' PROFILE (cont'd.)

KRIAN UPATKOON

Non-Independent Executive Director

Krian Upatkoorn, a Thai national, male, aged 40, was appointed as Executive Director of Magnum on 18 February 2019. He is also an Executive Director of Magnum 4D Berhad 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 does not sit on any Board Committee of Magnum.

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 number of other private companies.

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

As at 4 May 2020, 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.

He attended all five board meetings held during the financial year ended 31 December 2019.

DATUK VIJEYARATNAM A/L V. THAMOTHARAM PILLAY

Non-Independent Non-Executive Director

Datuk Vijeyaratnam a/l V. Thamotharam Pillay, a Malaysian, male, aged 68, 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 4 May 2020, 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 all five board meetings held during the financial year ended 31 December 2019.

BOARD OF DIRECTORS' PROFILE (cont'd.)

DATO' LIM TIONG CHIN

Independent Non-Executive Director

Dato' Lim Tiong Chin, a Malaysian, male, aged 67, was appointed to the Board of Magnum on 22 August 2017. He is the Chairman of the Group Risk Management Committee and the Group Audit Committee. He is also a member of the Nomination Committee and the 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 MPH Capital Berhad (a public listed company) and several private limited companies in Malaysia.

As at 4 May 2020, 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 2019.

JEAN FRANCINE GOONTING

Independent Non-Executive Director

Ms Jean Francine Goonting, a Malaysian, female, aged 52, was appointed to the Board of Magnum on 20 August 2019. She is a member of the Group Audit Committee, Group Risk Management Committee, Nomination Committee and Remuneration Committee of Magnum.

Francine holds degrees in Economics (majoring in accounting) and Law from Monash University, Melbourne, Australia.

She is also an Advocate and Solicitor of the High Court of Malaya and has held a Capital Markets and Services Representative Licence for Corporate Finance under the Capital Markets and Services Act 2007.

Having commenced her career in merchant banking, Francine has over 28 years of experience in debt and capital markets, corporate finance and advisory, cross border transactions and

mezzanine finance. She was also the Group Treasurer of a public listed company. She is currently a corporate consultant.

As at 4 May 2020, Francine does not hold any shares in Magnum or its subsidiaries.

During the financial year ended 31 December 2019, she attended all two board meetings of Magnum held after her appointment as director of Magnum on 20 August 2019.

ADDITIONAL INFORMATION:

1. Save for Tan Sri Dato' Surin Upatkoorn and Mr Krian Upatkoorn, 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 2019.

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 63, 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 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 4 May 2020, 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 Upatkoorn, a Thai national, male, aged 40, was appointed as Executive Director of Magnum Berhad on 18 February 2019. He is also an Executive Director of Magnum 4D Berhad 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 number of other private companies.

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

As at 4 May 2020, 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 55, 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 Berhad 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 on 12 February 1992 and to-date, has more than 28 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 4 May 2020, 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 61, 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 4 May 2020, 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;
Group Risk Management Officer and Head,
Magnum Group CSR**

Beh Swan Swan, a Malaysian, female, aged 61, 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.

Since 2018, Swan Swan was appointed to be a member of the Technical Working Group of the World Lottery Association's Security and Risk Management Committee.

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.

Swan Swan participated in a CXO Leadership Exchange Programme held at INSEAD Singapore in November 2019 whereby 30 out of 300 Technology leaders in the Asia Pacific region were shortlisted to attend. Swan Swan was awarded the Digital Transformation Award in a CXO Leadership Challenge assignment.

As at 4 May 2020, 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 56, 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 4 May 2020, 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 Upatkoorn, none of the other Key Senior Management has any directorship in public companies and listed issuers;
2. Save for Krian Upatkoorn, 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 2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of Magnum Berhad ("Company" or "Magnum") is pleased to present the Corporate Governance Overview Statement which provides shareholders and investors of Magnum with an overview of the manner in which Magnum and its subsidiaries (collectively "Group") have, during the financial year ended 31 December 2019, 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;
- (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; and
- (k) Review the overall corporate governance performance of the Company to ensure that the Company is attuned with the evolving expectations of stakeholders, regulatory changes and market dynamics whilst remaining relevant to the needs of the Company's businesses and core values.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd.)

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 Authority Chart is periodically reviewed and updated to reflect the changes in the business, operational and organisational environment.

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 2019 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 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. This 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 Nomination Committee had last reviewed this Code in November 2019.

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

In addition to the Directors' Code of Business Conduct and Ethics which is accessible by the public on the Company's website, the Company, since May 2013, has in place a Code of Conduct which sets out the standards on ethical conduct and responsibility for all employees of the Group. The scope of this employees' Code of Conduct includes confidentiality, conflict of interest, gifts and entertainment and, the use of the company's assets.

All employees including Management must comply with this employees' Code of Conduct Policy as well as would have signed a non-disclosure agreement upon acceptance of employment. The employees' Code of Conduct Policy is published in the Company's intranet and accessible by all employees of the Group.

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. They also hold valid practising certificates issued by the Registrar of Companies under Section 241 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 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 minimum requirement to attend 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 2019, are as set out below:-

| Director | Number of Board Meetings | | % |
|--|--------------------------|-------|-----|
| | Attended | Held* | |
| Tan Sri Dato' Surin Upatkoorn | 5 | 5 | 100 |
| Dato' Lawrence Lim Swee Lin | 5 | 5 | 100 |
| Krian Upatkoorn ⁽¹⁾ | 5 | 5 | 100 |
| Datuk Vijeyaratnam a/l. V. Thamotheeram Pillay | 5 | 5 | 100 |
| Dato' Wong Puan Wah ⁽²⁾ | 3 | 3 | 100 |
| Dato' Lim Tiong Chin | 5 | 5 | 100 |
| Jean Francine Goonting ⁽³⁾ | 2 | 2 | 100 |

Notes:

* Number of meetings held during tenure as Director

⁽¹⁾ Appointed on 18 February 2019

⁽²⁾ Retired on 29 May 2019

⁽³⁾ Appointed on 20 August 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'.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd.)

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 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 2019:-

| Director | Seminar/Workshop/Training Courses attended |
|--|---|
| Tan Sri Dato' Surin Upatkoorn | <ul style="list-style-type: none"> 28 May 2019 : Legal and Regulatory Aspects for Directors |
| Dato' Lawrence Lim Swee Lin | <ul style="list-style-type: none"> 28 May 2019 : Legal and Regulatory Aspects for Directors 20 and 21 June 2019 : Design Thinking For Decision Makers |
| Krian Upatkoorn ⁽¹⁾ | <ul style="list-style-type: none"> 28 May 2019 : Legal and Regulatory Aspects for Directors 20 and 21 June 2019 : Design Thinking For Decision Makers 27 June 2019 : Cyber Security in the Boardroom 5 November 2019 : Corporate Liability Provision (Section 17A) of the Malaysian Anti-Corruption Commission Act 2009 |
| Datuk Vijeyaratnam a/l V. Thamotharam Pillay | <ul style="list-style-type: none"> 28 May 2019 : Legal and Regulatory Aspects for Directors |
| Dato' Wong Puan Wah ⁽²⁾ | <ul style="list-style-type: none"> 28 May 2019 : Legal and Regulatory Aspects for Directors |
| Dato' Lim Tiong Chin | <ul style="list-style-type: none"> 28 May 2019 : Legal and Regulatory Aspects for Directors |
| Jean Francine Goonting ⁽³⁾ | <ul style="list-style-type: none"> 30 and 31 October 2019 : Mandatory Accreditation Programme 7 November 2019 : Executive Talk on Integrity and Governance 8 November 2019 : Audit Oversight Board Conversation with Audit Committees |

Notes:

⁽¹⁾ Appointed on 18 February 2019

⁽²⁾ Retired on 29 May 2019

⁽³⁾ Appointed on 20 August 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 MCGG 2017 which stated that at least half of the board comprises Independent Directors. For Large Companies, the Board comprises a majority of 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 MCGG 2017 on a policy of limiting the tenure of Independent Directors to nine years of service.

During the financial year 2019, Dato' Wong Puan Wah, who had served as an Independent Director of the Company for a cumulative period of more than twelve years, had retired at the conclusion of the Company's 43rd Annual General Meeting held on 29 May 2019 in line with Guidance 4.2 of the MCGG 2017.

All the existing Independent Directors namely, Dato' Lim Tiong Chin and Jean Francine Goonting, have served the Board in such capacity for less than nine years. Each of the two Independent Directors of the Company has provided an annual confirmation of his/her independence to the Nomination Committee.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd.)

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.

During the financial year under review, the Board had appointed Jean Francine Goonting as an Independent Director to fill the casual vacancy caused by the retirement of Dato' Wong Puan Wah at the conclusion of the Company's 43rd Annual General Meeting held on 29 May 2019. Currently, the composition of women Directors on the Board represents 16.7% to the total number of Board members.

The Board through its Nomination Committee will continue to actively identify and engage with other suitable potential female candidates to achieve approximately 30% women Directors on the Board by the year end 2020. The Nomination Committee will undertake several concerted steps to ensure that more 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 as at 31 December 2019 of 47.8% female to 52.2% male employees, and the high percentage of female employees at 38.8% holding supervisory and management positions.

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.

Although specific authority is 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 2019 are summarised as follows:-

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd.)

(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. Thamotheeram Pillay <i>(Non-Independent Non-Executive Director)</i> | 3/3 | 100 |
| Members Dato' Wong Puan Wah ⁽¹⁾ <i>(Independent Non-Executive Director)</i> | 2/2 | 100 |
| Dato' Lim Tiong Chin <i>(Independent Non-Executive Director)</i> | 3/3 | 100 |
| Jean Francine Goonting ⁽²⁾ <i>(Independent Non-Executive Director)</i> | 1/1 | 100 |

Notes:

* Number of meetings held during tenure as Committee member

⁽¹⁾ Retired on 29 May 2019

⁽²⁾ Appointed on 20 August 2019

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 2019 are summarised as follows:-

- assessed the performance of individual Directors and the Board as a whole as part of the annual assessment which covered the effectiveness of the Board, its Committees and the contributions of each Individual Director for assessment year 2018. These assessments were benchmarked against its recognised frameworks namely, the Board Charter and each Board Committee's Terms of Reference as well as the requirements and best practices recommended by the regulators;
- 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;
- assessed the independence of each Independent Director, both existing and newly appointed;

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd.)

- assessed the background, skills, experiences and qualifications of a candidate to determine his suitability as an additional Executive Director and had recommended his appointment to the Board for approval;
- determined those Directors who would retire by rotation at the Annual General Meeting based on the Company's Constitution including reviewing the retiring directors' eligibility and made the necessary recommendations for their re-elections;
- identified and met up with a potential suitable female candidate and made the necessary recommendation for her appointment as an Independent Director to fill a casual vacancy caused by the retirement of an Independent Director who had served the Company in such capacity for more than twelve years;
- reviewed the Board Charter and the Directors' Code of Business Conduct and Ethics; 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 Upatkoorn <i>(Non-Independent Non-Executive Director)</i> | 2/2 | 100 |
| Members Dato' Wong Puan Wah ⁽¹⁾ <i>(Independent Non-Executive Director)</i> | 1/1 | 100 |
| Dato' Lim Tiong Chin <i>(Independent Non-Executive Director)</i> | 2/2 | 100 |
| Jean Francine Goonting ⁽²⁾ <i>(Independent Non-Executive Director)</i> | 1/1 | 100 |

Notes:

* Number of meetings held during tenure as Committee member

⁽¹⁾ Retired on 29 May 2019

⁽²⁾ Appointed on 20 August 2019

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 ⁽¹⁾ <i>(Independent Non-Executive Director)</i> | 3/3 | 100 |
| Dato' Lim Tiong Chin ⁽²⁾ <i>(Independent Non-Executive Director)</i> | 6/6 | 100 |
| Members Datuk Vijeyaratnam a/l V. Thamotheeram Pillay <i>(Non-Independent Non-Executive Director)</i> | 6/6 | 100 |
| Jean Francine Goonting ⁽³⁾ <i>(Independent Non-Executive Director)</i> | 3/3 | 100 |

Notes:

* Number of meetings held during tenure as Committee member

⁽¹⁾ Retired on 29 May 2019

⁽²⁾ Elected as Chairman on 22 August 2019

⁽³⁾ Appointed on 20 August 2019

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 <i>(Independent Non-Executive Director)</i> | 2/2 | 100 |
| Members Dato' Lawrence Lim Swee Lin <i>(Non-Independent Executive Director)</i> | 2/2 | 100 |
| Dato' Wong Puan Wah ⁽¹⁾ <i>(Independent Non-Executive Director)</i> | 1/1 | 100 |
| Jean Francine Goonting ⁽²⁾ <i>(Independent Non-Executive Director)</i> | 1/1 | 100 |

Notes:

* Number of meetings held during tenure as Committee member

⁽¹⁾ Retired on 29 May 2019

⁽²⁾ Appointed on 20 August 2019

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd.)

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.

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 2019, Krian Upatkoorn was appointed as an additional Executive Director of the Company on 18 February 2019 while, Jean Francine Goonting was appointed as an Independent Director on 20 August 2019 in place of Dato' Wong Puan Wah, who retired at the conclusion of the Company's 43rd Annual General Meeting held on 29 May 2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd.)

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 shall engage an independent expert to facilitate an objective, professional and candid board effectiveness evaluations ("BEE") every three years. The Company had last engaged an independent expert to facilitate its BEE exercise in February 2018 for assessment year 2017.

For the assessment year under review, 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.

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 2019, 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd.)

Upon the recommendation of the Nomination Committee, the Director namely, Datuk Vijeyaratnam a/l V. Thamotharam Pillay will be retiring by rotation at the forthcoming Annual General Meeting and being eligible, he had offered himself for re-election.

Jean Francine Goonting, who was appointed as an Independent Director on 20 August 2019, will also be retiring at the forthcoming Annual General Meeting and being eligible, she had offered herself for re-election.

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 the policy in November 2019.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd.)

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 2019 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 | - | 32,371 | - | - | - | - | 127,371 |
| DWPW ⁽¹⁾ | 38,781 | 4,500 | - | - | - | - | - | 43,281 |
| DLTC | 95,000 | 8,000 | - | - | - | - | - | 103,000 |
| JFG ⁽²⁾ | 34,877 | 3,500 | - | - | - | - | - | 38,377 |
| Non-Independent Executive Director | | | | | | | | |
| DLSL | - | - | - | 55,000 | 1,152,000 | 710,240 | 25,187 | 1,942,427 |
| KU ⁽³⁾ | - | - | - | 5,000 | 753,000 | 445,510 | - | 1,203,510 |

Notes:

TSU – Tan Sri Dato' Surin Upatkoorn

DVJ – Datuk Vijeyaratnam a/l V. Thamothearam Pillay

DWPW – Dato' Wong Puan Wah

DLTC – Dato' Lim Tiong Chin

JFG – Jean Francine Goonting

DLSL – Dato' Lawrence Lim Swee Lin

KU – Krian Upatkoorn

⁽¹⁾ Retired on 29 May 2019

⁽²⁾ Appointed on 20 August 2019

⁽³⁾ Appointed on 18 February 2019

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 often 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 2019 are set out in the Group Audit Committee Report in this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd.)

