

All terms and abbreviations used herein shall have the same meanings as those defined in the "Definitions" section of this AP, unless stated otherwise.

THIS AP IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY. If you have sold or transferred all your shares in our Company, you should immediately hand this AP together with the NPA and RSF (collectively referred to as "**Documents**") to the purchaser or transferee or agent/broker through whom you have effected the sale or transfer for onward transmission to the purchaser or transferee. You should address all enquiries concerning the Rights Issue of Shares with Warrants to our share registrar, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan.

The Documents are only despatched to our Entitled Shareholders whose names appear in our Record of Depositors as at 5.00 p.m. on 27 March 2018 at their registered addresses in Malaysia. Entitled Shareholders who do not have a registered address in Malaysia and wish to provide their Malaysian address, should inform their respective stockbrokers or our share registrar to effect the change of address by 5.00 p.m. on 27 March 2018. The Documents are not intended to be (and will not be) issued, circulated or distributed in any countries or jurisdictions other than Malaysia. No action has been or will be taken to ensure that the Rights Issue of Shares with Warrants or the Documents complies with the laws of any countries or jurisdictions other than the laws of Malaysia. The Documents do not constitute an offer, solicitation or invitation to subscribe for the Rights Issue of Shares with Warrants in any jurisdiction other than Malaysia or to any person to whom it may be unlawful to make such an offer, solicitation or invitation. It shall be the sole responsibility of the Entitled Shareholders and/or their renounees/transferees (if applicable) who are residents in countries or jurisdictions other than Malaysia to consult their legal and/or other professional adviser as to whether their acceptance or renunciation (as the case may be) of their entitlements to the Rights Issue of Shares with Warrants would result in the contravention of any laws of such countries or jurisdictions. Such Entitled Shareholders and/or their renounees/transferees (if applicable) should note the additional terms and restrictions as set out in Section 9 of this AP. Neither our Company nor TA Securities shall accept any responsibility or liability whatsoever to any party in the event that any acceptance or sale/renunciation made by the Entitled Shareholders, and/or their renounees/transferees (if applicable) is or shall become illegal, unenforceable, voidable or void in any countries or jurisdictions in which the Entitled Shareholders and/or their renounee/transferee (if applicable) are residents.

This AP has been registered by the SC. The registration of this AP should not be taken to indicate that the SC recommends the Rights Issue of Shares with Warrants or assumes responsibility for the correctness of any statement made or opinion or report expressed in this AP. The SC has not, in any way, considered the merits of the securities being offered for investment. The Documents have also been lodged with the Companies Commission of Malaysia who takes no responsibility for the contents of the Documents.

Our shareholders have approved the Rights Issue of Shares with Warrants at the EGM II held on 13 March 2018. Bursa Securities had vide its letter dated 25 January 2018 approved the admission of the Warrants to the Official List of the Main Market of Bursa Securities and the listing of and quotation for the Rights Shares, Warrants and the new CME Shares to be issued upon the exercise of the Warrants on the Main Market of Bursa Securities. However, this is not an indication that Bursa Securities recommends the Rights Issue of Shares with Warrants and are in no way reflective of the merits of the Rights Issue of Shares with Warrants. Bursa Securities takes no responsibility for the correctness of any statement made or opinions expressed in the Documents. The listing of and quotation for the Rights Shares and Warrants will commence after, amongst others, receipt of confirmation from Bursa Depository that all the CDS accounts of the Entitled Shareholders and/or their renounees/transferees (if applicable) have been duly credited and notices of allotment have been despatched to the Entitled Shareholders and/or their renounees/transferees (if applicable).

Our Board has seen and approved all the documentation relating to this Rights Issue of Shares with Warrants. Our Board collectively and individually accepts full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries, and to the best of our Board's knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statement in these documents false or misleading.

TA Securities, being the Adviser for the Rights Issue of Shares with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning the Rights Issue of Shares with Warrants.

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, PLEASE REFER TO "RISK FACTORS" AS SET OUT IN SECTION 5 HEREIN.



CME GROUP BERHAD

(Company No. 52235-K)

(Incorporated in Malaysia under the Companies Act, 1965)

RENOUNCEABLE RIGHTS ISSUE OF UP TO 846,307,143 ORDINARY SHARES IN CME GROUP BERHAD ("COMPANY") ("CME SHARE(S)") ("RIGHTS SHARE(S)") ON THE BASIS OF 2 RIGHTS SHARES FOR EVERY 3 EXISTING CME SHARES HELD AS AT 5.00 P.M. ON 27 MARCH 2018 AT AN ISSUE PRICE OF RM0.085 PER RIGHTS SHARE, TOGETHER WITH UP TO 1,057,883,928 FREE DETACHABLE WARRANTS ("WARRANTS") ON THE BASIS OF 5 WARRANTS FOR EVERY 4 RIGHTS SHARES SUBSCRIBED FOR

Adviser



IMPORTANT RELEVANT DATES AND TIME

Entitlement date	: Tuesday, 27 March 2018 at 5.00 p.m.
Last date and time for:	
Sale of provisional allotment of rights	: Tuesday, 17 April 2018 at 5.00 p.m.
Transfer of provisional allotment of rights	: Friday, 20 April 2018 at 4.00 p.m.
Acceptance and payment	: Wednesday, 25 April 2018 at 5.00 p.m.
Excess application and payment	: Wednesday, 25 April 2018 at 5.00 p.m.

This Abridged Prospectus is dated 27 March 2018

All terms and abbreviations used herein shall have the same meanings as those defined in the "Definitions" section of this AP, unless stated otherwise.

BURSA SECURITIES HAS APPROVED THE ADMISSION OF THE WARRANTS TO THE OFFICIAL LIST OF THE MAIN MARKET OF BURSA SECURITIES AND THE LISTING OF AND QUOTATION FOR THE RIGHTS SHARES, WARRANTS AND THE NEW SHARES TO BE ISSUED PURSUANT TO THE EXERCISE OF THE WARRANTS ON THE MAIN MARKET OF BURSA SECURITIES AND THE APPROVAL SHALL NOT BE TAKEN TO INDICATE THAT BURSA SECURITIES RECOMMENDS THE RIGHTS ISSUE OF SHARES WITH WARRANTS.

THE SC AND BURSA SECURITIES ARE NOT LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKE NO RESPONSIBILITY FOR THE CONTENTS OF THIS AP, MAKE NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIM ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS AP.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS AP ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE OF SHARES WITH WARRANTS FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

WE AND OUR ADVISER HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THIS AP.

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DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this AP and the accompanying appendices:

“5D-VWAP”	:	5-day VWAP
“Act”	:	Companies Act, 2016
“Additional Undertaking”	:	A written irrevocable and unconditional undertaking from our major shareholder, BBSB, dated 22 December 2017, to apply for such number of additional Rights Shares which are not subscribed by other Entitled Shareholders, by way of excess application, to such extent that the aggregate subscription of Rights Shares under the Rights Issue of Shares with Warrants (including subscription under excess share application) received by our Company shall not be less than RM7.54 million
“Announcement”	:	The announcement of the Rights Issue of Shares with Warrants dated 22 December 2017
“AP”	:	This Abridged Prospectus issued by our Company dated 27 March 2018
“AUD”	:	Australian Dollar
“BBSB” or “Undertaking Shareholder”	:	Best Birdsnest Sdn Bhd, a major shareholder of our Company
“Bellajade”	:	Bellajade Sdn Bhd
“Board”	:	Board of Directors of our Company
“Bursa Depository”	:	Bursa Malaysia Depository Sdn Bhd
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“CAGR”	:	Compounded annual growth rate
“CDS”	:	Central Depository System
“Circular”	:	Circular to our shareholders dated 19 February 2018 in relation to the Rights Issue of Shares with Warrants
“CME” or “Company”	:	CME Group Berhad
“CME Share(s)” or “Share(s)”	:	Ordinary share(s) in CME
“CMSA”	:	Capital Markets and Services Act 2007
“Code”	:	Malaysian Code on Take-overs and Mergers 2016
“Deed Poll”	:	The document constituting the Warrants dated 13 March 2018
“Director”	:	A natural person who holds a directorship in our Company, whether in an executive or non-executive capacity, and shall have the meaning given in Section 2 of the Act and Section 2(1) of the CMSA
“EBITDA”	:	Earnings before interest, taxation, depreciation and amortisation
“EGM II”	:	Extraordinary general meeting II of our Company held on 13 March 2018 in relation to the Rights Issue of Shares with Warrants

DEFINITIONS (CONT'D)

“Entitled Shareholders”	: The shareholders of our Company whose names appear in our Company’s Record of Depositors on the Entitlement Date
“Entitlement Date”	: 27 March 2018 at 5.00 p.m., being the date and time on which our shareholders must be registered on the Record of Depositors of our Company in order to be entitled to the Rights Issue of Shares with Warrants
“EPS”	: Earnings per Share
“ESOS”	: Employee share option scheme of our Company which was implemented with effect from 4 March 2015
“Exercise Price”	: The exercise price of RM0.01 per Warrant
“FPE”	: Financial period ended/ending, as the case may be
“FYE”	: Financial year ended/ending, as the case may be
“GDP”	: Gross domestic product
“GP”	: Gross profit
“Group”	: CME and our subsidiaries, collectively
“GST”	: Malaysian Goods and Services Tax
“ICULS”	: 10-year zero-coupon irredeemable convertible unsecured loan stocks constituted by the Trust Deed
“IMR Report”	: Independent market research report on “The Automotive Coachwork Industry in Malaysia” dated 6 March 2018 prepared by Infobusiness Research & Consulting Sdn Bhd
“Issue Price”	: The issue price of RM0.085 per Rights Share
“JVSB”	: Jewel View Sdn Bhd, a major shareholder of our Company
“LAT”	: Loss after tax
“LBITDA”	: Loss before interest, taxation, depreciation and amortisation
“LBT”	: Loss before tax
“Listing Requirements”	: Main Market Listing Requirements of Bursa Securities
“LPD”	: 6 March 2018, being the latest practicable date prior to the registration of this AP
“LPS”	: Loss per Share
“LTD”	: 12 March 2018, being the last trading day immediately preceding the Price-Fixing Date
“Market Day”	: A day on which Bursa Securities is open for the trading of securities
“Maximum Scenario”	: Assuming all outstanding ICULS are converted into new CME Shares prior to the Entitlement Date, all Entitled Shareholders subscribe for their entitlements under the Rights Issue of Shares with Warrants in full and any options under the ESOS will only be granted after the completion of the Rights Issue of Shares with Warrants

DEFINITIONS (CONT'D)

“Minimum Scenario”	:	Assuming none of the outstanding ICULS are converted into new CME Shares prior to the Entitlement Date, only the Undertaking Shareholder subscribes for the Rights Shares in accordance with the Undertaking and Additional Undertaking and any options under the ESOS will only be granted after completion of the Rights Issue of Shares with Warrants
“Minimum Subscription Level”	:	A minimum level of subscription of such amount of Rights Shares and Warrants by the Undertaking Shareholder (pursuant to the Undertaking and Additional Undertaking) in order to raise minimum gross proceeds of RM7.54 million
“NA”	:	Net assets
“NPA”	:	Notice of Provisional Allotment in relation to the Rights Issue of Shares with Warrants
“NTA”	:	Net tangible assets
“PAT”	:	Profit after tax
“PBT”	:	Profit before tax
“Price-Fixing Date”	:	13 March 2018, being the date on which our Board has determined the Issue Price and the Exercise Price
“Private Placement”	:	The placement of 44,110,000 new CME Shares at an issue price of RM0.05 per CME Share pursuant to a private placement exercise which was completed on 19 June 2017
“Record of Depositors”	:	A record of securities holders provided by Bursa Depository under the Rules of Bursa Depository
“Rights Issue of Shares with Warrants”	:	Renounceable rights issue of up to 846,307,143 new CME Shares on the basis of 2 Rights Shares for every 3 existing CME Shares held on the Entitlement Date, together with up to 1,057,883,928 Warrants on the basis of 5 Warrants for every 4 Rights Shares subscribed for
“Rights Shares”	:	Up to 846,307,143 new CME Shares to be issued pursuant to the Rights Issue of Shares with Warrants
“RM” and “sen”	:	Ringgit Malaysia and sen, respectively
“RSF”	:	Rights Subscription Form in relation to the Rights Issue of Shares with Warrants
“Rules”	:	Rules on Take-overs, Mergers and Compulsory Acquisitions
“Rules of Bursa Depository”	:	Rules of Bursa Depository including the rules in relation to a central depository as described in Section 2 of the SICDA
“SC”	:	Securities Commission Malaysia
“Share Registrar”	:	Symphony Share Registrars Sdn Bhd
“Shenlong”	:	Shanghai Shenlong Bus Co., Ltd (Company No. 12000000201612090080), a company incorporated in the People’s Republic of China
“SICDA”	:	Securities Industry (Central Depositories) Act, 1991
“TA Securities” or “Adviser”	:	TA Securities Holdings Berhad
“Teaming Agreement”	:	An agreement between our Company and Shenlong entered into on 12 May 2017 to formalise cooperation and exclusive teaming arrangement to supply buses and other vehicles in the Malaysian market

DEFINITIONS (CONT'D)

“Trust Deed”	:	The trust deed dated 15 October 2014 and the supplemental trust deed dated 13 March 2018 governing the ICULS and expiring on 23 November 2024
“Undertaking”	:	A written unconditional and irrevocable undertaking from our major shareholder, BBSB, dated 22 December 2017, to apply and subscribe in full for its entitlement of 53,715,760 Rights Shares
“VWAP”	:	Volume weighted average price
“Warrants”	:	Up to 1,057,883,928 free detachable warrants to be issued pursuant to the Rights Issue of Shares with Warrants
“Warrants Holder(s)”	:	The holder(s) of the Warrants

All references to “**our Company**” and/or “**CME**” in this AP are to CME Group Berhad. References to “**our Group**” are to CME and our subsidiaries and references to “**we**”, “**us**” “**our**” and “**ourselves**” are to CME and where the context does require, shall include our subsidiaries.

All references to “**you**” or “**your**” in this AP are to the Entitled Shareholders and/or, where the context requires otherwise, the renounee(s) and/or transferee(s).

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this AP to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of a day in this AP shall be reference to Malaysian time, unless otherwise specified.

Any discrepancies in the figures included in this AP between the amounts stated, actual figures and the totals thereof are due to rounding.

