

*Company No: 8272-D*

*Directors' Report & Audited Accounts*

***Magnum Corporation Berhad***

*31 December 1999*

Company No: 8272-D

**MAGNUM CORPORATION BERHAD**  
(Incorporated in Malaysia)

**CORPORATE INFORMATION**

**BOARD OF DIRECTORS** : Tan Sri Dato' Md Khir Johari  
- (Vice Chairman)  
Dato' Lim Sze Guan @ Lim Kim Wah  
- (Group Chief Executive Officer)  
General (rtd) Tan Sri Dato'  
Mohd. Ghazali bin Dato' Mohd. Seth  
Edwin Madarang Yang  
Lim Chiew

**AUDIT COMMITTEE** : General (rtd) Tan Sri Dato'  
Mohd. Ghazali bin Dato' Mohd Seth  
- (Chairman and Independent Non-Executive Director)  
Lim Chiew  
- (Independent Non-Executive Director)  
Dato' Lim Sze Guan @ Lim Kim Wah  
- (Non-Independent Executive Director)

**SECRETARY** : Gan Cheong Ann  
LS 001356

**REGISTERED OFFICE** : 33rd Floor, Menara Multi-Purpose  
Capital Square, No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur

**TELEPHONE NUMBER** : 03-2988033

**REGISTRARS** : Multi-Purpose Holdings Berhad  
37th Floor, Menara Multi-Purpose  
Capital Square, No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur

**AUDITORS** : Ernst & Young

**BANKERS** : Malayan Banking Berhad  
Multi-Purpose Bank Berhad

Company No: 8272-D

MAGNUM CORPORATION BERHAD  
(Incorporated in Malaysia)

## DIRECTORS' REPORT

The directors have pleasure in presenting their Thirty First Annual Report together with the audited accounts of the Company and of the Group for the year ended 31 December 1999.

## PRINCIPAL ACTIVITIES

The Company holds a licence to operate the four digit numbers forecast betting game and in addition, is a management services and investment holding company.

The principal activities of the Group during the financial year comprised:-

- operation of a licensed four digit numbers forecast betting game
- property holding and development and letting of properties
- operation of hotel and fitness centre
- general investment holding and trading
- printing activities
- financial services
- manufacturing and trading
- securities dealing and brokerage
- operation and management of gaming activities
- providing tertiary education
- providing computer services

During the year, there were changes in certain activities of the Group. The Company acquired new subsidiaries involved in the provision of computer services, property holding and plantation ownership and certain foreign subsidiaries discontinued the manufacture and trading of electronic products.

Other than as stated above, there have been no significant changes in the nature of these activities during the year.

ACCOUNTS	<u>GROUP</u> RM'000	<u>COMPANY</u> RM'000
Profit before exceptional items and taxation	538,261	385,675
Exceptional items	25,073	16,757
Profit before taxation	563,334	402,432
Taxation	(140)	(10,000)
Profit after taxation	563,194	392,432
Minority interests	(43,890)	-
Profit attributable to shareholders of Magnum Corporation Berhad	519,304	392,432
Appropriations:		
Transfer to capital reserves	(20,574)	(16,757)
Dividends	(54,024)	(54,024)
	(74,598)	(70,781)
Profit for the year	444,706	321,651

The amounts and particulars of material items (debited)/credited to reserves or provisions are as follows:-

	<u>GROUP</u> RM'000	<u>COMPANY</u> RM'000
Capital Reserves:-		
Transfer from profit and loss account	20,574	16,757
Decrease in revaluation reserve	(254)	-
Goodwill upon consolidation of subsidiaries	(46,907)	-
Exchange Fluctuation Reserves:-		
Translation gain	4,389	-

In the opinion of the directors, the results of the operations of the Company and of the Group during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature except for exceptional items mentioned in Note 15 to the accounts.

Company No: 8272-D

## DIVIDENDS

During the year, the following dividends were paid by the Company :-

- a) A final dividend of 3% (equivalent to 1.5 sen per share) less tax at 28%, amounting to RM16,207,000 in respect of the previous financial year.
- b) An interim dividend of 3% (equivalent to 1.5 sen per share) less tax at 28%, amounting to RM16,207,000 in respect of the year under review.

The directors propose that a final dividend of 7% (equivalent to 3.5 sen per share) less tax at 28%, amounting to approximately RM37,817,000 be paid .

## SHARE CAPITAL

No shares were issued by the Company during the financial year ended 31 December 1999.

The Magnum Corporation Berhad Employees' Share Option Scheme was approved by the shareholders at an Extraordinary General Meeting on 6 December 1995. The Scheme is in force for a period of five years and all options shall be exercised no later than 19 January 2001.

The salient features of the Scheme are as follows : -

- (i) Eligible persons who are confirmed employees (including executive directors) of the Group who have been employed for a period of not less than one year.
- (ii) Total number of shares to be offered shall not exceed 5% of the issued share capital of the Company at any point of time during the existence of the Scheme.
- (iii) The exercise price of each ordinary shares shall be the average of the mean market quotations of the shares of the Company as quoted in the Daily Diary of the Kuala Lumpur Stock Exchange for the five market days preceding the offer date, or the par value of the shares of the Company of RM0.50, whichever is higher.
- (iv) An Eligible Employee shall not participate in more than one (1) Employees' Share Option Scheme implemented by any company within the Group at any one point of time.

The movements in the Company's unissued shares under the Employees' Share Option Scheme during the financial year are as follows:-

	As at <u>1.1.99</u>	<u>Granted</u>	<u>Exercised</u>	<u>Forfeited</u>	As at <u>31.12.99</u>
Number of unissued shares under options	<u>15,917,000</u>	<u>7,643,000</u>	<u>-</u>	<u>927,000</u>	<u>22,633,000</u>

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:-

Tan Sri Dato' Md Khir Johari	
Dato' Lim Sze Guan @ Lim Kim Wah	
General (rtd) Tan Sri Dato' Mohd. Ghazali bin Dato' Mohd. Seth Lim Chiew	
Edwin Madarang Yang	(appointed on 15.11.99)
Dato' Lim Ah Tam @ Lim Bok Yeng	(retired on 30.6.99)
Pee Ban Hock	(resigned on 17.11.99)

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements, to which the Company is a party, whereby directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate other than those pursuant to the Employees' Share Option Scheme.

The following directors who held office at the end of the financial year had according to the register required to be kept under Section 134 of the Companies Act, 1965, an interest in shares and options over shares pursuant to the Employees' Share Option Scheme of the Company and an interest in shares in a related corporation, as stated below:-

- (a) Interest and/or deemed interest in shares and share options of the Company:

Magnum Corporation Berhad

	<u>Number of Ordinary Shares of RM0.50 each</u>			
	<u>As at 1.1.99</u>	<u>Addition</u>	<u>Disposal</u>	<u>As at 31.12.99</u>
Tan Sri Dato' Md Khir Johari	40,843	-	-	40,843
Dato' Lim Sze Guan @ Lim Kim Wah	1,323,500	-	-	1,323,500

Options to subscribe for ordinary shares of RM0.50 each

	<u>Options to subscribe for ordinary shares of RM0.50 each</u>			
	<u>As at 1.1.99</u>	<u>Granted</u>	<u>Exercised</u>	<u>As at 31.12.99</u>
Tan Sri Dato' Md Khir Johari	500,000	-	-	500,000

DIRECTORS (CONTD.)

- (b) Interest and/or deemed interest  
in shares of a related corporation:

Leisure Management Berhad

	<u>Number of Ordinary Shares of RM1.00 each</u>			
	<u>As at</u> <u>1.1.99</u>	<u>Addition</u>	<u>Disposal</u>	<u>As at</u> <u>31.12.99</u>
Tan Sri Dato' Md Khir Johari	6,666	-	-	6,666
Dato' Lim Sze Guan @ Lim Kim Wah	20,000	-	20,000	-

Since the end of the previous financial year, other than the director stated below, no director has received or become entitled to receive any benefits (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the accounts or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company 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:-

<u>Name of Director</u>	<u>Nature of Contract</u>
Dato' Lim Ah Tam @ Lim Bok Yeng	4 digit agency agreement with Empat Nombor Ekor (Selangor) Sendirian Berhad for the establishment of a licensed 4 digit numbers ticket selling centre.

In accordance with Section 129(2) of the Companies Act, 1965, Tan Sri Dato' Md Khir Johari and General (rtd) Tan Sri Dato' Mohd Ghazali Bin Dato' Mohd Seth retire, having attained the age of seventy. The Board recommends that Tan Sri Dato' Md Khir Johari and General (rtd) Tan Sri Dato' Mohd Ghazali Bin Dato' Mohd Seth be re-appointed in accordance with Section 129(6) of the Act.

In accordance with Article 80 of the Company's Articles of Association, Mr. Lim Chiew retires from the Board and, being eligible, offers himself for re-election.

In accordance with Article 87 of the Company's Articles of Association, Mr. Edwin Madarang Yang retires from the Board and, being eligible offers himself for re-election.

## SIGNIFICANT EVENTS

- (i) Proposed Put and Call Option to dispose of approximately 17.73% Equity Interest in Multi-Purpose Capital Holdings Berhad

On 21 October 1999, the Company announced that it had together with certain subsidiaries (collectively known as "ENE companies") of Leisure Management Berhad ("LMB") entered into separate conditional Put and Call Option agreements with Multi-Purpose Holdings Berhad ("MPHB") to dispose of an aggregate of 39,000,000 ordinary shares of RM1.00 each representing 17.73% equity interest in Multi-Purpose Capital Holdings Berhad at an aggregated option price of RM83.850 million plus holding cost of 8% per annum on the option price ("the Proposal").

The completion of the Proposal is subject to approvals of Foreign Investment Committee (FIC), shareholders of Magnum, MPHB and LMB. Approval from Bank Negara Malaysia has been received. The Proposal has been submitted to FIC for approval on 17 November 1999. An independent adviser has been appointed to advise the independent directors and minority shareholders of Magnum and LMB on the Proposal.

