

# **Berjaya Sports Toto Berhad**

(Company no: 9109-K)

Date: 20 September 2017

Subject: **UNAUDITED QUARTERLY (Q1) FINANCIAL REPORT FOR  
THE PERIOD ENDED 31 JULY 2017**

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**UNAUDITED QUARTERLY (Q1) FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2017**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>Group</b>	
	<b>31-7-2017</b>	<b>30-4-2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	211,153	214,658
Other investments	108,279	95,173
Investment properties	113,086	112,935
Investment in associated companies	65,077	66,596
Deferred tax assets	48,480	38,348
Intangible assets	789,734	788,150
	1,335,809	1,315,860
<b>Current assets</b>		
Inventories	401,969	382,909
Receivables	463,372	496,656
Tax recoverable	7,853	22,012
Deposits, cash and bank balances	424,376	387,015
	1,297,570	1,288,592
<b>TOTAL ASSETS</b>	2,633,379	2,604,452
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	135,103	135,103
Exchange reserve	112,460	123,301
Available-For-Sale reserve	2,947	3,759
Other reserves	227,484	227,484
Retained earnings	322,307	288,434
Equity funds	800,301	778,081
Less : Treasury shares	(12,320)	(10,061)
Net equity funds	787,981	768,020
Non-controlling interests	47,779	44,232
<b>Total equity</b>	835,760	812,252
<b>Non-current liabilities</b>		
Retirement benefit obligations	3,210	3,231
Borrowings	523,597	551,974
Deferred tax liabilities	16,518	16,314
Other long term liabilities	874	928
	544,199	572,447
<b>Current liabilities</b>		
Provisions	2,431	2,359
Borrowings	601,378	591,026
Payables	642,689	619,241
Tax payable	6,922	7,127
<b>Total current liabilities</b>	1,253,420	1,219,753
<b>Total liabilities</b>	1,797,619	1,792,200
<b>TOTAL EQUITY AND LIABILITIES</b>	2,633,379	2,604,452
Net assets per share (RM)	0.58	0.57

**Note:**

The net assets per share is calculated based on the following:

Net equity funds divided by the number of shares in issue with voting rights.

**The annexed notes form an integral part of this quarterly financial report.**

**UNAUDITED QUARTERLY (Q1) FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2017**  
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

	3 months ended		+/-<-> %
	31-7-2017 RM'000	31-7-2016 RM'000	
REVENUE	1,471,829	1,435,607	2.5
PROFIT FROM OPERATIONS	125,716	102,162	23.1
Investment related income	5,291	5,825	(9.2)
Investment related expenses	(9)	(1,575)	(99.4)
Finance costs	(11,698)	(12,781)	(8.5)
Share of results of associated companies	(1,783)	2,770	N/A
PROFIT BEFORE TAX	117,517	96,401	21.9
TAXATION	(39,858)	(35,021)	13.8
PROFIT FOR THE PERIOD	77,659	61,380	26.5
PROFIT ATTRIBUTABLE TO:			
Owners of the parent	74,312	58,741	26.5
Non-controlling interests	3,347	2,639	26.8
	77,659	61,380	26.5
EARNINGS PER SHARE (SEN)			
-Basic	5.51	4.36	
-Diluted	5.51	4.36	
DIVIDEND PER SHARE (SEN)			
- First interim	4.00	4.00	

The annexed notes form an integral part of this quarterly financial report.

**UNAUDITED QUARTERLY (Q1) FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2017**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	3 months ended		+/-<-> %
	31-7-2017 RM'000	31-7-2016 RM'000	
PROFIT AFTER TAXATION	77,659	61,380	26.5
OTHER COMPREHENSIVE INCOME:			
<u>Items that may be reclassified subsequently to profit or loss</u>			
Net changes on available-for-sale ("AFS") financial assets			
- Changes in fair value of AFS investments	(1,180)	(14,127)	(91.6)
- Effects of foreign exchange differences	(10,273)	6,469	N/A
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>66,206</b>	<b>53,722</b>	<b>23.2</b>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	62,659	58,132	7.8
Non-controlling interests	3,547	(4,410)	N/A
	<b>66,206</b>	<b>53,722</b>	<b>23.2</b>

The annexed notes form an integral part of this quarterly financial report.