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CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name / (Designation)	Address	Age	Nationality	Profession
Y.M. Tunku Nizamuddin Bin Tunku Dato' Seri Shahabuddin (Executive Director)	49, Jalan SS22/20 Damansara Jaya 47400 Petaling Jaya Selangor Darul Ehsan	46	Malaysian	Company Director
Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj (Independent Non-Executive Director)	19, Jalan Kelab Golf 13/7 Seksyen 13 40100 Shah Alam Selangor Darul Ehsan	66	Malaysian	Company Director
YAM Tengku Besar Tengku Kamil Ismail Bin Tengku Idris Shah (Independent Non-Executive Director)	Kediaman Tengku Besar Pahang Jalan Istana Abu Bakar 26600 Pekan, Pahang	68	Malaysian	Company Director
Azlan Omry Bin Omar (Executive Director)	No. 34, Jalan Tualang Bangsar 59100 Kuala Lumpur	51	Malaysian	Company Director
Y. Bhg. Dato' Khairi Bin Mohamad (Independent Non-Executive Director)	46, Jalan Bangkung Bukit Bandaraya 59100 Kuala Lumpur	77	Malaysian	Company Director
Ong Suan Pin (Independent Non-Executive Director)	No. 26, Jalan SS2/100 47300 Petaling Jaya Selangor Darul Ehsan	59	Malaysian	Company Director

AUDIT COMMITTEE

Name	Designation	Directorship
Y. Bhg. Dato' Khairi Bin Mohamad	Chairman	Independent Non-Executive Director
Ong Suan Pin	Member	Independent Non-Executive Director
YAM Tengku Besar Tengku Kamil Ismail Bin Tengku Idris Shah	Member	Independent Non-Executive Director

COMPANY SECRETARY

: Cheam Tau Chern (MIA 18593)
PD Professional Advisory Sdn Bhd
36A, Lorong Gelugor
Off Persiaran Sultan Ibrahim
41300 Klang
Selangor Darul Ehsan
Tel. no. : 03-3343 8148 / 03-3343 8149
Fax. no. : 03-3341 4426

CORPORATE DIRECTORY (CONT'D)

- REGISTERED OFFICE** : 36A, Lorong Gelugor
Off Persiaran Sultan Ibrahim
41300 Klang
Selangor Darul Ehsan
Tel. no. : 03-3343 8148 / 03-3343 8149
Fax. no. : 03-3341 4426
- HEAD/MANAGEMENT OFFICE/
PRINCIPAL PLACE OF BUSINESS** : Lot 19, Jalan Delima 1/1
Taman Perindustrian Teknologi Tinggi Subang
47500 Subang Jaya
Selangor Darul Ehsan
Tel. no. : 03-5633 1188
Fax. no. : 03-5634 3838
Website : <http://www.cme.com.my>
E-mail address : cmeadmin@cme.com.my
- SHARE REGISTRAR** : Symphony Share Registrars Sdn Bhd
Level 6 Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel. no. : 03-7849 0777 (Helpdesk)
Fax. no. : 03-7841 8151/52
- AUDITORS AND REPORTING
ACCOUNTANTS FOR THE
RIGHTS ISSUE OF SHARES WITH
WARRANTS** : Baker Tilly Monteiro Heng (AF 0117)
Chartered Accountants
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel. no. : 03-2297 1000
Fax. no. : 03-2282 9980
- AUDITORS FOR THE FYE 31
DECEMBER 2016** : Deloitte PLT (AF 0080)
Chartered Accountants
Level 16, Menara LGB
1 Jalan Wan Kadir
Taman Tun Dr. Ismail
60000 Kuala Lumpur
Tel. no. : 03-7610 8888
Fax. no. : 03-7726 8986
- DUE DILIGENCE SOLICITORS
FOR THE RIGHTS ISSUE OF
SHARES WITH WARRANTS** : Olivia Lim & Co
43-3, Plaza Damansara
Jalan Medan Setia 1
Bukit Damansara
50490 Kuala Lumpur
Tel. no. : 03-2011 1386
Fax. no. : 03-2093 8124
- INDEPENDENT MARKET
RESEARCHER** : Infobusiness Research & Consulting Sdn Bhd
C4-3A-2, Solaris Dutamas
No.1 Jalan Dutamas 1
50480 Kuala Lumpur
Tel. no. : 03-6205 3930
Fax. no. : 03-6205 3927

CORPORATE DIRECTORY (CONT'D)

- PRINCIPAL BANKERS** : Public Bank Berhad
Shah Alam Branch
2, Jalan Pahat G15/G, Komplek Otomobil
Persiaran Selangor, Section 15
40200 Shah Alam
Selangor Darul Ehsan
Tel. no. : 03-5510 0567
Fax. no. : 03-5510 1288
- United Overseas Bank (Malaysia) Bhd
Kepong Branch, Kuala Lumpur
No. 82, Ground Floor, Jalan 3/62D
Medan Putra Business Centre
Sri Menjalara, Off Jalan Damansara
52200 Kuala Lumpur
Tel. no. : 03-6286 6888
Fax. no. : 03-6275 3668
- ADVISER FOR THE RIGHTS ISSUE
OF SHARES WITH WARRANTS** : TA Securities Holdings Berhad
32nd Floor, Menara TA One
22, Jalan P. Ramlee
50250 Kuala Lumpur
Tel. no. : 03-2072 1277
Fax. no. : 03-2026 0127
- STOCK EXCHANGE LISTING** : Main Market of Bursa Securities

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CME GROUP BERHAD

(Company No. 52235-K)

(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

36A, Lorong Gelugor
Off Persiaran Sultan Ibrahim
41300 Klang
Selangor Darul Ehsan

27 March 2018

Our Board of Directors:

Y.M. Tunku Nizamuddin Bin Tunku Dato' Seri Shahabuddin (*Executive Director*)

Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj (*Independent Non-Executive Director*)

YAM Tengku Besar Tengku Kamil Ismail Bin Tengku Idris Shah (*Independent Non-Executive Director*)

Azlan Omry Bin Omar (*Executive Director*)

Y. Bhg. Dato' Khairi Bin Mohamad (*Independent Non-Executive Director*)

Ong Suan Pin (*Independent Non-Executive Director*)

To: Our Entitled Shareholders

Dear Sir/Madam,

RIGHTS ISSUE OF SHARES WITH WARRANTS

1. INTRODUCTION

On 22 December 2017, TA Securities, on behalf of our Board, announced that our Company proposed to undertake the Rights Issue of Shares with Warrants.

Bursa Securities has vide its letter dated 25 January 2018 approved the following:

- (i) listing and quotation for up to 846,307,143 Rights Shares;
- (ii) admission to the Official List of the Main Market of Bursa Securities and the listing of and quotation for up to 1,057,883,928 Warrants to be issued pursuant to the Rights Issue of Shares with Warrants; and
- (iii) listing of and quotation for up to 1,057,883,928 new CME Shares to be issued pursuant to the exercise of the Warrants,

on the Main Market of Bursa Securities.

The approval of Bursa Securities is subject to the following conditions:

	Conditions imposed	Status of compliance
(i)	Our Company and TA Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Rights Issue of Shares with Warrants;	To be complied with
(ii)	Our Company and TA Securities to inform Bursa Securities upon completion of the Rights Issue of Shares with Warrants;	To be complied with
(iii)	Our Company and TA Securities to furnish Bursa Securities with a written confirmation of our compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue of Shares with Warrants is completed; and	To be complied with
(iv)	Our Company to furnish Bursa Securities on a quarterly basis a summary of the total number of Shares listed pursuant to the exercise of Warrants as at the end of each quarter together with a detailed computation of listing fees payable.	To be complied with

Our shareholders had approved the Rights Issue of Shares with Warrants at the EGM II held on 13 March 2018. A certified true extract of the ordinary resolution passed at the EGM II is set out in Appendix I of this AP.

On 13 March 2018, TA Securities, on behalf of our Board, announced the following:

- (a) the Entitlement Date has been fixed on 27 March 2018 at 5.00 p.m. together with the other relevant dates pertaining to the Rights Issue of Shares with Warrants;
- (b) the issue price for the Rights Shares has been fixed at RM0.085 per Rights Share; and
- (c) the exercise price of the Warrants has been fixed at RM0.01 per Warrant.

No person is authorised to give any information or to make any representation not contained in this AP in connection with the Rights Issue of Shares with Warrants and if given or made, such information or representation must not be relied upon as having been authorised by us or by TA Securities in connection with the Rights Issue of Shares with Warrants.

If you are in any doubt as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

2. DETAILS OF THE RIGHTS ISSUE OF SHARES WITH WARRANTS

Our Company proposes to issue up to 846,307,143 Rights Shares on the basis of 2 Rights Shares for every 3 existing CME Shares held on the Entitlement Date, together with up to 1,057,883,928 Warrants on the basis of 5 Warrants for every 4 Rights Shares subscribed for by the Entitled Shareholders.

The basis of 2 Rights Shares for every 3 existing CME Shares was arrived at after taking into consideration the following:

- (i) the Issue Price of the Rights Shares and the funding requirements of our Group, as detailed in Section 2.1(i) and Section 4 of this AP, respectively; and
- (ii) the rationale for the Rights Issue of Shares with Warrants as set out in Section 3 of this AP.

The basis of 5 Warrants for every 4 Rights Shares subscribed for was arrived at after taking into consideration the following:

- (i) the rationale for the Rights Issue of Shares with Warrants as set out in Section 3 of this AP; and
- (ii) Paragraph 6.50 of the Listing Requirements whereby the number of new shares which will arise from all outstanding warrants, when exercised, does not exceed 50% of the total number of issued shares of the listed issuer (excluding treasury shares and before the exercise of the warrants) at all times.

For illustrative purposes only, the maximum number of 846,307,143 Rights Shares and 1,057,883,928 Warrants was arrived at after taking into consideration of the following:

- (i) the existing issued share capital of our Company as at the LPD of RM46,315,500 comprising 485,210,000 CME Shares;
- (ii) 784,250,715 outstanding ICULS in our Company constituted by the Trust Deed, which entitles the ICULS holders to convert into 784,250,715 new CME Shares by surrendering 1 ICULS for 1 new CME Share; and
- (iii) as at the LPD, our Company has not granted any option under the ESOS and envisages that any options under the ESOS will only be granted after the completion of the Rights Issue of Shares with Warrants.

The minimum number of 88,715,760 Rights Shares and 110,894,700 Warrants was arrived at based on the Minimum Subscription Level as set out in Section 2.4 of this AP.

The entitlements for the Rights Shares with Warrants are renounceable in full or in part. However, the Rights Shares and the Warrants cannot be renounced separately. If the Entitled Shareholders renounce all of their Rights Shares entitlements, they will not be entitled to the Warrants. If the Entitled Shareholders accept only part of their Rights Shares entitlements, they will be entitled to the Warrants in proportion to their acceptance of their Rights Shares entitlements.

In determining our shareholders' entitlements to the Rights Shares with Warrants under the Rights Issue of Shares with Warrants, any fractional entitlements will be dealt with by our Board in such manner at its absolute discretion as it may deem fit or expedient and in the best interest of our Company. Any Rights Shares with Warrants which are not taken up or validly taken up shall be made available for excess applications by the Entitled Shareholders and/or their renounees/transferees (if applicable). It is the intention of our Board to allocate the excess Rights Shares in a fair and equitable basis specified under Section 9.7 herein.

The Warrants will be immediately detached from the Rights Shares upon issuance and will be separately traded from the Rights Shares on the Main Market of Bursa Securities. Any unsubscribed Rights Shares with the attached Warrants shall be offered to other Entitled Shareholders and/or their renounees/transferees (if applicable) under the excess Rights Shares with Warrants application.

As you are an Entitled Shareholder, your CDS account will be duly credited with the number of provisionally allotted Rights Shares with Warrants, which you are entitled to subscribe for in full or in part under the terms of the Rights Issue of Shares with Warrants. You will find enclosed with this AP, the NPA notifying you of the crediting of such provisional Rights Shares with Warrants into your CDS account and the RSF to enable you to subscribe for the provisional Rights Shares with Warrants, as well as to apply for the excess Rights Shares with Warrants if you choose to do so.

Any dealing in our securities will be subject to the SICDA and the Rules of Bursa Depository. Accordingly, the Rights Shares with Warrants and new Shares to be issued arising from the exercise of the Warrants will be credited directly to the respective CDS accounts of the successful applicants and exercising Warrant Holders (as the case may be). No physical share certificates and warrant certificates will be issued to the Entitled Shareholders and/or their renounees/transferees (if applicable). A notice of allotment will be despatched to the successful applicants within 8 Market Days from the last date of acceptance and payment for the Rights Issue of Shares with Warrants and a notice of allotment will be despatched to the exercising Warrant Holders within 8 Market Days after the date of receipt of the exercise form together with the requisite payment (for exercise of Warrants) from the date of exercise of the Warrants. The Rights Shares and Warrants will then be quoted on the Main Market of Bursa Securities within 2 Market Days after the application for quotation is made to Bursa Securities as specified in the Listing Requirements.

Pursuant to Paragraph 6.51 of the Listing Requirements, the listing and quotation of Warrants on the Main Market of Bursa Securities is subject to a minimum of 100 Warrant Holders holding not less than 1 board lot of Warrants.

2.1 Basis of determining the Issue Price and Exercise Price

(i) Rights Shares

Our Board has fixed the issue price of the Rights Shares at RM0.085 each after taking into consideration, among others, the following:

- (a) the funding requirements of our Group, as detailed in Section 4 of this AP; and
- (b) the historical NA per CME Share.

CME Shares had been traded at prices lower than its NA per Share, as set out below:

- (a) CME's historical NA per Share is as follows:

Period	NA per Share (RM)
As at 31 December 2016	0.147
As at 31 March 2017	0.148
As at 30 June 2017	0.133
As at 30 September 2017	0.131
As at 31 December 2017	0.126

(Source: CME's announcements on financial results and Annual Report 2016)

- (b) From 1 January 2016 up to the LTD, the daily VWAP of CME Shares ranges from RM0.04 to RM0.07, which are lower than the abovementioned NA per Share *(Source: Bloomberg Finance L.P.)*; and
- (c) The 1-year VWAP of CME Shares (from 13 March 2017 up to the LTD) is RM0.0535 which is lower than the abovementioned NA per Share. *(Source: Bloomberg Finance L.P.)*

In view of the above, our Board is of the opinion that the market price of CME Shares does not reflect the asset value of our Group. Our Board has fixed the Issue Price at a premium to the prevailing market price of CME Shares in order to avoid further downward adjustment of the CME share price post completion of the Rights Issue of Shares with Warrants.

The Issue Price represents a premium of RM0.035 or 70% to the 5D-VWAP of CME Shares up to and including the LTD of RM0.05.

(ii) Warrants

The Warrants will be issued at no cost to the Entitled Shareholders who successfully subscribed for the Rights Shares.

Our Board has fixed the exercise price of the Warrants at RM0.01 each after taking into consideration, among others, the 5D-VWAP of CME Shares up to and including the LTD of RM0.05.

The Exercise Price represents a discount of RM0.04 or 80% to the 5D-VWAP of CME Shares up to and including the LTD of RM0.05.

The Exercise Price is at a discount to the market price of CME Shares to provide incentive to the Entitled Shareholders to subscribe for the Rights Shares in view that the Issue Price is at a premium to the market price of CME Shares, and to further encourage the Warrant Holders to exercise their Warrants and increase their equity participation in our Company.

2.2 Ranking of the Rights Shares and the new CME Shares to be issued arising from the exercise of the Warrants

The Warrants Holders will not be entitled to any voting rights or participation in any form of distribution and/or offer of further securities in our Company until and unless such Warrants Holders exercise their Warrants into new CME Shares.