- (ii) Disposal of Shares in Magnum Suria Signs, Inc.

On 16 August 1999, Magnum Holdings, Inc. (MHI), the immediate holding company of Magnum Suria Signs, Inc. (MSSI), entered into a Sale and Purchase Agreement with Philma Industrial Pte Ltd to dispose of MHI's entire equity interest of 5.6 million ordinary shares of PhP1.00 each representing 51% of the total issued and paid-up share capital of MSSI at about PhP0.43 per share or a total cash consideration of PhP2,417,498 (equivalent to about RM240,484). The sale consideration was fully paid by the Purchaser on 6 November 1999 and with effect from that date, MSSI ceased to be a subsidiary of the Company.

- (iii) Acquisition of New Subsidiaries

- a) Kelana Megah Development Sdn. Bhd. (KMD)

On 19 November 1999, KMD became a subsidiary of Magnum Credit Sdn. Bhd. ("MCSB"), wholly owned subsidiary of the Company, by virtue of Deeds of Settlement and Release signed between MCSB and two of its loan debtors.

Subsequently on 20 December 1999, the Company acquired all rights of MCSB to the above arrangements in settlement of advances owing by MCSB to the Company.



## SIGNIFICANT EVENTS (CONTD.)

### b) Multi-Purpose Information Technology Sdn. Bhd. (MPIT)

By way of a Sale and Purchase Agreement entered into on 7 September 1999, the Company acquired the entire share consisting of 500,000 shares of RM1 each in MPIT for a cash consideration of RM10 from Multi-Purpose Holdings Berhad. Subsequent to the acquisition, the Company subscribed for 1.5 million new ordinary shares issued by MPIT at par, equivalent to a total consideration of RM1.5 million. With effect from 16 October 1999, MPIT changed its name to Magnum Information Technology Sdn. Bhd.

## CONTINGENT LIABILITIES AND MATERIAL LITIGATIONS

These are as disclosed in Note 22 & 23 to the Accounts

## OTHER STATUTORY INFORMATION

- (a) Before the profit and loss accounts and balance sheets of the Company and of the Group were made out, the directors took reasonable steps:-
- (i) to ascertain that proper action has been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts;
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business were written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:-
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the Company and of the Group inadequate to any substantial extent;
  - (ii) the values attributed to current assets in the accounts of the Company and of the Group misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company and of the Group misleading or inappropriate.

OTHER STATUTORY INFORMATION (CONTD.)

- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or accounts of the Company and of the Group which would render any amount stated in the accounts and consolidated accounts misleading.
- (e) As at the date of this report, there does not exist:-
  - (i) any charge on the assets of the Company and of the Group which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability in respect of the Company and of the Group which has arisen since the end of the financial year.
- (f) In the opinion of the directors:-
  - (i) no contingent liability 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 Company and of the Group to meet its obligations as and 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 Company and of the Group for the financial year in which this report is made.

AUDITORS

The auditors, Messrs Ernst & Young, have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board,

DATO' LIM SZE GUAN @ LIM KIM WAH )  
 )  
 )  
 ) DIRECTORS  
 )  
 )  
 EDWIN MADARANG YANG )

Kuala Lumpur, Malaysia  
28 April 2000

MAGNUM CORPORATION BERHAD

BALANCE SHEETS AS AT 31 DECEMBER 1999

	Note	<u>GROUP</u>		<u>COMPANY</u>	
		<u>1999</u> RM'000	<u>1998</u> RM'000	<u>1999</u> RM'000	<u>1998</u> RM'000
<b>FUNDS EMPLOYED:-</b>					
SHARE CAPITAL	2	750,333	750,333	750,333	750,333
RESERVES	3	735,062	312,554	633,369	294,961
		<u>1,485,395</u>	<u>1,062,887</u>	<u>1,383,702</u>	<u>1,045,294</u>
MINORITY INTERESTS		169,821	141,808	-	-
GUARANTEE DEPOSITS BY SUBSIDIARY COMPANIES		-	-	3,100	3,100
DEFERRED AND LONG TERM LIABILITIES	4	15,470	777,251	2,500	2,329
		<u>1,670,686</u>	<u>1,981,946</u>	<u>1,389,302</u>	<u>1,050,723</u>
<b>REPRESENTED BY:-</b>					
FIXED ASSETS	5	399,558	243,474	55,791	57,201
SUBSIDIARY COMPANIES	6	-	-	1,189,775	965,268
ASSOCIATED COMPANIES	7	264,287	273,773	4,959	4,959
OTHER INVESTMENTS	8	472,684	646,613	76,411	78,740
INTANGIBLE ASSETS	9	295	678	-	-
CURRENT ASSETS	10	1,354,547	1,493,822	161,053	133,989
CURRENT LIABILITIES	11	(820,685)	(676,414)	(98,687)	(189,434)
NET CURRENT ASSETS/(LIABILITIES)		533,862	817,408	62,366	(55,445)
		<u>1,670,686</u>	<u>1,981,946</u>	<u>1,389,302</u>	<u>1,050,723</u>

The notes on pages 15 to 51 form an integral part of these accounts.

## MAGNUM CORPORATION BERHAD

## PROFIT AND LOSS ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1999

	Note	<u>GROUP</u>		<u>COMPANY</u>	
		<u>1999</u> RM'000	<u>1998</u> RM'000	<u>1999</u> RM'000	<u>1998</u> RM'000
TURNOVER	13	2,917,720	2,958,231	2,601,149	2,805,434
OPERATING PROFIT		527,017	214,831	385,675	389,499
SHARE OF PROFIT OF ASSOCIATED COMPANIES AND JOINT VENTURES		11,244	9,779	-	-
PROFIT BEFORE EXCEPTIONAL ITEMS AND TAXATION	14	538,261	224,610	385,675	389,499
EXCEPTIONAL ITEMS	15	25,073	(521,138)	16,757	(655,702)
PROFIT/(LOSS) BEFORE TAXATION		563,334	(296,528)	402,432	(266,203)
TAXATION	16	(140)	(132,870)	(10,000)	(109,021)
PROFIT/(LOSS) AFTER TAXATION		563,194	(429,398)	392,432	(375,224)
MINORITY INTERESTS		(43,890)	(12,683)	-	-
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF MAGNUM CORPORATION BERHAD		519,304	(442,081)	392,432	(375,224)
APPROPRIATIONS:-					
Transfer to capital reserves		(20,574)	(4,140)	(16,757)	-
Dividends	17	(54,024)	(16,207)	(54,024)	(16,207)
		(74,598)	(20,347)	(70,781)	(16,207)
PROFIT/(LOSS) FOR THE YEAR	3(d)	444,706	(462,428)	321,651	(391,431)
RETAINED BY:-					
- the Company		321,651	(391,431)	321,651	(391,431)
- subsidiary companies		129,447	(84,101)	-	-
- associated companies and joint ventures		(6,392)	13,104	-	-
		444,706	(462,428)	321,651	(391,431)
EARNINGS/(LOSS) PER SHARE (SEN)	18	34.60	(29.46)	26.15	(25.00)

The notes on pages 15 to 51 form an integral part of these accounts.

MAGNUM CORPORATION BERHAD

CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 1999

	<u>1999</u>	<u>1998</u>
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before taxation	563,334	(296,528)
Adjustments for :-		
Depreciation	15,608	16,260
Interest expense	59,613	72,004
Provision for retirement benefits	259	548
Amortisation of intangible asset	373	5,367
Amortisation of interest in joint ventures	737	3,789
Fixed assets written off	474	3
Provision for diminution in value of other investments	42,208	454,586
Provision for diminution in value of fixed assets and other long term assets	11,638	8,291
(Net write back)/provision for doubtful debts	(9,252)	29,423
Profit on disposal of fixed assets	(1,497)	(374)
Gain retained in associated companies/joint ventures	(17,738)	(15,374)
Exchange gain	(4,279)	(935)
Interest income	(33,362)	(68,501)
Investment income	(5,100)	(5,490)
Profit on disposal of long term and other investments	(139,137)	(667)
Unrealised gain on foreign currency loan	-	(4,635)
Write-off of deferred expenses, investment cost on associated company and aborted projects	-	35,117
Closure cost on cessation of business	9,627	-
	<hr/>	<hr/>
Operating profit before working capital changes	493,506	232,884
(Increase)/Decrease in inventories	(1,342)	80
(Increase)/Decrease in trade and other receivables	(168,553)	110,363
(Decrease)/Increase in trade and other payables	(95,432)	70,416
Increase in indebtedness from associated companies	(107)	(919)
Increase/(Decrease) in indebtedness to affiliated companies	2,144	(496,844)
	<hr/>	<hr/>
Cash generated from/(used in ) operations	230,216	(84,020)
Interest paid	(59,613)	(80,609)
Income tax paid	(133,032)	(140,546)
Income tax refund	-	147
Effect of currency translation	(4,541)	(1,294)
	<hr/>	<hr/>
Cash flows before exceptional items	33,030	(306,322)

MAGNUM CORPORATION BERHAD

CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTD.)

	<u>1999</u> RM'000	<u>1998</u> RM'000
Cash flows before exceptional items	33,030	(306,322)
Loss on disposal of a subsidiary company	(131)	-
Proceeds from sale of short term and other investments	231,802	-
Write-off of aborted projects	-	(1,823)
Write-off of amount due from joint ventures	-	(1,105)
<b>NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>264,701</b>	<b>(309,250)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of fixed assets	2,298	388
Proceeds from sale of investments	72,703	69,507
Payment of dividends		
- to shareholders of the Company	(32,414)	(32,414)
- to minority shareholders	(21,102)	(6,725)
Acquisition of fixed assets	(181,309)	(14,771)
Purchase of investments	(13,698)	(94,171)
Net cash received from disposal of a subsidiary company	255	-
Repayment of capital from joint venture	3,062	3,658
Interest received	32,894	65,179
(Advance to)/repayment from joint ventures	(1,157)	559
Net cash received from acquisition of subsidiary companies	112	-
Investment income received	4,678	4,187
Dividend received from associated company	16,330	-
Purchase of intangible assets	(50)	(49)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(117,398)</b>	<b>(4,652)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from term loan & revolving credit	-	82,531
Finance lease borrowings	(350)	(1,050)
Repayment of term loans	(433,533)	(171,230)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(433,883)</b>	<b>(89,749)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(286,580)</b>	<b>(403,651)</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>748,623</b>	<b>1,152,274</b>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	<b>462,043</b>	<b>748,623</b>

MAGNUM CORPORATION BERHAD

CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTD.)