**UNAUDITED QUARTERLY (Q1) FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2017**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**Attributable to owners of the parent**

	Share capital RM'000	Treasury shares RM'000	Exchange reserve RM'000	AFS reserve RM'000	Other reserves		Distributable Retained earnings RM'000	Total to owners of parent company RM'000	Non-controlling interests RM'000	Total equity RM'000
					Capital reserve RM'000	Consolidation reserve RM'000				
<b>At 1 May 2017</b>	135,103	(10,061)	123,301	3,759	285,306	(57,822)	288,434	768,020	44,232	812,252
Profit for the year	-	-	-	-	-	-	74,312	74,312	3,347	77,659
Other comprehensive income for the period	-	-	(10,841)	(812)	-	-	-	(11,653)	200	(11,453)
	-	-	(10,841)	(812)	-	-	74,312	62,659	3,547	66,206
<b>Transaction with owners:</b>										
Distribution of dividends	-	-	-	-	-	-	(40,439)	(40,439)	-	(40,439)
Treasury shares acquired	-	(2,259)	-	-	-	-	-	(2,259)	-	(2,259)
	-	(2,259)	-	-	-	-	(40,439)	(42,698)	-	(42,698)
<b>At 31 July 2017</b>	135,103	(12,320)	112,460	2,947	285,306	(57,822)	322,307	787,981	47,779	835,760
<b>At 1 May 2016</b>	135,103	(10,061)	85,129	3,991	21,327	-	531,412	766,901	73,956	840,857
Profit for the year	-	-	-	-	-	-	58,741	58,741	2,639	61,380
Other comprehensive income for the period	-	-	11,899	(12,508)	-	-	-	(609)	(7,049)	(7,658)
	-	-	11,899	(12,508)	-	-	58,741	58,132	(4,410)	53,722
<b>Transaction with owners:</b>										
Distribution of dividends	-	-	-	-	-	-	(67,399)	(67,399)	-	(67,399)
Transferred from distributable earnings to capital reserve arising from a subsidiary company's bonus issue of shares	-	-	-	-	263,979	-	(263,979)	-	-	-
	-	-	-	-	263,979	-	(331,378)	(67,399)	-	(67,399)
<b>At 31 July 2016</b>	135,103	(10,061)	97,028	(8,517)	285,306	-	258,775	757,634	69,546	827,180

The annexed notes form an integral part of this quarterly financial report.

**UNAUDITED QUARTERLY (Q1) FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2017**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>3 months ended 31-7-2017 RM'000</b>	<b>3 months ended 31-7-2016 RM'000</b>
<b>OPERATING ACTIVITIES</b>		
Receipts from customers	1,536,375	1,490,278
Payments to prize winners, suppliers, duties, taxes and other operating expenses	(1,461,082)	(1,447,578)
Other receipts	131	22
<b>Net cash generated from operating activities</b>	<b>75,424</b>	<b>42,722</b>
<b>INVESTING ACTIVITIES</b>		
Net proceeds from disposal of property, plant and equipment	54	37
Acquisition of investment in associated company	(445)	(7,086)
Acquisition of property, plant and equipment	(4,932)	(1,333)
Acquisition of investments	(16,554)	-
Dividend received	175	193
Interest received	8,067	3,536
Other receipts arising from investments	100	110
Other payments from investing activities	(258)	(3,014)
Withdrawn placements from fund managers	16,217	-
<b>Net cash generated from/(used in) investing activities</b>	<b>2,424</b>	<b>(7,557)</b>
<b>FINANCING ACTIVITIES</b>		
Treasury shares acquired	(2,259)	-
Issuance of medium term notes	280,000	-
Repayment of medium term notes	(255,000)	-
Drawdown of borrowings	-	14,948
Repayment of borrowings	(43,025)	(60,316)
Payment of hire purchase liabilities	(185)	(159)
Dividends paid to shareholders of the Company	(436)	(414)
Interest paid	(19,699)	(20,084)
<b>Net cash used in financing activities</b>	<b>(40,604)</b>	<b>(66,025)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>37,244</b>	<b>(30,860)</b>
<b>CASH &amp; CASH EQUIVALENTS AT 1 MAY</b>	<b>384,052</b>	<b>530,453</b>
Effects of exchange rate changes	81	3,971
<b>CASH &amp; CASH EQUIVALENTS AT 31 JULY</b>	<b>421,377</b>	<b>503,564</b>
	<b>3 months ended 31-7-2017 RM'000</b>	<b>3 months ended 31-7-2016 RM'000</b>
Cash and cash equivalents carried forward comprise the following:		
Cash and bank balances	63,919	108,057
Deposits with financial institutions	360,457	398,355
	424,376	506,412
Less : Cash and cash equivalents restricted for use		
- Deposits with financial institutions	(2,999)	(2,848)
	421,377	503,564

**The annexed notes form an integral part of this quarterly financial report.**

**UNAUDITED QUARTERLY (Q1) FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2017**  
**NOTES TO THE QUARTERLY FINANCIAL REPORT**

A1 The quarterly financial report is not audited and has been prepared in compliance with MFRS 134, Interim Financial Reporting Standards in Malaysia, International Accounting Standards 34 - Interim Financial Reporting, the Companies Act 2016 in Malaysia (that became effective 31 January 2017) and applicable disclosure provision of the Listing Requirements of Bursa Malaysia Securities Berhad.