The Rights Shares and new CME Shares to be issued arising from the exercise of the Warrants shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing CME Shares, save and except that the Right Shares and the new CME Shares shall not be entitled to any dividends, rights, allotments and/or other forms of distributions, the entitlement date of which is prior to the date of allotment of the Rights Shares and the new CME Shares to be issued arising from the exercise of the Warrants.

2.3 Salient terms of the Warrants

The salient terms of the Warrants are as follows:

Terms	Details
Issue size	: Up to 1,057,883,928 Warrants.
Form and denomination	: The Warrants which are free will be issued in registered form and will be constituted by the Deed Poll.
Exercise period	: The Warrants may be exercised at any time during the tenure of the Warrants of 10 years commencing on and including the date of first issuance of the Warrants until 5.00 p.m. on the expiry date. Warrants which have not been exercised during the exercise period will thereafter lapse and cease to be valid for any purpose.
Exercise price	: RM0.01, subject to adjustments in accordance with the provisions of the Deed Poll.
Expiry date	: The day immediately preceding the 10 th anniversary date of the issuance of the Warrants, provided that if such day falls on a day which is not a market day, then on the preceding market day.
Exercise rights	: Each Warrant entitles the registered holder to subscribe for 1 new CME Share at any time during the exercise period at the Exercise Price (subject to the condition in the Deed Poll).

Terms	Details
Mode of exercise	: The registered holder of the Warrants is required to lodge an exercise form, as set out in the Deed Poll, with our Company's Share Registrar, duly completed, signed and duly stamped in accordance with any law for the time being in force relating to stamp duty together with payment of the Exercise Price for the new CME Shares subscribed for by banker's draft or cashier's order or money order or postal order in RM drawn on a bank or post office operating in Malaysia.
Board lot	: For the purpose of trading on Bursa Securities, 1 board lot of Warrant shall comprise of 100 Warrants carrying the right to subscribe for 100 new CME Shares at the Exercise Price at any time during the exercise period, or such other denomination as determined by Bursa Securities from time to time. For the avoidance of doubt, the Warrants would be immediately detached from the Rights Shares upon issuance and shall be listed and traded on the Main Market of Bursa Securities when the Warrants meet the conditions of the Listing Requirements of at least 100 Warrants Holders holding not less than 1 board lot each and submitting relevant application for the Warrants to be listed on the Main Market of Bursa Securities. The Warrants will not be listed in the event this condition is not met.
Adjustments in the Exercise Price and/or number of the Warrants	: Subject to the provisions in the Deed Poll, the Exercise Price and the number of Warrants held by each Warrant Holder shall be adjusted by our Board in consultation with the approved adviser and certified by the auditors of our Company, in the event of alteration to the share capital of our Company.
Rights of the Warrant Holders	: The new CME Shares arising from the exercise of the Warrants are not entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment and issuance of the new CME Shares upon the exercise of the Warrants. The Warrant Holders are not entitled to any voting rights or participation in any form of distribution and/or offer of securities in our Company until and unless such Warrant Holders exercise their Warrants into new CME Shares.
Rights in the event of winding-up, liquidation, compromise and/or arrangement	: If a resolution is passed for a members' voluntary winding-up of our Company or there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of our Company or the amalgamation of our Company with one or more companies, then: <ul style="list-style-type: none"> (i) our Company shall give notice to the Warrants Holders within 21 market days of such a resolution; or (ii) for the purposes of such winding-up, compromise or scheme of arrangement (other than a consolidation, amalgamation or merger in which our Company is the continuing corporation) to which the Warrant Holders (or some person designated by them for such purpose by special resolution) shall be a party, the terms of such winding-up, compromise and arrangement shall be binding on all the Warrant Holders; or

Terms

Details

(iii) in any other case, every Warrant Holder shall be entitled upon and subject to the conditions at any time within 6 weeks after the passing of such resolution for a members' voluntary winding-up of our Company or the granting of the court order approving the compromise or arrangement (as the case may be), to exercise their Warrants by submitting the exercise form duly completed authorising the debiting of his Warrants together with payment of the relevant Exercise Price to elect to be treated as if he had immediately prior to the commencement of such winding-up exercised the exercise rights to the extent specified in the exercise form(s) and had on such date been the holder of the new Shares to which he would have become entitled pursuant to such exercise and the liquidator of our Company shall give effect to such election accordingly.

Modification : Subject to the approval of Bursa Securities (if required) and save as otherwise provided in the Deed Poll, a special resolution of the Warrant Holders is required to sanction any modifications, amendments, deletions or additions in respect of the rights of the holders of the Warrants.

Subject to the provisions of the Deed Poll, our Company may from time to time, without the consent or sanction of the Warrant Holders, modify the Deed Poll provided that such modification does not materially prejudice the interests of the Warrant Holders or is made to correct a manifest error or to comply with the mandatory provisions of the prevailing laws of Malaysia, Rules of Bursa Depository and/or the Listing Requirements.

Any modifications, amendments, deletions or additions to the Deed Poll may be effected only by Deed Poll, executed by our Company and expressed to be supplemental to the Deed Poll and comply with the requirements of the Deed Poll.

Listing status : The Warrants will be listed and traded on the Main Market of Bursa Securities. Approval has been obtained from Bursa Securities for the admission of the Warrants to the Official List of the Main Market of Bursa Securities and the listing of and quotation for the Warrants and the new CME Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities.

Governing law : The laws of Malaysia.

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2.4 Minimum Subscription Level and major shareholder's undertaking

Our Company intends to raise a minimum of RM7.54 million from the Rights Issue of Shares with Warrants after taking into consideration, amongst others, the funding requirements of our Group as set out in Section 4 of this AP.

In view of the above, our Board has determined to undertake the Rights Issue of Shares with Warrants on the basis of Minimum Subscription Level.

To meet the Minimum Subscription Level, our Company has obtained the Undertaking from our major shareholder, BBSB, that it will not dispose of or transfer any of its existing CME Shares following the date of the Undertaking and up to the Entitlement Date; and it will apply and subscribe in full for its entitlement of 53,715,760 Rights Shares.

Further, our Company had procured the Additional Undertaking from BBSB that it will apply for such number of additional Rights Shares which are not subscribed by other Entitled Shareholders, by way of excess application, to such extent that the aggregate subscription of Rights Shares under the Rights Issue of Shares with Warrants (including subscriptions under excess shares applications) received by our Company shall not be less than RM7.54 million.

The Undertaking Shareholder has confirmed that it has sufficient financial means and resources to subscribe for the Rights Shares under the Undertaking and Additional Undertaking. As the Adviser for the Rights Issue of Shares with Warrants, TA Securities has verified that the Undertaking Shareholder has sufficient financial resources to fulfil its commitment pursuant to the Undertaking and the Additional Undertaking.

The total gross proceeds to be raised under the Minimum Subscription Level is approximately RM7.54 million. The Undertaking and Additional Undertaking will enable our Company to meet the Minimum Subscription Level.

For illustrative purposes, the details of the Undertaking and Additional Undertaking under the Minimum Subscription Level are as follows:

Undertaking Shareholder	Issue Price (RM)	As at the LPD		Rights Shares entitlement	Additional Undertaking*	No. of Rights Shares entitled/ undertaken ⁽¹⁾		Total subscription monies (RM)
		No. of CME Shares	%	No. of CME Shares	No. of CME Shares	No. of CME Shares	%	
BBSB	0.085	80,573,640	16.61	53,715,760	35,000,000	88,715,760	15.46	7,540,840

Notes:

* Assuming no other shareholder subscribe for the Rights Shares under the Rights Issue of Shares with Warrants.

(1) Computed based on the enlarged total number of issued Shares of 573,925,760 CME Shares under the Minimum Subscription Level.

In view of the Undertaking and Additional Undertaking, the Minimum Subscription Level will be achieved. As the Rights Issue of Shares with Warrants will be implemented based on the Minimum Subscription Level, no underwriting arrangement will be made for the Rights Shares with Warrants under the Rights Issue of Shares with Warrants.

After taking into consideration the Undertaking and Additional Undertaking, the subscription of the Rights Shares with Warrants by the Undertaking Shareholder will not give rise to any consequences of mandatory general offer obligations pursuant to the Code and the Rules. The Undertaking Shareholder has undertaken to observe and comply at all times with the provisions of the Code and the Rules.

2.5 Details of other corporate exercises

Save for the Rights Issue of Shares with Warrants and ESOS, as at the LPD, our Board is not aware of any outstanding corporate proposal which has been announced but pending completion.

3. RATIONALE FOR THE RIGHTS ISSUE OF SHARES WITH WARRANTS

On 19 June 2017, our Company had completed the Private Placement which raised gross proceeds of RM2.206 million, all of which have been utilised as at the LPD for the following purposes:

Purposes	RM'000
Working capital of our Group	1,124
Repayment of bank borrowing	1,000
Defrayment of expenses for the Private Placement	82

The size of the Private Placement represents only 10% of total number of our then issued Shares and our Company had obtained a general mandate from our shareholders for such issuance of new Shares prior to the implementation of the Private Placement. Hence, the Private Placement allows our Company to raise additional funds expeditiously. It does not raise sufficient funds for purposes as stated in Section 4 of this AP.

Our Group has been utilising bank borrowings to fund our operations since 2015 (FYE 31 December 2015: RM23.95 million, FYE 31 December 2016: RM23.28 million, LPD: RM39.13 million). Further, the credit period granted to our Group for trade purchases of 30 to 60 days is shorter than the credit period granted by our Group to our customers of 30 to 90 days. This has caused constraint in our cash flow and consequently, our Group has been in a net current liabilities position for past 2 FYEs 31 December 2015 and 2016. In view of this, our Company is continuously assessing various fund raising options to, amongst others, repay our Group's bank borrowings and make available funds for our business operations and expansion.

After due consideration of the various methods of fund raising available for the purposes as stated in Section 4 of this AP, our Board is of the opinion that the Rights Issue of Shares with Warrants is currently an appropriate avenue after taking into consideration the following:

- (i) the issuance of Rights Shares with Warrants will allow our Company to raise funds without incurring interest costs as compared to other means of financing, such as bank borrowings or the issuance of debt instruments;
- (ii) it enhances the cash flow of our Group and enables our Company to raise funds for the purposes set out in Section 4 of this AP which is expected to contribute positively to the future earnings of our Group and improve our financial performance and financial position;
- (iii) it involves the issuance of new CME Shares without diluting the existing shareholders' equity interest, assuming all Entitled Shareholders fully subscribe for their respective Rights Shares entitlements and exercise their Warrants subsequently;
- (iv) the issuance of Rights Shares with Warrants also provides an opportunity for the existing shareholders to increase their equity participation in our Company by subscribing to the Rights Shares. The Undertaking and Additional Undertaking will allow the Undertaking Shareholder to extend its support for the Rights Issue of Shares with Warrants to facilitate our Company to raise the necessary funds without incurring additional cost in the form of underwriting commission; and
- (v) the Warrants to be issued pursuant to the Rights Issue of Shares with Warrants will provide our shareholders with an attractive option to increase their equity participation in our Company at a pre-determined price during the tenure of the Warrants. In addition, proceeds from the exercise of the Warrants in the future will provide an additional source of funds to be utilised by our Group for our working capital.

As set out in Section 4 of this AP, the Rights Issue of Shares with Warrants provides an avenue for our Company to raise funds to, amongst others, repay our Group's bank borrowings and improve our Group's gearing ratio and alleviate our net current liabilities position, as well as make available funds for our Group's business operations and expansion (i.e. funds for project tenders). Hence, it will be able to improve our cash flow position and result in interest savings without being overly dependent on existing credit facilities to fund the on-going business operations of our Group.

Our Board is of the opinion that the Rights Issue of Shares with Warrants is adequate to address our Company's current financial concerns.

4. UTILISATION OF PROCEEDS

Based on the Issue Price, the Rights Issue of Shares with Warrants will raise total gross proceed of approximately up to RM71.94 million to be utilised in the manner as set out below:

	Note	Minimum Scenario (RM)	Maximum Scenario (RM)	Expected time frame for utilisation of proceeds (from the date of listing of the Rights Shares)
Repayment of borrowings	(1)	4,300,000	18,050,000	Within 24 months
Working capital	(2)	2,630,840	53,276,107	Within 24 months
Estimated expenses in relation to the Rights Issue of Shares with Warrants	(3)	610,000	610,000	Within 6 weeks
Total estimated proceeds		7,540,840	71,936,107	

Notes:

- (1) Our Company shall utilise RM4.30 million (under the Minimum Scenario) or up to RM18.05 million (under the Maximum Scenario) of the total gross proceeds from the Rights Issue of Shares with Warrants for the repayment of borrowings. As at the LPD, our Group has borrowings of approximately RM39.13 million, comprising the following:

Types of borrowings	Interest rate per annum	Maturity date	Amount (RM'000)
Bank overdrafts	7.96% - 8.45%	Not applicable	14,301
Bankers' acceptances	1.00% - 1.25%*	13 April 2018	1,875
Term loans	8.75%	June 2023	1,733
Project loans	8.35%	January 2020	21,219
Total			39,128

Note:

- * Being the acceptance commission for bankers' acceptance.

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After taking into consideration the maturity date of the term loans and project loans, our Company proposes to utilise the proceeds for repayment of bank borrowings over a period of 24 months to repay and/or early settlement of the term loans and project loans or such other credit facilities to be utilised in the future. In the meantime, our Group shall continue to utilise available banking facilities to fund our on-going operations. As at the LPD, the unutilised bank overdraft facility and bankers' acceptance is approximately RM0.20 million and RM1.82 million, respectively. The facility limit for project loan is RM33.50 million (of which RM12.28 million remains unutilised as at the LPD). The term loan has been fully utilised. As at the LPD, our management has yet to determine the type of borrowings which our Company will repay and the quantum of such repayment as this will depend on the level of proceeds raised by our Company pursuant to the Rights Issue of Shares with Warrants. Nonetheless, our management shall prioritise repayment of bank borrowings with impending maturity followed by the potential interest savings in determining the type of borrowings to be repaid and the quantum of repayment under both the Minimum Scenario and Maximum Scenario.

Based on an average effective interest rate of 8% per annum, the repayment of the bank borrowings is expected to result in an annual interest savings of approximately RM0.34 million (under the Minimum Scenario) or RM1.44 million (under the Maximum Scenario).

- (2) The proceeds earmarked for the working capital of our Group will be utilised to finance our Group's operating expenses to support our existing business operations. The expenses include, amongst others, payments of staff related expenses such as wages and staff welfare, payments to trade and other creditors (new and existing) and other operating and general expenses.