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 PLT ("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 including the reasonableness of fees for the financial year 2019. Accordingly, the Group Audit Committee has recommended EY's re-appointment as the Company's external auditors for the financial year ending 31 December 2020.

5. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

5.1 Risk Management and Internal Control System

The Board acknowledges their responsibilities for the Group's system of internal control and its effectiveness, covering not only financial controls but also controls relating to operational, compliance and risk management. 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. Ongoing reviews are continuously carried out to ensure the effectiveness, adequacy and integrity of the system of internal control in safeguarding the shareholders' investment and Group's assets.

The Group Risk Management Committee ("GRMC") drives the risk management framework of the Group and reports to the Board on its recommendations and/or decisions. The Management Risk Committee ("MRC") is established at the management level and serves as a platform for two-way communications between the Management and the GRMC on matters relating to risk strategy and management. The GRMC summarises and communicates the key business risks to the Board for consideration and resolution.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd.)

5.2 Internal Audit Function

The Group's internal audit function is outsourced to MPH Capital Berhad's Group Internal Audit ("GIA") Department, which reports directly to the Group Audit Committee ("GAC"). The GIA's primary role is to assist the GAC to discharge its duties and responsibilities by independently reviewing and reporting on the adequacy and effectiveness of the system of internal control and the overall control environment. The GIA provides reasonable assurance that the system of internal control continues to operate satisfactorily and effectively. The audits cover the review of the adequacy of risk management, operational control, compliance with established procedures, guidelines and statutory requirements, quality of assets, information security and management efficiency. 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. In addition, all the internal auditors have successfully completed the ISO/IEC 27001:2013 Information Security Management System Internal Audit Training Course/ Lead Auditor Training Course. This means the internal auditors are trained to conduct an ISMS audit in accordance with internationally recognised best practice (ISO 19011 Guidelines for Auditing Management Systems).

During the financial year ended 31 December 2019, the GIA carried out its duties in accordance with its Internal Audit Charter and 2019 Annual Audit Plan. The Annual Audit Plan was developed based on annual risk assessment and approved by the GAC. All internal audit reports which incorporated the Management's responses and action plans were tabled for discussion at GAC meetings. The GIA also conducted follow-up audit reviews to monitor and ensure that all action plans have been effectively implemented by the Management. The status updates on the actions taken were tabled at the GAC meetings on a quarterly basis for GAC's review.

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.

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 2019, 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd.)

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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd.)

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 available to answer questions raised and give clarifications as required.

The Company sent out the Notice of its Annual General Meeting and related documents to shareholders on 21 May 2020 at least twenty eight days before the meeting. 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.

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, save for the following five practices, the Company has substantially applied the principles and best practices prescribed in the MCCG 2017 during the year 2019 and to date:-

| | Application Timeframe |
|--|-----------------------|
| • 4.1 (Majority board members as independent directors) | 1 year |
| • 4.5 (At least 30% women directors) | 6 months |
| • 4.7 (Independent director as Nomination Committee Chairman) | 1 year |
| • 7.2 (Disclosure of top 5 senior management's remuneration on named basis in bands of RM50,000) | Not disclosing |
| • 11.2 (Adoption of integrated reporting) | 1 year |

The explanations for the above departure are further disclosed in the CG Report that has been announced to Bursa Malaysia Securities Berhad together with this Annual Report. The CG Report is available at the Company's corporate website, www.magnum.my.

This Corporate Governance Overview Statement was approved by the Board on 12 May 2020.

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 2019 were as follows:

1. Dato' Wong Puan Wah (Retired on 29 May 2019)
(Chairman/Independent Non-Executive Director)
2. Dato' Lim Tiong Chin (Elected as Chairman on 22 August 2019)
(Chairman/Independent Non-Executive Director)
3. Datuk Vijeyaratnam a/l V. Thamothearam Pillay
(Member/Non-Independent Non-Executive Director)
4. Jean Francine Goonting (Appointed on 20 August 2019)
(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. Thamothearam 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 2020, the Board through its Nomination Committee had reviewed the composition and term of office of the GAC members. All of the Independent Directors satisfy the test of independence under Bursa Malaysia Securities Berhad's Main Market Listing Requirements. The Nomination Committee also assessed the performance of the GAC and its members during the year 2019 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 2019.

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 2019 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 coinciding 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 relevant 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 2019, the GAC held a total of six 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:-

| GAC Members | Number of GAC meetings | | % |
|---|------------------------|-------|-----|
| | Attended | Held* | |
| Dato' Wong Puan Wah ⁽¹⁾ | 3 | 3 | 100 |
| Dato' Lim Tiong Chin | 6 | 6 | 100 |
| Datuk Vijeyaratnam a/l V. Thamotheeram Pillay | 6 | 6 | 100 |
| Jean Francine Goonting ⁽²⁾ | 3 | 3 | 100 |

Notes:

* Number of meetings held during tenure as GAC member

⁽¹⁾ Retired on 29 May 2019

⁽²⁾ Appointed on 20 August 2019

SUMMARY OF WORK DURING THE FINANCIAL YEAR 2019

During the financial year ended 31 December 2019, 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 2019:-

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 businesses and investments, the adequacy of disclosures and the appropriateness of the accounting policies applied.

GROUP AUDIT COMMITTEE REPORT (cont'd.)

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.
- Reviewed and discussed the annual audited financial statements of the Group with the external auditors, Messrs. Ernst & Young PLT 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 2019 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 at the subsequent Board meeting.

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 recurring and non-recurring non-audit services that may be provided by the external auditors for the financial year ended 31 December 2019. 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 2019 and another in November 2019, 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, communication and interactions with clients, 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 including the reasonableness of fees for the financial year 2019. Accordingly, the GAC had recommended the re-appointment of the external auditors for the ensuing financial year.

GROUP AUDIT COMMITTEE REPORT (cont'd.)

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.
- 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 2019 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 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 Matter

- 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 Annual Report.

GROUP AUDIT COMMITTEE REPORT (cont'd.)

SUMMARY OF INTERNAL AUDIT FUNCTION OR ACTIVITIES

The internal audit function was established with primary objective of providing the necessary assistance to the GAC in the course of discharging its duties and responsibilities. The GAC is supported by an independent and adequately resourced internal audit function which has been outsourced to MPHB Capital Berhad's Group Internal Audit ("GIA") Department. The GIA reports directly to the GAC who are provided with a reasonable assurance of adequacy of the scope, functions and resources of the internal audit function.

The internal audit activities are guided by the Internal Audit Charter and GIA adopts a risk-based approach focusing on high risk areas. The GIA covers the review of the adequacy and effectiveness of the internal control and risk management process which includes appropriateness and effectiveness of governance practices, reliability and integrity of the financial, operational and management information system, safeguarding of assets and compliance with laws, regulations, policies and procedures.

The activities undertaken by the GIA Department during the financial year ended 31 December 2019 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 the Chairman and members 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) Conducted audit reviews relating to the Group's governance process and system of internal control on reliability and integrity of financial and operational information, safeguarding of assets, efficiency of operations, compliance with established policies and procedures and statutory requirements.
- (4) Carried out special assignments requested by the Management and/or the GAC.
- (5) Performed regular observations and verifications of the normal 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 responses and action plans were incorporated in the audit findings with a commitment to improve on an agreed timeline.
- (8) Conducted follow-up reviews to monitor and ensure that all corrective and preventive actions had been effectively 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 2019 was RM0.58 million (For the financial year ended 31 December 2018, the cost was RM0.49 million).

This Report was approved by the Board on 12 May 2020.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad specified that the Board of Directors ("Board") is to provide a Statement on Risk Management and Internal Control for the Group. The Board is pleased to include a statement on the state of the Group's risk management and internal control for the financial year ended 31 December 2019. The statement is prepared in accordance with the MMLR and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

BOARD RESPONSIBILITY

The Board recognises its responsibilities for maintaining a sound risk management and system of internal control to ensure the achievement of the organisation's strategic objectives, reliability and integrity of the financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and shareholders' investment and compliance with laws, regulations, policies and procedures.

In view of the limitation inherent in any system of internal control and risk management, it should be appreciated that an effective system of internal control and risk management framework is designed to manage principal risks that may impede the Group from achieving its business objectives rather than to eliminate the risks altogether. 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") through the Internal Audit function assists the Board to assess 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 GAC deliberates on key internal audit findings tabled during the GAC meeting.

The Group Risk Management Committee ("GRMC") provides oversight on risk management strategies, methodologies, policies and guidelines and risk related matters of the Group. In addition, the GRMC also oversees the functions of management committee, i.e. Management Risk Committee ("MRC") which assumes the responsibility of monitoring specific areas of risks pertaining to the Group's business activities and implement various risk management policies and procedures.

The Board is also informed of the decision and significant issues deliberated and recommended by the GAC and GRMC via the reporting of the respective Chairman of GAC and GRMC and the minutes of the GAC and GRMC tabled at the Board Meeting.

KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES

1. Risk Management

The Board recognises the importance of having in place a risk management system to identify key risks and implement appropriate controls to manage such risks as an integral part of the Group's operations. The Group has in place an enterprise risk management framework ("ERM Framework") which outlines the guiding principles of the risk management approach, risks governance structure, roles, responsibilities as well as the risk identification, evaluation and monitoring process of the Group. It is designed to formalise the risk management functions and practices across the Group and to increase awareness of the Group's employees to risk identification, measurement, control, on-going monitoring and reporting.

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

The Group's principal subsidiary, Magnum Corporation Sdn. Bhd. ("MCSB") has attained both the World Lottery Association Security Control Standard ("WLA-SCS") & International Standards Organisation ("ISO27001") certifications in November 2013. Subsequently, the re-certifications were consistently attained every 3 years, i.e. November 2016 and November 2019. 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.

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 personnel of the companies in the Group, was established to assist the GRMC to perform risk assessment annually or on an ad-hoc basis whenever required for a project. 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 Executive Director ("ED"), Chief Executive Officer ("CEO"), Chief Information Officer ("CIO"), Chief Financial Officer ("CFO"), Chief Commercial Officer ("CCO"), General Manager ("GM") cum Chief Marketing Officer ("CMO"), 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.

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

- 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, to monitor the progress of any risk factors and internal control matters relating to the operations raised by the MRC, as well as recommend measures to be adopted to mitigate their business risk exposures.

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 governs decision making process in the Group as well as 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 information security management structure. The ISMS policies and procedures are in place to guide and 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

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

- 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 and improvement to reflect changing risks and process enhancement, as and when required. 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 aims to equip employees with the relevant knowledge, skills and competencies required for their roles and responsibilities through structured learning and development programmes. These include a combination of classroom training, on-the-job attachment, project assignments and mentorship programme. Employees are encouraged to embrace the culture of continuous learning for personal competency and career development.
- 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.
- 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.

The testing for BCP is conducted at least once a year whilst the DRP test for main application systems is conducted at least twice a year.

- A formal Whistleblowing Policy has been established to assist in ensuring that the Group's business and operations are conducted in an ethical, moral and legal manner. The Whistleblowing Policy is designed to encourage employees to disclose any malpractice or misconduct which they become aware of and to provide protection to employees who report allegations of such malpractice or misconduct. 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.

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

CONCLUSION

In respect of the year ended 31 December 2019, the Board through the GRMC and GAC has assessed the adequacy and effectiveness of the risk management and internal control system. Based on the results of these reviews as well as the assurance it has received from the Executive Directors and Chief Financial Officer, the Board is of the view that the Group risk management and internal control system is operating adequately and effectively, in all material aspects.

For the financial year under review and up to the date of this statement, there were no significant deficiencies in the design or operations of risk management and internal control of the Group that could adversely affect the Group's ability in meeting its business objectives.

Nevertheless, the Board remains committed towards operating a sound system of internal control and therefore recognises that the system must continuously evolve to support the type of business and operations of the Group. As such, the Board, in striving for continuous improvement, will put in place appropriate measures to further enhance and strengthen the Group's system of risk management and internal control.

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

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 12 May 2020.

DIRECTORS' REPORT AND 2019 AUDITED FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Group consist of:

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

The principal activity of the Company is investment holding.

Other information relating to the subsidiaries are disclosed in Note 36 to the financial statements.

RESULTS

| | Group RM'000 | Company RM'000 |
|-------------------------------|-----------------|-------------------|
| Profit for the financial year | 241,143 | 179,552 |
| Attributable to: | | |
| Owners of the Company | 239,225 | 179,552 |
| Non-controlling interests | 1,918 | - |
| | 241,143 | 179,552 |

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 2018 were as follows:

| | RM'000 |
|---|----------------|
| In respect of the financial year ended 31 December 2018: | |
| Fourth interim single-tier dividend of 4% on 1,422,955,323 ordinary shares declared on 21 February 2019 and paid on 29 March 2019 | 56,918 |
| In respect of the financial year ended 31 December 2019: | |
| First interim single-tier dividend of 4% on 1,422,955,323 ordinary shares declared on 28 May 2019 and paid on 28 June 2019 | 56,918 |
| Second interim single-tier dividend of 5% on 1,422,955,323 ordinary shares declared on 22 August 2019 and paid on 27 September 2019 | 71,148 |
| Third interim single-tier dividend of 4% on 1,422,955,323 ordinary shares declared on 19 November 2019 and paid on 27 December 2019 | 56,918 |
| | 241,902 |

Subsequent to the financial year end, the Directors had on 20 February 2020 declared a fourth interim single-tier dividend of 3% on 1,422,955,323 ordinary shares amounted to RM42,689,000 in respect of financial year ended 31 December 2019. The dividend was paid on 27 March 2020.

This dividend payment will be accounted for in equity as an appropriation of retained profits during the financial year ending 31 December 2020.

The Directors do not recommend any payment of final dividend in respect of financial year ended 31 December 2019.