The condensed consolidated interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 April 2017. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions which are significant for understanding the changes in the financial position and performance of the Group since the financial year ended 30 April 2017.

The accounting policies and methods of computations used in the preparation of the financial statements are consistent with those adopted in the audited financial statements for the financial year ended 30 April 2017.

The Group has not early adopted new or revised standards and amendments to standards that have been issued but not yet effective for the accounting period beginning 1 May 2017.

The initial application of the MFRSs, Amendments to MFRSs and IC Interpretations, which will be applied prospectively or which requires extended disclosures, is not expected to have any significant financial impacts to the financial statements of the Group upon their first adoption.

A2 Our business operations are not significantly affected by seasonal or cyclical factors except for our toto betting operations that may be positively impacted by the festive seasons.

A3 There were no other unusual items as a result of their nature, size or incidence that had affected assets, liabilities, equity, net income or cash flows for the quarter ended 31 July 2017.

There were no changes in estimates reported in the prior financial year that had a material effect in the current quarter ended 31 July 2017.

A4 The cumulative shares bought back are being held as treasury shares with none of the shares being cancelled or resold during the first quarter ended 31 July 2017.

The details of the share buy-back are as follows:

Month	Price per share (RM)			Number of shares	Total consideration RM'000
	Lowest	Highest	Average		
July 2017	2.32	2.32	2.32	972,300	2,259
<b>TOTAL</b>				<b>972,300</b>	<b>2,259</b>

The number of treasury shares held in hand as at 31 July 2017 were as follows:

	Average price per share (RM)	Number of shares	Amount RM'000
Total treasury shares as at 1 May 2017	3.29	3,057,772	10,061
Increase in treasury shares	2.32	972,300	2,259
Total treasury shares as at 31 July 2017	3.06	4,030,072	12,320

As at 31 July 2017, the number of outstanding shares in issue and fully paid with voting rights was 1,347,000,000 ordinary shares (31 July 2016 : 1,347,972,300 ordinary shares).

- A5 There was no payment of dividend during the financial period ended 31 July 2017. Subsequent to the financial period ended 31 July 2017, the Company paid the following dividend:

Fourth interim single tier dividend on 9 August 2017, in respect of financial year ended 30 April 2017, of 3 sen per share on 1,347,972,300 ordinary shares with voting rights amounting to RM40,439,000.

- A6 Segmental revenue and results for the financial period ended 31 July 2017 were as follows:

<u>REVENUE</u>	External	Inter-segment	Total
	RM'000	RM'000	RM'000
Toto betting and leasing of lottery equipment	780,085	-	780,085
Motor dealership	670,351	335	670,686
Others	21,393	1,528	22,921
Elimination : Intersegment Revenue	-	(1,863)	(1,863)
Total revenue	<u>1,471,829</u>	<u>-</u>	<u>1,471,829</u>

#### RESULTS

Toto betting and leasing of lottery equipment	109,670
Motor dealership	19,710
Others	(383)
	<u>128,997</u>
Unallocated corporate expenses	(3,281)
Profit from operations	125,716
Finance costs	(11,698)
Interest income	5,116
Investment related income	175
Investment related expenses	(9)
Share of results of associated companies	(1,783)
Profit before tax	<u>117,517</u>
Taxation	(39,858)
Profit for the period	<u><u>77,659</u></u>

- A7 There were no material subsequent events for the financial period ended 31 July 2017 up to the date of this announcement.



- A8 There were no changes in the composition of the Group for the current quarter ended 31 July 2017 including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations other than as disclosed below:
- (i) On 28 June 2017, the Company announced that an indirect subsidiary owned through by its 88.26%-owned Philippine listed subsidiary, Berjaya Philippine Inc., namely H.R. Owen Finance Limited ("HROF") has been dissolved on 27 June 2017. HROF, a private limited company registered in England and Wales, was a dormant company; and
  - (ii) On 10 August 2017, the Company announced that its indirect 98.38%-owned subsidiary company, H.R. Owen Plc., has incorporated a wholly-owned subsidiary company in England and Wales known as EDOC Holdings Limited ("EDOC") with subscription of 1 ordinary share for consideration of GBP1.00. The intended principal activity of EDOC is investment holding.
- A9 There were no material changes in contingent liabilities or financial guarantee since the last annual reporting date as at 30 April 2017.
- A10 There were no material changes in capital commitments since the last annual reporting date as at 30 April 2017.