The breakdown of proceeds to be utilised for each component of working capital are as follows:

Purposes	Minimum Scenario	Maximum Scenario
	RM	RM
Staff related expenses ^(a)	1,000,000	4,500,000
Payment of trade and other creditors ^(b)	1,000,000	27,000,000
Project tenders and electric bus project expenses ^(c)	-	17,000,000
Administrative and general expenses ^(d)	630,840	4,776,107
Total	2,630,840	53,276,107

Notes:

- (a) Comprises payments of basic salary, Employees' Provident Fund contributions, Social Security Organisation contributions and staff welfare to the staff of our Group. In the event only the Minimum Scenario is achieved, our Company will utilise internally-generated funds to fund the remaining staff related expenses. Our Group's staff related expenses were approximately RM3.72 million, RM3.75 million and RM3.88 million for the FYE 31 December 2015, FYE 31 December 2016 and 12-month FPE 31 December 2017, respectively.
- (b) Comprises payments of trade creditors which relate to purchase of raw materials and sub-contracting services, and other creditors (breakdown as follows):

	Minimum Scenario	Maximum Scenario
	RM	RM
Trade creditors	500,000	15,000,000
Other creditors	500,000	12,000,000
Total	1,000,000	27,000,000

As at the LPD, our Group has outstanding trade creditors amounted to RM9.48 million and other creditors amounted to RM14.19 million.

The following table sets out our Group's trade creditors as at 31 December 2016 and 31 December 2017, respectively:

	As at 31 December 2016 RM'000	As at 31 December 2017 RM'000
Trade creditors	13,727	10,461
Cost of sales	19,727	32,664
Trade creditors turnover period (days)*	254	117

Note:

* Trade creditors turnover period = Trade creditors / Cost of sales x 365 days.

Our Company intends to utilise the proceeds to repay trade creditors to minimise the interruptions to the supply of goods and services to our Group which, in turn, minimise the interruptions to our business operations. The lower trade creditors balance will also enable our Group to obtain more favourable credit terms from our suppliers.

The credit period granted to our Group for trade purchases is between 30 to 60 days while the trade creditors turnover period for our Group for the FYE 31 December 2016 and 12-month FPE 31 December 2017 are longer than the credit period granted by our suppliers to our Group. Despite this, there has not been any major interruption to the business operations of our Group as a result of amounts owing to trade creditors that are past due.

As at 31 December 2016, our Group's other creditors comprise of provision for forbearance payment (refer to Section 7(a), Appendix II of this AP for further details on the forbearance payment), amount owing to third parties (being loans from 2 entities for our Group's working capital purpose. These entities are not financial institutions and not related to our Directors and substantial shareholders. Due to the constraint in our cash flow, our Company had obtained the loans from these entities. A minority shareholder of 1 of the said entities was appointed by our Company to assist in the preparation of tender or other legal documentations. The said individual is not related to our Directors and substantial shareholders. For the other entity which provide loan to our Group, save for the provision of loan, our Group has no other business transactions with this entity), other payables (mainly being purchases and/or expenses which are non-trade in nature such as other professional fees, deposits received from customers upon placement of orders, land tax and assessment fees payable to Australian authorities), rental deposits (received from tenants for properties located at Bandar Indera Mahkota, Kuantan, Pahang, owned by our Company under the investment holding segment), accrued expenses (directors' fees, audit fees and other professional fees), provisions (for, amongst others, warranties and maintenance services provided) and GST payables. However, on 29 August 2017, our Company had fully settled the forbearance payment. Our Company intends to utilise the proceeds to repay other creditors to alleviate our Group's net current liabilities.

As at the LPD, our Group has outstanding trade creditors amounted to RM9.48 million and other creditors amounted to RM14.19 million. The proceeds are earmarked to pay new and existing trade and other creditors. The variation in the actual utilisation for payments to existing trade and other creditors will be adjusted accordingly to/from the new trade and other creditors as and when the needs arise. Under the Maximum Scenario, any excess proceeds (after outstanding trade and other creditors have been settled) will be adjusted accordingly to payment of staff related expenses and/or administrative and general expenses within 24 months from the listing of the Rights Shares. In the event only the Minimum Scenario is achieved, our Company will utilise internally-generated funds and/or bank borrowings to repay the remaining trade and other creditors.

The amount paid to trade creditors of our Group were approximately RM20.0 million, RM15.69 million and RM35.93 million for the FYE 31 December 2015, FYE 31 December 2016 and 12-month FPE 31 December 2017, respectively. The amount paid to other creditors of our Group were approximately RM5.35 million, RM2.05 million and RM18.16 million for the FYE 31 December 2015, FYE 31 December 2016 and 12-month FPE 31 December 2017, respectively.

- (c) Under the Maximum Scenario, our Company also intends to utilise proceeds of RM17.0 million to fund preliminary expenses for project tenders (i.e., cost in manufacturing prototype units of electric buses and fire fighting vehicles as well as tender/bid documentations expenses), project costs and performance bonds for new projects (if needs arise), which the breakdown could not be determined by our management at this juncture as actual utilisation is subject to the component of each project tender.

Our Group has more than 20 years of experience in the business of designing, manufacturing, and supply of cutting-edge specialised vehicles to various purchasers in both the public and private sector in Malaysia. Our Company has been actively exploring new product range and opportunities within the specialised vehicle industry. Our Group has a long track record of successful contract execution, and our Company remains active in the procurement of projects. As at the LPD, our Company has quoted and proposed for a total of 16 projects related to supply of specialised vehicles which are worth RM205.2 million. Out of these 16 projects, our Group has secured a project worth USD452,000 (equivalent to approximately RM1.76 million based on the exchange rate as at the LPD) thus far. For information purposes, the prospective customers may take up to 6 months from the date of submission of our proposals to assess our Group's proposals and notify us on their decisions. Refer to Section 6.2 of this AP for the overview and outlook of the automotive coachwork industry in Malaysia.

Our Company had entered into a Teaming Agreement to tap into Shenlong's reputation as a renowned bus manufacturer in Shanghai and is dedicated to the research, development, manufacturing and sales of buses internationally. Our Group and Shenlong are of the opinion that the cooperation and teaming up for the purposes of venturing into Malaysian market for the supply of buses and other vehicles is a synergistic relationship which shall be mutually beneficial. Both our Group and Shenlong have agreed to work together on a synergistic and cooperative basis to promote sales and marketing of the buses, providing services related to sales or maintenance of the buses as well as commercial possibilities in relation to buses including setting up and manufacturing of electric charging stations for buses and to explore the possibility of setting up a plant for the manufacturing of buses in Malaysia.

Through the Teaming Agreement, our management believes that our Group can tap into Shenlong's technical experience and knowledge in providing relevant technical specifications and documentations for the manufacturing of electric buses and other vehicles, while our Group can provide the manufacturing space to produce the electric buses and other vehicles. Shenlong can also leverage on our Group's familiarity with the regulations and guidelines in Malaysia for the registration/testing of the buses and/or other vehicles with the authorities in Malaysia. Refer to Section 6.2 of this AP for the overview and outlook of the automotive coachwork industry in Malaysia.

In the event only the Minimum Scenario is achieved, our Group will fund the working capital required for preliminary expenses for project tenders, project costs and performance bonds for new projects of up to RM17.0 million from our internally-generated funds and/or bank borrowings, the combination of which has yet to be determined by our management at this juncture.

As at the LPD, our Group is in the early stage of negotiation with prospective customers for the manufacturing and sales of electric buses.

- (d) Comprise payments for utilities, rental and other general expenses, the breakdown of which has yet to be determined by our management at this juncture. In the event only the Minimum Scenario is achieved, our Group will utilise internally-generated funds to fund the remaining administrative and general expenses. Our Group's administrative and general expenses were RM1.85 million, RM2.68 million and RM3.45 million for the FYE 31 December 2015, FYE 31 December 2016 and 12-month FPE 31 December 2017, respectively.
- (3) The breakdown of the estimated expenses for the Rights Issue of Shares with Warrants is as follows:

Description	RM'000
Professional fees ⁽ⁱ⁾	440
Fees to relevant authorities	100
Other incidental expenses in relation to the Rights Issue of Shares with Warrants (comprising printing and despatch costs, cost of convening EGM II and other expenses)	60
Miscellaneous expenses	10
Total	610

Note:

- (i) Comprises fees payable to the Adviser, due diligence solicitors, reporting accountants, company secretary, Share Registrar and independent market researcher.

Any surplus or shortfall of proceeds for the estimated expenses in relation to the Rights Issue of Shares with Warrants will be adjusted accordingly to/from the working capital of our Group.

The actual proceeds to be raised from the Rights Issue of Shares with Warrants are dependent on the number of Rights Shares to be issued. Any variation in the actual proceeds raised will be adjusted to/from the proceeds allocated for the working capital of our Group.

Pending utilisation of the proceeds from the Rights Issue of Shares with Warrants for the abovementioned purposes, the proceeds will be placed in deposits with financial institution or short-term money market instruments as our Board may deem fit. The interest derived from the deposits with the financial institution or any gain arising from the short-term money market instruments will be used as working capital of our Group.

The exact quantum of proceeds that may be raised by our Company pursuant to the exercise of the Warrants will depend upon the actual number of Warrants exercised during the tenure of the Warrants and the exercise price of the Warrants. The proceeds to be raised from the exercise of the Warrants shall be utilised for the working capital of our Group, of which the exact timeframe and the breakdown for the utilisation cannot be determined at this juncture.

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5. RISK FACTORS

You and/or the renounees/transferees (if applicable) should consider carefully the following risk factors which may have an impact on the future performance of our Group, in addition to other information contained elsewhere in this AP, before subscribing for or investing in the Rights Issue of Shares with Warrants.

5.1 Risks relating to our Group

(i) Political, economic and regulatory considerations

Any adverse developments in political, economic and regulatory conditions in Malaysia and the country such as Australia where our Group has business dealings may materially and adversely affect our financial and business prospects. Other political uncertainties that could unfavourably affect us include changes in political leadership, war, economic downturn, financial crisis, expropriation, nationalisation, re-negotiation or nullification of existing contracts, changes in interest rates and methods of taxation.

Much of the above changes are beyond our control. Nevertheless, changes in the political, economic, regulatory and social conditions have not adversely impact our business and growth prospects as at the LPD. Whilst we practice prudent financial management and efficient operating procedures, there can be no assurance that any adverse economic, political and regulatory developments will not materially affect the performance of our Group.

(ii) Dependency on key personnel

Our Group's sustainability in our business depends largely on the abilities, skills, experience and competency of our existing Directors and key management personnel, namely Y.M. Tunku Nizamuddin Bin Tunku Dato' Seri Shahabuddin (our Executive Director), Azlan Omry Bin Omar (our Executive Director), Wong Chee Fatt (our Chief Executive Officer) and Tan Guan Tee (General Manager for Production and Service Division). Recognising the importance of these key personnel, our Group continuously adopts appropriate approaches/measures to retain them, strives to attract qualified and experienced employees and addresses succession planning by grooming junior employees to complement the management team. Nevertheless, the loss of our Directors and/or any of the relevant key management personnel without suitable and timely replacement, or the inability of our Group to attract and retain other qualified personnel, could adversely affect our Group's business operations and consequently, our revenue and profitability.

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5.2 Risks relating to our business and industry

Manufacturing business

(i) Operational / Business risks

Our Group is involved in the manufacturing and sales of specialised mobility vehicles, fire fighting and safety vehicles and other safety related products. Manufacturing is the core business of our Group and accounted for 81.6% and 80.7% of our Group's revenue for FYE 31 December 2016 and 12-month FPE 31 December 2017, respectively. Therefore, our Group is subject to risks inherent to the manufacturing industry in which we operate. These may include increases in components costs due to fluctuation in foreign exchange rates, availability of components and changes in the regulatory framework industry governing the manufacturing of fire fighting and safety vehicles and related products.

There is no assurance that these risks, if materialise, will not affect the performance of our Group.

(ii) Competition risk

Our Group faces competition in both the local and global markets. Should our Group fail to overcome the competition, this will result in loss of market share and subsequently loss of revenue. This in turn will affect the financial performance and position of our Group.

In order to remain competitive, our Group is constantly looking to improve our manufacturing processes and manufacturing efficiency, standards and quality of our products. Further, as stated in Section 4 of this AP, our Group intends to co-operate and team up with Shenlong for the purposes of venturing into Malaysian market for the supply of electric buses and other vehicles in a synergistic relationship which shall be mutually beneficial. Considering the prospects of electric buses as set out in Section 6.2.2 of this AP, we believe our Group can tap into Shenlong's expertise in the research, development, manufacturing and sales of buses to venture into the Malaysian market for the supply of electric buses and other vehicles.

While our Group also strives to maintain our strong relationship with our customers by ensuring prompt delivery, price competitiveness of our products and consistent quality, there can be no assurance that these efforts will be effective to minimise the effects of competition on our Group's business.

(iii) Ability to meet customers' specific preferences and requirements

To achieve our business goals, our Group must develop and sell products that appeal to our customers. This is dependent on a number of factors, such as our ability to manufacture products that meet the quality, performance and price expectations of our customers, as well as the ability to develop effective sales and marketing programmes. Further growth will depend on our Group's ability to innovate our existing products and introduce new products. Failure to keep pace with product innovation and/or to predict market demand for the products may impact on our business, financial condition and results of operations. Taking cognisance of this, our Group intends to venture into the Malaysia market for the supply and sale of electric buses (as set out in Section 4 of this AP).

As such, our Group is constantly looking to improve our manufacturing processes and manufacturing efficiency, standards and quality of our products. Our Group has also established a strong relationship with our customers and is confident that we will maintain our competitive advantage by ensuring prompt delivery, price competitiveness of our products and consistent quality. Despite the measures taken by our Group, there is no assurance that any of the above factors will not have a material adverse effect on our Group's operations and financial performance.

(iv) Fluctuation in foreign exchange rates

Our Group is mainly exposed to the currency of United States Dollar and British Pound Sterling through the import of components (accounting for 70.5%, 68.4% and 72.1% of our Group's total cost of sales for the FYE 31 December 2015, FYE 31 December 2016 and 12-month FPE 31 December 2017, respectively). As such, any adverse fluctuation in foreign exchange rates against the RM will increase the costs of the products and would have an effect on our Group's production costs and profitability.

Our sales are mainly transacted in RM. Since we do not have any hedging policy to manage the exchange rate risk, any significant fluctuation in exchange rate of RM against United States Dollar and British Pound Sterling will affect the financial results of our Group.

(v) Availability of components

There is no assurance that the components required for the manufacturing of automotive coachwork will be available at all times. New materials and technology may be developed in the future for the production of specialised mobility vehicles, fire fighting and safety vehicles and other safety related products which might cause changes in preference and trend in the current materials used on the automotive coachwork. If the above happens, we may lose our competitive advantages in the event that we fail to adapt to the changes in material and/or fail to source for the supply of the new material and technology. As a result, our business and consequently our financial performance will be adversely affected if we fail to react swiftly and adjust to such trend.

(vi) Comply with regulatory framework

Our products are subject to changes in legislative requirements as product safety is a major requirement of the automotive coachwork industry. Any changes in the international standards (such as United Nations Economic Commission for Europe Regulation No. 66 and European Committee for Standardization for Fire and Rescue Service Equipment) as well as the government's policies and measures that are unfavourable to us may have an adverse effect on our production process and also our sales and profitability. As such, we may incur costs in complying with the relevant legislative requirements and laws which may change from time to time. In addition, should we be unable to comply with the new legislation or amendments expeditiously, this may materially and adversely affect our business, results of operations, financial condition and future prospects.