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 Upatkoorn | |
| Dato' Lawrence Lim Swee Lin | |
| Krian Upatkoorn | |
| Datuk Vijeyaratnam a/l V. Thamotharam Pillay | |
| Dato' Lim Tiong Chin | |
| Jean Francine Goonting | (appointed on 20 August 2019) |
| Dato' Wong Puan Wah | (retired on 29 May 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

In accordance to Clause 90 of the Company's Constitution, Datuk Vijeyaratnam a/l V. Thamothearam Pillay retires from the Board. Datuk Vijeyaratnam a/l V. Thamothearam Pillay being eligible offers himself for re-election at the forthcoming Annual General Meeting.

In accordance to Clause 97 of the Company's Constitution, Jean Francine Goonting retires from the Board and being eligible offers herself 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 31 to the financial statements.

The Directors' remuneration of the Group and of the Company for the current financial year are RM3,498,000 and RM312,000 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 RM136,952.

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:

| | 1.1.2019/ Date of Appointment | Number of ordinary shares | | |
|--|----------------------------------|---------------------------|----------|-------------|
| | | Acquired | Disposed | 31.12.2019 |
| Tan Sri Dato’ Surin Upatkoon | | | | |
| Deemed interest # | 507,018,961 | 11,080,500 | – | 518,099,461 |
| Dato’ Lawrence Lim Swee Lin | | | | |
| Direct interest | 8,183,826 | – | – | 8,183,826 |
| Deemed interest * | 3,000,000 | – | – | 3,000,000 |
| Datuk Vijeyaratnam a/I V. Thamoatham Pillay | | | | |
| Direct interest | 1,456,070 | – | – | 1,456,070 |
| Indirect interest ^ | 60,000 | – | – | 60,000 |
| Krian Upatkoon | | | | |
| Deemed interest * | 3,000,000 | – | – | 3,000,000 |
| 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 Casi Management Sdn. Bhd., Pinjaya Sdn. Bhd. and indirect interest held through his children.

* 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 other 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:
- 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 there were no known bad debts and that adequate allowance had been made for doubtful debts; and
 - 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 PLT, have expressed their willingness to continue in office.

Auditors' remunerations of the Group and of the Company for the current financial year are RM629,000 and RM103,000 respectively.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young PLT, 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 PLT for the financial year ended 31 December 2019.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 12 May 2020.

Dato' Lawrence Lim Swee Lin

Krian Upatkoorn

STATEMENT BY DIRECTORS

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

We, **Dato' Lawrence Lim Swee Lin** and **Krian Upatkoorn**, 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 87 to 164 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 2019 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 12 May 2020.

Dato' Lawrence Lim Swee Lin

Krian Upatkoorn

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 87 to 164 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 12 May 2020.

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 2019 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 87 to 164.

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 2019, 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 Code of Ethics for Professional Accountants (including International Independence Standards) ("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.)

A significant proportion of the Group's revenues and cost of sales are derived from gaming activities with large volume of data, which consist of individually low value transactions.

The Group relies on information technology systems for the processing and recording of the voluminous 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 information technology 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 TO THE MEMBERS OF MAGNUM BERHAD (cont'd.)

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 17 to the financial statements.)

The gaming rights and goodwill amounting to RM1,836 million and RM902 million, which represent approximately 51% and 25% 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(b), and Note 16 to the financial statements.)

The Group and the Company estimated the fair value of its unquoted investments based on the 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 and the Company based its projections on.

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

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.

INDEPENDENT AUDITORS' REPORT

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- 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 36 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 PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Kuala Lumpur, Malaysia
12 May 2020

Tan Shium Jye
No. 02991/05/2020 J
Chartered Accountant

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Note | Group | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Revenue | 4 | 2,705,685 | 2,704,254 | 186,210 | 731,931 |
| Cost of sales | 5 | (2,212,000) | (2,201,205) | - | - |
| Gross profit | | 493,685 | 503,049 | 186,210 | 731,931 |
| Other income | 6 | 20,204 | 19,088 | 5,945 | 9,588 |
| Administrative expenses | | (38,151) | (38,031) | (3,059) | (2,615) |
| Other expenses | | (81,906) | (120,371) | (7,253) | (1,166,417) |
| Operating profit/(loss) | | 393,832 | 363,735 | 181,843 | (427,513) |
| Finance costs | 7 | (50,625) | (50,402) | (991) | (2,281) |
| Profit/(loss) before tax | 8 | 343,207 | 313,333 | 180,852 | (429,794) |
| Income tax expense | 9 | (102,064) | (205,287) | (1,300) | (2,228) |
| Profit/(loss) for the financial year | | 241,143 | 108,046 | 179,552 | (432,022) |
| Profit/(loss) attributable to: | | | | | |
| Owners of the Company | | 239,225 | 105,389 | 179,552 | (432,022) |
| Non-controlling interests | | 1,918 | 2,657 | - | - |
| | | 241,143 | 108,046 | 179,552 | (432,022) |

| | | Group | |
|---|----|-------|------|
| | | 2019 | 2018 |
| Earnings per share attributable to owners of the Company (sen per share) | | | |
| Basic | 10 | 16.8 | 7.4 |

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 2019

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Profit/(loss) for the financial year | 241,143 | 108,046 | 179,552 | (432,022) |
| Other comprehensive income | | | | |
| Item to be reclassified to profit or loss in subsequent periods: | | | | |
| Foreign currency translation, representing net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods | 16 | (17) | – | – |
| Items that will not be reclassified to profit or loss in subsequent periods: | | | | |
| Change in fair value of financial assets, representing net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods | 28,276 | (32) | 28,000 | – |
| Other comprehensive income/(loss) for the year, net of tax | 28,292 | (49) | 28,000 | – |
| Total comprehensive income/(loss) for the financial year | 269,435 | 107,997 | 207,552 | (432,022) |
| Attributable to: | | | | |
| Owners of the Company | 267,517 | 105,340 | 207,552 | (432,022) |
| Non-controlling interests | 1,918 | 2,657 | – | – |
| Total comprehensive income/(loss) for the financial year | 269,435 | 107,997 | 207,552 | (432,022) |

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

| | Note | Group | | Company | |
|---|-------|----------------|----------------|----------------|----------------|
| | | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Assets | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 12 | 62,612 | 65,093 | 278 | 355 |
| Right-of-use assets | 13(a) | 15,703 | – | – | – |
| Investment properties | 14 | 540 | 546 | 649 | 655 |
| Investment in subsidiaries | 15 | – | – | 2,675,244 | 2,675,244 |
| Investment securities | 16 | 398,730 | 370,454 | 385,429 | 357,429 |
| Intangible assets | 17 | 2,738,332 | 2,738,347 | – | – |
| Deferred tax assets | 25 | 8,691 | 11,529 | – | – |
| | | 3,224,608 | 3,185,969 | 3,061,600 | 3,033,683 |
| Current assets | | | | | |
| Inventories | 18 | 1,367 | 1,076 | – | – |
| Investment securities | 16 | 27,599 | 34,182 | 27,599 | 34,182 |
| Receivables | 19 | 36,380 | 26,395 | 13,778 | 8,260 |
| Tax recoverable | | 6,590 | 4,447 | 4,809 | 2,645 |
| Deposits, cash and bank balances | 20 | 306,861 | 503,895 | 1,280 | 8,079 |
| | | 378,797 | 569,995 | 47,466 | 53,166 |
| Total assets | | 3,603,405 | 3,755,964 | 3,109,066 | 3,086,849 |
| Equity and liabilities | | | | | |
| Equity attributable to owners of the Company | | | | | |
| Share capital | 21 | 2,154,357 | 2,154,357 | 2,154,357 | 2,154,357 |
| Treasury shares | 21 | (30,205) | (30,205) | (30,205) | (30,205) |
| Other reserves | 22 | (567,119) | (595,411) | 201,501 | 173,501 |
| Retained profits | 23 | 920,231 | 923,207 | 709,359 | 771,709 |
| | | 2,477,264 | 2,451,948 | 3,035,012 | 3,069,362 |
| Non-controlling interests | | 22,645 | 40,722 | – | – |
| Total equity | | 2,499,909 | 2,492,670 | 3,035,012 | 3,069,362 |
| Non-current liabilities | | | | | |
| Borrowings | 24 | 674,530 | 713,480 | – | – |
| Lease liabilities | 13(b) | 3,599 | – | – | – |
| Deferred tax liabilities | 25 | 1,578 | 1,257 | – | – |
| | | 679,707 | 714,737 | – | – |
| Current liabilities | | | | | |
| Amounts due to subsidiaries | 26 | – | – | 73,446 | 15,113 |
| Borrowings | 24 | 224,471 | 224,426 | – | – |
| Lease liabilities | 13(b) | 1,322 | – | – | – |
| Payables | 27 | 194,612 | 265,005 | 608 | 2,374 |
| Tax payable | | 3,384 | 59,126 | – | – |
| | | 423,789 | 548,557 | 74,054 | 17,487 |
| Total liabilities | | 1,103,496 | 1,263,294 | 74,054 | 17,487 |
| Total equity and liabilities | | 3,603,405 | 3,755,964 | 3,109,066 | 3,086,849 |

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 2019

| Group | Attributable to owners of the Company | | | | | Non-controlling interests RM'000 | Total RM'000 | Total equity RM'000 |
|---|---------------------------------------|---------------------------------------|--|---|-----------|-------------------------------------|-----------------|------------------------|
| | Share capital (Note 21) RM'000 | Other reserves (Note 22) RM'000 | Treasury shares (Note 21) RM'000 | Retained profits (Note 23) RM'000 | | | | |
| At 1 January 2019 | 2,154,357 | (595,411) | (30,205) | 923,207 | 2,451,948 | 40,722 | 2,451,948 | 2,492,670 |
| Effect of MFRS 16 adoption | - | - | - | (299) | (299) | - | (299) | (299) |
| At 1 January 2019, restated | 2,154,357 | (595,411) | (30,205) | 922,908 | 2,451,649 | 40,722 | 2,451,649 | 2,492,371 |
| Total comprehensive income for the financial year | - | 28,292 | - | 239,225 | 267,517 | 1,918 | 267,517 | 269,435 |
| Transactions with owners | | | | | | | | |
| Dividends (Note 11) | - | - | - | (241,902) | (241,902) | - | (241,902) | (241,902) |
| Dividends paid to non-controlling interests | - | - | - | - | - | (19,995) | (19,995) | (19,995) |
| Total transactions with owners | - | - | - | (241,902) | (241,902) | (19,995) | (241,902) | (261,897) |
| At 31 December 2019 | 2,154,357 | (567,119) | (30,205) | 920,231 | 2,477,264 | 22,645 | 2,477,264 | 2,499,909 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

| Group | Attributable to owners of the Company | | | | | Total equity RM'000 |
|--|---------------------------------------|---------------------------------------|--|---|-------------------------------------|------------------------|
| | Share capital (Note 21) RM'000 | Other reserves (Note 22) RM'000 | Treasury shares (Note 21) RM'000 | Retained profits (Note 23) RM'000 | Non-controlling interests RM'000 | |
| At 1 January 2018 | 2,154,357 | (593,642) | (30,205) | 1,029,541 | 40,416 | 2,600,467 |
| Total comprehensive income/(loss) for the financial year | - | (49) | - | 105,389 | 2,657 | 107,997 |
| Transactions with owners | | | | | | |
| Dividends (Note 11) | - | - | - | (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) | (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 | 40,722 | 2,492,670 |

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 2019

| Company | ← Non-distributable → | | | | Total equity RM'000 |
|--|--------------------------------|---------------------------------|----------------------------------|-----------------------------------|---------------------|
| | Share capital (Note 21) RM'000 | Other reserves (Note 22) RM'000 | Treasury shares (Note 21) RM'000 | Retained profits (Note 23) RM'000 | |
| At 1 January 2019 | 2,154,357 | 173,501 | (30,205) | 771,709 | 3,069,362 |
| Total comprehensive income for the financial year | - | 28,000 | - | 179,552 | 207,552 |
| Transactions with owners | | | | | |
| Dividends (Note 11) | - | - | - | (241,902) | (241,902) |
| At 31 December 2019 | 2,154,357 | 201,501 | (30,205) | 709,359 | 3,035,012 |
| At 1 January 2018 | 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 22) | - | 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 |

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 2019

| Group | 2019 RM'000 | 2018 RM'000 |
|--|----------------|----------------|
| Operating activities | | |
| Profit before tax | 343,207 | 313,333 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 9,791 | 8,779 |
| Depreciation of investment properties | 6 | 7 |
| Depreciation of right-of-use assets | 1,653 | - |
| Finance costs | 50,625 | 50,402 |
| Amortisation of intangible assets | 15 | 15 |
| Net (gain)/loss on disposal of: | | |
| - property, plant and equipment | (168) | (154) |
| - investment securities | - | 139 |
| Interest income | (19,316) | (18,489) |
| Dividend income | (547) | (120) |
| Property, plant and equipment written off | 207 | 1,657 |
| Net reversal for ECL: | | |
| - trade receivables | (4) | (82) |
| Unrealised (gain)/loss on foreign exchange | (131) | 180 |
| Net loss arising from fair value change in investment securities | 6,583 | 1,601 |
| Operating cash flows before changes in working capital | 391,921 | 357,268 |
| Changes in working capital: | | |
| (Increase)/decrease in inventories | (291) | 28 |
| (Increase)/decrease in receivables | (4,676) | 5,512 |
| (Decrease)/increase in payables | (69,683) | 78,622 |
| Cash flows generated from operations | 317,271 | 441,430 |
| Net income tax paid | (156,790) | (108,269) |
| Finance costs paid | (345) | (354) |
| Real Property Gains Tax refund | - | 16 |
| Net cash flows generated from operating activities | 160,136 | 332,823 |

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

| Group | 2019 RM'000 | 2018 RM'000 |
|--|------------------|----------------|
| Investing activities | | |
| Proceeds from disposals of: | | |
| - property, plant and equipment | 172 | 167 |
| - investment securities | - | 9,955 |
| Purchase of: | | |
| - additional shares in subsidiaries from non-controlling interests | - | (117) |
| - property, plant and equipment | (19,006) | (11,549) |
| - investment securities | - | (34,321) |
| Dividend received from quoted shares | 466 | 120 |
| Interest received | 14,092 | 18,437 |
| Movement in fixed deposits with licensed bank | 260 | (7) |
| Movement in cash deposits pledged | 68 | (507) |
| Net cash flows used in investing activities | (3,948) | (17,822) |
| Financing activities | | |
| Net (repayment)/drawdown of medium term notes | (40,000) | 114,423 |
| Repayment of lease liabilities | (1,552) | - |
| Interest paid | (49,445) | (44,976) |
| Dividends paid to: | | |
| - shareholders | (241,902) | (213,443) |
| - non-controlling interests | (19,995) | (2,234) |
| Net cash flows used in financing activities | (352,894) | (146,230) |
| Net (decrease)/increase in cash and cash equivalents | (196,706) | 168,771 |
| Cash and cash equivalents at 1 January | 476,190 | 307,419 |
| Cash and cash equivalents at 31 December (Note 20) | 279,484 | 476,190 |