	<u>1999</u> RM'000	<u>1998</u> RM'000
Cash and cash equivalents consist of:-		
Cash deposits with licensed financial institutions	441,448	598,439
Cash and bank balances	40,828	162,392
Bank overdrafts	(20,233)	(12,208)
	<u>462,043</u>	<u>748,623</u>
ANALYSIS OF THE ACQUISITIONS/DISPOSAL OF SUBSIDIARY COMPANIES:		
<u>Acquisitions</u>		
Cash and bank balances	137	497
Fixed assets	171,551	-
Trade and other receivables	850	-
Intangible assets	3	-
Trade and other payables	(219,337)	-
Taxation	(86)	-
Goodwill	46,907	-
	<u>25</u>	<u>497</u>
Portion discharged by cash	25	497
Cash of subsidiary company	(137)	(497)
	<u>(112)</u>	<u>-</u>
<u>Disposal</u>		
Fixed Assets	(307)	-
Stocks	(198)	-
Trade and other receivables	(288)	-
Trade and other payables	237	-
Bank overdraft	64	-
	<u>(492)</u>	<u>-</u>
Minority interest	170	-
	<u>(322)</u>	<u>-</u>
Loss on disposal	131	-
Disposal proceeds	(191)	-
Bank overdraft of subsidiary company	(64)	-
	<u>(255)</u>	<u>-</u>
Net cash received	(255)	-

The notes on pages 15 to 51 form an integral part of these accounts.

MAGNUM CORPORATION BERHAD

NOTES TO THE ACCOUNTS - 31 DECEMBER 1999

1. ACCOUNTING POLICIES

(a) Basis of Accounting

The accounts of the Company and of the Group are prepared under the historical cost convention and comply with approved accounting standards issued by the Malaysian Accounting Standards Board. In the previous financial year, the Company and the Group applied certain transitional provisions in IAS 16 (Revised), Property, Plant and Equipment, by virtue of which a reporting enterprise which does not adopt a policy of revaluation is allowed to retain revalued amounts on the basis of their previous revaluations, subject to continuity in depreciation policy and the requirement to write an asset down to its recoverable amount. Accordingly, the valuations of these assets have not been updated and their carrying value are stated at deemed cost.

(b) Subsidiary Companies and Basis of Consolidation

The investment in subsidiary companies are stated at cost unless, in the opinion of the directors, there has been a permanent decline in value in which case provision is made for the diminution in value.

The consolidated accounts comprise the accounts of the Company and all its subsidiary companies for the year to 31 December. The results of subsidiary companies acquired or disposed of are included in the consolidated accounts from the date of acquisition or up to the date of disposal.

The difference between the consideration paid for shares in subsidiary companies and the value of the net tangible assets acquired is treated as goodwill or reserve on consolidation as applicable and is dealt with in capital reserve.

(c) Associated Companies

The Group defines as associated companies those companies in which it has a long term equity interest of not less than 20% and not exceeding 50% and where it has the power to exercise significant influence over the financial and operating policies through Board representation.

Investments in associated companies are stated at cost unless, in the opinion of the directors, there has been a permanent decline in value in which case provision is made for the diminution in value.

The Group's share of results and reserves of associated companies acquired or disposed of are included in the consolidated accounts from the date of acquisition or up to the date of disposal based on the audited or management accounts for the period to 31 December of the associated companies as applicable.



## 1. ACCOUNTING POLICIES (CONTD.)

### (d) Depreciation and Amortisation

#### (i) Hotel properties

Hotel properties include hotel land, buildings and related fixed plant. It is the Company's practice to maintain all its hotel properties in a high standard and condition to sustain their image and market share. Because of this, the hotel properties maintain residual values at least equal to their respective book values such that depreciation would be insignificant. Accordingly, no depreciation is provided for the hotel properties. The related maintenance expenditure is dealt with in the profit and loss account.

#### (ii) Other fixed assets

Freehold land is not amortised. Leasehold land is amortised over the life of the lease. Other assets are depreciated on a straight line basis over their estimated useful lives.

The principal annual rates used are as follows:-

	%
Freehold buildings	2 - 5
Leasehold buildings	2
Leasehold improvement	12.5
Plant and machinery, etc.	10 - 33.3
Fixtures and fittings	5 - 20
Motor vehicles	20
Computer equipment	12.5 - 20

### (e) Stocks

Stocks are stated at the lower of cost and net realisable value, after making due allowance for any obsolete or slow moving items. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any further cost expected to be incurred to completion and disposal.

### (f) Other Investments

Investments in quoted and unquoted shares are held on a long term basis. These are stated at cost unless, in the opinion of the directors, there has been a permanent decline in value in which case provision is made for the diminution in value.

Income arising on these investments is taken to the profit and loss account as and when received while interest income on bonds and loan stock is accrued.

1. ACCOUNTING POLICIES (CONTD.)

(f) Other Investments (Contd.)

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account.

Upon the disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuation is released to the profit and loss account.

(g) Interests in Joint Ventures

Interests in joint ventures are stated at cost less accumulated amortisation unless, in the opinion of the directors, there has been a permanent decline in value in which case, an additional provision for diminution in value is made.

The investment cost in joint venture is amortised over the life of joint venture projects, in accordance with terms of the joint venture agreement effective on commencement of operation of the joint venture.

The Group's share of results in the joint venture is accounted for using equity accounting.

(h) Short Term Investments

Short term investments are stated at the lower of cost and market value. Any profit or loss on disposal of these investments are taken to the profit and loss account.

(i) Deferred Taxation

Provision is made in the accounts by the liability method for taxation which is deferred due to timing differences except where it can be demonstrated, with reasonable probability, that the timing differences will continue in the foreseeable future.

No account is taken of any debit balances arising on deferred taxation account.

1. ACCOUNTING POLICIES (CONTD.)

(j) Retirement Benefits

In addition to the contributions made to the statutory employees provident fund, the participating companies contribute at an approved rate to a funded scheme for eligible employees. This fund is known as the Magnum Group Retirement Scheme. The latest actuarial valuation of the liabilities of this scheme was carried out based on the financial position as at 31 December 1996. No deficit was noted.

The provision for retirement benefits has been retained to meet unfunded past service liabilities and in addition, annual provisions are made at rates as advised by the actuaries to cover the shortfall in the approved rate of contributions to the funded scheme in respect of future service liabilities.

(k) Foreign Currencies

(i) Transactions in Foreign Currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange ruling at the date of transaction or where settlement had not taken place at the balance sheet date, at the prevailing rate of exchange ruling as at that date. All gains and losses on exchange are recognised in the profit and loss account.

(ii) Translation of Foreign Currency Financial Statements

Assets, liabilities and profit and loss account for the year of foreign subsidiaries and associated companies recorded in foreign currencies are translated into Ringgit Malaysia at the year end rate of exchange. The translation differences arising therefrom are taken to exchange fluctuation reserves.

(l) Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the value equivalent to the principal sum of total lease rentals payable. The interest element of the rental obligations is expensed off over the years of the primary lease on a straight line basis.

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight line basis over the lease terms.

1. ACCOUNTING POLICIES (CONTD.)

(m) Extraordinary Items

Extraordinary items are those which are derived from events or transactions outside the ordinary activities of the business and which are expected not to recur frequently.

(n) Intangible Assets

(i) Expenditure carried forward comprise preliminary and pre-operating expenses.

(ii) Development expenditure incurred by a manufacturing subsidiary company on specific products is deferred, if its recoverability can be foreseen with reasonable assurance, and is amortised in line with future sales of the related products. All other development expenditure is written off as and when incurred.

(o) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, deposits repayable on demand with banks or other financial institutions and highly liquid investments convertible into known amount of cash without notice.

2. SHARE CAPITAL

	<u>GROUP/COMPANY</u>	
	<u>1999</u>	<u>1998</u>
	RM'000	RM'000
Authorised ordinary shares of RM0.50 each:-		
4,000,000,000 ordinary shares	<u>2,000,000</u>	<u>2,000,000</u>
Issued and fully paid ordinary shares of RM0.50 each:-		
At 31 December		
1,500,665,000 ordinary shares	<u>750,333</u>	<u>750,333</u>

3. RESERVES

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
	RM'000	RM'000	RM'000	RM'000
Non-distributable:				
Share premium (a)	21,586	21,586	21,586	21,586
Capital reserves (b)	48,362	74,949	16,757	-
Exchange fluctuation reserves (c)	57,708	53,319	-	-
Distributable:				
Retained profits (d)	607,406	162,700	595,026	273,375
	<u>735,062</u>	<u>312,554</u>	<u>633,369</u>	<u>294,961</u>
(a) Share premium:-				
At 31 December	<u>21,586</u>	<u>21,586</u>	<u>21,586</u>	<u>21,586</u>
(b) Capital reserves:-				
At 1 January	74,949	71,071	-	-
Transfer from profit and loss account	20,574	4,140	16,757	-
Goodwill on acquisition of subsidiary companies	(46,907)	-	-	-
Decrease in revaluation	(254)	(262)	-	-
At 31 December	<u>48,362</u>	<u>74,949</u>	<u>16,757</u>	<u>-</u>

## 3. RESERVES (CONTD.)

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1999</u> RM'000	<u>1998</u> RM'000	<u>1999</u> RM'000	<u>1998</u> RM'000
(c) Exchange fluctuation reserves:-				
At 1 January	53,319	56,491	-	-
Translation gain/(loss)	4,389	(3,172)	-	-
At 31 December	57,708	53,319	-	-
(d) Retained profits:-				
At 1 January	162,700	625,128	273,375	664,806
Profit/(Loss) for the year	444,706	(462,428)	321,651	(391,431)
At 31 December	607,406	162,700	595,026	273,375
Retained by:-				
- the Company	595,026	273,375	595,026	273,375
- subsidiary companies	(53,202)	(185,624)	-	-
- associated companies and joint ventures	65,582	74,949	-	-
	607,406	162,700	595,026	273,375

Based on estimated tax credits available, the Company may distribute its retained earnings as dividend payments without incurring additional tax liability. However, the ability of the Company to distribute its retained earnings is subject to restrictions contained in Section 365 of the Companies Act 1965. In general (unless exempted), the Company is allowed to declare dividends (after making deductions for income tax, if any) for a financial year of an amount not exceeding the after-tax profit of that financial year or not exceeding the average dividends declared in respect of the two financial years immediately preceding that financial year, whichever is the greater. In addition, any unappropriated profit for any financial year commencing on or after 1 July 1997 may be accumulated and distributed as dividends in subsequent financial years.