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Property development and property investment business

Our Group owns 2 parcels of land held for property development located on the South Western intersection of Mandurah Terrace and Henson Street in Mandurah, Australia. Currently, there is no development plan for these 2 parcels of land. The property development segment did not contribute any revenue to our Group for the FYE 31 December 2016 and 12-month FPE 31 December 2017.

As at the LPD, our Group owns 49 units of 3-storey shop offices in Bandar Indera Mahkota, Kuantan, Pahang under the property investment holding segment which are held to earn rental income and/or capital appreciation. This segment accounted for 4.9% and 2.6% of our Group's revenue for the FYE 31 December 2016 and 12-month FPE 12 December 2017, respectively.

(vii) Performance of third-party sub-contractors and consultants

Our Group will engage third party contractors and consultants to provide our Group with various services such as design, construction, piling and foundation, mechanical and electrical and interior design services. There can be no assurance that the services rendered by these third-party contractors and consultants will be satisfactory or match the quality level expected by our Group and the end purchasers. Moreover, contractors may experience financial and/or other difficulties such as procuring labour that may affect their ability to carry out work for which they were contracted for, thus giving rise to additional costs to be incurred as a result of the delay in completion of any proposed development. Delay by third-party sub-contractors and consultants may cause our Group to absorb the damages and not pass the costs to our customers. Any of these factors could materially and adversely affect the results of our Group's operations and reputation. Consequently, any adverse effect to our Group's reputation may adversely affect the take up rate of our future development projects and hence, our Group's future financial performance.

(viii) Financing risk

Future development on the 2 parcels of land in Mandurah, Australia is expected to be funded through a combination of internally-generated funds of our Group, progressive collections from sales billings, bank borrowings and/or fund raising exercise (if necessary). Our Group will also continuously monitor and adjust our development strategies in response to changes in economic conditions and market demand and will ensure that the proposed development (if any) is carried out with due care and proper judgement.

If bank borrowings are secured to fund the development costs, the gearing level of our Group will increase and any adverse movement in interest rates may have a significant impact on project costs which could adversely affect our Group's financial performance in the future. While our Group will actively review our debt portfolio taking into consideration the level and nature of borrowings and seeks to adopt appropriate cost effective financing options, there can be no assurance that the performance of our Group would not be materially affected in the event of any adverse changes in interest rates.

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(ix) Property overhang

Property overhang is inherent in any property development project and is, among others, caused by oversupply and low demand for properties, as well as other factors include economic downturns and unfavourable financial conditions.

Any occurrence of property overhang at the time of completion of future developments will affect the sale of our Group's properties, which in turn may affect our Group's cash flow position. Our Group will continue to monitor market conditions of the property development industry in Western Australia as well as conduct feasibility studies/internal assessments prior to finalisation of any development project. Nevertheless, there can be no assurance that there will be favourable take-up rates for the properties to be developed on the 2 parcels of land in Mandurah, Australia.

(x) Property investment risk

Our Group's property investment segment is subject to risks such as fluctuation in rental rates and property value (which is beyond our control), as well as inability of tenants to pay rent in a timely manner or to continue with the tenancies. While we enter into tenancy agreements with tenants and collect rental and utility deposits from tenants, any loss of tenant could adversely affect our Group's financial performance.

Trading business

Our Group is also involved in the sale and servicing of fire fighting gas system and other safety related products (which accounted for 9.0% and 10.9% of our Group's revenue for the FYE 31 December 2016 and 12-month FPE 31 December 2017, respectively), as well as sales of maternity and baby products (which accounted for 4.5% and 5.8% of our Group's revenue for the FYE 31 December 2016 and 12-month FPE 31 December 2017, respectively).

(xi) Comply with safety measures

Our fire detection and suppression products are subject to legislative requirements (e.g., National Fire Protection Association 2001, Loss Prevention Certification Board and local Malaysian Fire Authority approval) as product safety is a major requirement for fire fighting and fire safety industry. As such, we may incur costs in complying with the relevant legislative requirements and laws which may change from time to time. In addition, should we be unable to comply with the new legislation or amendments expeditiously, this may materially and adversely affect our business, results of operations, financial condition and future prospects.

(xii) Consumer spending patterns

Our Group's maternity and baby products business is dependent on consumer spending habits which could be affected by numerous factors including, *inter-alia*, the state of the economy, fluctuation of income levels and the general lifestyle concept.

Consumers' demand and preferences are ever changing. Failing to identify the customers' needs and expectations may result in loss of sales opportunities to competitors in the market.

5.3 Risks relating to the Rights Issue of Shares with Warrants

(i) Investment and capital market risk

The market price of the CME Shares is influenced by, amongst others, the prevailing market sentiments, the volatility of equity markets, the liquidity of the CME Shares, the outlook of the various business segments in which our Group operates, changes in regulatory requirements or market conditions, as well as the financial performance and fluctuations in our Group's operating results. In addition, the performance of the Malaysian stock market (where our Shares are listed) is dependent on the economic and political condition in Malaysia as well as external factors such as, amongst others, the performance of the world bourses, flows of foreign funds and prices of commodities. Further, as the Issue Price is above the prevailing market price, there can be no assurance that the Rights Shares will trade on par with the Issue Price upon or subsequent to the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities.

The market price of the Warrants may be influenced by, amongst others, the market price of CME Shares, and the remaining exercise period of the Warrants and the volatility of CME Shares. Despite the substantial discount of the Exercise Price as compared to the prevailing market price of CME Shares, there can be no assurance that the Warrants will be "in-the-money" during the entire exercise period of the Warrants. In the event the Warrants are not exercised during the exercise period, the unexercised Warrants will lapse and cease thereafter to be valid for any purpose.

(ii) Delay in or failure of the Rights Issue of Shares with Warrants

The Rights Issue of Shares with Warrants is exposed to the risk that it may be aborted or delayed on the occurrence of force majeure events or circumstances which are beyond the control of our Company arising prior to the implementation of the Rights Issue of Shares with Warrants. Such events or circumstances include, *inter alia*, natural disasters, adverse developments in political, economic and government policies in Malaysia, including changes in inflation and interest rates, global economic downturn, acts of war, acts of terrorism, riots, expropriations and changes in political leadership.

In this respect, all proceeds arising from the Rights Issue of Shares with Warrants will be refunded without interest to the Entitled Shareholders and/or their renounees/transferees (if applicable) in the event the Rights Issue of Shares with Warrants is aborted and if such monies are not repaid within 14 days after our Company becomes liable, we will repay such monies with interest at the rate of 10% per annum or such other rate as may be prescribed by the SC in accordance with Section 243(2) of the CMSA. Notwithstanding the above, our Company will exercise our best endeavor to ensure the successful implementation of the Rights Issue of Shares with Warrants. However, there can be no assurance that the abovementioned factors/events will not cause a delay in or abortion of the Rights Issue of Shares with Warrants.

In the event that the Rights Shares have been allotted to the successful Entitled Shareholders and/or their renounees/transferees (if applicable) and the Rights Issue of Shares with Warrants is subsequently cancelled or terminated, a return of monies to the shareholders can only be achieved by way of cancellation of our share capital as provided under the Act. Such cancellation requires the approval of our shareholders by way of special resolution in a general meeting, consent of our creditors (where applicable) and may require the confirmation of the High Court of Malaya. There can be no assurance that such monies can be returned within a short period of time or at all under such circumstances.

(iii) No prior market for the Warrants

The Warrants are new instruments to be issued by our Company. Therefore, there can be no assurance that an active market for the Warrants will develop upon listing on Bursa Securities, or if developed, will be sustainable or adequately liquid during the tenure of the Warrants.

(iv) Potential dilution

The Entitled Shareholders who do not or are not able to accept their provisional offer of the Rights Shares with Warrants will have their proportionate ownership and voting interest in our Company reduced and the percentage of our enlarged issued share capital represented by their shareholding in our Company will also be reduced accordingly.

(v) Forward-looking statements

Certain statements in this AP are based on historical information, which may not be reflective of the future results, and others are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements contained in this AP are based on forecasts and assumptions made by our Company, unless stated otherwise. Although our Board believes that these forward-looking statements are reasonable, the statements are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. In view of the above, the inclusion of any forward-looking statements in this AP should not be regarded as a representation or warranty by our Company that the plans and objectives of our Group will be achieved.

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6. INDUSTRY OUTLOOK AND FUTURE PROSPECTS OF OUR GROUP

6.1 Overview and outlook of the Malaysian economy

The Malaysian economy is forecast to continue its strong growth momentum with real GDP expanding between 5.0% and 5.5% in 2018. Growth is anticipated to be mainly driven by resilient domestic demand amid a favourable external sector.

Table 1: Annual Change in Real GDP by Sector at Constant 2010 Prices (%), 2014-2018^f

Growth	2014	2015	2016	2017 ^e	2018 ^f
GDP	6.0	5.0	4.2	5.2~5.7	5.0~5.5
Agriculture	2.1	1.2	-5.1	5.6	2.4
Manufacturing	6.2	4.9	4.4	5.5	5.3
Mining	3.5	4.7	2.2	0.5	0.9
Construction	11.7	8.2	7.4	7.6	7.5
Services	6.6	5.1	5.6	5.9	5.8

Notes:

e = estimate

f = forecast

Source: Ministry of Finance and Bank Negara Malaysia

The services sector is projected to grow by 5.8%, with all subsectors continuing to expand. The wholesale and retail trade, and food and beverages, and accommodation subsectors are anticipated to expand, supported by steady domestic consumption and higher tourist arrivals. The information and communication subsector is expected to further grow on account of promotional campaigns and more offerings of digital products. Meanwhile, the transport and storage subsector is projected to expand, mainly driven by high ridership on rail services. Likewise, the finance and insurance subsector is anticipated to grow, driven by strong financing activities.

The manufacturing sector is forecast to increase by 5.3%. Output of export-oriented industries is anticipated to expand on account of sustained demand for electrical and electronic products, refined petroleum products and wood-based products. Likewise, growth in the domestic-oriented industries is expected to remain resilient, supported by ongoing construction of infrastructure projects, as well as strong demand for consumer products, especially food and transport equipment.

Growth in the agriculture sector is projected to grow by 2.4%, contributed by both the commodity and non-commodity subsectors, such as crude palm oil, natural rubber and food products. The mining sector is anticipated to expand by 0.9%, contributed mainly by higher production of natural gas due to sustained global demand, particularly from the People's Republic of China, Japan, Republic of Korea and Taiwan. The construction sector is expected to grow by 7.5%, primarily supported by ongoing civil engineering infrastructure projects. Meanwhile, the residential subsector is projected to expand further, with several new planned townships by private developers. In addition, the subsector will also benefit from various affordable housing programmes by the Government. On the contrary, the non-residential subsector is forecast to grow moderately due to low demand.

(Source: Extracted from the IMR Report)

6.2 Overview and outlook of the automotive coachwork industry in Malaysia

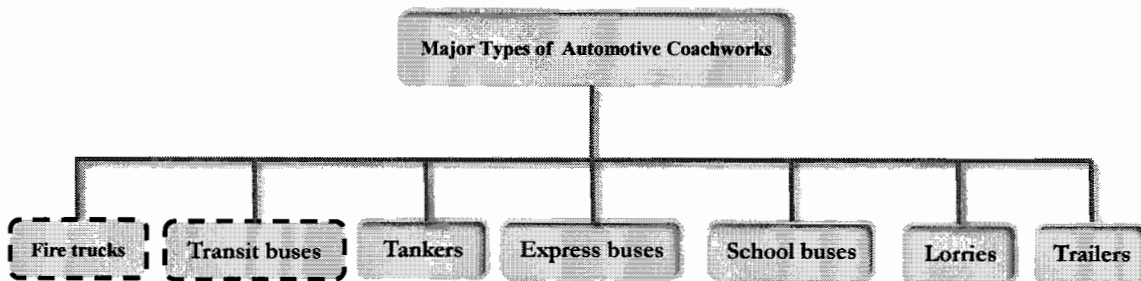
6.2.1 Overview

A vehicle frame forms the basis of an automotive and it is also known as the chassis. This structural frame supports the sub-assemblies and other components of the automotive such as the wheels, tires, brakes, steering and suspensions. The chassis also provides stability to the automotive from the variety of forces and impacts that it has to sustain throughout its life.

In order to maintain the rigidity of the whole structure, both expertise and modern engineering capabilities, including designing and tool making are needed in the manufacturing of a chassis. It is extremely important that the chassis design should be sturdy, reliable and durable. The engineers must be equipped with the skills to optimise the weight and size of the chassis.

The body of the automotive, including its interior that sits on top of an automotive chassis, is known as coachwork. A coachbuilder is the manufacturer of an automotive body. Both labour costs and materials costs are the key attributes in the automotive coachwork industry. There are many types of automotive coachworks undertaken in Malaysia and they are illustrated in the diagram below:

Figure 1: Major Types of Automotive Coachworks in Malaysia



Note:

CME is presently involved in automotive coachworks in fire trucks and is planning to venture into automotive coachworks in transit buses (electric type) in the future, as indicated by the dotted boxes.

(i) Fire trucks

The primary function of a fire truck (also known as a fire engine) is the transportation of firefighters to an incident scene to extinguish the fire with water, foams and/or dry chemical powders. Dry chemical powders are designed to fight fires without the use of water or foam. They are used in situations where water would have a negative impact on fires. In addition, fire trucks are also utilised for medical emergency services and rescue operations. Besides being involved in the duties of extinguishing, fighting, preventing and controlling fires, the Fire and Rescue Department is also involved in the protection of both lives and properties in any calamities and performing humanitarian services.

As the fire truck needs to be corrosion-resistant, stainless steel is used for its internal structure while aluminium is utilised for the external panelling. Many new technologies are being applied to the modern fire truck. New tank materials are increasing in strength while reducing weight, allowing for more water capacity.

There were about 280 fire stations in Malaysia in 2016 and they are located around population centres. In addition, fire trucks are also stationed in airports (both civil and military), as well as in crude oil refineries and petrochemical plants for emergency purposes. These plants process highly combustible and toxic substances in their operations.

Between 2012 and 2016, the number of fire cases increased by a CAGR of 13.7%, from 29,848 cases to 49,875 cases (table 2). On the average, around 160 people perished in fires nationwide every year in Malaysia.

Table 2: Number of Fire Cases by Type in Malaysia

Year	Buildings	Vehicles	Machinery	Petrochemicals	Farms/forests	Stalls	Others	Total
2012	5,447	3,092	1,332	711	10,222	142	8,902	29,848
2013	5,817	3,340	1,475	692	13,555	167	8,594	33,640
2014	5,677	3,617	1,559	609	30,728	189	12,161	54,540
2015	5,609	3,745	1,608	616	17,951	125	11,211	40,865
2016	5,485	3,894	1,550	534	26,072	127	12,213	49,875
CAGR	0.2%	5.9%	3.9%	-6.9%	26.4%	-2.8%	8.2%	13.7%

Source: Department of Statistics

There were about 1,963 fire trucks in service in Malaysia in 2016. About 55 fire trucks were commissioned in 2017, followed by an expected 30 fire trucks to be commissioned in 2018.