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 2019

| Company | 2019 RM'000 | 2018 RM'000 |
|--|----------------|----------------|
| Cash flows from operating activities | | |
| Profit/(loss) before tax | 180,852 | (429,794) |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 76 | 26 |
| Depreciation of investment properties | 6 | 3 |
| Net loss arising from fair value change in investment securities | 6,583 | 1,601 |
| Net allowance/(reversal) for ECL: | | |
| - subsidiaries | 68 | (8) |
| Dividend income | (186,210) | (731,931) |
| Impairment loss on investment in subsidiaries | - | 1,162,222 |
| Gain on disposal of property, plant and equipment | (62) | - |
| Net loss on disposal of investment securities | - | 139 |
| Finance costs | 991 | 2,281 |
| Interest income | (5,748) | (9,512) |
| Operating cash flows before changes in working capital | (3,444) | (4,973) |
| Changes in working capital : | | |
| Decrease/(increase) in receivables | 19 | (10) |
| (Decrease)/increase in payables | (1,766) | 1,595 |
| Inter-company balances | 58,019 | (299,613) |
| Cash flows generated from/(used in) operations | 52,828 | (303,001) |
| Interest paid | (744) | (2,217) |
| Net tax paid | (3,464) | (3,657) |
| Net cash flows generated from/(used in) operating activities | 48,620 | (308,875) |
| 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 |
| Proceeds from disposal of property, plant and equipment | 63 | - |
| Dividends received | 186,129 | 552,940 |
| Interest received | 291 | 1,451 |
| Net cash flows generated from investing activities | 186,483 | 529,346 |
| Cash flows from financing activity | | |
| Dividends paid, representing net cash flows used in financing activity | (241,902) | (213,443) |
| Net (decrease)/increase in cash and cash equivalents | (6,799) | 7,028 |
| Cash and cash equivalents at 1 January | 8,079 | 1,051 |
| Cash and cash equivalents at 31 December (Note 20) | 1,280 | 8,079 |

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 2019

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 36. 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 12 May 2020.

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 2019 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 2019, the Group and the Company adopted the following new and amended MFRSs which are mandatory for financial periods beginning on or after 1 January 2019:

| 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 Treatments | 1 January 2019 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

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 for MFRS 16. The effects of adoption of MFRS 16 are discussed below:

MFRS 16 Leases

MFRS 16 supersedes MFRS 117 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have an impact for leases where the Group is the lessor.

The Group adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying MFRS 117 and IFRIC 4 at the date of initial application.

The effects of adopting MFRS 16 as at 1 January 2019 are as follows:

| Group | 1 January 2019 Increase/(decrease) RM'000 |
|--|---|
| Statement of financial position | |
| <u>Non-current assets</u> | |
| Property, plant and equipment | (11,485) |
| Right-of-use assets | 17,216 |
| <u>Equity</u> | |
| Retained profits | (299) |
| <u>Non-current liabilities</u> | |
| Lease liabilities | 4,796 |
| <u>Current liabilities</u> | |
| Lease liabilities | 1,234 |

The Group has lease contracts for land and buildings. Before the adoption of MFRS 16, the Group classified each of its leases at the inception date as either finance lease or operating lease. Refer to Note 2.23 Leases for the accounting policy prior to 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

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

2.2 Changes in accounting policies (cont'd.)

MFRS 16 Leases (cont'd.)

Upon adoption of MFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.23 Leases for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases, the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under MFRS 117 and these finance leases which were previously presented as part of property, plant and equipment are now presented within right-of-use assets. The requirements of MFRS 16 were applied to these leases from 1 January 2019.

Leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relied on its assessment of whether leases are onerous immediately before the date of initial application;
- applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
- excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

| | RM'000 |
|--|---------------|
| Operating lease commitments disclosed as at 31 December 2018 (Note 28) | 2,624 |
| Weighted average incremental borrowing rate as at 1 January 2019 | 5.44% |
| Discounted operating lease commitments as at 1 January 2019 | 2,162 |
| Lease payments relating to renewal periods not included in operating lease | 3,868 |
| Lease liabilities as at 1 January 2019 | 6,030 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

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 3 Business Combinations | 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 14 Regulatory Deferral Accounts | 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 19 Extinguishing Financial Liabilities with Equity Instruments | 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 |
| 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.

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);

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

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

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

(b) Basis of consolidation (cont'd)

- (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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

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.)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

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

2.5 Transactions with non-controlling interest ("NCI") (cont'd.)

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:

| | |
|----------------------------|------------|
| Buildings on 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.

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 is 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

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

2.7 Investment properties (cont'd.)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

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

2.9 Impairment of non-financial assets

The Group and the Company assess 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 and the Company make 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 and the Company base their impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's and of the Company'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.

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 and the Company estimate 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

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

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's 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.

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

Financial assets at amortised cost

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

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 amortised cost (cont'd.)

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 deposits, cash and bank balances, trade and other receivables.

Financial assets at fair value through OCI (debt instruments)

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.

The Group's debt instruments at fair value through OCI includes Malaysian Government Securities 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

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 designated at fair value through OCI (equity instruments) (cont'd.)

Unquoted shares in Malaysia are 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

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

2.10 Financial instruments (cont'd.)

(a) Financial assets (cont'd.)

(iii) Derecognition (cont'd.)

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, lease liabilities, 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 lease liabilities, trade and other payables, loans and borrowings including bank overdrafts.

(ii) Subsequent measurement

Trade and other payables, lease liabilities, 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

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

2.10 Financial instruments (cont'd.)

(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 experience. The Group considers forward-looking factors do not have significant impact to credit risk given the nature of its industry and the amount of ECL is insensitive to changes to forecast economic conditions.

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.

The Group and the Company consider a financial asset in default when contractual payments are 90 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

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

2.12 Taxes (cont'd.)

(b) Deferred tax (cont'd.)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

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

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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

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.

All other liabilities are classified 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 Services Tax ("ST") in respect of draw days within the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

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 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 and the Company. 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 and the Company participate 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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

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:

| | 2019 RM | 2018 RM |
|----------------------|------------|------------|
| 1 Pound Sterling | 5.38 | 5.25 |
| 100 Philippine Peso | 8.08 | 7.90 |
| 100 Hong Kong Dollar | 52.67 | 55.93 |

(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

Accounting policies applied after 1 January 2019

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

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

2.23 Leases (cont'd.)

Accounting policies applied after 1 January 2019 (cont'd.)

The Group as lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

| | |
|------------------------------|--------------|
| Leasehold land and buildings | 2 - 50 years |
|------------------------------|--------------|

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to Note 2.9 for the Impairment of non-financial assets.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate and are dependent on a future activity are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

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

2.23 Leases (cont'd.)

Accounting policies applied after 1 January 2019 (cont'd.)

The Group as lessee (cont'd.)

(iii) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases such as those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

The Group as lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Accounting policies applied before 1 January 2019

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.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

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

2.24 Contingencies (cont'd.)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

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

2.26 Fair value measurement (cont'd.)

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 re-assessing 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.

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 17.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd.)

Key sources of estimation uncertainty (cont'd.)

(a) Impairment of goodwill and gaming rights (cont'd.)

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 overseas 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 25, respectively.

The Directors of the Group and of the Company are of the opinion that total tax recoverable of RM6,590,000 and RM4,809,000 (2018: RM4,447,000 and RM2,645,000) are 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 15.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

4. REVENUE

The Group's and the Company's revenue are recognised at a point in time and all are transacted in Malaysia, except for gross dividend from investment security quoted outside Malaysia.

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Investment income in respect of gross dividends from: | | | | |
| - subsidiaries | - | - | 185,663 | 731,811 |
| - investment securities: | | | | |
| - quoted in Malaysia | 340 | - | 340 | - |
| - quoted outside Malaysia | 207 | 120 | 207 | 120 |
| Sale of four digit forecast tickets | 547 | 120 | 186,210 | 731,931 |
| Sale of computer software and consultancy services | 2,705,039 | 2,704,053 | - | - |
| | 99 | 81 | - | - |
| | 2,705,685 | 2,704,254 | 186,210 | 731,931 |

5. COST OF SALES

| | Group | | Company | |
|---------------------------|----------------|----------------|----------------|----------------|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Cost of gaming activities | 2,212,000 | 2,201,205 | - | - |

6. OTHER INCOME

| | Group | | Company | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Gain on disposal of: | | | | |
| - investment securities | - | 30 | - | 30 |
| - property, plant and equipment | 168 | 154 | 62 | - |
| Interest income (Note 6(a)) | 19,316 | 18,489 | 5,748 | 9,512 |
| Unrealised gain on foreign exchange | 131 | - | - | - |
| Reversal of allowance for ECL: | | | | |
| - trade debtors (Note 19(a)) | 4 | 82 | - | - |
| - subsidiary (Note 19(d)) | - | - | - | 36 |
| Others | 585 | 333 | 135 | 10 |
| | 20,204 | 19,088 | 5,945 | 9,588 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

6. OTHER INCOME (cont'd.)

| | Group | | Company | |
|-----------------------------------|----------------|----------------|----------------|----------------|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| (a) Interest income | | | | |
| Interest income on: | | | | |
| - short term deposits | 13,337 | 15,411 | 270 | 1,472 |
| - subsidiary | – | – | – | 5,463 |
| - Malaysian Government Securities | 501 | 501 | – | – |
| - Investment securities | 5,478 | 2,577 | 5,478 | 2,577 |
| | 19,316 | 18,489 | 5,748 | 9,512 |

7. FINANCE COSTS

| | Group | | Company | |
|----------------------------------|----------------|----------------|----------------|----------------|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Interest expense on: | | | | |
| - bank overdrafts | 1 | – | – | – |
| - medium term notes | 48,882 | 48,556 | – | – |
| - loan from subsidiaries | – | – | 991 | 2,281 |
| - lease liabilities (Note 13(b)) | 303 | – | – | – |
| Transaction costs (Note 24) | 1,095 | 1,492 | – | – |
| Others | 344 | 354 | – | – |
| | 50,625 | 50,402 | 991 | 2,281 |

8. PROFIT/(LOSS) BEFORE TAX

The following amounts have been included in arriving at profit/(loss) before tax:

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Depreciation of investment properties (Note 14) | 6 | 7 | 6 | 3 |
| Depreciation of property, plant and equipment (Note 12) | 9,791 | 8,779 | 76 | 26 |
| Depreciation of right-of-use assets (Note 13(a)) | 1,653 | – | – | – |
| Directors' remuneration (Note 8(a)) | 3,498 | 3,193 | 312 | 329 |
| Auditors' remuneration (Note 8(b)) | 699 | 643 | 132 | 107 |
| Amortisation of intangible assets (Note 17) | 15 | 15 | – | – |
| Employee benefits expense (Note 8(c)) | 33,774 | 33,754 | 273 | 286 |
| Allowance for ECL: | | | | |
| - subsidiaries (Note 19(d)) | – | – | 68 | 28 |
| Net loss arising from fair value change in investment securities | 6,583 | 1,601 | 6,583 | 1,601 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

8. PROFIT/(LOSS) BEFORE TAX (cont'd.)

The following amounts have been included in arriving at profit/(loss) before tax: (cont'd.)

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Property, plant and equipment written off | 207 | 1,657 | – | – |
| Loss on disposal of investment securities | – | 169 | – | 169 |
| Impairment loss on investment in subsidiaries | – | – | – | 1,162,222 |
| Unrealised loss on foreign exchange | – | 180 | – | – |

(a) Directors' remuneration

The details of remuneration receivable by Directors of the Company during the financial years are as follows:

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Executive Directors' remuneration: | | | | |
| - fees | 50 | 50 | – | – |
| - salaries and other emoluments | 3,061 | 2,746 | – | – |
| - benefits-in-kind | 25 | 18 | – | – |
| | 3,136 | 2,814 | – | – |
| Non-executive Directors' remuneration: | | | | |
| - fees | 314 | 335 | 264 | 285 |
| - allowances and other emoluments | 16 | 15 | 16 | 15 |
| - benefits-in-kind | 32 | 29 | 32 | 29 |
| | 362 | 379 | 312 | 329 |
| Total Directors' remuneration | 3,498 | 3,193 | 312 | 329 |
| Less: Estimated money value of benefits-in-kind | (57) | (47) | (32) | (29) |
| Total Directors' remuneration excluding benefits-in-kind | 3,441 | 3,146 | 280 | 300 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

8. PROFIT/(LOSS) BEFORE TAX (cont'd.)

(a) Directors' remuneration (cont'd.)