**UNAUDITED QUARTERLY (Q1) FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2017  
ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS  
OF BURSA MALAYSIA SECURITIES BERHAD**

B1 The Group is primarily engaged in the number forecast operation ("NFO") business. The main operating businesses of the Group are toto betting, leasing of lottery equipment, motor retailing and provision of aftersales services. The key factors (other than general economic conditions) affecting the main performance of the main operating businesses in the Group are disposable income of the general public, Jackpot cycles, luck factor, illegal gaming operations and the number of draws in the financial period as well as the trend in prestige and specialist cars predominantly in the London area of United Kingdom.

Review of results for the quarter

As compared to the previous year corresponding quarter ended 31 July 2016, the Group registered an increase in revenue and pre-tax profit of 2.5% and 21.9% respectively. This was mainly attributed to the improved results of H.R. Owen Plc ("H.R. Owen") as well as the foreign exchange gain recognised by a foreign subsidiary company in the current quarter.

Due to the current quarter had lower number of draws, Sports Toto Malaysia Sdn Bhd ("Sports Toto") recorded a drop in revenue of 2.3% as compared to the previous year corresponding quarter. In spite of the drop in revenue, it registered an increase in pre-tax profit of 2.3% primarily due to lower prize payout in the current quarter under review.

As compared to the previous year corresponding quarter, Philippine Gaming Management Corporation ("PGMC") registered a decrease in revenue and pre-tax profit of 4.6% and 25.2% respectively. The lower results reported by PGMC was mainly due to lower lease rental income earned from the Philippine Charity Sweepstakes Office ("PCSO") coupled with higher operating expenses incurred in the current quarter under review.

H.R. Owen registered an increase in revenue to RM670.7 million from RM626.1 million in the previous year corresponding quarter whilst pre-tax profit increased to RM15.5 million from RM6.9 million in the previous year corresponding quarter. The improved results reported by H.R. Owen was mainly due to revenue growth attributed to higher new and used vehicle sales coupled with certain new models available for sale during the current quarter.

B2 Review of 1st Quarter's Results Vs 4th Quarter's Results of preceding financial year

As compared to the preceding quarter ended 30 April 2017, the Group recorded a marginal drop in revenue of 0.4% mainly due to lower revenue reported by Sports Toto and PGMC. The drop was mitigated by higher revenue growth achieved by H.R. Owen as explained in the ensuing paragraphs. The Group registered an increase in pre-tax profit of 15.0% mainly attributable to the improved results reported by Sports Toto and H.R. Owen.

B2 Due to the lower number of draws in the current quarter, Sports Toto recorded a decrease in revenue of 4.3% as compared to the preceding quarter. In spite of the drop in revenue, it reported an increase in pre-tax profit of 20.8% mainly attributable to higher prize payout and higher operating expenses incurred in the preceding quarter.

PGMC recorded a decrease in revenue and pre-tax profit of 5.5% and 4.5% respectively mainly due to lower lease rental income earned as a result of lower sales reported by PCSO.

H.R. Owen recorded an increase in revenue to RM670.7 million from RM640.6 million as compared to the preceding quarter and pre-tax profit increased to RM15.5 million as compared to RM5.5 million reported in the preceding quarter. The improved results of H.R. Owen was mainly attributable to higher revenue achieved from used car sales which in turn contributed to the higher pre-tax profits recorded in the current quarter.

B3 Future Prospects

The Directors expect the NFO business to be challenging for the remaining quarters of the financial year ending 30 April 2018 in view of the intense competition from illegal gaming activities coupled with rising costs and weak consumer sentiments. Notwithstanding these challenges, the Directors are confident that the Group will continue to maintain its market share in the NFO business for the remaining quarters of the financial year ending 30 April 2018.

B4 There was no profit forecast or profit guarantee given by the Group for the financial period ended 31 July 2017.

B5 Taxation

	Current quarter ended 31 July 2017 RM'000
Based on the results for the quarter:	
Current period provision	
- Malaysian income tax	40,214
- Foreign countries income tax	10,049
Deferred tax	<u>(10,405)</u>
	<u><u>39,858</u></u>

The effective tax rate on the Group's profit for the financial period ended 31 July 2017 was higher than the statutory tax rate mainly due to certain expenses being disallowed for taxation purposes and profits in certain subsidiary companies are separately assessed for tax and not relieved by losses in other companies within the Group.