(ii) Electric buses

Due to challenges of carbon dioxide emissions, energy security, pollution, congestion and parking spaces, the government is focussing on electric buses as the principal mode of transportation system in the cities. An electric vehicle is a vehicle with an electric battery that can be recharged in a wall socket and does not need petrol or diesel to run.

Innovation in manufacturing technology has led to increased performance of electric buses, which in turn, has led to greater adoption by bus operators. Electric buses are operated with electrical power only and are much more energy efficient as compared to buses operating on internal combustion engines.

The revolution in cellular phone technology has contributed towards the development of rechargeable batteries in electric buses. The major component of an electric bus is the electrical energy storage system and it comprises between 40% and 60% of the costs of an electric bus. Most electric buses in service today use nickel metal hydride batteries, but the new generation of electric buses are transitioning to lithium-ion batteries. They have proven to be the most promising electrical energy storage system for electric vehicles. Their high energy density makes it well suited for electric buses, which require large amounts of stored energy to travel long distances between charges.

The usage of electric buses on the roads in Malaysia is still at a nascent stage. There were approximately 57 electric buses in service in Malaysia in 2016. Another 12 electric buses were commissioned in 2017, followed by an expected 19 electric buses to be commissioned in 2018.

6.2.2 Prospects

(i) Fire trucks

Demand for fire trucks comes from both expansions of the Fire and Rescue department, as well as replacement for old fire trucks, obsolescence and wear and tear. Malaysia plans to expand the number of fire stations in the country from around 280 in 2016 to 300 in 2020, in tandem with the expanding population, rising urbanisation and growing number of townships.

The rapid development of high rise buildings due to the high population density in the urban areas has also given rise to modern day fire and safety issues, along with concerns for the prevention of loss of lives and properties. In turn, this has also driven the demand for more fire trucks with specialised capabilities such as hydraulic rescue equipment and telescopic ladders in the Fire and Rescue Department.

The increasing industrialisation in the country also drives the demand for fire trucks, as the stock of buildings, factories and number of automotive on the road increase correspondingly. Incidents of spillage of hazardous materials both in the factories and on the roads during transportations are also expected to further increase in tandem as it is virtually impossible for companies to achieve a perfect health, safety and environment record. The establishment of the Pengerang Integrated Petroleum Complex which sprawls over 8,000 hectares of land in southern Johor with a refinery and a handful of petrochemical plants and is scheduled for start-up in 2019, is anticipated to further drive the demand for fire trucks.

(ii) Electric buses

One of the ways to achieve reductions in greenhouse gas emissions is through the replacement of diesel-powered buses with electric buses. The adoption of electric buses is anticipated to lead to a more sustainable and environmentally-friendly use of energy and to achieve a low carbon economy.

The introduction of electric buses is expected to serve as a catalyst for the electric vehicle industry in Malaysia, especially in the design and manufacturing of electric vehicles and their electronic components. Furthermore, the development of lithium-ion batteries for the electric buses will also ensure a foothold in the supply chain of the electric vehicle industry for Malaysia. This also complements Malaysia's aspirations of becoming a major manufacturing hub in electric vehicles and their components within South East Asia, in line with the National Automotive Policy 2014.

The technology for lithium-ion batteries is still evolving and adoption is still in the early stages. However, the industrial capacity for mass production of the lithium-ion batteries is poised to reduce the overall battery system cost in the future. It is expected that lithium-ion batteries will remain dominant in the short and medium term, at least over the next five to ten years until suitable alternatives are commercially viable and technological obstacles are overcome.

(Source: Extracted from the IMR Report)

6.3 Overview and outlook of the retail industry in Malaysia

The services sector strengthened further by 6.6% during the third quarter of 2017, accounting for 54.4% of total GDP (Q3 2016: 6.2%; 54.3%). Growth was driven by final services group which rose 6.7% (Q3 2016: 6.4%) attributed to robust wholesale and retail trade as well as food & beverage and accommodation subsectors. Likewise, the intermediate services group increased 6.5% (Q3 2016: 6.2%) supported by stronger performance in information and communication subsector.

The wholesale and retail trade subsector grew 7.5% (Q3 2016: 6.7%). Growth was contributed largely by the wholesale segment which increased 6.9% (Q3 2016: 9%) supported by other specialised wholesale and wholesales of household goods. The retail segment expanded strongly by 10.3% (Q3 2016: 7.6%) supported by retail sales of other goods in specialised stores and non-specialised stores. Meanwhile, the motor vehicles segment rebounded 0.4% (Q3 2016: -2.9%) driven by sales of motor vehicle parts and accessories.

(Source: Malaysian Economy in the Third Quarter of 2017, Ministry of Finance Malaysia)

Accounting for 53.9% for the GDP, the private consumption is projected to expand 6.9% in 2017 (2016: 53.2%; 6%). In line with the private consumption activities, the Consumer Sentiment Index by Malaysian Institute of Economic Research improved to 80.7 points during the second quarter of 2017 (Q2 2017: 78.5 points).

The services sector is projected to grow 5.8% in 2018, increasing its share to 54.8% of GDP (2017: 5.9%; 54.5%) with all subsectors continuing to expand. The wholesale and retail trade; and food and beverages and accommodation are anticipated to increase 6.1% and 7.2%, respectively in 2018 (2017: 6.5%; 7.6%). Growth will be supported by steady domestic consumption and higher tourist arrivals.

(Source: Economic Report 2017/2018, Ministry of Finance Malaysia)

6.4 Overview and outlook of the Western Australia property development and property investment market

Conditions in Western Australia's housing market remain subdued, with the Perth median house price declining by 2.8% in 2016. This follows a fall of 1.2% in 2015. The modest declines in house prices reflect an overhang of supply, as a result of a very high level of housing completions in the period 2013-14 to 2015-16. The large additions to supply were triggered by a period of strong population growth. However, the rate of population growth has subsequently fallen rapidly, reducing the rate of growth in demand for housing.

A notable slowdown in population growth and softening labour market conditions in recent years have coincided with three years of large additions to the housing supply, which has created spare capacity in the housing market. In response to these conditions, dwelling investment declined by an annual average of 18.5% in the March quarter 2017. Expenditure fell for both new dwelling construction, and alterations and additions to existing homes (which often tends to offset weakness in new dwelling investment).

Dwelling investment is expected to contract further in both 2016-17 and 2017-18, in line with further falls in leading indicators of investment, such as building approvals and housing finance commitments. Total dwelling investment is expected to resume growing from 2018-19 onwards, in line with a recovery in labour market conditions and income, and a lift in population growth.

Due to substantial spare capacity in the established housing market, forecast declines in dwelling investment and house prices in 2016-17 and 2017-18 could be more pronounced if population and income growth are weaker than expected. In addition, further regulations imposed by the Australian Prudential Regulation Authority in March 2017 (aimed at improving the quality of new mortgage lending and moderating the growth of investor lending) could place upward pressure on mortgage rates, independent of official rates.

(Source: 2017-2018 Budget Paper No. 3, Economic and Fiscal Outlook, The Government of Western Australia)

The demand for commercial real estate amongst others, depend upon the economy outlook of a location. The volume measure of Gross State Product (“GSP”), which is the headline measure of state economic activity increased in all states except Western Australia in 2016-17. Western Australia’s GSP declined 2.7%. Western Australia’s State Final Demand, which is a measure of domestic demand in the economy, declined by 7.2% in 2016-17 (Source: Australian Bureau of Statistics). The Western Australia’s economy is expected to have bottomed in 2016-17 and is now showing signs of recovery. Economic growth is forecast to pick up to 3% in 2017-18 up from just 0.25% in 2016-17. Strong growth in net exports and modest growth in household consumption are expected to result in positive growth in Western Australia’s economy. Business investment is forecast to continue to grow from 2019-20. Increased labour demand is set to drive a return to employment growth in 2017-18 (of an estimated 1.5%), although wage growth is forecast to remain subdued. (Source: WA State Budget 2017-18, The Western Australian Economy, The Government of Western Australia). With the improving business investment and economy outlook, our management is of the view that the demand for commercial real estate in Western Australia over the near term is favourable.

6.5 Prospects of our Group

The prospects of the business activities of our Group are detailed below:

(i) Manufacturing

Our Group is involved in providing comprehensive solutions in relation to designing, manufacturing and sales of specialised mobility vehicles, fire fighting and safety vehicles and other safety related products. Examples of our products are fire fighting vehicles, specialist vehicles, airport crash tenders, hazmat vehicles, fuel transfer vehicles, riot control vehicles and fire rescue equipment. Manufacturing is the core business of our Group and accounted for 81.6% and 80.7% of our Group’s revenue for FYE 31 December 2016 and 12-month FPE 31 December 2017, respectively.

Our Group has more than 20 years of experience in providing comprehensive solutions in relation to the designing, manufacturing and sales of various types of specialised mobility vehicles (such as hazmat vehicles), and fire-fighting and safety vehicles (such as rapid intervention fire vehicles, foam tenders and fire rescue tenders). Our Group’s competitiveness is largely attributable to our established tracked record (i.e. 20 years of experience in automotive coachwork industry) with our capability in delivering customised, value driven vehicle solutions that incorporate safety and reliability that comply with the international standards (such as United Nations Economic Commission for Europe Regulation No. 66 and European Committee for Standardization for Fire and Rescue Service Equipment). Due to the highly technical nature of the automotive coachwork industry, there are few players in the market, most of which are public listed companies principally engaged in manufacturing such as Scomi Engineering Bhd, DRB-HICOM Berhad and UMW Engineering Sdn Bhd.

The continued escalation of production cost due to increase in various essential cost components, coupled with fluctuation in exchange rates, pose challenges to our Group's operation as well as our profitability. Despite this, our Company has managed to secure a total book order of approximately RM57.6 million (as at the LPD) for the supply of specialised mobility vehicles and maintenance services, which mainly consists of contract with Petronas Refinery & Petrochemical Corporation Sdn Bhd worth RM48.8 million for the supply of fire fighting vehicles and maintenance services. The contract will be expiring in September 2019. The Rights Issue of Shares with Warrants provides a platform for our Group to, amongst others, raise funds to participate in more project tender and meet performance bonds for new projects.

Premised on the above and in view of our Group's established track record in coachwork, steel body design and fabrication for fire trucks, our management believes that the positive outlook for the manufacturing of coachwork for fire trucks in Malaysia will provide opportunities to further enhance our financial performance.

In view of the growing concerns over greenhouse gas emission via diesel-powered buses and a strong mandate from the Malaysian Government via National Automotive Policy 2014, our management believes we can tap into Shenlong's experiences in the research, development, manufacturing and sales of electric buses so as to venture into the Malaysian market for the supply of electric buses and other vehicles. Refer to Section 4, note (2)(c) of this AP for further details on Shenlong. The coachwork, steel body design and fabrication for fire trucks are similar to bus body structure works. Hence, our management is of the view that our Group has the capabilities, expertise and technical know-how to venture into the manufacturing and sales of electric buses.

(ii) Trading

Under this segment, our Group is involved in the sales and servicing of fire fighting gas system and other safety related products (which accounted for 9.0% and 10.9% of our Group's revenue for the FYE 31 December 2016 and 12-month FPE 31 December 2017, respectively), as well as sales of maternity and baby products (which accounted for 4.5% and 5.8% of our Group's revenue for the FYE 31 December 2016 and 12-month FPE 31 December 2017, respectively).

Our management believes that the positive outlook for the manufacturing of coachwork for fire trucks in Malaysia will provide opportunities for our Group to grow the sales and servicing of fire fighting gas system and other safety related products to customers.

The sales of maternity and baby products are via retail businesses under the brands "MODERN MUM" and "MOM'S CARE"). As at the LPD, our Group has 4 retail outlets for maternity and baby products, with 2 retail outlets located in Mid Valley Megamall and 2 retail outlets located in 1 Utama Shopping Centre. Currently, there is no immediate plan to expand our retail business. Considering the outlook of retail industry in Malaysia as set out in Section 6.3 of this AP, as and when the opportunity arises for potential expansion of the business, our Group shall conduct assessment and reviews prior to making such investment decision.

(iii) Property development

Currently, our Group only owns 2 parcels of land held for property development located on the South Western intersection of Mandurah Terrace and Henson Street in Mandurah, Australia which is approximately 1.5 kilometres north of the Mandurah Town Centre. The land falls under the zonings of residential, tourism accommodations and mixed use and commercial.

Our management is of the view that due to a high level of housing completions between 2013 to 2016, there is currently an overhang of housing supply in Western Australia. In addition, the softening of labour market conditions in recent years in Western Australia had indirectly affected the investment sentiments of properties in this region.

Currently, there is no development plan for these 2 parcels of land. Our Group is continuously looking for strategic partner(s) to jointly develop these 2 parcels of land at an appropriate time.

(iv) Property investment

Currently, our Group owns 49 units of 3-storey shop offices in Bandar Indera Mahkota, Kuantan, Pahang, which are held to earn rental and/or capital appreciation. This segment accounted for 4.9% and 2.6% of our Group's revenue for the FYE 31 December 2016 and 12-month FPE 31 December 2017, respectively. Currently, there is no plan to expand the portfolio of investment properties. As and when opportunities arise, our Group shall conduct assessment and reviews prior to making such investment decision.

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7. EFFECTS OF THE RIGHTS ISSUE OF SHARES WITH WARRANTS

7.1 Share capital and number of issued Shares

The pro forma effects of the Rights Issue of Shares with Warrants on our Company's issued share capital and number of issued Shares are as follows:

	Minimum Scenario		Maximum Scenario	
	No. of CME Shares	RM	No. of CME Shares	RM
Issued share capital as at the LPD Assuming full conversion of ICULS	485,210,000	46,315,500	485,210,000	46,315,500
	-	-	784,250,715	78,425,072 ⁽¹⁾
To be issued pursuant to the Rights Issue of Shares with Warrants	485,210,000	46,315,500	1,269,460,715	124,740,572
	88,715,760	2,472,952 ^{(2)/(3)}	846,307,143	23,696,600 ^{(2)/(3)}
To be issued pursuant to the full exercise of Warrants	573,925,760	48,788,452	2,115,767,858	148,437,172
	110,894,700	6,176,835 ^{(4)/(5)}	1,057,883,928	58,818,346 ^{(4)/(5)}
Enlarged share capital and number of issued Shares	684,820,460	54,965,287	3,173,651,786	207,255,518

Notes:

- (1) Calculated based on the conversion price of RM0.10 per ICULS.
- (2) Arising from the issuance of Warrants pursuant to the Rights Issue of Shares with Warrants. The corresponding entry for warrants reserve was deducted against the share capital account.
- (3) Calculated based on the Issue Price.
- (4) Calculated based on the Exercise Price.
- (5) Inclusive of the reversal of warrants reserve.