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 | |
|---------------------------|---------------------|------|
| | 2019 | 2018 |
| Executive Directors: | | |
| RM1,150,001 - RM1,200,000 | 1 | - |
| RM1,850,001 - RM1,900,000 | - | 1 |
| RM1,900,001 - RM1,950,000 | 1 | - |
| Non-executive Directors: | | |
| RM0 - RM50,000 | 3 | 2 |
| RM100,001 - RM150,000 | 2 | 3 |

(b) Auditors' remuneration

| | Group | | Company | |
|----------------------------------|----------------|----------------|----------------|----------------|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Auditors of the Company: | | | | |
| - statutory audit | 629 | 609 | 103 | 80 |
| - under provision in prior years | 61 | 25 | 23 | 21 |
| - other services | 9 | 9 | 6 | 6 |
| | 699 | 643 | 132 | 107 |

(c) Employee benefits expense

| | Group | | Company | |
|------------------------------|----------------|----------------|----------------|----------------|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Wages, salaries and bonuses | 29,090 | 29,027 | 242 | 256 |
| Defined contribution plan | 3,409 | 3,559 | 23 | 24 |
| Other staff related expenses | 1,275 | 1,168 | 8 | 6 |
| | 33,774 | 33,754 | 273 | 286 |

Included in employee benefits expense of the Group are Executive Directors' remuneration amounting to RM3,111,000 (2018: RM2,796,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

9. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2019 and 31 December 2018 are:

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Statements of profit or loss: | | | | |
| Current income tax: | | | | |
| Malaysian income tax | 96,576 | 110,015 | 1,376 | 2,285 |
| Under/(over) provision in prior years | 2,329 | 99,433 | (76) | (57) |
| | 98,905 | 209,448 | 1,300 | 2,228 |
| Deferred tax (Note 25): | | | | |
| Origination and reversal of temporary differences | 5,648 | (4,557) | – | – |
| (Over)/under provision in prior years | (2,489) | 412 | – | – |
| | 3,159 | (4,145) | – | – |
| Real Property Gains Tax | – | (16) | – | – |
| Income tax expense | 102,064 | 205,287 | 1,300 | 2,228 |

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 2019 and 31 December 2018 are as follows:

| Group | 2019 RM'000 | 2018 RM'000 |
|---|----------------|----------------|
| Profit before tax | 343,207 | 313,333 |
| Taxation at Malaysian statutory tax rate of 24% (2018: 24%) | 82,370 | 75,200 |
| Income not subject to tax | (169) | (211) |
| Non-deductible expenses | 20,823 | 31,308 |
| Utilisation of previously unrecognised tax losses and unabsorbed capital allowances | (805) | (729) |
| Deferred tax assets not recognised in respect of other deductible temporary differences | 5 | (110) |
| Under provision of income tax in prior years | 2,329 | 99,433 |
| (Over)/under provision of deferred tax in prior years | (2,489) | 412 |
| Real Property Gains Tax | – | (16) |
| Income tax expense | 102,064 | 205,287 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

9. INCOME TAX EXPENSE (cont'd.)

Reconciliations between tax expense and accounting profit/(loss) (cont'd.)

| Company | 2019 RM'000 | 2018 RM'000 |
|---|----------------|----------------|
| Profit/(loss) before tax | 180,852 | (429,794) |
| Taxation at Malaysian statutory tax rate of 24% (2018: 24%) | 43,404 | (103,151) |
| Income not subject to tax | (44,705) | (175,672) |
| Non-deductible expenses | 2,677 | 281,108 |
| Over provision of income tax in prior years | (76) | (57) |
| Income tax expense | 1,300 | 2,228 |

Domestic income tax is calculated at the Malaysian statutory rate of 24% (2018: 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 for which deferred tax have not been recognised as the Group could not anticipate when they would realise:

| | Group | |
|---|----------------|----------------|
| | 2019 RM'000 | 2018 RM'000 |
| Unused tax losses, unabsorbed capital allowances and other temporary deductible differences | 1,171 | 4,506 |

The unutilised capital allowances of the Group are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial changes in shareholdings of those entities under the Income Tax Act 1967 and guidelines issued by the tax authority. On the other hand, effective from year of assessment 2019 as announced in the Annual Budget 2019, the unused tax losses of the Group as at 31 December 2018 and thereafter will only be available for carry forward for a period of 7 consecutive years. Upon expiry of the 7 years, the unabsorbed losses will be disregarded.

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 | |
|---|----------------|----------------|
| | 2019 RM'000 | 2018 RM'000 |
| Profit for the financial year attributable to owners of the Company | 239,225 | 105,389 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

10. EARNINGS PER SHARE (cont'd.)

Basic earnings per share (cont'd.)

| | 2019 '000 | 2018 '000 |
|---|--------------|--------------|
| Weighted average number of ordinary shares in issue | 1,422,955 | 1,422,955 |
| | 2019 Sen | 2018 Sen |
| Basic earnings per share | 16.8 | 7.4 |

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.

11. DIVIDENDS

| | Group/Company | | | | |
|---|---------------------------------|----------------|----------------|---------------------------------|----------------|
| | Dividends in respect of year | | | Dividends recognised in year | |
| | 2019 RM'000 | 2018 RM'000 | 2017 RM'000 | 2019 RM'000 | 2018 RM'000 |
| 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 |
| Fourth 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 5% on 1,422,955,323 ordinary shares | 71,148 | – | – | 71,148 | – |
| Third interim single-tier dividend of 4% on 1,422,955,323 ordinary shares | 56,918 | – | – | 56,918 | – |
| | 184,984 | 213,443 | 56,918 | 241,902 | 213,443 |

Subsequent to the financial year end, the Directors had on 20 February 2020 declared a fourth interim single-tier dividend of 3% on 1,422,955,323 ordinary shares amounted to RM42,689,000 in respect of financial year ended 31 December 2019. The dividend was paid on 27 March 2020.

This dividend payment will be accounted for in equity as an appropriation of retained profits during the financial year ending 31 December 2020.

The Directors do not recommend any payment of final dividend in respect of financial year ended 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

12. PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold land RM'000 | Buildings on freehold land RM'000 | Plant and equipment RM'000 | Computer equipment RM'000 | Capital work-in-progress RM'000 | Total RM'000 |
|---|-------------------------|--------------------------------------|-------------------------------|------------------------------|------------------------------------|-----------------|
| At 31 December 2019 | | | | | | |
| Cost | | | | | | |
| At 1 January 2019 | 9,580 | 38,703 | 29,843 | 67,797 | 7,016 | 152,939 |
| Effect of adoption of MFRS 16 | – | (16,444) | – | – | – | (16,444) |
| At 1 January 2019, restated | 9,580 | 22,259 | 29,843 | 67,797 | 7,016 | 136,495 |
| Additions | – | 75 | 5,677 | 7,919 | 5,335 | 19,006 |
| Disposals | – | – | (879) | (3,812) | – | (4,691) |
| Write-off | – | – | (195) | (1,054) | (181) | (1,430) |
| Reclassification | – | – | 1,405 | – | (1,405) | – |
| At 31 December 2019 | 9,580 | 22,334 | 35,851 | 70,850 | 10,765 | 149,380 |
| Accumulated depreciation | | | | | | |
| At 1 January 2019 | – | 14,675 | 22,311 | 50,557 | – | 87,543 |
| Effect of adoption of MFRS 16 | – | (4,959) | – | – | – | (4,959) |
| At 1 January 2019, restated | – | 9,716 | 22,311 | 50,557 | – | 82,584 |
| Depreciation charge for the year (Note 8) | – | 489 | 3,420 | 5,882 | – | 9,791 |
| Disposals | – | – | (876) | (3,811) | – | (4,687) |
| Write-off | – | – | (178) | (1,045) | – | (1,223) |
| At 31 December 2019 | – | 10,205 | 24,677 | 51,583 | – | 86,465 |
| Accumulated impairment losses | | | | | | |
| At 1 January 2019/ 31 December 2019 | – | 303 | – | – | – | 303 |
| Net carrying amount | | | | | | |
| At 31 December 2019 | 9,580 | 11,826 | 11,174 | 19,267 | 10,765 | 62,612 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

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 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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

12. PROPERTY, PLANT AND EQUIPMENT (cont'd.)

| Company | Plant and equipment RM'000 | Computer equipment RM'000 | Total RM'000 |
|---|----------------------------------|---------------------------------|-----------------|
| At 31 December 2019 | | | |
| Cost | | | |
| At 1 January 2019 | 821 | 20 | 841 |
| Disposal | (437) | – | (437) |
| At 31 December 2019 | 384 | 20 | 404 |
| Accumulated depreciation | | | |
| At 1 January 2019 | 468 | 18 | 486 |
| Depreciation charge for the year (Note 8) | 76 | * | 76 |
| Disposal | (436) | – | (436) |
| At 31 December 2019 | 108 | 18 | 126 |
| Net carrying amount | | | |
| At 31 December 2019 | 276 | 2 | 278 |
| 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 |

* Depreciation charge for the year amounted to RM370 for both the financial year ended 31 December 2019 and 31 December 2018.

Computer equipment at cost of RM371 and accumulated depreciation of RM370 being written off in prior year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

13. LEASES

Group as lessee

The Group has lease contracts for land and buildings used in its operations with lease terms between 2 to 50 years.

The Group also has certain leases with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemptions for these leases.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group.

(a) Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

| | Leasehold land and buildings RM'000 |
|---|--|
| As at 1 January 2019 | – |
| Effect of adoption of MFRS 16 | 17,216 |
| Addition | 140 |
| Depreciation charge for the year (Note 8) | (1,653) |
| | 15,703 |
| Cost | 17,356 |
| Accumulated depreciation | (1,653) |
| Net book value | 15,703 |

(b) Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the year:

| | 2019 RM'000 |
|--------------------------------|----------------|
| As at 1 January | – |
| Effect of adoption of MFRS 16 | 6,030 |
| Addition | 140 |
| Accretion of interest (Note 7) | 303 |
| Payments | (1,552) |
| | 4,921 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

13. LEASES (cont'd.)

Group as lessee (cont'd.)

(b) Lease liabilities (cont'd.)

| | 2019 RM'000 |
|-------------|----------------|
| Current | 1,322 |
| Non-current | 3,599 |
| | 4,921 |

The following are the amounts recognised in profit or loss:

| | 2019 RM'000 |
|--|----------------|
| Depreciation of right-of-use assets (Note 8) | 1,653 |
| Interest expenses on lease liabilities (Note 7) | 303 |
| Expenses related to short-term leases (included in other expenses) | 280 |
| | 2,236 |

14. INVESTMENT PROPERTIES

| | Group 2019 RM'000 | 2018 RM'000 | Company 2019 RM'000 | 2018 RM'000 |
|---|-------------------------|----------------|---------------------------|----------------|
| Cost | | | | |
| At 1 January | 580 | 580 | 658 | – |
| Addition | – | – | – | 658 |
| At 31 December | 580 | 580 | 658 | 658 |
| Accumulated depreciation | | | | |
| At 1 January | 34 | 27 | 3 | – |
| Depreciation charge for the year (Note 8) | 6 | 7 | 6 | 3 |
| At 31 December | 40 | 34 | 9 | 3 |
| Net carrying amount | 540 | 546 | 649 | 655 |
| Estimated fair value | 658 | 658 | 658 | 658 |

The investment properties acquired by the Company in the previous financial year was arising from capital distribution as disclosed in Note 22.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

14. INVESTMENT PROPERTIES (cont'd.)

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 (2018: 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.

15. INVESTMENT IN SUBSIDIARIES

| | Company | |
|---|----------------|----------------|
| | 2019 RM'000 | 2018 RM'000 |
| Unquoted shares, at cost (a) | 3,939,428 | 2,091,841 |
| Add: Addition (b) | – | 1,847,587 |
| Less: Accumulated impairment losses brought forward | (1,264,184) | (101,962) |
| Impairment losses for the year (c) | – | (1,162,222) |
| Total accumulated impairment losses | (1,264,184) | (1,264,184) |
| | 2,675,244 | 2,675,244 |

Details of the subsidiaries are disclosed in Note 36.

- (a) In previous financial year, the Company exercised the option to convert its holdings of 290,667,243 Irredeemable Convertible 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

15. INVESTMENT IN SUBSIDIARIES (cont'd.)

(b) In the previous financial year, the Company had 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 had 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 had increased its investment in Marinco through subscription of an additional 300,000 ordinary shares at RM1 per share.

(c) The impairment assessment in cost of investment in subsidiaries in the previous financial year 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 17.

(ii) Dynamic Pearl Sdn. Bhd. ("DPSB")

The Company also recognised an impairment loss of RM25,410,000 on the cost of investment in DPSB, a wholly owned subsidiary under member's voluntary liquidation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

16. INVESTMENT SECURITIES

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Non-current | | | | |
| Fair value through other comprehensive income | | | | |
| Unquoted shares in Malaysia | 385,429 | 357,429 | 385,429 | 357,429 |
| Malaysian Government Securities | 13,301 | 13,025 | – | – |
| Total non-current investment securities | 398,730 | 370,454 | 385,429 | 357,429 |
| Current | | | | |
| Fair value through profit or loss | | | | |
| Quoted shares in Malaysia | 7,076 | 12,701 | 7,076 | 12,701 |
| Quoted shares outside Malaysia | 20,523 | 21,481 | 20,523 | 21,481 |
| Total current investment securities | 27,599 | 34,182 | 27,599 | 34,182 |
| Total investment securities | 426,329 | 404,636 | 413,028 | 391,611 |

The following table provides information on the interest rate of Malaysian Government Securities at the reporting date.

| | Group | |
|-------------------------|-------------|-------------|
| | 2019 % | 2018 % |
| Interest rate per annum | 3.80 - 4.06 | 3.80 - 4.06 |

17. 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 2019/31 December 2019/ at 1 January 2018/31 December 2018 | 901,531 | 1,836,199 | 748 | 2,738,478 |
| Accumulated amortisation | | | | |
| At 1 January 2019 | – | – | 131 | 131 |
| Amortisation for the year (Note 8) | – | – | 15 | 15 |
| At 31 December 2019 | – | – | 146 | 146 |
| At 1 January 2018 | – | – | 116 | 116 |
| Amortisation for the year (Note 8) | – | – | 15 | 15 |
| At 31 December 2018 | – | – | 131 | 131 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

17. INTANGIBLE ASSETS (cont'd.)

| Group | Goodwill RM'000 | Four digit gaming rights RM'000 | Development cost for Jackpot games RM'000 | Total RM'000 |
|----------------------------|--------------------|--|---|-----------------|
| Net carrying amount | | | | |
| At 31 December 2019 | 901,531 | 1,836,199 | 602 | 2,738,332 |
| At 31 December 2018 | 901,531 | 1,836,199 | 617 | 2,738,347 |

The development cost for Jackpot games represents internal development cost capitalised and have remaining amortisation period of 40 to 44 years (2018: 41 to 45 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 (2018: five-year period).

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 pre-tax discount rate used is 10.30% (2018: 10.54%) and reflects specific risks relating to the gaming segment.

(iv) Terminal growth rate

The terminal growth rate of 1.10% (2018: 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

17. INTANGIBLE ASSETS (cont'd.)

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.

18. INVENTORIES

| | Group 2019 RM'000 | 2018 RM'000 |
|-----------------|-------------------------|----------------|
| At cost: | | |
| Ticket stocks | 1,367 | 1,076 |

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM8,618,000 (2018: RM7,238,000).

19. RECEIVABLES

| | Group 2019 RM'000 | 2018 RM'000 | Company 2019 RM'000 | 2018 RM'000 |
|---|-------------------------|-----------------|---------------------------|----------------|
| Current | | | | |
| Trade receivables (a) | 3,324 | 2,832 | – | – |
| Less: Allowance for expected credit losses ("ECL") | (2) | (6) | – | – |
| Trade receivables, net | 3,322 | 2,826 | – | – |
| Other receivables (b) | 17,500 | 10,944 | 12,856 | 7,392 |
| Prepayments | 16,085 | 13,152 | 1,007 | 1,034 |
| Amounts due from subsidiaries (c) | – | – | 509 | 376 |
| Less: Allowance for ECL (d) | 33,585 (527) | 24,096 (527) | 14,372 (594) | 8,802 (542) |
| Other receivables, net | 33,058 | 23,569 | 13,778 | 8,260 |
| Total receivables | 36,380 | 26,395 | 13,778 | 8,260 |
| Total receivables | 36,380 | 26,395 | 13,778 | 8,260 |
| Add: Deposits, cash and bank balances (Note 20) | 306,861 | 503,895 | 1,280 | 8,079 |
| Less: Prepayments | (16,085) | (13,152) | (1,007) | (1,034) |
| Total financial assets carried at amortised cost | 327,156 | 517,138 | 14,051 | 15,305 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

19. RECEIVABLES (cont'd.)

(a) Trade receivables

The Group has no significant concentration of credit risk, disclosed in Note 32(c), that may arise from exposures to a single debtor or to group of debtors.