Although it was announced on 29 October 1999 in the 2000 Budget speech that the aforesaid restrictions be removed with immediate effect, the amendment to section 365 of the Companies Act 1965 has thus far not been gazetted.

## 4. DEFERRED AND LONG TERM LIABILITIES

		<u>GROUP</u>		<u>COMPANY</u>	
		<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
		RM'000	RM'000	RM'000	RM'000
Deferred taxation	(a)	7,869	7,781	500	500
Provision for retirement benefits	(b)	3,029	2,814	2,000	1,829
Term loans	(c)	4,572	766,656	-	-
		<u>15,470</u>	<u>777,251</u>	<u>2,500</u>	<u>2,329</u>

## (a) Deferred taxation

At 1 January	7,781	6,971	500	500
Movement for the year	88	810	-	-
At 31 December	<u>7,869</u>	<u>7,781</u>	<u>500</u>	<u>500</u>

The timing differences not accounted for by the Group are as follows:-

	<u>GROUP</u>	
	<u>1999</u>	<u>1998</u>
	RM'000	RM'000
Unrelieved losses and allowances	6,241	7,604

## (b) Provision for retirement benefits

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
	RM'000	RM'000	RM'000	RM'000
At 1 January	2,814	2,476	1,829	1,561
Movement for the year	215	338	171	268
At 31 December	<u>3,029</u>	<u>2,814</u>	<u>2,000</u>	<u>1,829</u>

## (c) Term loans (secured)

	<u>GROUP</u>	
	<u>1999</u>	<u>1998</u>
	RM'000	RM'000
Bank term loans	576,036	768,414
Less : Portion repayable within 12 months (Note 12)	(571,464)	(1,758)
	<u>4,572</u>	<u>766,656</u>

4. DEFERRED AND LONG TERM LIABILITIES (CONTD.)

Included in the term loan is borrowing amounting to US Dollar 150 million (RM570 million) [1998: US Dollar 200 million (RM760 million)] granted to a subsidiary of the Company by a consortium of lenders. The borrowing is repayable in September 2000 and bears interest at rate of 0.80% (1998: 0.80%) above US Dollar LIBOR and is secured by a corporate guarantee from the Company.

The balance of the term loan is secured by certain leasehold land and building and investment properties of subsidiary companies.



Company No: 8272-D

5. FIXED ASSETS

	<u>Freehold land and buildings</u> RM'000	<u>Long leasehold land and buildings</u> RM'000	<u>Plant and machinery</u> RM'000	<u>Computer equipment</u> RM'000	<u>Capital work- in-progress</u> RM'000	<u>Total</u> RM'000
<b>GROUP</b>						
<u>COST/VALUATION</u>						
At 1 January 1999	138,147	61,983	83,860	75,769	7,442	367,201
Arising from acquisition of subsidiaries	142,844	28,398	345	345	292	172,224
Transfer	-	(5,117)	(131)	258	(326)	(5,316)
Exchange reserves	25	(12)	(10)	(5)	-	(2)
Additions	1,191	2,858	987	1,191	3,800	10,027
Disposals	-	(490)	(18,240)	(551)	(51)	(19,332)
Write-off/down	(3,000)	(350)	(2,885)	(285)	-	(6,520)
At 31 December 1999	279,207	87,270	63,926	76,722	11,157	518,282
<u>ACCUMULATED DEPRECIATION</u>						
At 1 January 1999	8,893	7,505	54,253	53,076	-	123,727
Arising from acquisition of subsidiaries	-	151	201	321	-	673
Transfer	-	(127)	(15)	142	-	-
Exchange reserves	-	(15)	3	(2)	-	(14)
Charge for the year	794	2,254	6,268	6,292	-	15,608
Disposals	-	(436)	(17,400)	(388)	-	(18,224)
Write-off	-	(71)	(2,694)	(281)	-	(3,046)
At 31 December 1999	9,687	9,261	40,616	59,160	-	118,724
<u>NET BOOK VALUE</u>						
At 31 December 1999	269,520	78,009	23,310	17,562	11,157	399,558
At 31 December 1998	129,254	54,478	29,607	22,693	7,442	243,474
Depreciation charge for 1998	797	2,109	7,098	6,256	-	16,260

5. FIXED ASSETS (CONTD.)

	<u>At</u> <u>Cost</u> RM'000	<u>At</u> <u>Valuation</u> RM'000	<u>Total</u> RM'000
<b>GROUP</b>			
Analysis of cost and valuation:			
At 31 December 1999			
- Freehold land and buildings	268,882	10,325	279,207
- Long leasehold land and buildings	87,270	-	87,270
- Plant and machinery	63,926	-	63,926
- Computer equipment	76,722	-	76,722
- Capital work-in-progress	11,157	-	11,157
	<u>507,957</u>	<u>10,325</u>	<u>518,282</u>
At 31 December 1998			
- Freehold land and buildings	127,822	10,325	138,147
- Long leasehold land and buildings	61,983	-	61,983
- Plant and machinery	83,860	-	83,860
- Computer equipment	75,769	-	75,769
- Capital work-in-progress	7,442	-	7,442
	<u>356,876</u>	<u>10,325</u>	<u>367,201</u>

Certain freehold properties and leasehold land and buildings held by subsidiary companies have been pledged to financial institutions for credit facilities granted to the subsidiary companies.

Company No: 8272-D

5. FIXED ASSETS (CONTD.)

	<u>Freehold land and buildings</u> RM'000	<u>Long leasehold land and buildings</u> RM'000	<u>Plant and machinery</u> RM'000	<u>Computer equipment</u> RM'000	<u>Capital work- in-progress</u> RM'000	<u>Total</u> RM'000
COMPANY						
<u>COST/VALUATION</u>						
At 1 January 1999	44,243	9,374	31,308	1,556	392	86,873
Additions	15	13	34	237	921	1,220
Disposals	-	-	(5,053)	-	-	(5,053)
Write off	-	(7)	(2,129)	(277)	-	(2,413)
At 31 December 1999	44,258	9,380	24,160	1,516	1,313	80,627
<u>ACCUMULATED DEPRECIATION</u>						
At 1 January 1999	5,459	2,622	20,316	1,275	-	29,672
Charge for the year	331	253	1,875	141	-	2,600
Disposals	-	-	(5,039)	-	-	(5,039)
Write off	-	(3)	(2,119)	(275)	-	(2,397)
At 31 December 1999	5,790	2,872	15,033	1,141	-	24,836
<u>NET BOOK VALUE</u>						
At 31 December 1999	38,468	6,508	9,127	375	1,313	55,791
At 31 December 1998	38,784	6,752	10,992	281	392	57,201
Depreciation charge for 1998	335	254	2,228	109	-	2,926

5. FIXED ASSETS (CONTD.)

	<u>At</u> <u>Cost</u> RM'000	<u>At</u> <u>Valuation</u> RM'000	<u>Total</u> RM'000
COMPANY			
Analysis of cost and valuation:			
At 31 December 1999			
- Freehold land and buildings	33,933	10,325	44,258
- Long leasehold land and buildings	9,380	-	9,380
- Plant and machinery	24,160	-	24,160
- Computer equipment	1,516	-	1,516
- Capital work-in-progress	1,313	-	1,313
	70,302	10,325	80,627
	70,302	10,325	80,627
At 31 December 1998			
- Freehold land and buildings	33,918	10,325	44,243
- Long leasehold land and buildings	9,374	-	9,374
- Plant and machinery	31,308	-	31,308
- Computer equipment	1,556	-	1,556
- Capital work-in-progress	392	-	392
	76,548	10,325	86,873
	76,548	10,325	86,873

The freehold land and buildings of the Company and of the Group were valued by the directors in 1980 based on professional appraisals by an independent valuer using open market values on an existing use basis. As allowed under the transitional provisions of International Accounting Standard 16 (Revised), Property, Plant and Equipment, issued by the Malaysian Accounting Standards Board, these assets have continued to be stated on the basis of their 1980 valuations.

## 6. SUBSIDIARY COMPANIES

	<u>COMPANY</u>	
	<u>1999</u> RM'000	<u>1998</u> RM'000
Shares quoted in Malaysia, at cost	86,537	86,537
Unquoted shares, at cost	1,396,708	1,395,180
	<u>1,483,245</u>	<u>1,481,717</u>
Less: Provision for diminution in value of unquoted shares	<u>(926,806)</u>	<u>(926,806)</u>
	556,439	554,911
Amounts due from subsidiary companies	680,871	434,357
Less: Provision for doubtful debts	<u>(23,535)</u>	-
Amount due to a subsidiary company	<u>(24,000)</u>	<u>(24,000)</u>
	<u>1,189,775</u>	<u>965,268</u>
Market value of quoted shares in Malaysia	<u>408,000</u>	<u>979,200</u>

## 7. ASSOCIATED COMPANIES

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1999</u> RM'000	<u>1998</u> RM'000	<u>1999</u> RM'000	<u>1998</u> RM'000
Shares quoted outside Malaysia, at cost	194,863	194,863	-	-
Share of post acquisition reserves	655	396	-	-
	195,518	195,259	-	-
Unquoted shares, at cost				
- in Malaysia	5,979	5,979	4,959	4,959
- outside Malaysia	284	291	-	-
Share of post acquisition reserves				
- in Malaysia	62,695	72,459	-	-
- outside Malaysia	<u>(189)</u>	<u>(215)</u>	-	-
	<u>68,769</u>	<u>78,514</u>	<u>4,959</u>	<u>4,959</u>
	<u>264,287</u>	<u>273,773</u>	<u>4,959</u>	<u>4,959</u>
Market value of quoted shares	<u>65,799</u>	<u>40,401</u>	-	-

The directors are of the opinion that no provision need to be made to take into account the decline in value of investment in the quoted associated company as the fair value of the investment is significantly higher than its market value.