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7.2 NA, NTA and gearing

The pro forma effects of the Rights Issue of Shares with Warrants on the NA, NTA and gearing of our Group based on the audited consolidated financial statements of our Company as at 31 December 2016 are as follows:

Minimum Scenario

	(I) As at 31 December 2016 (RM'000)	(II) After subsequent events ⁽¹⁾ (RM'000)	(III) After (I) and the Rights Issue of Shares with Warrants (RM'000)	(IV) After (II) and assuming full exercise of Warrants (RM'000)
Issued capital	44,110	46,316	48,789	54,966
ICULS	31,370	31,370	31,370	31,370
Revaluation reserve	10,721	10,721	10,721	10,721
Foreign currency translation reserve	3,737	3,737	3,737	3,737
Warrants reserve	-	-	5,068 ⁽²⁾	-
Accumulated losses	(24,928)	(25,593)	(26,203) ⁽³⁾	(26,203)
Shareholders' funds / NA / NTA	65,010	66,551	73,482	74,591
No. of Shares in issue ('000)	441,100	485,210	573,926	684,821
NA per Share (RM)	0.15	0.14	0.13	0.11
NTA per Share (RM)	0.15	0.14	0.13	0.11
Total borrowings (RM) ⁽⁴⁾	24,050	23,050	18,750 ⁽⁵⁾	18,750
Gearing (times)	0.37	0.35	0.26	0.25

Notes:

(1) Taking into consideration the following:

(i) Private Placement, defrayment of expenses of RM82,316 pursuant to the Private Placement and repayment of bank borrowings of RM1.0 million via proceeds raised from the Private Placement; and

- (ii) Disposal of leasehold land located at Mukim Kuala Kuantan, Tempat Bandar Indera Mahkota, District of Kuantan, Pahang Darul Makmur, for a total cash consideration of RM7,084,252, which was received on 27 December 2017. The tax invoice was issued and rendered on 2 January 2018 and the disposal was completed on the same date. As disclosed in our announcement dated 10 February 2015, this piece of land was provided to a developer for a joint venture property development project whereby our Company shall be allocated certain number of properties built on this land or the option to require the payment in cash (“**Landowner’s Entitlement**”). Subsequently, in our announcements dated 20 July 2017, 21 July 2017 and 24 July 2017, our Company has requested from the developer for an early payment of Landowner’s Entitlement after considering the overall softening of Malaysian property market. In consideration of this early payment, both parties agreed with the net present value of Landowner’s Entitlement at RM7,084,252 by taking into account a discount rate of 9% for a period of 4 years. In view that the carrying net book value of this piece of land as recorded in our accounts was RM7,667,000, our Group recorded a loss on disposal of RM582,748 arising from this disposal.
- (2) Arising from the issuance of Warrants pursuant to the Rights Issue of Shares with Warrants. For illustration purposes, the Warrants are assumed to have a fair value of RM0.0457 each based on the Black-Scholes Options Pricing Model.
- (3) After deducting estimated expenses of approximately RM610,000 for the Rights Issue of Shares with Warrants.
- (4) Comprising hire purchase payables, long-term loans and bank borrowings.
- (5) After taking into consideration the utilisation of RM4.30 million proceeds for repayment of borrowings.

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Maximum Scenario

	(Audited) As at 31 December 2016 (RM'000)	(I) After subsequent events ⁽¹⁾ (RM'000)	(II) After (I) and assuming full conversion of ICULS (RM'000)	(III) After (II) and the Rights Issue of Shares with Warrants (RM'000)	(IV) After (III) and assuming full exercise of Warrants (RM'000)
Issued capital	44,110	46,316	124,741	148,437	207,256
ICULS	31,370	31,370	-	-	-
Revaluation reserve	10,721	10,721	10,721	10,721	10,721
Foreign currency translation reserve	3,737	3,737	3,737	3,737	3,737
Warrants reserve	-	-	-	48,240 ⁽²⁾	-
Accumulated losses	(24,928)	(25,593)	(25,593)	(26,203) ⁽³⁾	(26,203)
Shareholders' funds / NA / NTA	65,010	66,551	113,606	184,932	195,511
No. of Shares in issue ('000)	441,100	485,210	1,269,461	2,115,768	3,173,652
NA per Share (RM)	0.15	0.14	0.09	0.09	0.06
NTA per Share (RM)	0.15	0.14	0.09	0.09	0.06
Total borrowings (RM) ⁽⁴⁾	24,050	23,050	23,050	5,000 ⁽⁵⁾	5,000
Gearing (times)	0.37	0.34	0.20	0.03	0.03

Notes:

(1) Taking into consideration the following:

- (i) Private Placement, defrayment of expenses of RM82,316 pursuant to the Private Placement and repayment of bank borrowings of RM1.0 million via proceeds raised from the Private Placement; and

- (ii) Disposal of leasehold land located at Mukim Kuala Kuantan, Tempatan Bandar Indera Mahkota, District of Kuantan, Pahang Darul Makmur, for a total cash consideration of RM7,084,252, which was received on 27 December 2017. The tax invoice was issued and rendered on 2 January 2018 and the disposal was completed on the same date. As disclosed in our announcement dated 10 February 2015, this piece of land was provided to a developer for a joint venture property development project whereby our Company shall be allocated the Landowner's Entitlement. Subsequently, in our announcements dated 20 July 2017, 21 July 2017 and 24 July 2017, our Company has requested from the developer for an early payment of Landowner's Entitlement after considering the overall softening of Malaysian property market. In consideration of this early payment, both parties agreed with the net present value of Landowner's Entitlement at RM7,084,252 by taking into account a discount rate of 9% for a period of 4 years. In view that the carrying net book value of this piece of land as recorded in our accounts was RM7,667,000, our Group recorded a loss on disposal of RM582,748 arising from this disposal.
- (2) Arising from the issuance of Warrants pursuant to the Rights Issue of Shares with Warrants. For illustration purposes, the Warrants are assumed to have a fair value of RM0.0456 each based on the Black-Scholes Options Pricing Model.
- (3) After deducting estimated expenses of RM610,000 for the Rights Issue of Shares with Warrants.
- (4) Comprising hire purchase payables, long-term loans and bank borrowings.
- (5) After taking into consideration the utilisation of RM18.05 million proceeds for repayment of borrowings.

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7.3 Earnings and EPS

The Rights Issue of Shares with Warrants is not expected to have an immediate material effect on the consolidated earnings and EPS of our Group for the 18-month FPE 30 June 2018 as it is only expected to be completed in the 1st half of 2018. Nevertheless, the Rights Issue of Shares with Warrants is expected to contribute positively to the future earnings and EPS of our Group when the benefits of the utilisation of proceeds are realised.

The EPS of our Group will be correspondingly diluted as a result of the increase in the number of CME Shares in issue arising from the exercise of the Warrants in the future.

The effect of any exercise of Warrants on our Group's consolidated EPS would be dependent the returns generated by our Group from the utilisation of proceeds arising from the exercise of Warrants.

For illustration purposes, assuming the Rights Issue of Shares with Warrants was completed on 1 January 2016, being the commencement for the FYE 31 December 2016, the pro forma effects of the Rights Issue of Shares with Warrants on the LPS of our Group are as follows:

Minimum Scenario

	(Audited) As at 31 December 2016	(I) After subsequent events up to the LPD ⁽¹⁾	(II) After (I) and the Rights Issue of Shares with Warrants	(III) After (II) and assuming full exercise of Warrants
LAT attributable to our equity holders (RM)	(14,826,818)	(15,491,882)	(15,491,882)	(15,491,882)
No. of CME Shares in issue	441,100,000	485,210,000	573,925,760	684,820,460
No. of Warrants in issue	-	-	110,894,700	-
No. of ICULS in issue	784,250,715	784,250,715	784,250,715	784,250,715
Basic LPS (sen)	(3.36)	(3.19)	(2.70)	(2.26)
Diluted LPS (sen)	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾

Notes:

- (1) Taking into consideration the Private Placement, defrayment of expenses of RM82,316 pursuant to the Private Placement and the disposal of land located at Mukim Kuala Kuantan, Tempat Bandar Indera Mahkota, District of Kuantan, Pahang Darul Makmur whereby a loss on disposal of RM582,748 was recorded.
- (2) The diluted LPS is not disclosed as the effect arising from the assumed conversion of the ICULS and exercise of Warrants are anti-dilutive on the LPS for the FYE 31 December 2016.

Maximum Scenario

	(Audited) As at 31 December 2016	(I) After subsequent events up to the LPD ⁽¹⁾	(II) and assuming full conversion of ICULS	(III) and the Rights Issue of Shares with Warrants	(IV) and assuming full exercise of Warrants
LAT attributable to our equity holders (RM)	(14,826,818)	(15,491,882)	(15,491,882)	(15,491,882)	(15,491,882)
No. of CME Shares in issue	441,100,000	485,210,000	1,269,460,715	2,115,767,858	3,173,651,786
No. of Warrants in issue	-	-	-	1,057,883,928	-
No. of ICULS in issue	784,250,715	784,250,715	-	-	-
Basic LPS (sen)	(3.36)	(3.19)	(1.22)	(0.73)	(0.49)
Diluted LPS (sen)	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽³⁾

Notes:

- (1) Taking into consideration the Private Placement, defrayment of expenses of RM82,316 pursuant to the Private Placement and the disposal of land located at Mukim Kuala Kuantan, Tempat Bandar Indera Mahkota, District of Kuantan, Pahang Darul Makmur whereby a loss on disposal of RM582,748 was recorded.
- (2) The diluted LPS is not disclosed as the effect arising from the assumed conversion of the ICULS and exercise of Warrants are anti-dilutive on the LPS for the FYE 31 December 2016.
- (3) Not applicable as our Company does not have any dilutive potential ordinary shares.

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8. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

8.1 Working capital

Our Board is of the opinion that our Group will have adequate working capital for the next 12 months from the date of this AP after taking into consideration the proceeds from the Rights Issue of Shares with Warrants, cash in hand, funds generated from our operations and available banking facilities.

8.2 Borrowings

As at the LPD, our Group has total outstanding borrowings of RM39.82 million, all of which are interest-bearing and from local financial institutions, as follows:

	As at the LPD (RM'000)
Short term borrowings:	
Bank overdrafts	14,301
Bankers' acceptances	1,875
Hire-purchase payables	185
Term loans – secured	271
Project loans– secured	21,219
Long-term borrowings:	
Hire purchase payables	504
Term loans– secured	1,462
Total	<u>39,817</u>

As at the LPD, our Group does not have any non-interest bearing and foreign currency denominated borrowings.

Throughout the FYE 31 December 2016 and the subsequent financial period up to the LPD, our Group did not default on payment of either interest and/or principal sums in respect of any borrowings.

8.3 Contingent liabilities

As at the LPD, there is no contingent liability incurred by our Company or our Group, which upon becoming enforceable, may have a material impact on the financial position of our Group.

8.4 Material commitments

As at the LPD, there is no material commitment incurred by our Company or our Group, which upon becoming enforceable, may have material impact on the financial position of our Group.

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9. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE/TRANSFER AND EXCESS APPLICATION FOR THE RIGHTS ISSUE OF SHARES WITH WARRANTS

9.1 General

As you are an Entitled Shareholder, your CDS account will be duly credited with the number of provisional Rights Shares with Warrants which you are entitled to subscribe for in full or in part, under the terms of the Rights Issue of Shares with Warrants. You will find enclosed with this AP, the NPA notifying you of the crediting of such provisional Rights Shares with Warrants into your CDS account and the RSF to enable you to subscribe for the provisional Rights Shares with Warrants, as well as to apply for excess Rights Shares with Warrants, if you choose to do so.

9.2 NPA

The provisionally allotted Rights Shares with Warrants are prescribed securities pursuant to Section 14(5) of the SICDA and therefore, all dealings in the provisional Rights Shares with Warrants will be by book entries through the CDS accounts and will be governed by the SICDA and the Rules of Bursa Depository. You and/or your renounees/transferees (if applicable) are required to have valid and subsisting CDS account when making your applications.

9.3 Last date and time for acceptance and payment

The last date and time for acceptance and payment for the provisional Rights Shares with Warrants is at **5.00 p.m. on 25 April 2018**.

9.4 Procedure for full acceptance and payment by Entitled Shareholders and acceptance by renounees/transferees

If you wish to accept your entitlement to the provisional Rights Shares with Warrants, the acceptance of and payment for the provisional Rights Shares with Warrants must be made on the respective RSF enclosed with this AP and must be completed in accordance with the notes and instructions contained in the RSF. Acceptances which do not conform to the terms of this AP, the NPA or the RSF or the notes and instructions contained in these documents or which are illegible may not be accepted at the absolute discretion of our Board.

Renounees/transferees who wish to accept the provisional Rights Shares with Warrants must obtain a copy of the RSF from their stockbrokers or our Share Registrar or at our Registered Office or from Bursa Securities' website at <http://www.bursamalaysia.com> and complete the RSF and submit the same together with the remittance to our Share Registrar in accordance with the notes and instructions printed therein.

The procedure for acceptance and payment applicable to the Entitled Shareholders also applies to renounees/transferees who wish to accept the provisional Rights Shares with Warrants.

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL RIGHTS SHARES WITH WARRANTS, EXCESS APPLICATION FOR THE RIGHTS SHARES WITH WARRANTS AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU WISH TO SELL/TRANSFER ALL OR ANY PART OF YOUR ENTITLEMENT ARE SET OUT IN THIS AP AND THE ACCOMPANYING RSF.

YOU AND/OR YOUR RENOUNCEES/TRANSFEREES (IF APPLICABLE) ARE ADVISED TO READ THIS AP, THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY.

If you wish to accept your entitlement/acceptance, please complete Part I(A) and Part II of the RSF in accordance with the notes and instructions provided in the RSF. Thereafter, please send each completed and signed RSF together with the relevant payment by using the envelope provided (at your own risk) to our Share Registrar by **ORDINARY POST** or **DELIVERY BY HAND AND/OR COURIER** at the following address:

**FOR DELIVERY BY HAND AND/OR
COURIER:**

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Tel. no.: 03-7849 0777
Fax no.: 03-7841 8151/52

FOR ORDINARY POST:

Symphony Share Registrars Sdn Bhd
Peti Surat 9150
Pejabat Pos Kelana Jaya
46785 Petaling Jaya
Selangor Darul Ehsan
Malaysia

so as to arrive **not later than 5.00 p.m. on 25 April 2018**, being the last time and date for acceptance and payment.

1 RSF can only be used for acceptance of provisional Rights Shares with Warrants standing to the credit of 1 CDS account. Separate RSF(s) must be used for separate CDS account(s). If successful, the Rights Shares with Warrants subscribed for will be credited into your CDS account(s) as stated in the completed RSF(s).

A reply envelope is enclosed in this AP. In order to facilitate the processing of the RSF by our Share Registrar for the Rights Shares with Warrants, you are advised to use 1 reply envelope for each completed RSF.

You and/or your renounees/transferees (if applicable) should take note that a trading board lot for the Rights Shares and Warrants comprises 100 Rights Shares and 100 Warrants, respectively. The minimum number of securities that can be subscribed for or accepted is 2 Rights Shares for every 3 existing CME Shares held. Successful applicants of the Rights Shares will be given the Warrants on the basis of 5 Warrants for every 4 Rights Shares successfully subscribed for. Fractions of a Warrant, if any, shall be dealt with by our Board as it may deem fit, expedient and in the best interest of our Company.