Gaming

Trade receivables amounting to RM3,291,000 (2018: RM2,789,000) 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 (2018: 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:

| | 2019 RM'000 | Group 2018 RM'000 |
|-------------------------------|----------------|-------------------------|
| Neither past due nor impaired | 31 | 37 |
| Impaired | 2 | 6 |
| | 33 | 43 |

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 2019 RM'000 | 2018 RM'000 |
|-------------------------------------|--|----------------|
| Trade receivables - nominal amounts | 2 | 6 |
| Less: Allowance for ECL | (2) | (6) |
| | - | - |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

19. RECEIVABLES (cont'd.)

(a) Trade receivables (cont'd.)

Information technology services (cont'd.)

Trade receivables that are impaired (cont'd.)

Movement in allowance for ECL:

| | Group 2019 RM'000 | 2018 RM'000 |
|-----------------------|-------------------------|----------------|
| At 1 January | 6 | 88 |
| Written back (Note 6) | (4) | (82) |
| At 31 December | 2 | 6 |

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.

(b) Other receivables

Breakdown of other receivables of the Group and of the Company are as follows:

| | Group | | Company | |
|----------|----------------|----------------|----------------|----------------|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Deposits | 1,633 | 1,625 | 656 | 658 |
| Others | 15,867 | 9,319 | 12,200 | 6,734 |
| | 17,500 | 10,944 | 12,856 | 7,392 |

(c) Amounts due from subsidiaries

The amounts due from subsidiaries consist of amount which are unsecured, repayable on demand and non-interest bearing.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

19. RECEIVABLES (cont'd.)

(d) Other receivables and amount due from subsidiaries that are impaired

The Group and the Company apply the simplified approach whereby allowance for impairment are measured at lifetime ECL. Movement in allowance for ECL are as follows:

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Other receivables | | | | |
| At 1 January/ 31 December | 527 | 527 | 166 | 166 |
| Amount due from subsidiaries | | | | |
| At 1 January | – | – | 376 | 341 |
| Charge for the year (Note 8) | – | – | 68 | 28 |
| Written back (Note 6) | – | – | – | (36) |
| Unrealised (gain)/loss on foreign exchange | – | – | (16) | 43 |
| At 31 December | – | – | 428 | 376 |
| Total allowance for ECL | 527 | 527 | 594 | 542 |

20. DEPOSITS, CASH AND BANK BALANCES

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Cash at banks and on hand | 16,432 | 37,855 | 664 | 282 |
| Short term deposits with licensed banks | 290,429 | 466,040 | 616 | 7,797 |
| Deposits, cash and bank balances | 306,861 | 503,895 | 1,280 | 8,079 |
| Less: | | | | |
| Cash deposits pledged (Note 24) | (27,377) | (27,445) | – | – |
| Cash deposits with licensed banks with maturity period of more than 3 months | – | (260) | – | – |
| Cash and cash equivalents | 279,484 | 476,190 | 1,280 | 8,079 |

Included in deposits placed with licensed banks of the Group is an amount of RM27,377,000 (2018: RM27,445,000) which is pledged to licensed banks as security for banking facilities granted to subsidiaries and borrowings as disclosed in Note 24.

The range of interest rate (per annum) and maturity tenure of deposits are as follows:

| | Group | | Company | |
|-------------------|-------------|-------------|-------------|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| Interest rate (%) | 0.87 - 3.80 | 0.88 - 3.80 | 2.95 - 3.65 | 3.05 - 3.60 |
| Maturities (days) | 1 - 365 | 1 - 365 | 7 - 39 | 1 - 33 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

21. SHARE CAPITAL 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 | Treasury shares RM'000 |
| At 1 January 2019/31 December 2019 and at 1 January 2018/31 December 2018 | 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.

Treasury Shares

The share buy-back mandate expired and was renewed at the 43rd Annual General Meeting held on 29 May 2019.

The Company has not repurchased any shares from the open market during the current financial year.

Of the total 1,437,748,654 (2018: 1,437,748,654) issued and fully paid ordinary shares as at 31 December 2019, 14,793,331 (2018: 14,793,331) are held as treasury shares by the Company. The total cost of acquisition of the treasury shares as at 31 December 2019 was amounted to RM30,205,000 (2018: RM30,205,000).

22. OTHER RESERVES

| | Capital reserve RM'000 Note 22(a) | Revaluation reserve RM'000 Note 22(b) | Other reserve RM'000 Note 22(c) | Total RM'000 |
|----------------------------------|--|--|--|-----------------|
| Group | | | | |
| At 1 January 2019 | 20,832 | 80,151 | (696,394) | (595,411) |
| Total other comprehensive income | - | 28,276 | 16 | 28,292 |
| At 31 December 2019 | 20,832 | 108,427 | (696,378) | (567,119) |
| At 1 January 2018 | 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) |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

22. OTHER RESERVES (cont'd.)

| | Capital reserve RM'000 Note 22(a) | Revaluation reserve RM'000 Note 22(b) | Other reserve RM'000 Note 22(c) | Total RM'000 |
|---|--|--|--|-----------------|
| Company | | | | |
| At 1 January 2019 | 93,398 | 80,103 | – | 173,501 |
| Total other comprehensive income | – | 28,000 | – | 28,000 |
| At 31 December 2019 | 93,398 | 108,103 | – | 201,501 |
| At 1 January 2018 | – | 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 |

(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.

- * In the previous 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.

Fair value changes amounted to RM1,720,000 has been transferred to retained profits upon divestment of investment management funds in the previous 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

23. RETAINED PROFITS

The Company's retained profits are available for distribution as single-tier dividends.

24. BORROWINGS

| | Group | |
|-----------------------------------|----------------|----------------|
| | 2019 RM'000 | 2018 RM'000 |
| Current | | |
| Secured: | | |
| Medium term notes | 224,471 | 224,426 |
| Non-current | | |
| Secured: | | |
| Medium term notes | 674,530 | 713,480 |
| Total loans and borrowings | 899,001 | 937,906 |

The remaining maturities of the borrowings are as follows:

| | Group | |
|--|----------------|----------------|
| | 2019 RM'000 | 2018 RM'000 |
| On demand within one year | 224,471 | 224,426 |
| Later than 1 year and not later than 2 years | 89,983 | 223,973 |
| Later than 2 years and not later than 3 years | 174,812 | 89,996 |
| Later than 3 years and not later than 4 years | 174,733 | 174,785 |
| Later than 4 years | 235,002 | 224,726 |
| | 899,001 | 937,906 |
| At 1 January | 937,906 | 821,991 |
| Net (repayment)/issuance during the financial year | (40,000) | 115,000 |
| Transaction cost capitalised | – | (577) |
| Amortisation of transaction costs (Note 7) | 1,095 | 1,492 |
| At 31 December | 899,001 | 937,906 |
| Due within a year | 224,471 | 224,426 |
| Due within two to five years | 614,528 | 663,478 |
| Due more than five years | 60,002 | 50,002 |
| | 899,001 | 937,906 |

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 2019, total medium term notes amounting to RM900,000,000 (2018: RM940,000,000) in nominal value remain outstanding.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

24. BORROWINGS (cont'd.)

The MTN shall mature and be redeemed in the following years:

| Series | Maturity | Tenure | Group | |
|---------------------------|----------------|---------|----------------|----------------|
| | | | 2019 RM'000 | 2018 RM'000 |
| 5.00% p.a. fixed rate MTN | September 2019 | 7 years | – | 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 | 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 | 125,000 |
| 5.45% p.a. fixed rate MTN | January 2023 | 5 years | 125,000 | 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 |
| 5.16% p.a. fixed rate MTN | September 2024 | 5 years | 125,000 | – |
| 5.35% p.a. fixed rate MTN | September 2025 | 7 years | 60,000 | – |
| | | | 900,000 | 940,000 |

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 20).

Reconciliation of movement in liabilities to cash flows arising from financing activities:

| Group | Lease liabilities RM'000 (Note 13(b)) | Borrowing RM'000 | Accrual of MTN interest RM'000 | Total RM'000 |
|--|--|---------------------|---|-----------------|
| At 1 January 2019 | – | 937,906 | 15,889 | 953,795 |
| Effects of adoption of MFRS 16 | 6,030 | – | – | 6,030 |
| At 1 January 2019, restated | 6,030 | 937,906 | 15,889 | 959,825 |
| Changes from financing cash flows | | | | |
| Repayment of lease liabilities | (1,552) | – | – | (1,552) |
| Interest paid | – | – | (49,445) | (49,445) |
| Repayment of borrowings | – | (40,000) | – | (40,000) |
| Total changes from financing cash flows | (1,552) | (40,000) | (49,445) | (90,997) |
| Other changes | | | | |
| Accretion of interest | 303 | – | 48,882 | 49,185 |
| New finance lease | 140 | – | – | 140 |
| Transaction costs (Note 7) | – | 1,095 | – | 1,095 |
| At 31 December 2019 | 4,921 | 899,001 | 15,326 | 919,248 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

24. BORROWINGS (cont'd.)

Reconciliation of movement in liabilities to cash flows arising from financing activities (cont'd.)

| Group | Lease liabilities RM'000 (Note 13(b)) | Borrowing RM'000 | Accrual of MTN Interest RM'000 | Total RM'000 |
|--|--|---------------------|---|-----------------|
| At 1 January 2018 | – | 821,991 | 12,309 | 834,300 |
| Changes from financing cash flows | | | | |
| Drawdown of borrowings | – | 114,423 | – | 114,423 |
| Interest paid | – | – | (44,976) | (44,976) |
| Total changes from financing cash flows | – | 114,423 | (44,976) | 69,447 |
| Other changes | | | | |
| Accretion of interest | – | – | 48,556 | 48,556 |
| Transaction costs (Note 7) | – | 1,492 | – | 1,492 |
| At 31 December 2018 | – | 937,906 | 15,889 | 953,795 |

25. DEFERRED TAX ASSETS/(LIABILITIES)

| | Group | |
|---|----------------|----------------|
| | 2019 RM'000 | 2018 RM'000 |
| At 1 January | 10,272 | 6,127 |
| Recognised in profit or loss (Note 9) | (3,159) | 4,145 |
| At 31 December | 7,113 | 10,272 |
| Presented after appropriate offsetting as follows: | | |
| Deferred tax assets (a) | 8,691 | 11,529 |
| Deferred tax liabilities (b) | (1,578) | (1,257) |
| | 7,113 | 10,272 |

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 2019 | 12,945 |
| Recognised in profit or loss | 1,357 |
| At 31 December 2019 | 14,302 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

25. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd.)

(a) Deferred tax assets of the Group (cont'd.)

| | Others RM'000 |
|------------------------------|------------------|
| At 1 January 2018 | 9,244 |
| Recognised in profit or loss | 3,701 |
| At 31 December 2018 | 12,945 |

(b) Deferred tax liabilities of the Group

| | Right-of-use assets RM'000 | Property, plant and equipment RM'000 | Receivables RM'000 | Total RM'000 |
|------------------------------|----------------------------------|---|-----------------------|-----------------|
| At 1 January 2019 | – | (2,673) | – | (2,673) |
| Recognised in profit or loss | (2,816) | (1,700) | – | (4,516) |
| At 31 December 2019 | (2,816) | (4,373) | – | (7,189) |
| 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) |

26. 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 RM73,096,000 (2018: RM15,000,000) which bears interest at 5.50% (2018: 5.44%) per annum.

27. PAYABLES

| | Group 2019 RM'000 | Group 2018 RM'000 | Company 2019 RM'000 | Company 2018 RM'000 |
|--|-------------------------|-------------------------|---------------------------|---------------------------|
| Current | | | | |
| Trade payables (a) | 126,170 | 154,112 | – | – |
| Other payables and accruals (b) | 65,496 | 107,906 | 607 | 2,372 |
| Provisions (c) | 2,946 | 2,987 | 1 | 2 |
| Total payables | 194,612 | 265,005 | 608 | 2,374 |
| Add: | | | | |
| - Loans and borrowings (Note 24) | 899,001 | 937,906 | – | – |
| - Amounts due to subsidiaries (Note 26) | – | – | 73,446 | 15,113 |
| - Lease liabilities (Note 13(b)) | 4,921 | – | – | – |
| Less: Provisions | (2,946) | (2,987) | (1) | (2) |
| Total financial liabilities carried at amortised cost | 1,095,588 | 1,199,924 | 74,053 | 17,485 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

27. PAYABLES (cont'd.)

(a) Trade payables

The normal trade credit terms granted to the Group is 30 days (2018: 30 days).

(b) Other payables and accruals

Other payables are non-interest bearing, unsecured and repayable on demand.

(c) Provisions

Provisions include provision for employee benefits with the movement as follows:

| | Group | | Company | |
|---------------------------|----------------|----------------|----------------|----------------|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| As at 1 January | 2,987 | 2,876 | 2 | 1 |
| Charged to profit or loss | 258 | 186 | (1) | 1 |
| Utilisation of provisions | (299) | (75) | - | - |
| As at 31 December | 2,946 | 2,987 | 1 | 2 |

28. OPERATING LEASE ARRANGEMENTS

The Group as lessee

In the previous financial year, 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:

| | As reported under MFRS 117 2018 RM'000 |
|--|---|
| Future minimum rental payments: | |
| Not later than 1 year | 1,527 |
| Later than 1 year and not later than 3 years | 937 |
| Later than 3 years | 160 |
| | 2,624 |

Upon adoption of MFRS 16, the present value of future minimum lease payments for operating leases have been accounted for as part of the lease liabilities as disclosed in Note 13(b).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

29. CAPITAL COMMITMENTS

| | 2019 RM'000 | Group 2018 RM'000 |
|--|----------------|-------------------------|
| Capital expenditure approved and contracted for: | | |
| Computer hardware and software | 3,587 | 8,838 |
| Renovation | 7,669 | 619 |
| | 11,256 | 9,457 |

30. CONTINGENT LIABILITY

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

The Inland Revenue Board ("IRB") claimed that MPIL should be taxed under the Income Tax Act 1967 instead of the Labuan Business Activity Tax Act 1990. Since its establishment, MPIL's income including its interest income had been duly assessed under the Labuan Business Activity Tax Act 1990, a position which the IRB had never questioned in the past. Upon consulting its tax solicitors, the Board of Directors is of the view that there are reasonable grounds to challenge the validity of the said notices and the penalty imposed. This is especially given that the interest income which the IRB is seeking to subject to income tax had been disallowed as interest expense which were incurred for the same SCR exercise at the hand of the payer namely, Magnum Holdings Sdn. Bhd. and reflected as part of the settlement of previous tax audit conducted by the IRB on the Group in 2017.