## 8. OTHER INVESTMENTS

		<u>GROUP</u>		<u>COMPANY</u>	
		<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
		RM'000	RM'000	RM'000	RM'000
Quoted Investments	(a)	169,705	314,603	13,661	19,197
Unquoted Investments	(b)	126,096	130,026	48,757	48,757
Investment Properties	(c)	10,549	8,478	-	-
Investment Management Funds	(d)	166,334	193,506	13,993	10,786
		<u>472,684</u>	<u>646,613</u>	<u>76,411</u>	<u>78,740</u>

	<u>GROUP</u>			
	<u>1999</u>		<u>1998</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
	RM'000	RM'000	RM'000	RM'000
(a) Quoted Investments				
<u>In Malaysia</u>				
Shares of corporations	388,816	191,599	659,118	314,263
Transferable Subscription				
Rights and Warrants	727	713	729	404
Federal Government Securities	13,271	13,482	13,247	13,058
6.50% Redeemable Unsecured Bonds	-	-	21,378	25,377
Irredeemable Unsecured Loan Stocks	104,496	51,096	118,549	37,512
Unit Trust	32,671	32,604	32,060	21,125
	<u>539,981</u>	<u>289,494</u>	<u>845,081</u>	<u>411,739</u>
Less : Provision for diminution in value of investments	<u>(377,262)</u>	<u>-</u>	<u>(548,549)</u>	<u>-</u>
	<u>162,719</u>	<u>289,494</u>	<u>296,532</u>	<u>411,739</u>
<u>Outside Malaysia</u>				
Shares of corporations	18,024	10,111	38,389	17,793
Transferable Subscription				
Rights and Warrants	-	-	163	279
	<u>18,024</u>	<u>10,111</u>	<u>38,552</u>	<u>18,072</u>
Less : Provision for diminution in value of investments	<u>(11,038)</u>	<u>-</u>	<u>(20,481)</u>	<u>-</u>
	<u>6,986</u>	<u>10,111</u>	<u>18,071</u>	<u>18,072</u>
	<u>169,705</u>	<u>299,605</u>	<u>314,603</u>	<u>429,811</u>

## 8. OTHER INVESTMENTS (CONTD.)

	<u>COMPANY</u>			
	<u>1999</u>		<u>1998</u>	
	<u>Cost</u> RM'000	<u>Market Value</u> RM'000	<u>Cost</u> RM'000	<u>Market Value</u> RM'000
(a) Quoted Investments				
<u>In Malaysia</u>				
Shares of corporations	1,558	399	5,338	4,668
Transferable Subscription Rights and Warrants	131	189	131	106
Federal Government Securities	13,271	13,482	13,247	13,058
Irredeemable Unsecured Loan Stocks	-	-	3,793	1,175
	14,960	14,070	22,509	19,007
Less : Provision for diminution in value of investments	(1,299)	-	(3,312)	-
	13,661	14,070	19,197	19,007

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
	RM'000	RM'000	RM'000	RM'000
(b) Unquoted Investments - at cost				
<u>In Malaysia</u>				
Shares of corporations	55,860	62,444	48,757	48,757
Less : Provision for diminution in value of investments	-	(2,621)	-	-
	55,860	59,823	48,757	48,757
<u>Outside Malaysia</u>				
Shares of corporation	57,481	65,746	-	-
Interests in joint ventures	91,105	94,114	-	-
Amounts due from joint ventures	1,290	138	-	-
Add/(Less): Share of profits/(losses)	2,419	(1,121)	-	-
Provision for amortisation	(9,759)	(9,018)	-	-
Provision for diminution in value of investments	(72,300)	(79,656)	-	-
	70,236	70,203	-	-
	126,096	130,026	48,757	48,757

8. OTHER INVESTMENTS (CONTD.)

Interests in joint ventures of the Group during the year consist of the following projects in the People's Republic of China:-

<u>Joint Venture Project</u>	<u>Principal Activities</u>	<u>Equity Interest of the Group</u>	
		<u>1999</u> %	<u>1998</u> %
i) Shenyang Renhe Property Developing Ltd.	Property investment and development of a commercial complex	40	40
ii) Shenyang Magnum National Residence Developing Co. Ltd.	Housing and commercial development	*	*
iii) Zhujiang Hospital	Construction and operation of a hospital block	*	*
iv) Nantian Hydro Electric Station Co. Ltd.	Development of hydropower station	40	40
v) Shenyang Wanhe Plaza Ltd.	Development of shopping and commercial complex	*	*

\* These are in respect of contractual arrangements where a subsidiary company shares in the profits of joint ventures at varying proportions depending on the terms of the joint venture.

(c) Investment Properties

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1999</u> RM'000	<u>1998</u> RM'000	<u>1999</u> RM'000	<u>1998</u> RM'000
At 31 December, at valuation	10,549	8,478	-	-

The investment properties were valued by an independent firm of valuers in 1999, on an open market, existing use basis at RM10,549,585.



## 8. OTHER INVESTMENTS (CONTD.)

## (d) Investment Management Funds

The Investment Management Funds are discretionary funds managed by external investment management companies in accordance with the terms of Investment Management Agreements.

As at the year end, the funds were invested as follows:-

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1999</u> RM'000	<u>1998</u> RM'000	<u>1999</u> RM'000	<u>1998</u> RM'000
Quoted securities in corporations, at cost	31,822	23,576	7,218	4,281
Unquoted securities in corporations, at cost	326,892	329,640	-	-
Cash deposits with licensed banks	27,427	18,845	6,970	6,281
Cash deposits with finance companies	-	615	-	-
Bank balance	(408)	2,229	(195)	224
	<u>385,733</u>	<u>374,905</u>	<u>13,993</u>	<u>10,786</u>
Less : Provision for diminution in value of investment	(219,399)	(181,399)	-	-
	<u>166,334</u>	<u>193,506</u>	<u>13,993</u>	<u>10,786</u>
Market value of quoted securities in corporations	<u>41,301</u>	<u>28,658</u>	<u>9,968</u>	<u>11,666</u>

At balance sheet date, the net assets backing of certain unquoted securities in corporations are lower than their carrying values in the accounts by approximately RM19 million. The Directors are of the opinion that the diminution in value is temporary in nature and no provision need to be made.

The Directors are of the opinion that a provision of RM679.999 million (1998 : RM832.706 million ) is adequate to take into account the extent of any permanent diminution in value of the investments which may have arisen.

## 9. INTANGIBLE ASSETS

		<u>GROUP</u>	
		<u>1999</u>	<u>1998</u>
		RM'000	RM'000
Expenditure carried forward	(a)	295	477
Development expenditure		-	201
		<u>295</u>	<u>678</u>
		<u><u>295</u></u>	<u><u>678</u></u>
(a) Expenditure carried forward			
Preliminary and pre-operating expenses		295	336
Other deferred expenses		-	141
		<u>295</u>	<u>477</u>
		<u><u>295</u></u>	<u><u>477</u></u>

## 10. CURRENT ASSETS

		<u>GROUP</u>		<u>COMPANY</u>	
		<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
		RM'000	RM'000	RM'000	RM'000
Stocks	(a)	23,868	29,668	2,147	2,205
Trade debtors	(b)	25,908	19,159	-	-
Other debtors	(c)	31,811	396,953	6,463	8,709
Loan debtors	(d)	785,718	280,763	-	-
Amounts due from:					
- subsidiary companies		-	-	1,467	21,767
- associated companies		4,899	4,792	30	34
- affiliated companies		-	1,414	-	-
Short term investments		66	242	-	-
Bank balances and deposits	(e)	482,277	760,831	150,946	101,274
		<u>1,354,547</u>	<u>1,493,822</u>	<u>161,053</u>	<u>133,989</u>
		<u><u>1,354,547</u></u>	<u><u>1,493,822</u></u>	<u><u>161,053</u></u>	<u><u>133,989</u></u>
(a) Stocks					
- Finished goods		19,707	21,208	-	-
- Work-in-progress		498	385	-	-
- Raw materials		1,510	5,821	-	-
- Consumables and spares		2,153	2,254	2,147	2,205
		<u>23,868</u>	<u>29,668</u>	<u>2,147</u>	<u>2,205</u>
		<u><u>23,868</u></u>	<u><u>29,668</u></u>	<u><u>2,147</u></u>	<u><u>2,205</u></u>

## 10. CURRENT ASSETS (CONTD.)

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1999</u> RM'000	<u>1998</u> RM'000	<u>1999</u> RM'000	<u>1998</u> RM'000
(b) Trade debtors	25,935	21,836	-	-
Less: Provision for doubtful debts	(27)	(2,677)	-	-
	<u>25,908</u>	<u>19,159</u>	<u>-</u>	<u>-</u>
(c) Other debtors	43,498	425,715	6,467	8,713
Less: Provision for doubtful debts	(11,687)	(28,762)	(4)	(4)
	<u>31,811</u>	<u>396,953</u>	<u>6,463</u>	<u>8,709</u>

Included in other debtors of the Group and the Company are RM1,455,986 (1998: RM1,331,034) and RM1,376,840 (1998: RM1,246,351) respectively representing loans extended under an approved housing loan scheme to a director of the Company and five (1998: four) other employees who are directors of certain subsidiary companies.