B6 There were no other corporate proposals announced but not completed as at the date of this announcement.

B7 The Group's borrowings as at 31 July 2017 were as follows:

<u>Long term borrowings</u>	Foreign currency amount	At end of current quarter RM'000
Secured		
Denominated in	'000	
- Ringgit Malaysia (Medium Term Notes)		500,000
- Philippine Peso (term loan)	145,833 *	12,349
- Great Britain Pound (term loan)	2,000 *	11,248
		523,597
<u>Short term borrowings</u>		
Secured		
Denominated in		
- Ringgit Malaysia (Medium Term Notes)		300,000
- Philippine Peso (term loan)	350,000 *	29,638
- Great Britain Pound (term loan)	400	2,249
- Great Britain Pound (vehicle stocking loans)	47,918 *	269,491
		601,378
Total bank borrowings		1,124,975

\* Converted at the respective exchange rate prevailing as at 31 July 2017

B8 There is no pending material litigation since the last annual reporting date up to the date of this announcement other than disclosed below:

Philippine Gaming Management Corporation ("PGMC"), an indirect subsidiary of the Company, commenced arbitration proceedings against Philippine Charity Sweepstakes Office ("PCSO") at the International Chamber of Commerce, International Court of Arbitration, pursuant to an interim settlement agreement between PGMC and PCSO whereby parties agreed to resort to arbitration in order to settle issues regarding PGMC's exclusivity as an online lottery lessor of PCSO in Luzon, Philippines. On 13 August 2015, PGMC and PCSO entered into a supplemental and status quo agreement to maintain the status quo existing as provided for in an interim settlement agreement for a period of three (3) years from 22 August 2015 until 21 August 2018, pending the resolution of the issue on the exclusivity rights through arbitration proceedings. The arbitration proceedings is still on-going.

On 15 August 2017, the Company announced that its 88.26%-owned subsidiary, Berjaya Philippines Inc. ("BPI"), the immediate holding company of PGMC, which is listed on the Philippine Stock Exchange ("PSE") has on 15 August 2017 released an announcement to PSE that the Regional Trial Court of Makati had on 10 August 2017, issued a Writ of Preliminary Injunction ("the Writ") against PCSO, the lessee of PGMC ("the Petitioner" or "Lessor"). The Writ restrains PCSO from conducting or continuing with the public bidding process and from performing any act that will violate the Petitioner's right as exclusive supplier / Lessor of lottery equipment to PCSO insofar as the Luzon territory is concerned.

- B9 The Board has declared a first interim dividend of 4 sen per share (previous year corresponding quarter ended 31 July 2016 : first interim dividend of 4 sen per share) in respect of the financial year ending 30 April 2018 and payable on 24 October 2017. The entitlement date has been fixed on 10 October 2017.

Based on the number of ordinary shares in issue and with voting rights as at 19 September 2017 of 1.347 billion, the first interim dividend distribution for the financial year ending 30 April 2018 will amount to RM53.9 million **representing about 72.5% of the attributable profit of the Group for the first quarter ended 31 July 2017.**

- B10 The earnings per share is calculated by dividing profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue and fully paid with voting rights as follows:

	Group (3-month period)	
	31-7-17	31-7-16
Profit attributable to equity holders of the Company (RM'000)	74,312	58,741
Weighted average number of shares with voting rights ('000)	1,347,835	1,347,972
Basic earnings per share (sen)	5.51	4.36

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares during the financial period.

- B11 Profit before tax is stated after charging / (crediting):

	Financial period ended 31 July 2017 RM'000
Interest income	(5,116)
Dividend income included in investment related income	(175)
Other income excluding dividend and interest income	(298)
Depreciation of property, plant and equipment	8,153
Impairment in value of available-for-sale quoted and unquoted investments	9
Foreign exchange (gain) / loss	(3,089)
(Reversal)/provision for and write off of receivables	(28)
(Reversal)/provision for and write off of inventories	(2,511)
Gain on disposal of quoted or unquoted investment or properties	-
Gain or loss on derivatives	-

B12 Realised and unrealised earnings of the Group is analysed as follows:

	As at 31-7-17 RM'000	As at 30-4-17 RM'000
Total retained earnings of the Company and its subsidiaries:		
- realised	553,935	525,082
- unrealised	<u>109,740</u>	<u>71,274</u>
	663,675	596,356
Share of results from associated companies	7,724	9,507
Less: Consolidation adjustments	<u>(349,092)</u>	<u>(317,429)</u>
Total group retained earnings as per consolidated accounts	<u><u>322,307</u></u>	<u><u>288,434</u></u>

cc: Securities Commission