



**Queries from
Minority Shareholder
Watchdog Group**



Q1

The 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 its flagship 4D Jackpot game. (Page 5 of Annual Report – AR)

How sustainable is this achievement especially in the light of the COVID-19 pandemic?



A1

The Government had declared the Movement Control Order (“MCO”) - 18 March to 12 May 2020, which encompasses complete restriction of movement and assembly nationwide. The MCO was revised to the Conditional Movement Control Order (“CMCO”) - 4 May 2020 to 9 June 2020, with certain economic and social activities allowed, subject to standard operating procedures set by the Government. This is followed by Recovery Movement Control Order (“RMCO”) until 31 August 2020, with the gaming operations allowed to operate effective from 17 June 2020.

The Group expects to experience the full impact from COVID-19 pandemic in the second quarter ending 30 June 2020 as majority of the cancelled draws falls in this quarter. Going forward, the disposable income of the players would most likely be reduced as a result of the economic downturn and with imposition of new SOPs like social distancing, usage of masks, sanitizers and contact tracing. All this may make the players more hesitant to play in our outlets. Henceforth, the Group envisage that there would be some impact for both 3rd quarter as well as 4th quarter of 2020 as the Group settles into the new norm.



Q2

The newest game, Magnum Life, celebrates its first birthday with a total of 3 Grand Prize winners, each lucky winner receiving RM1,000 every day for the next 20 years (Page 6 of AR). The new Magnum Life game, however, is the only game that has shown 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. (Page 12 of AR)

- (a) What were the reasons for the decrease on a sales per draw basis considering that it is an innovative product?

- (b) What measures have been taken to improve the situation?



A2

Magnum Life was launched in FY2018. In line with any new launches, the Company had allocated a sizable marketing budget to promote the game in FY 2018.

So obviously, after the first year of aggressive marketing campaigns in FY2018, the new game has settled to a natural sales per draw level in FY2019.

Nevertheless, going forward, we will continue to promote this game to increase product awareness to a larger audience. In addition, the Company will invest in systems to better understand customers' behaviour and promote them according to their game preference.



Q3

Despite various challenges that the 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, the Company has performed relatively well and continues to address all the challenges with grit and confidence. (Page 7 of AR)

However, given that the Covid-19 pandemic has already adversely impacted its business in Q1 and Q2 of FY 2020 (Page 14 of AR), how is the Group preparing itself to face the new business landscape?



A3

We envisage that for the next 2 quarters, the Group will have to adapt to the new norms that almost every businesses had adopted to comply with the new SOP for social distancing, contact tracing, usage of masks and hand sanitizer to curb the spread of COVID-19. In this critical period, the safety of all our players is of paramount importance.

Nevertheless, the NFO industry, in particular, has proven to be relatively resilient in previous economic disruptions and the Group expects a similar recovery once NFOs outlets are able to resume normal operations especially after a new vaccine becomes available.

We will also continue to engage the Regulator to seek a path towards allowing digital sales.



Q4

How does the Group plan to address the downward pressure on operating performance especially the bottom-line performance?

A4

Bottom-line performance are largely dependent on a few factors, ie. the Sales volume, the prize payout and cost of operations.

To help to boost the sales volume, we will be introducing more marketing campaigns to boost our sales. As for prize payout, the risk can be mitigated by additional risk management initiatives such as encouraging sales of fractional bets like mBox, msb and mGold.

The Group has also invested further in its business in the Rebranding and Reimaging of all out outlets to make them more welcoming to all our players and to attract them to our outlets to play more frequently.



Q5

The Company commenced on its digitization and innovation journey to build its brand and products that stand out in the market place. (Page 17 of AR)

To what extent has the Company progressed into digitalization and what beneficial effects have been seen?

A5

All our newly renovated outlets have all installed a Digital Signage (TV) unit to display all marketing materials as well as news or events of the Group in particular the CSR section.

We have also used an iPad to provide a convenient way for all players to check on winning tickets as well as search for relevant information with regards to our games. More innovative usage of the iPad would be introduced in future to meet the market's expectation.

We are pleased to note that these new digital features that we have introduced so far have been very well received by our players.



Q6

Magnum operates in a highly regulated domestic market competing with two other National operators basically selling the same popular lottery games of 4D Classic and 4D Jackpot. (Page 17 of AR)

What is the outlook, particularly in regard to competition, going forward?

A6

All the 3 national operators offers very similar core products leading to stiff competition. To compete, we plan to offer the best service and most welcoming environment to all our players.

However, the greater challenge to the legal NFOs is from the illegal operators who have gained major market share especially during the MCO and CMCO lockdown period.



Q7

The Group's deposits, cash and bank balances amounted to RM306.9 million (of which cash deposits pledged totaled RM27.4 million) as at end of FY 2019 whilst MTNs amounted to RM900.0 million.

Deposits, cash and bank balances earned interest rates ranging from 0.87%p.a. to 3.80% p.a. whilst MTNs were charged higher fixed rates ranging from 5.00% p.a. to 5.35% p.a.

Does the Group need to keep such substantial deposits especially since the deposits could be used to reduce significantly the MTNs to lower the finance charges?



A7

For our business, trust and financial strength are very important. Magnum's promise of all prizes being guaranteed is an important fundamental message and it provides comfort and peace of mind to all players.

Recognising the interest rate gap between the deposits and the borrowings, for FY2019, the Group had taken positive steps in repaying RM40 million of MTN to reduce the amount of MTN from RM940 million to RM900 million. The Group will constantly monitor the situation to optimise on capital and cash management structure of the Group.

Subject to operational requirements, our commitments to our various stakeholders and availability of surplus funds, the Group will continue to retire more of the MTN in the foreseeable future.



Corporate Governance Matters

Q1

Practice 12.3 of Malaysian Code on Corporate Governance stipulates that listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate –

- voting in absentia; and
- remote shareholders' participation at General Meetings.



Corporate Governance Matters

A1

Up to this moment, the technology that is available in the market are very limited and saddled with teething problems as well as security issues as there is no way one can verify the identity of the rightful shareholder that has log in to vote.

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