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1999</u> RM'000	<u>1998</u> RM'000	<u>1999</u> RM'000	<u>1998</u> RM'000
(d) Loan debtors			-	-
- secured	669,104	116,966		
- unsecured	174,030	217,774		
Less: Provision for doubtful debts	(57,273)	(53,977)		
Interest in suspense	(143)	-	-	-
	<u>785,718</u>	<u>280,763</u>	<u>-</u>	<u>-</u>

Included in the unsecured loan debtors are amounts totalling RM61.560 million (1998: RM37.377 million) which are covered by corporate guarantees granted by a public listed company.

## 10. CURRENT ASSETS (CONTD.)

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1999</u> RM'000	<u>1998</u> RM'000	<u>1999</u> RM'000	<u>1998</u> RM'000
(e) Bank balances and deposits				
Deposits with licensed banks	424,249	435,643	148,952	28,519
Deposits with finance companies	11,268	142,009	-	58,021
Deposits with discount houses	5,931	20,787	-	12,706
Cash and bank balances	40,829	162,392	1,994	2,028
	<u>482,277</u>	<u>760,831</u>	<u>150,946</u>	<u>101,274</u>

## 11. CURRENT LIABILITIES

Trade creditors	106,680	106,875	44,852	49,205
Other creditors	69,939	146,885	2,607	4,935
Lease creditor	-	351	-	-
Taxation	13,822	150,646	8,364	116,492
Amounts due to subsidiary companies	-	-	-	1,876
Amounts due to affiliated companies	730	-	-	-
Bank borrowings (Note 12)	591,697	255,450	5,047	719
Proposed dividend	37,817	16,207	37,817	16,207
	<u>820,685</u>	<u>676,414</u>	<u>98,687</u>	<u>189,434</u>

## 12. BANK BORROWINGS

Bank overdrafts				
- secured	15,186	11,489	-	-
- unsecured	5,047	719	5,047	719
Term loans				
- secured [Note 4(c)]	571,464	1,758	-	-
- unsecured	-	191,484	-	-
Revolving credit				
- secured	-	50,000	-	-
	<u>591,697</u>	<u>255,450</u>	<u>5,047</u>	<u>719</u>

## 12. BANK BORROWINGS (CONTD.)

The secured bank borrowings are granted against certain freehold land and building (carrying value of RM680,674) and investment properties (carrying value of RM10.549 million) of the subsidiary companies.

The bank borrowings of the Group bear interest at rates ranging from 0.5%p.a to 2.5%p.a (1998 : 0.5% to 2.5%) above the prevailing interbank offered rates or base lending rates as the case may be.

The average rates applicable during the year ranged from 5.93%p.a to 15%p.a (1998 : 6.5% to 18.00%).

## 13. TURNOVER

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1999</u> RM'000	<u>1998</u> RM'000	<u>1999</u> RM'000	<u>1998</u> RM'000
Sales of four digit numbers forecast tickets less gaming tax	2,601,149	2,805,434	2,601,149	2,805,434
Revenue from investment holding and trading activities	199,450	67,353	-	-
Revenue from finance operations	77,222	50,422	-	-
Revenue from hotels and recreation club	9,935	12,236	-	-
Revenue from printing activities	4,205	1,850	-	-
Revenue from property development and rental	8,123	2,960	-	-
Revenue from trading and manufacturing activities	1,834	5,752	-	-
Income from securities activities	10,524	6,491	-	-
Sale of totalisator tickets	2,271	4,400	-	-
Revenue from educational services	2,289	1,333	-	-
Income from software supplied	718	-	-	-
	<u>2,917,720</u>	<u>2,958,231</u>	<u>2,601,149</u>	<u>2,805,434</u>

## 14. PROFIT BEFORE EXCEPTIONAL ITEMS

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1999</u> RM'000	<u>1998</u> RM'000	<u>1999</u> RM'000	<u>1998</u> RM'000
The profit before taxation for the year is arrived at after charging:-				
Auditors' remuneration				
Auditors of the Company				
- current year	195	187	50	50
- overprovision in prior year	(10)	-	-	8
Other auditors				
- current year	873	590	-	-
- underprovision in prior year	8	-	-	-
Directors' remuneration				
Directors of the Company				
- fees	151	165	81	88
- emoluments	1,618	2,171	1,618	2,171
- benefits in kind	56	159	56	159
Other directors of the subsidiary companies				
- fees	176	202	-	-
- emoluments	1,647	1,619	-	-
- benefits in kind	6	6	-	-
Depreciation and amortisation (see note 5)	15,608	16,260	2,600	2,926
Amortisation of intangible asset	373	5,367	-	-
Amortisation of investment in joint venture	737	3,789	-	-
Retirement benefits				
- contributions to approved scheme	486	525	164	198
- provision for retirement benefits	259	548	189	128
Rental of land and buildings	5,349	5,692	2,247	2,351
Rental of plant and machinery	36	1,086	36	22
Equipment lease charges	-	8,772	-	8,772
Interest				
- bank overdrafts	1,326	489	19	54
- loans and revolving credits	57,819	69,578	-	-
- subsidiary companies	-	-	107	220
- affiliated companies	-	1,025	-	-
- others	468	912	-	-
Losses on foreign exchange	-	139,697	1	-
Loss on disposal of fixed assets	18	63	-	-
Fixed assets written off	474	3	16	-
Provision for doubtful loans and trade debts	6,730	54,105	-	-
Provision for diminution in value of investment	38,000	-	-	-

## 14. PROFIT BEFORE EXCEPTIONAL ITEMS (CONTD.)

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
	RM'000	RM'000	RM'000	RM'000
and crediting:-				
Profit on disposal of fixed assets	1,515	351	1,210	2
Interest income				
- subsidiary companies	-	-	37,383	34,949
- short term deposits	26,171	61,106	7,472	8,641
- government securities	938	848	938	848
- loan stocks and bonds	564	536	-	-
- others	5,689	6,011	16	116
Rental from land and buildings	2,776	2,823	1,914	2,627
Gross dividends from				
Subsidiary companies				
- unquoted	-	-	15,068	4,119
Associated company				
- unquoted	-	-	24,061	-
Other investments				
- quoted in Malaysia	1,477	2,584	398	252
- quoted outside Malaysia	13	81	-	-
- unquoted	2,891	1,552	-	1,297
- unit trust	719	-	-	-
Gain on disposal of other investments	3,337	562	3,052	24
Gain on foreign exchange	4,279	-	-	30
Gain on futures trading	-	1,273	-	1,273

## 15. EXCEPTIONAL ITEMS

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1999</u> RM'000	<u>1998</u> RM'000	<u>1999</u>	<u>1998</u> RM'000
Profit/(Loss) on sale of other investments	28,405	(5,971)	16,757	-
Provision for diminution in value of:				
- investment in subsidiary companies	-	-	-	(603,200)
- joint ventures	-	(39,283)	-	-
- investment properties/fixed assets	(14,200)	(11,641)	-	-
- other investments	(1,646)	(411,953)	-	(1,541)
Net write back/(Provision for) doubtful other debtors	15,778	(29,423)	-	-
Closure cost due to cessation of business	(9,627)	-	-	-
Loss on disposal of subsidiary	(131)	-	-	-
Amount due from subsidiary company written off	-	-	-	(50,000)
Write-off of deferred expenses, investment cost in associated company and aborted projects	-	(30,236)	-	(961)
Unrealised gain on foreign currency loan	-	4,635	-	-
Others	-	(2,861)	-	-
	<u>18,579</u>	<u>(526,733)</u>	<u>16,757</u>	<u>(655,702)</u>
Associated company:				
Surplus on compulsory acquisition of freehold land	6,494	5,595	-	-
	<u>25,073</u>	<u>(521,138)</u>	<u>16,757</u>	<u>(655,702)</u>



## 16. TAXATION

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1999</u> RM'000	<u>1998</u> RM'000	<u>1999</u> RM'000	<u>1998</u> RM'000
Based on results for the year:-				
Malaysian taxation	512	130,810	10,000	108,972
Deferred taxation	93	810	-	-
Foreign taxation	199	408	-	-
Real property gain tax	-	1	-	-
	<u>804</u>	<u>132,029</u>	<u>10,000</u>	<u>108,972</u>
(Over)/under provision in respect of previous years	(1,044)	(1,429)	-	49
	<u>(240)</u>	<u>130,600</u>	<u>10,000</u>	<u>109,021</u>
Share of taxation of associated companies	380	2,270	-	-
	<u>140</u>	<u>132,870</u>	<u>10,000</u>	<u>109,021</u>

The taxation charge for Malaysian operations was due to the dividend income. There is no other tax liability anticipated for the Malaysian operations because 1999 constitutes the basis period for year assessment 2000 (preceding year basis) wherein tax on income other than dividend income is waived by legislation.

## 17. DIVIDENDS

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1999</u> RM'000	<u>1998</u> RM'000	<u>1999</u> RM'000	<u>1998</u> RM'000
Interim dividend of 3% less income tax at 28% (1998 : NIL)	16,207	-	16,207	-
Proposed final dividend of 7% less income tax at 28% (1998 : 3% less income tax at 28%)	37,817	16,207	37,817	16,207
	<u>54,024</u>	<u>16,207</u>	<u>54,024</u>	<u>16,207</u>

18. EARNINGS/(LOSS) PER SHARE

The calculation of earnings/(loss) per share is based on the profit after minority interest of RM519,304,000 (1998 : loss of RM442,081,000) for the Group and profit of RM392,432,000 (1998: loss of RM375,224,000) for the Company and on the 1,500,665,000 ordinary shares of RM0.50 each in issue during the year (1998 : 1,500,665,000).