On 3 January 2020, the High Court at Labuan had granted leave to MPIL to commence judicial review proceedings against the Director General of Inland Revenue to set aside the notices of assessment for the years of assessment 2014 to 2018. The High Court also granted MPIL a stay order against the payment of the disputed taxes until the determination of the judicial review application.

The Group's solicitor is of the view that the MPIL has a reasonably good chance of success in defending the IRB's claim against MPIL, thus no provision of tax penalty is required at this juncture.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

31. 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 | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| <u>With subsidiaries:</u> | | | | |
| Dividend income | – | – | (185,663) | (731,811) |
| Interest expense payable on loans | – | – | 991 | 2,281 |
| <u>With other related parties:</u> | | | | |
| Insurance premium payable | 910 | 910 | 170 | 161 |
| Management fees payable | 636 | 801 | 54 | 78 |
| Professional fees payable | 899 | 819 | 866 | 789 |
| Computer software service income | (78) | (52) | – | – |

(i) The Directors of the Group and 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 26. 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.
- MPH B Capital Berhad, incorporated in Malaysia, which is a company in which a Director has a substantial interest.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

31. SIGNIFICANT RELATED PARTY DISCLOSURES (cont'd.)

(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 and the Company either directly or indirectly. The key management personnel includes all the Directors of the Group and certain members of senior management of the Group and the Company.

The remuneration and compensation of the Directors of the Group and the Company and other members of key management during the financial year were as follows:

| | Group | | Company | |
|------------------------------|----------------|----------------|----------------|----------------|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Short-term employee benefits | 6,866 | 6,711 | 312 | 329 |
| Post-employment benefits: | | | | |
| - Defined contribution plan | 796 | 708 | - | - |
| - Other long-term benefits | 128 | 165 | - | - |
| | 7,790 | 7,584 | 312 | 329 |

Included in the total compensation of key management personnel are Directors' remuneration as detailed in Note 8(a).

32. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd.)

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 2019 | |
| Sterling Pound | 110 |
| Philippine Peso | 5,921 |
| At 31 December 2018 | |
| Sterling Pound | 191 |
| Philippine Peso | 5,635 |

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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd.)

(b) Liquidity risk (cont'd.)

At the reporting date, approximately 26% (2018: 25%) of the Group's borrowings (Note 24) 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 |
|---|--|-------------------------------|------------------------------------|----------------------------------|-----------------------------------|-----------------|
| 2019 | | | | | | |
| Group | | | | | | |
| Trade and other payables | 191,666 | – | – | – | – | 191,666 |
| Lease liabilities | 1,556 | 1,528 | 1,402 | 689 | 269 | 5,444 |
| Loans and borrowings | 272,580 | 126,177 | 206,335 | 193,444 | 253,664 | 1,052,200 |
| Total undiscounted financial liabilities | 465,802 | 127,705 | 207,737 | 194,133 | 253,933 | 1,249,310 |
| Company | | | | | | |
| Payables, representing total undiscounted financial liabilities | 74,053 | – | – | – | – | 74,053 |
| 2018 | | | | | | |
| Group | | | | | | |
| Trade and other payables | 262,018 | – | – | – | – | 262,018 |
| Loans and borrowings | 274,413 | 262,867 | 116,543 | 196,675 | 236,359 | 1,086,857 |
| Total undiscounted financial liabilities | 536,431 | 262,867 | 116,543 | 196,675 | 236,359 | 1,348,875 |
| Company | | | | | | |
| Payables, representing total undiscounted financial liabilities | 17,485 | – | – | – | – | 17,485 |

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd.)

(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 RM40,903,000 (2018: RM47,207,000). A decrease of 10% on the market price could have an impact of approximately RM2,760,000 (2018: RM3,418,000) and RM1,330,000 (2018: RM1,303,000) on the income and equity attributable to the Group respectively.

33. 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 |
|----------------------------------|-------|
| Lease liabilities | 13(b) |
| Receivables | 19 |
| Deposits, cash and bank balances | 20 |
| Borrowings | 24 |
| Amounts due to subsidiaries | 26 |
| Payables | 27 |

(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 2019

| Group | | Total RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 |
|--|-------------------|-----------------|-------------------|-------------------|-------------------|
| At 31 December 2019 | Date of valuation | | | | |
| Non-current asset | | | | | |
| Financial assets at fair value through other comprehensive income: | | | | | |
| Unquoted shares in Malaysia | 31 December 2019 | 385,429 | – | – | 385,429 |
| Malaysian Government Securities | 31 December 2019 | 13,301 | 13,301 | – | – |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

33. 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 2019 (cont'd.)

| Group | | | | | |
|--|-------------------|-----------------|-------------------|-------------------|-------------------|
| At 31 December 2019 | 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 profit or loss: | | | | | |
| Quoted securities | 31 December 2019 | 27,599 | 27,599 | – | – |

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 | – | – |

There has been no transfer between Level 1, Level 2 and Level 3 for the financial year under review.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

33. 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:

Quantitative disclosure for fair value measurement hierarchy for assets as at 31 December 2019

| Company | | Total | Level 1 | Level 2 | Level 3 |
|--|-------------------|---------|---------|---------|---------|
| At 31 December 2019 | Date of valuation | RM'000 | RM'000 | RM'000 | RM'000 |
| Non-current asset | | | | | |
| Financial assets at fair value through other comprehensive income: | | | | | |
| Unquoted shares in Malaysia | 31 December 2019 | 385,429 | – | – | 385,429 |
| Current asset | | | | | |
| Financial assets at fair value through profit or loss: | | | | | |
| Quoted securities | 31 December 2019 | 27,599 | 27,599 | – | – |

Quantitative disclosure for fair value measurement hierarchy for assets as at 31 December 2018

| Company | | Total | Level 1 | Level 2 | Level 3 |
|--|-------------------|---------|---------|---------|---------|
| At 31 December 2018 | Date of valuation | RM'000 | RM'000 | RM'000 | 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 | – | – |

There has been no transfer between Level 1, Level 2 and Level 3 for the financial year under review.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

33. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd.)

(b) Fair value measurements (cont'd.)

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, lease liabilities, 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 lease liabilities and 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

34. 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, lease liabilities, less cash and bank balances and short term deposits.

The gearing ratios as at 31 December 2019 and 31 December 2018 are as follows:

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Payables | 194,612 | 265,005 | 608 | 2,374 |
| Amounts due to subsidiaries | – | – | 73,446 | 15,113 |
| Borrowings | 899,001 | 937,906 | – | – |
| Lease liabilities | 4,921 | – | – | – |
| Less: | | | | |
| Deposits, cash and bank balances | (306,861) | (503,895) | (1,280) | (8,079) |
| Net debt | 791,673 | 699,016 | 72,774 | 9,408 |
| Equity attributable to owners of the Company | 2,477,264 | 2,451,948 | 3,035,012 | 3,069,362 |
| Gearing ratio | 32.0% | 28.5% | 2.4% | 0.3% |

35. SEGMENT INFORMATION

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

35. SEGMENT INFORMATION (cont'd.)

| 31 December 2019 | Gaming RM'000 | Investment holdings and others RM'000 | Eliminations RM'000 | Total RM'000 |
|--|------------------|--|------------------------|-----------------|
| Revenue | | | | |
| External | 2,705,039 | 646 | – | 2,705,685 |
| Inter-segment | – | 427,359 | (427,359) | – |
| Total revenue | 2,705,039 | 428,005 | (427,359) | 2,705,685 |
| Results | | | | |
| Segment results | 406,601 | 181,204 | (193,973) | 393,832 |
| Finance costs | | | | (50,625) |
| Segment profit before tax | | | | 343,207 |
| Income tax expense | | | | (102,064) |
| Segment profit | | | | 241,143 |
| Assets and liabilities | | | | |
| Segment assets | 3,149,815 | 6,134,259 | (5,695,950) | 3,588,124 |
| Unallocated corporate assets | | | | 15,281 |
| Total assets | | | | 3,603,405 |
| Segment liabilities | 1,094,950 | 74,637 | (71,053) | 1,098,534 |
| Unallocated corporate liabilities | | | | 4,962 |
| Total liabilities | | | | 1,103,496 |
| Other information | | | | |
| Capital expenditure | 19,002 | 4 | – | 19,006 |
| Depreciation on investment | | | | |
| properties, property, plant and equipment | 9,713 | 84 | – | 9,797 |
| Depreciation on right-of-use assets | 1,653 | – | – | 1,653 |
| Amortisation of intangible assets | 15 | – | – | 15 |
| Fair value change in relation to financial instrument | – | 6,583 | – | 6,583 |
| Non-cash expenses other than depreciation, amortisation and impairment losses | 207 | – | – | 207 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

35. SEGMENT INFORMATION (cont'd.)

| 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 on investment | | | | |
| properties, property, plant and equipment | 8,575 | 211 | – | 8,786 |
| Amortisation of intangible assets | 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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

35. 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

| | 2019 RM'000 | Group 2018 RM'000 |
|---|----------------|-------------------------|
| Property, plant and equipment written off | 207 | 1,657 |

- C. Capital expenditure consist of:

| | 2019 RM'000 | Group 2018 RM'000 |
|-------------------------------|----------------|-------------------------|
| Property, plant and equipment | 19,006 | 11,549 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

36. SUBSIDIARIES

| Name of subsidiaries | Country of incorporation | Principal activities | % of ownership interest held by the Group [#] | | % of ownership interest held by non-controlling interests [#] | |
|---|--------------------------|--|--|--------|--|------|
| | | | 2019 | 2018 | 2019 | 2018 |
| Direct subsidiaries of the Company | | | | | | |
| Magnum Holdings Sdn. Bhd. | Malaysia | Investment holding | 39.44 | 39.44 | - ^ | - ^ |
| 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 | Malaysia | Investment holding | 100.00 | 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 | - | - |
| 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 | - | - |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

36. 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 [#] | |
|--|--------------------------|---|--|--------|--|-------|
| | | | 2019 | 2018 | 2019 | 2018 |
| Subsidiaries of Magnum 4D Berhad | | | | | | |
| ENE (Selangor) Sdn. Bhd. | Malaysia | Forecast betting | 92.39 | 92.39 | 7.61 | 7.61 |
| 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 | 85.84 | 14.16 | 14.16 |
| 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 |
| Longterm Profit Sdn. Bhd. | Malaysia | Investment holding and four digit agency management | 100.00 | 100.00 | – | – |
| Magnum Information Technology Sdn. Bhd. ⁽²⁾ | 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 PLT.

⁽²⁾ In liquidation.

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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

36. 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. | |
|---|-----------------------------|----------------|--------------------------|----------------|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Non current assets | 10,945 | 206,799 | 1,791 | 20,510 |
| Current assets | 98,884 | 91,209 | 40,931 | 40,802 |
| Total assets | 109,829 | 298,008 | 42,722 | 61,312 |
| Non current liabilities | 3,458 | 872 | 328 | 125 |
| Current liabilities | 18,253 | 47,457 | 10,791 | 9,537 |
| Total liabilities | 21,711 | 48,329 | 11,119 | 9,662 |
| Net assets | 88,118 | 249,679 | 31,603 | 51,650 |
| Total equity | 88,118 | 249,679 | 31,603 | 51,650 |
| Attributable to non-controlling interests | 6,708 | 19,001 | 4,475 | 7,313 |

(ii) Summarised statement of comprehensive income:

| | ENE (Selangor) Sdn. Bhd. | | M4D (Johor) Sdn. Bhd. | |
|--|-----------------------------|----------------|--------------------------|----------------|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Revenue | 80,012 | 81,761 | 21,700 | 21,239 |
| Profit for the year | 15,537 | 18,752 | 2,961 | 3,119 |
| Profit attributable to: | | | | |
| Owners of the Company | 14,355 | 17,325 | 2,542 | 2,677 |
| Non-controlling interests | 1,182 | 1,427 | 419 | 442 |
| Total comprehensive income | 15,537 | 18,752 | 2,961 | 3,119 |
| Dividend paid to non-controlling interests | 13,475 | 1,263 | 3,257 | 465 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd.)

36. SUBSIDIARIES (cont'd.)

(iii) Summarised statement of cash flows:

| | ENE (Selangor) Sdn. Bhd. | | M4D (Johor) Sdn. Bhd. | |
|--|-----------------------------|----------------|--------------------------|----------------|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Net cash (used in)/generated from operating activities | (38,115) | 42,544 | 158 | 5,886 |
| Net cash generated from investing activities | 1,717 | 1,435 | 854 | 1,881 |
| Net cash generated from/(used in) financing activities | 20,533 | (16,598) | (4,066) | (3,287) |
| Net (decrease)/increase in cash and cash equivalents | (15,865) | 27,381 | (3,054) | 4,480 |
| Cash and cash equivalents at 1 January | 82,582 | 55,201 | 38,359 | 33,879 |
| Cash and cash equivalents at 31 December | 66,717 | 82,582 | 35,305 | 38,359 |

37. SUBSEQUENT EVENT

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

Up to the date of the financial statements, the Group's revenue, earnings, cash flow and financial position has been impacted by the COVID-19 outbreak due to temporary cessation of its gaming business that resulted in cancellation of 25 draws during the MCO and CMCO period. To-date, there is no indication as to when the gaming business will be permitted to re-commence business. Hence, at this juncture, it is not possible to estimate the full impact of COVID-19 outbreak due to fluidity of the situation.