19. CAPITAL COMMITMENTS

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1999</u> RM'000	<u>1998</u> RM'000	<u>1999</u> RM'000	<u>1998</u> RM'000
<u>Capital commitments</u>				
Capital expenditure approved by the Board:-				
Contracted for	66	45,769	-	-
Not contracted for	5,191	-	-	-
	<u>5,257</u>	<u>45,769</u>	<u>-</u>	<u>-</u>

## 20. SUBSIDIARY AND ASSOCIATED COMPANIES

	<u>Principal Activities</u>	<u>Group's effective interest</u>	
		<u>1999</u>	<u>1998</u>
		%	%
<b>SUBSIDIARY COMPANIES</b>			
<u>Incorporated in Malaysia</u>			
Empat Nombor Ekor	)		
(East Coast) Sendirian Berhad	)	28.05	28.05
Empat Nombor Ekor (East	)		
Malaysia) Sendirian Berhad	)	74.05	74.05
Empat Nombor Ekor (Johore)	)		
Sendirian Berhad	)	35.85	35.85
Empat Nombor Ekor (Malacca)	)		
Sendirian Berhad	)	35.79	35.79
Empat Nombor Ekor (Negri	)		
Sembilan) Sendirian Berhad	) Forecast Betting	48.22	48.22
Empat Nombor Ekor (Penang)	)		
Sendirian Berhad	)	39.31	39.31
Empat Nombor Ekor (Perak)	)		
Sendirian Berhad	)	37.25	37.25
Empat Nombor Ekor (Selangor)	)		
Sendirian Berhad	)	51.33	51.33
Jayavest Sdn. Bhd.	Investment Holding	100.00	100.00
Magnum Enterprise Sdn. Bhd.	Investment Holding	100.00	100.00
Sharikat Anika Kemajuan			
Sdn. Berhad	Investment Holding	100.00	100.00
Evertrans (Malaysia) Sdn. Bhd.	Investment Holding	91.00	91.00
Leisure Management Berhad	Investment Holding and		
	Management Services	55.00	55.00
Syarikat Perniagaan Selangor	Property Investment &		
Sdn. Bhd.	Management and		
	Operation of Hotel	100.00	100.00
Syarikat Percetakan New			
Light Sendirian Berhad	Printing Activities	100.00	100.00
Mimaland Berhad	Resort and Recreation	94.36	94.36
	(Suspended)		
Tasek Ampang Hotel Sdn. Bhd.	Hotel Management	100.00	100.00
Magnum Credit Sdn. Bhd.	Credit Business	100.00	100.00
Longterm Profit Sdn. Bhd.	Four Digit Agency		
	Management	55.00	55.00
Magnum Information Technology Sdn. Bhd.	Providing Computer		
(formerly known as Multi-Purpose	Services	100.00	-
Information Technology Sdn. Bhd.)			

## 20. SUBSIDIARY AND ASSOCIATED COMPANIES (CONTD.)

	<u>Principal Activities</u>	<u>Group's effective interest</u>	
		<u>1999</u>	<u>1998</u>
		%	%
<b>SUBSIDIARY COMPANIES</b>			
<u>Incorporated in Malaysia</u>			
Kelana Megah Development Sdn. Bhd.	Plantation and Property Holding	100.00	-
Sababumi (Sandakan) Sdn. Bhd.	Dormant	62.00	62.00
Choicevest Sdn. Bhd.	Investment Holding	55.00	55.00
Kini Kaya Sdn. Bhd.	Dormant	86.99	86.99
Vijuara Sdn. Bhd.	Fitness	100.00	100.00
Perosan Sdn. Bhd.	Education	100.00	100.00
Magnum.Com Sdn. Bhd. (formerly known as Duta Cergas Sdn. Bhd.)	Dormant	100.00	100.00
Magnum Leisure Sdn. Bhd.	Dormant	100.00	100.00
Lubuk Jaya Sdn. Bhd.	Dormant	100.00	100.00
Citra Sinar Sdn. Bhd.	Investment Holding	100.00	100.00
Natmatic Sdn. Bhd.	Dormant	100.00	100.00
Tema Gemilang Sdn. Bhd.	Dormant	100.00	100.00
Jujur Megah Sdn. Bhd.	Dormant	100.00	100.00
Ramapac Sdn. Bhd.	Dormant	100.00	100.00
<u>Incorporated in Republic of Madagascar</u>			
Loterie de Madagascar S.A.	Developing, Managing, Operating & Promoting Gaming Operation	60.00	60.00
<u>Incorporated in People's Republic of China</u>			
* Beijing Magnum Entertainment Co. Ltd. (Royal International Club)	Operation of an International Business Class Recreation Club	80.00	80.00
* Guangzhou Lap Shun Electron Plastic Ltd	Manufacturer of Electronic Products	-	40.82
* Shenzhen Tintary Electronics Co. Ltd	Dormant	-	45.92
+ Kong Thai (Hepu) Development Co.	Property Investment Holding	55.00	55.00

## 20. SUBSIDIARY AND ASSOCIATED COMPANIES (CONTD.)

	<u>Principal Activities</u>	<u>Group's effective interest</u>	
		<u>1999</u>	<u>1998</u>
		%	%
<b>SUBSIDIARY COMPANIES</b>			
<u>Incorporated in Hong Kong</u>			
* Magnum Investment Limited	Investment Holding	100.00	100.00
* Magnum Leisure Limited	Dormant	100.00	100.00
* Magnum Management Limited	Dormant	51.00	51.00
* Magnum Capital Limited	Dormant	100.00	100.00
* Magnum Industries Limited	Trading of Electronic Products	51.02	51.02
* Bon Treasure Industrial Co. Ltd	Dormant	51.02	51.02
* Lap Shun Trading Co. Ltd	Dormant	51.02	51.02
* Magnum International Holdings Services Ltd	Provision of Administrative Services	51.02	51.02
* Jenpoint Ltd	Trading of Marketable Securities	51.02	51.02
* Watary Onspan Ltd	Dormant	40.82	40.82
* Magnum Secretarial Services Ltd	Provision of Secretarial Services	51.02	51.02
* Magnum International Finance Ltd	Money Lending	51.02	51.02
* Magnum International Securities Ltd	Securities Dealing and Brokerage	51.02	51.02
* Magnum Credit Limited	Dormant	51.02	51.02
* Magnum International Nominees Ltd	Provision of Nominees Services	51.02	51.02
* Leisure Management (Hong Kong) Limited	Dormant	55.00	55.00
<u>Incorporated in Channel Islands</u>			
+ Magnum (Guernsey) Limited	Investment Holding	100.00	100.00
+ LM (Guernsey) Limited	Investment Holding	55.00	55.00

## 20. SUBSIDIARY AND ASSOCIATED COMPANIES (CONTD.)

	<u>Principal Activities</u>	<u>Group's effective interest</u>	
		<u>1999</u>	<u>1998</u>
		%	%
<b>SUBSIDIARY COMPANIES</b>			
<u>Incorporated in British Virgin Islands</u>			
+ Hismala Financial Limited	Investment Trading	100.00	100.00
+ Parpan Investments S. A.	Investment Trading	100.00	100.00
+ Rendira Invest & Trade S. A.	Dormant	100.00	100.00
* Watary Investments Ltd	Investment Holdings	51.02	51.02
* Raven Company Ltd	Dormant	51.02	51.02
* Fixtron Ltd	Research and Development and Trademark Holding	51.02	51.02
* Lismore Properties Ltd	Property Holding	51.02	51.02
* Raven China Ltd	Dormant	51.02	51.02
* Ongreat Properties Ltd	Property Holding	51.02	51.02
* Continuous Gain Ltd	Property Holding	51.02	51.02
* Ample Profits Ltd	Dormant	40.82	40.82
* Wolston Ltd	Property Holding	51.02	51.02
* Magnum Financial Services Holdings Ltd	Investment Holdings	51.02	51.02
* Hilcrest Ltd	Dormant	51.02	51.02
<u>Incorporated in Philippines</u>			
* Magnum Holdings, Inc.	Investment Holding	71.26	71.26
#2 * Magnum Suria Signs Inc.	Conceptualising, designing, manufacturing, importing, exporting and trading signboards and advertising hardware	-	36.34
* Magnum International Securities Inc.	Securities Dealing and Brokerage	51.02	51.02
<u>Incorporated in Bermuda</u>			
#1 * Magnum International Holdings Limited	Investment Holding, Manufacturing and Trading of Electronic Products, Securities Dealing, Brokerage and Consumer Finance	51.02	51.02
<u>Incorporated in USA</u>			
* Magnum Industries USA Inc.	Trading of Electronics Products	51.02	51.02

## 20. SUBSIDIARY AND ASSOCIATED COMPANIES (CONTD.)

	<u>Principal Activities</u>	<u>Group's effective interest</u>	
		<u>1999</u>	<u>1998</u>
		%	%
<b>ASSOCIATED COMPANIES</b>			
<u>Incorporated in Malaysia</u>			
West Country Sdn. Bhd.	Investment Holding	44.17	44.17
<u>Incorporated in Philippines</u>			
* Magnum Marketing Philippines Incorporated	Trading And Marketing of Equipment and Machinery	28.50	28.50
* Magnum Property & Development Corporation	Dormant	28.50	28.50
* Philippines Racing Club, Inc. #2	Operation of a Horse Racing Club and Off-Track Betting	18.66	18.66
<u>Incorporated in Mongolia</u>			
+ Casinos Mongolia HH	Ceased operation	22.00	22.00

All the companies are audited by Ernst & Young Malaysia except for those marked \* which are audited by a member firm of Ernst & Young International, and those marked + which are audited by other firms.