TOP 10 LIST OF PROPERTIES OWNED BY MAGNUM GROUP

AS AT 31 DECEMBER 2019

| 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 | 77 | 1,738 | 10.12.1980 |
| 17 & 19, Jalan Maharajalela, 50150 Kuala Lumpur | Freehold | - | - | 248.95 sq. m. | Commercial 4-Storey Shophouse | 41 | 2,172 | 15.11.1972 |
| SELANGOR | | | | | | | | |
| Unit No. 038, P.T. No. 36922, Bandar Kinrara | Freehold | - | - | 3,320 sq. ft. | Residential Double Storey Semi- Detached | 17 | 1,288 | 16.5.2002 |
| PERAK | | | | | | | | |
| No. 1 & 1A, Hala Datuk 5, Jalan Datoh, 30000 Ipoh | Freehold | - | - | 3,692 sq.ft. | Commercial Double Storey Corner Shopoffice | 12 | 1,960 | 15.10.2014 |
| PENANG | | | | | | | | |
| Lot PT 18, HS(D) 6800, Bandar Bukit Bendera, Daerah Timor Laut, Mukim 12, District of Barat Daya | Leasehold | 36 | 2055 | 3,921.40 sq.m. | Residential Double Storey Bungalow | - | 2,996 | 31.12.2002 |
| 2, Jalan Bahaudin, Tanjung Bungah, 11200 Penang | Freehold | - | - | 5,438 sq. ft. | Residential Single Storey Bungalow | 32 | 2,213 | 26.9.1979 |
| 294 & 296, Vantage Point, Jalan Jelutong, 11600 Penang | Freehold | - | - | 6,846 sq. ft. | Commercial 3-Storey Shoplot | 16 | 5,006 | 20.11.2014 |
| NEGERI SEMBILAN | | | | | | | | |
| 14, Jalan Era Square 2, Era Square, 70200 Seremban | Freehold | - | - | 1,541 sq. ft. | Commercial 3-Storey Office Shophouse | 16 | 1,271 | 31.03.2013 |
| SARAWAK | | | | | | | | |
| Lot 12227, Block 16 KCLD, P1B-6-1, Jalan Datuk Tawi Sli, (Trinity Hub), 93250 Kuching | Leasehold | 57 | - | 6,716.73 sq. ft. | Commercial 3-Storey Office Building | 4 | 4,980 | 01.03.2016 |
| UNITED KINGDOM | | | | | | | | |
| Flat No 3 Whaddon House, William Mews, London SW1X9HG | Leasehold | 85 | 2104 | 1,144 sq. ft. | Residential Apartment | 39 | 7,252 | 22.11.2010 |

ANALYSIS OF EQUITY SECURITIES

AS AT 4 MAY 2020

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 | 909,342,303 | 63.24 |
| SIZE OF HOLDINGS | | | | |
| Less than 100 shares | 2,120 | 6.28 | 77,806 | 0.01 |
| 100 to 1,000 shares | 6,463 | 19.15 | 4,036,610 | 0.28 |
| 1,001 to 10,000 shares | 19,796 | 58.65 | 76,832,457 | 5.34 |
| 10,001 to 100,000 shares | 4,748 | 14.07 | 131,508,753 | 9.15 |
| 100,001 to less than 5% of issued shares | 621 | 1.84 | 792,129,984 | 55.10 |
| 5% and above of issued shares | 2 | 0.01 | 433,163,044 | 30.13 |
| TOTAL | 33,750 | 100.00 | 1,437,748,654 | 100.00 |

THIRTY (30) MAJOR SHAREHOLDERS AS SHOWN IN THE RECORD OF DEPOSITORS AS AT 4 MAY 2020

| Name | Shareholdings | % |
|--|---------------|-------|
| 1. Alliancegroup Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged securities account for Casi Management Sdn. Bhd. | 330,000,000 | 22.95 |
| 2. Casi Management Sdn. Bhd. | 103,163,044 | 7.17 |
| 3. Citigroup Nominees (Tempatan) Sdn. Bhd. Qualifier: Exempt An for AIA Bhd | 50,149,300 | 3.49 |
| 4. Malaysia Nominees (Tempatan) Sendirian Berhad Qualifier: Pledged securities account for MWE Holdings Sdn. Bhd. (30-00098-000) | 39,500,000 | 2.75 |
| 5. Shan Hijauan Sdn. Bhd. | 37,257,190 | 2.59 |
| 6. Cartaban Nominees (Asing) Sdn. Bhd. Qualifier: Exempt An for Union Bancaire Privee, UBP SA, Singapore Branch | 36,830,267 | 2.56 |
| 7. Shamara Finance Limited | 28,271,266 | 1.97 |
| 8. HLB Nominees (Tempatan) Sdn. Bhd. Qualifier: Pledged securities account for MWE Holdings Sdn. Bhd. (PJCAC) | 26,528,810 | 1.84 |
| 9. HSBC Nominees (Asing) Sdn. Bhd. Qualifier: Exempt An for Credit Suisse (SG BR-TST-Asing) | 26,258,300 | 1.83 |
| 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. Multi-Purpose Capital Holdings Berhad | 19,020,000 | 1.32 |

ANALYSIS OF EQUITY SECURITIES

AS AT 4 MAY 2020 (cont'd.)

THIRTY (30) MAJOR SHAREHOLDERS AS SHOWN IN THE RECORD OF DEPOSITORS AS AT 4 MAY 2020 (cont'd.)

| | Name | Shareholdings | % |
|-----|---|--------------------|--------------|
| 13. | Magnum Berhad Qualifier: Share Buy Back Account | 14,793,331 | 1.03 |
| 14. | Asmara Land Sdn. Bhd. | 13,437,200 | 0.93 |
| 15. | MPI Generali Insurans Berhad | 12,952,100 | 0.90 |
| 16. | Zane Land Sdn. Bhd. | 12,500,000 | 0.87 |
| 17. | Inter-Pacific Equity Nominees (Asing) Sdn. Bhd. Qualifier: Sakarin Uppatthangkul | 12,205,000 | 0.85 |
| 18. | Citigroup Nominees (Asing) Sdn. Bhd. Qualifier: Exempt An for UBS AG Singapore (Foreign) | 11,057,449 | 0.77 |
| 19. | HSBC Nominees (Asing) Sdn. Bhd. Qualifier: JPMCB NA for Vanguard Total International Stock Index Fund | 10,737,290 | 0.75 |
| 20. | HSBC Nominees (Asing) Sdn. Bhd. Qualifier: JPMCB NA for Vanguard Emerging Markets Stock Index Fund | 9,904,000 | 0.69 |
| 21. | Citigroup Nominees (Asing) Sdn. Bhd. Qualifier: CBLDN For Union Bancaire Privee | 8,450,000 | 0.59 |
| 22. | Cartaban Nominees (Asing) Sdn. Bhd. Qualifier: Exempt An for State Street Bank & Trust Company (West CLT OD67) | 7,983,900 | 0.55 |
| 23. | Inter-Pacific Equity Nominees (Asing) Sdn. Bhd. Qualifier: Suthera Uppaputthangkul | 7,623,153 | 0.53 |
| 24. | Greenland Timber Industries (Private) Limited | 7,000,000 | 0.49 |
| 25. | Panorama Alfa Sdn. Bhd. | 7,000,000 | 0.49 |
| 26. | Citigroup Nominees (Tempatan) Sdn. Bhd. Qualifier: Great Eastern Life Assurance (Malaysia) Berhad (LSGF) | 6,970,000 | 0.48 |
| 27. | T.C. Holdings Sendirian Berhad | 6,800,000 | 0.47 |
| 28. | Citigroup Nominees (Tempatan) Sdn. Bhd. Qualifier: Great Eastern Life Assurance (Malaysia) Berhad (PAR 3) | 6,354,100 | 0.44 |
| 29. | UOB Kay Hian Nominees (Asing) Sdn. Bhd. Qualifier: Exempt An For UOB Kay Hian Pte Ltd (A/C Clients) | 6,248,003 | 0.43 |
| 30. | Citigroup Nominees (Asing) Sdn. Bhd. Qualifier: CBNY For Dimensional Emerging Markets Value Fund | 5,994,500 | 0.42 |
| | TOTAL | 909,342,303 | 63.24 |

ANALYSIS OF EQUITY SECURITIES

AS AT 4 MAY 2020 (cont'd.)

SUBSTANTIAL SHAREHOLDERS AS SHOWN IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 4 MAY 2020

| Name | Direct Interest | | Indirect/ Deemed Interest | |
|------------------------------|------------------|--------|------------------------------|--------|
| | No. of shares | % | No. of shares | % |
| Casi Management Sdn. Bhd. | 433,163,044 | 30.441 | 19,939,100 ^(a) | 1.401 |
| Tan Sri Dato' Surin Upatkoon | – | – | 522,426,954 ^(b) | 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 his shareholdings in Casi Management Sdn. Bhd. 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 4 MAY 2020

(A) Interest In Securities In Magnum Berhad ("Magnum")

| Name | Direct Interest | | Indirect / Deemed Interest | |
|--|------------------|-------|-------------------------------|--------|
| | No. of shares | % | No. of shares | % |
| Tan Sri Dato' Surin Upatkoon | – | – | 522,426,954 ^(a) | 36.714 |
| 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 Vijayaratham a/l V. Thamotharam Pillay | 1,456,070 | 0.102 | 60,000 ^(c) | 0.004 |
| Dato' Lim Tiong Chin | 4,935,000 | 0.347 | 10,512,000 ^(d) | 0.739 |
| Jean Francine Goonting | – | – | – | – |

Notes:-

- (a) Deemed interest by virtue of Section 8(4) of the Act through his shareholdings in Casi Management Sdn. Bhd. 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 4 May 2020.

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 2019.

2. Audit And Non-Audit Fees

During the financial year ended 31 December 2019, the following audit and non-audit fees were paid to the Group's external auditors, Messrs. Ernst & Young PLT ("EY"):-

| Services rendered by EY | Subsidiaries RM | Company RM | Total (Group) RM |
|---|--------------------|---------------|------------------------|
| Audit | 566,805 | 103,000 | 669,805 |
| 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 | 569,805 | 108,990 | 678,795 |

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 2019 or entered into since the end of the previous financial year.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Fourth Annual General Meeting ("**44th 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 Thursday, 25 June 2020 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 2019 together with the Report of the Auditors thereon. **(Please refer to Explanatory Note 1)**
2. (a) To approve the payment of Directors' fees totalling RM263,658 to the Non-Executive Directors in respect of the year ended 31 December 2019 (*Year 2018: RM285,000*). **(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 25 June 2020 until the next Annual General Meeting of the Company. **(Resolution 2)**
3. (a) To re-elect the Director, Datuk Vijeyaratnam A/L V. Thamothearam Pillay, who is retiring by rotation in accordance with Clause 90 of the Constitution of the Company. **(Resolution 3)**
 - (b) To re-elect the Director, Jean Francine Goonting, who is retiring in accordance with Clause 97 of the Constitution of the Company. **(Resolution 4)**
4. To re-appoint Messrs. Ernst & Young PLT as Auditors of the Company for the financial year ending 31 December 2020 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 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

NOTICE OF ANNUAL GENERAL MEETING (cont'd.)

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-Third Annual General Meeting of the Company held on 29 May 2019, 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 2019, the audited retained profits of the Company amounted to approximately RM709.359 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 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 SSM PC No. : 201908000848 (MAICSA 7041318)

NG SOOK YEE SSM PC No. : 201908002432 (MAICSA 7020643)

Chartered Secretaries

Kuala Lumpur

21 May 2020

NOTICE OF ANNUAL GENERAL MEETING (cont'd.)

NOTES:-

PROXY

1. A member whose name appears in the Record of Depositors on **15 June 2020** 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 8:00 a.m. at Mewah Hall, Ground Floor, Flamingo hotel by the lake and will end at a time as directed by the Chairman of the meeting.
10. As a precautionary measure against the spread of Coronavirus (COVID-19), members are strongly encouraged to appoint either the Chairman of the Meeting or any of the Independent Directors as proxy to vote in his stead.

If you are attending this event, we seek your co-operation and patience to queue for your Body Temperature screening and the use of hand sanitizers which will be made available at the venue. The Company reserves the right to refuse entry to any person who is found unfit including but not limited to fever, cough, running nose and such other symptoms of COVID-19.

11. Pre-packed light refreshments will only be provided before the commencement of the 44th AGM.

NOTICE OF ANNUAL GENERAL MEETING (cont'd.)

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 Directors' fees totalling RM263,658 to the Non-Executive Directors for the financial year 2019. (*Year 2018: RM285,000*)

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 25 June 2020 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 25 June 2020 until the next Annual General Meeting in 2021.

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 44th 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 Datuk Vijeyaratnam A/L V. Thamothearam Pillay and Jean Francine Goonting respectively as Directors of the Company. Both Datuk Vijeyaratnam A/L V. Thamothearam Pillay and Jean Francine Goonting, 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 44th 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 selection and re-election of retiring Directors pursuant to Clauses 90 and 97 of the Company's Constitution.

NOTICE OF ANNUAL GENERAL MEETING (cont'd.)

4. Resolution 5 – Re-appointment of Messrs. Ernst & Young PLT (Firm No. AF: 0039) as Auditors of the Company

The proposed ordinary Resolution 5 is to re-appoint Messrs. Ernst & Young PLT as Auditors of the Company. The Board had via a written resolution dated 12 May 2020 approved the recommendation by the Group Audit Committee ("GAC") on the re-appointment of Messrs. Ernst & Young PLT as Auditors of the Company. The Board is satisfied that Messrs. Ernst & Young PLT 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.

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 29 May 2019, and if passed, will give the Directors of the Company, from the date of the 44th 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 29 May 2019 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 dated 21 May 2020.

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 44th 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 44th Annual General Meeting.

PERSONAL DATA PRIVACY

By submitting an instrument appointing proxy(ies) and/or representatives to attend, speak and vote at the 44th 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 44th AGM; (b) preparation and compilation of the attendance lists, minutes and other documents relating to the 44th 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.



MAGNUM BERHAD (197501002449) (24217-M)
(Incorporated in Malaysia)

FORM OF PROXY

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-Fourth Annual General Meeting ("44th 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 Thursday, 25 June 2020, 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 totalling RM263,658 to the Non-Executive Directors in respect of the year ended 31 December 2019 | | |
| 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 25 June 2020 until the next Annual General Meeting of the Company | | |
| 3. | To re-elect Datuk Vijeyaratnam A/L V. Thamothearam Pillay as Director of the Company | | |
| 4. | To re-elect Jean Francine Goonting as Director of the Company | | |
| 5. | To re-appoint Messrs. Ernst & Young PLT as Auditors of the Company for the financial year ending 31 December 2020 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 | | |

* 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 _____, 2020

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 **15 June 2020** 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.
10. As a precautionary measure against the spread of Coronavirus (COVID-19), members are strongly encouraged to appoint either the Chairman of the Meeting or any of the Independent Directors as proxy to vote in his stead. The Company reserves the right to refuse entry to any person who is found unfit including but not limited to fever, cough, running nose and such other symptoms of COVID-19.

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 44th AGM are to be voted by poll.

STAMP

**THE COMPANY SECRETARIES
MAGNUM BERHAD**

(197501002449) (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 44th 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 44th AGM; (b) preparation and compilation of the attendance lists, minutes and other documents relating to the 44th 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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