#1 Quoted on Hong Kong Stock Exchange

#2 Quoted on Philippines Stock Exchange

## 21. SEGMENT INFORMATION

	<u>Turnover</u> RM'000	Profit/(loss) before <u>taxation</u> RM'000	Identifiable <u>net assets</u> RM'000
By industry segments :			
<u>1999</u>			
Gaming	2,603,420	490,625	1,155,640
Property and leisure	18,058	3,545	(62,662)
Finance and securities	87,747	(5,275)	(26,586)
Manufacturing and trading	21,381	(8,161)	(57,099)
Investment trading activities/others	206,123	82,600	645,923
	<u>2,936,729</u>	<u>563,334</u>	<u>1,655,216</u>
Intersegment transactions	(19,009)	-	-
	<u>2,917,720</u>	<u>563,334</u>	<u>1,655,216</u>
<u>1998</u>			
Gaming	2,809,834	446,131	742,294
Property and leisure	15,243	(7,856)	(42,940)
Finance and securities	56,914	(120,323)	(14,832)
Manufacturing and trading	21,875	(8,001)	(40,553)
Investment and foreign exchange trading activities/others	71,790	(606,479)	560,726
	<u>2,975,656</u>	<u>(296,528)</u>	<u>1,204,695</u>
Intersegment transactions	(17,425)	-	-
	<u>2,958,231</u>	<u>(296,528)</u>	<u>1,204,695</u>



## 21. SEGMENT INFORMATION (CONTD.)

	<u>Turnover</u> RM'000	Profit/(loss)	
		<u>before taxation</u> RM'000	<u>Identifiable net assets</u> RM'000
By geographical location :			
<u>1999</u>			
Malaysia	2,681,946	515,501	2,212,621
Hong Kong	8,875	(31,749)	7,509
People's Republic of China	4,725	1,175	2,207
Philippines	4,425	(9,092)	206,569
Others	236,758	87,499	(773,690)
	<u>2,936,729</u>	<u>563,334</u>	<u>1,655,216</u>
Intersegment transactions	(19,009)	-	-
	<u>2,917,720</u>	<u>563,334</u>	<u>1,655,216</u>
<u>1998</u>			
Malaysia	2,880,532	345,172	1,758,662
Hong Kong	18,023	(25,048)	52,001
People's Republic of China	5,282	(78,930)	1,119
Philippines	66	(333)	197,615
Others	71,753	(537,389)	(804,702)
	<u>2,975,656</u>	<u>(296,528)</u>	<u>1,204,695</u>
Intersegment transactions	(17,425)	-	-
	<u>2,958,231</u>	<u>(296,528)</u>	<u>1,204,695</u>
Reconciliation of net assets :		<u>1999</u>	<u>1998</u>
		RM'000	RM'000
Shareholders' funds		1,485,395	1,062,887
Minority interests		169,821	141,808
		<u>1,655,216</u>	<u>1,204,695</u>

## 22. MATERIAL LITIGATIONS

The material litigations that the Group is involved in are as follows :-

- a) There is a pending arbitration proceeding between a gaming subsidiary and one of its 4-D selling agents with regard to the computation of profit commission following the reduction in the Pool Betting Duty from 23.0% to 11.5% of net sales which came into effect in March 1991. The arbitration is scheduled to commence in 2001 and both parties have already agreed on the choice of arbitrator. Based upon legal advice obtained, the Board is of the view that there is every likelihood of the gaming subsidiary being in the position to sustain its case against the 4-D selling agent's claim. In the event, however, that the arbitrator in the arbitration proceedings rules in favour of the 4-D selling agent, the maximum liability that the gaming subsidiary would have to bear calculated to date would be approximately RM0.891 million.
- b) Legal action has been taken by a wholly owned foreign subsidiary against a third party for breach of the provisions of an agreement signed in 1998, under which the defendant has defaulted in the payment of RM9.8 million being consideration for the sale of certain shares by the subsidiary.
- c) An associated company has filed a claim for additional compensation in respect of various parcels of land which were previously compulsorily acquired by a Government agency. The claim by the associated company amounted to RM 70.423 million. The mention date has been scheduled in June 2000.

## 23. CONTINGENT LIABILITIES

- a) As mentioned in Note 22(a), there is a pending arbitration proceeding between a gaming subsidiary and one of its 4-D selling agents with regard to the computation of profit commission following the reduction in the Pool Betting Duty from 23.0% to 11.5% of net sales which came into effect in March 1991. Based upon legal advice obtained, the Board is of the view that there is every likelihood of the gaming subsidiary being in the position to sustain its case against the 4-D selling agent's claim. Whether any other 4-D selling agent will institute similar arbitration proceedings against the gaming subsidiary would, the Board believes, to a large extent, be dependent upon the outcome of this pending arbitration proceeding.
- b) The Company is contingently liable in respect of a corporate guarantee totalling RM570.0 million (1998:RM905.0 million) given to financial institutions for credit facilities granted to a subsidiary company.

## 24. SIGNIFICANT RELATED PARTY TRANSACTIONS

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1999</u> RM'000	<u>1998</u> RM'000	<u>1999</u> RM'000	<u>1998</u> RM'000
(a) With Subsidiary Companies				
Sales agency commission & service charges paid and payable	-	-	1,953,333	2,106,039
Printing & stationery expense	-	-	713	1,567
Interest expense payable	-	-	107	220
Interest income receivable	-	-	(37,383)	(34,949)
Dividend income receivable	-	-	(15,068)	(4,119)
Rental income receivable	-	-	(718)	(713)
(b) With Affiliated Companies				
Managements fees payable	3,473	5,559	1,460	2,022
Interest expense and lease rentals paid	-	9,796	-	8,772
Rental of office premises	2,504	2,431	2,247	2,153
Brokerage	1,277	921	132	12
Computer software service charge	(167)	-	-	-
Printing sales derived	(749)	(534)	-	-

The Affiliated Companies relate to member companies of the Kamunting Corporation Berhad and Multi-Purpose Holdings Berhad groups.

The above transactions have been entered into in the normal course of business based on negotiated and mutual terms.

## 25 EVENTS SUBSEQUENT TO BALANCE SHEET DATE

- (a) In January 2000, Magnum Enterprise Sdn Bhd ("MESB"), a wholly owned subsidiary of the Company, entered into a Sale and Purchase Agreement to dispose of 120,000 ordinary shares of RM1.00 each and 60,000 Class "A" 1% redeemable cumulative preference shares of RM1.00 each representing 100% of the total issued and paid-up share capital of Citra Sinar Sdn Bhd for a total cash consideration of RM800,000.

At the date of this report, the disposal has been completed resulting in an exceptional loss of RM396,000 at Group level.

25. EVENTS SUBSEQUENT TO BALANCE SHEET DATE (CONTD.)

- (b) In March 2000, two of the Company's wholly-owned subsidiaries, Magnum Enterprise Sdn Bhd and Magnum (Guernsey) Limited, entered into a conditional Sale and Purchase Agreement with Sagarmatha Inc. to dispose of the Group's entire equity interest of 60,600,000 common shares of PHP1.00 each representing 71.26% of the total issued and paid-up share capital of Magnum Holdings Inc. for a total cash consideration of PHP170 million (equivalent to about RM15.810 million)

The disposal will result in an exceptional gain of approximately RM15.524 million for the Group.

- (c) In March 2000, an associated company received an amount of RM12.969 million as compensation for compulsory acquisition of certain parcel of land with a net book value of RM1.045 million. The exceptional gain arising from the compulsory acquisition is approximately RM11.924 million.

- (d) Subsequent to 31 December 1999 and as at the date of this Report, the movements in share capital of the Company are as follows:

	<u>No. of shares</u> '000	<u>RM'000</u>
Issued and fully paid ordinary shares of RM0.50 each		
At 1 January 2000	1,500,665	750,333
Share options exercised	1,319	659
At 28 April 2000	<u>1,501,984</u>	<u>750,992</u>

26. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

Company No: 8272-D

MAGNUM CORPORATION BERHAD

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, DATO' LIM SZE GUAN @ LIM KIM WAH and EDWIN MADARANG YANG, being two of the directors of MAGNUM CORPORATION BERHAD, do hereby state that, in the opinion of the directors, the accounts set out on pages 10 to 51 are drawn up in accordance with approved accounting standards so as to give a true and fair view of:-

- (i) the state of affairs of the Company and of the Group as at 31 December 1999 and of the results of the Company and of the Group for the year ended on that date; and
- (ii) the cash flows of the Group for the year ended 31 December 1999.

On behalf of the Board,

DATO' LIM SZE GUAN @ LIM KIM WAH

)

)

) DIRECTORS

)

EDWIN MADARANG YANG

)

Kuala Lumpur, Malaysia

28 April 2000

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, EDWIN MADARANG YANG, being the director primarily responsible for the financial management of MAGNUM CORPORATION BERHAD, do solemnly and sincerely declare that the accounts set out on pages 10 to 51 are, to the best of my knowledge and belief, 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 EDWIN MADARANG YANG at Kuala Lumpur in the Federal Territory on 28 April 2000.

EDWIN MADARANG YANG

Before me,

Company No : 8272-D

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
MAGNUM CORPORATION BERHAD**

We have audited the accounts set out on pages 10 to 51. These accounts are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these accounts based on our audit.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the accounts are free of material misstatement. An audit includes examining, on the test basis, evidence supporting the amount and disclosures in the accounts. An audit also includes assessing the accounting principles used and significant estimates made by Directors, as well as evaluating the overall accounts presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the accounts and consolidated accounts are properly drawn up in accordance with the provisions of the Companies Act, 1965 and approved accounting standards in Malaysia so as to give a true and fair view of:-
  - (i) the state of affairs of the Company and of the Group as at 31 December 1999 and of the results of the Company and of the Group and the cash flows of the Group for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the accounts and consolidated accounts.
- (b) the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

We are considered the accounts and the auditors' report of the subsidiaries of which we have not acted as auditors, being accounts which are included in the consolidated accounts. The subsidiaries audited by other firms are indicated in Note 20 to the accounts.

We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's accounts are in the form and content appropriate and proper for the purposes of the preparation of the consolidated accounts and we have received satisfactory information and explanation required by us for those purposes.

Company No : 8272-D

REPORT OF THE AUDITORS TO THE MEMBERS OF  
MAGNUM CORPORATION BERHAD (CONTD.)

The auditors' report on the accounts of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Companies Act, 1965.

ERNST & YOUNG AF: 0039  
Public Accountants

Wong Lai Wah 1956/4/01(J)  
Partner

Kuala Lumpur, Malaysia  
28 April 2000