If acceptance of and payment for the provisional Rights Shares with Warrants is not received by our Share Registrar by **5.00 p.m. on 25 April 2018**, being the last time and date for acceptance of and payment for the provisional Rights Shares with Warrants, you will be deemed to have declined the provisional entitlement made to you and it will be cancelled. In the event that the Rights Shares with Warrants are not fully taken up by such applicants, our Board will then have the right to allot such Rights Shares with Warrants to the applicants who have applied for the excess Rights Shares with Warrants in the manner as set out in Section 9.7 of this AP. Proof of time of postage shall not constitute proof of time of receipt by our Share Registrar. Our Board reserves the right not to accept any application or to accept any application in part only without providing any reason.

If you lose, misplace or for any other reasons require another copy of the RSF, you may obtain additional copies from your stockbrokers, Bursa Securities' website at <http://www.bursamalaysia.com>, our Share Registrar at the address stated above or our Registered Office.

EACH COMPLETED RSF MUST BE ACCOMPANIED BY REMITTANCE IN RM FOR THE FULL AMOUNT IN THE FORM OF BANKER'S DRAFT(S)/ CASHIER'S ORDER(S)/ MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY" AND MADE PAYABLE TO "CME RIGHTS ISSUE ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME, CONTACT NUMBER AND CDS ACCOUNT NUMBER IN BLOCK LETTERS SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE ISSUED BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE RIGHTS ISSUE OF SHARES WITH WARRANTS. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS SHARES WITH WARRANTS, AND NOTICES OF ALLOTMENT WILL BE ISSUED AND DESPACHED BY ORDINARY POST TO THEM OR THEIR RENOUNCEES/TRANSFEREES (IF APPLICABLE) AT THEIR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY WITHIN 8 MARKET DAYS FROM THE LAST DATE AND TIME FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS ISSUE OF SHARES WITH WARRANTS.

APPLICANTS SHOULD NOTE THAT THE RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

WHERE AN APPLICATION IS NOT ACCEPTED OR IS ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPACHED TO THE APPLICANT WITHIN 15 MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS ISSUE OF SHARES WITH WARRANTS BY ORDINARY POST TO THE ADDRESS SHOWN ON BURSA DEPOSITORY'S RECORD OF DEPOSITORS AT THE APPLICANTS' OWN RISK.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.

9.5 Procedure for part acceptance by Entitled Shareholders

You must complete both Part I(A) of the RSF by specifying the number of the Rights Shares with Warrants which you are accepting and Part II of the RSF and deliver the completed and signed RSF together with the relevant payment to our Share Registrar in the manner as set out in Section 9.4 of this AP.

The portion of the provisional Rights Shares with Warrants that have not been accepted shall be allotted to any other persons allowed under the law, regulations or rules to accept the transfer of the provisional Rights Shares with Warrants.

9.6 Procedure for sale/transfer of provisional Rights Shares with Warrants

As the provisional Rights Shares with Warrants are prescribed securities, you may dispose of or transfer all or part of your entitlement to the Rights Shares with Warrants to 1 or more person(s) through your stockbrokers without first having to request for a split of the provisional Rights Shares with Warrants standing to the credit of your CDS accounts. To dispose or transfer all or part of your entitlement to the provisional Rights Shares with Warrants, you may sell such entitlement in the open market or transfer such entitlement to such persons as may be allowed pursuant to the Rules of Bursa Depository. If you have sold or transferred only part of the provisional Rights Shares with Warrants, you may still accept the balance of the provisional Rights Shares with Warrants by completing Part I(A) and Part II of the RSF. Please refer to Section 9.4 of this AP for the procedure for acceptance and payment.

In disposing/transferring all or part of your provisional Rights Shares with Warrants, you need not deliver any document including the RSF, to any stockbroker. However, you must ensure that there is sufficient provisional Rights Shares with Warrants standing to the credit of your CDS accounts that are available for settlement of the sale or transfer.

9.7 Procedure for application for excess Rights Shares with Warrants

You and/or your renounees/transferees (if applicable) who accepted the provisional Rights Shares with Warrants may apply for excess Rights Shares with Warrants by completing Part I(B) of the RSF (in addition to Part I(A) and Part II) and forward it (together with a separate remittance for the full amount payable in respect of the excess Rights Shares with Warrants applied for) to our Share Registrar **not later than 5.00 p.m. on 25 April 2018**, being the last time and date for acceptance and payment.

PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS APPLIED FOR SHOULD BE MADE IN THE SAME MANNER AS DESCRIBED IN SECTION 9.4 OF THIS AP, EXCEPT THAT THE BANKER'S DRAFT(S)/CASHIER'S ORDER(S)/MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY" MUST BE MADE PAYABLE TO "CME EXCESS RIGHTS ISSUE ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME, CONTACT NUMBER AND CDS ACCOUNT NUMBER IN BLOCK LETTERS SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR.

It is the intention of our Board to allot the excess Rights Shares with Warrants on a fair and equitable basis and in the following priority:

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, to the Entitled Shareholders who have applied for excess Rights Shares with Warrants, on a pro-rata basis and in board lots, calculated based on their respective shareholdings in our Company on the Entitlement Date;
- (iii) thirdly, to the Entitled Shareholders who have applied for excess Rights Shares with Warrants, on a pro-rata basis and in board lots, calculated based on the quantum of excess Rights Shares with Warrants applied for; and
- (iv) lastly, to transferee(s)/renounee(s) who have applied for the excess Rights Shares with Warrants, on a pro-rata basis and in board lots, based on the quantum of excess Rights Shares with Warrants applied for.

If there is any remaining excess Rights Shares with Warrants after steps (i) to (iv) have been carried out, steps (ii) to (iv) will be repeated until all remaining Rights Shares with Warrants have been allocated.

Nevertheless, our Board reserves the right to allot any excess Rights Shares with Warrants applied for under Part I(B) of the RSF in such manner as it deems fit and expedient and in the best interest of our Company, subject always to such allocation being made on a fair and equitable basis and that the intention of our Board as set out in (i), (ii), (iii) and (iv) above are achieved. Our Board also reserves the right to accept any excess Rights Shares with Warrants application, in full or in part, without assigning any reason.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD.

9.8 Notice of allotment

Upon allotment of the Rights Shares with Warrants in respect of your acceptance and/or your renounee's/transferee's acceptance (if applicable) and excess Rights Shares with Warrants application (if any), the Rights Shares with Warrants shall be credited directly into the respective CDS account. No physical share certificates and warrant certificates will be issued in respect of the Rights Shares with Warrants. However, a notice of allotment will be despatched to you and/or your renounees/transferees (if applicable), by ordinary post within 8 Market Days from the last date of acceptance and payment for the Rights Shares with Warrants and excess Rights Shares with Warrants application, or such other period as may be prescribed or allowed by Bursa Securities, at the address shown on the Record of Depositors at your own risk.

Where any application for the Rights Shares with Warrants is not accepted due to non-compliance with the terms of the Rights Issue of Shares with Warrants or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded without interest to you within 15 Market Days from the last date and time for acceptance and payment of the Rights Shares with Warrants by ordinary post to the address shown on the Record of Depositors at your own risk.

Please note that a completed RSF and the payment thereof once lodged with our Share Registrar for the Rights Issue of Shares with Warrants cannot be withdrawn subsequently.

9.9 Form of issuance

Bursa Securities has prescribed that our Shares listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights Shares with Warrants and the new Shares to be issued arising from the exercise of Warrants are prescribed securities and as such the SICDA and the Rules of Bursa Depository shall apply in respect of the dealings in the Rights Shares with Warrants.

Failure to comply with the specific instructions for applications or inaccuracy in the CDS account number may result in the application being rejected. Your subscription for the Rights Shares with Warrants shall mean your consent to receiving such Rights Shares with Warrants as deposited securities which will be credited directly into your CDS account. No physical share certificate or warrant certificate will be issued to you under the Rights Issue of Shares with Warrants. Instead, the Rights Shares with Warrants will be credited directly into your CDS accounts, and notices of allotment will be sent to you in the manner as stated in Section 9.8 of this AP.

Any person who has purchased the provisional Rights Shares with Warrants or to whom provisional Rights Shares with Warrants has been transferred and intends to subscribe for the Rights Shares with Warrants must state his/her CDS account number in the space provided in the RSF. The Rights Shares with Warrants will be credited directly as prescribed or deposited securities into his/her CDS account upon allotment and issue.

The excess Rights Shares with Warrants, if allotted to the successful applicant who applies for excess Rights Shares with Warrants, will be credited directly as prescribed securities into the CDS account of the successful applicant. The allocation of the excess Rights Shares with Warrants will be made on a fair and equitable basis as disclosed in Section 9.7 of this AP.

9.10 Laws of foreign jurisdictions

This AP and the accompanying NPA and RSF have not been (and will not be) made to comply with the laws of any foreign jurisdiction and have not been (and will not be) lodged, registered or approved pursuant to or under any legislation (or with or by any regulatory authorities or other relevant bodies) of any foreign jurisdiction. The Rights Issue of Shares with Warrants will not be made or offered for subscription in any foreign jurisdiction.

Accordingly, this AP together with the accompanying documents will not be sent to the foreign Entitled Shareholders and/or their renounees/transferees (if applicable) who do not have a registered address in Malaysia. However, such foreign Entitled Shareholders and/or their renounees/transferees (if applicable) may collect this AP including the accompanying documents from our Share Registrar, in which event our Share Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the documents relating to the Rights Issue of Shares with Warrants.

Foreign Entitled Shareholders and/or their renounees/transferees (if applicable) may only accept or renounce (as the case may be) all or any part of their entitlements and exercise any other rights in respect of the Rights Issue of Shares with Warrants only to the extent that it would be lawful to do so.

TA Securities, our Company and our Directors and officers would not, in connection with the Rights Issue of Shares with Warrants, be in breach of, responsible or liable under the laws of any jurisdiction to which that foreign Entitled Shareholders and/or their renounees/transferees (if applicable) are or may be subject to. They shall solely be responsible to seek advice as to the laws of the jurisdictions to which they are or may be subject to. TA Securities, our Company and our Directors and officers and other professional advisers shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any foreign Entitled Shareholders and/or their renounees/transferees (if applicable), is or shall become unlawful, unenforceable, voidable or void in any such jurisdiction.

The foreign Entitled Shareholders and/or their renounees/transferees (if applicable) will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such jurisdiction and our Company shall be entitled to be fully indemnified and held harmless by such foreign Entitled Shareholders and/or their renounees/transferees (if applicable) for any issue, transfer or other taxes or duties as such person may be required to pay. They will have no claims whatsoever against our Company and/or TA Securities in respect of their rights and entitlements under the Rights Issue of Shares with Warrants. Such foreign Entitled Shareholders and/or their renounees/transferees (if applicable) should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the Rights Issue of Shares with Warrants.

By signing the RSF, the foreign Entitled Shareholders and/or their renounees/transferees (if applicable) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) TA Securities, our Company and our Directors and officers that:

- (i) our Company would not, by acting on the acceptance or renunciation in connection with the Rights Issue of Shares with Warrants, be in breach of the laws of any jurisdiction to which that foreign Entitled Shareholders or renounees/transferees (if applicable) are or may be subject to;

- (ii) the foreign Entitled Shareholders and/or their renounees/transferees (if applicable) have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation of the provisional Rights Shares with Warrants;
- (iii) the foreign Entitled Shareholders and/or their renounees/transferees (if applicable) are not a nominee or agent of a person in respect of whom we would, by acting on the acceptance or renunciation of the provisional Rights Shares with Warrants, be in breach of the laws of any jurisdiction to which that person is or may be subject to;
- (iv) the foreign Entitled Shareholders and/or their renounees/transferees (if applicable) are aware that the Rights Shares with Warrants can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;
- (v) the foreign Entitled Shareholders and/or their renounees/transferees (if applicable) have received a copy of this AP and have been provided the opportunity to post such questions to the representatives and receive answers thereto as the foreign Entitled Shareholders and/or their renounees/transferees (if applicable) deem necessary in connection with the foreign Entitled Shareholders and/or their renounees/transferees (if applicable) decision to subscribe for or purchase the Rights Shares with Warrants. However, any information relevant to an investment shall be contained in this AP; and
- (vi) the foreign Entitled Shareholders and/or their renounees/transferees (if applicable) have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Shares with Warrants, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights Shares with Warrants.

Persons receiving this AP, the NPA and the RSF (including without limitation custodians, nominees and trustees) must not, in connection with the offer, distribute or send it into any jurisdiction where to do so would or might contravene local securities, exchange control or relevant laws or regulations. If this AP, the NPA and the RSF are received by any persons in such jurisdiction, or by the agent or nominee of such a person, he must not seek to accept the offer unless he has complied with and observed the laws of the relevant jurisdiction in connection herewith.

Any person who does forward this AP, the NPA and the RSF to any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section and we reserve the right to reject a purported acceptance of the Rights Shares with Warrants from any such application by foreign Entitled Shareholders and/or their renounees/transferees (if applicable) in any jurisdiction other than Malaysia.

Our Company reserves the right, in our absolute discretion, to treat any acceptance of the Rights Shares with Warrants as invalid if it believes that such acceptance may violate any applicable legal or regulatory requirements in Malaysia.

10. TERMS AND CONDITIONS

The issuance of the Rights Shares with Warrants is governed by the terms and conditions as set out in this AP, the Deed Poll, the NPA and the RSF enclosed herewith.

11. FURTHER INFORMATION

You are requested to refer to the attached appendices for further information.

Yours faithfully
For and behalf of the Board of
CME GROUP BERHAD



AZLAN OMRY BIN OMAR
Executive Director

CERTIFIED TRUE EXTRACT OF THE RESOLUTION IN RELATION TO THE RIGHTS ISSUE OF SHARES WITH WARRANTS PASSED AT OUR EGM II HELD ON 13 MARCH 2018**CME GROUP BERHAD**

(Company No. 52235-K)

(Incorporated in Malaysia)

CERTIFIED EXTRACT OF MINUTES of the Extraordinary General Meeting II of CME Group Berhad (“CME” or the “Company”) held at Room 4, Level 4, Dynasty Hotel, No. 218, Jalan Sultan Azlan Shah, 51200 Kuala Lumpur on Tuesday, 13 March 2018 at 10.00 a.m. or immediately after the conclusion or adjournment (as the case may be) of the Extraordinary General Meeting I of CME to be held at the same venue and on the same day at 9.30 a.m. or any adjournment thereof

ORDINARY RESOLUTION 1

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 846,307,143 NEW ORDINARY SHARES IN CME (“CME SHARE(S)” OR “SHARE(S)”) (“RIGHTS SHARE(S)”) ON THE BASIS OF 2 RIGHTS SHARES FOR EVERY 3 EXISTING CME SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER, TOGETHER WITH UP TO 1,057,883,928 FREE DETACHABLE WARRANTS (“WARRANTS”) ON THE BASIS OF 5 WARRANTS FOR EVERY 4 RIGHTS SHARES SUBSCRIBED FOR (“PROPOSED RIGHTS ISSUE OF SHARES WITH WARRANTS”)

The Chairman declared that the Ordinary Resolution 1 was carried and that the resolution was passed as follows:

“THAT, subject to and conditional upon the approvals of all relevant authorities and/or parties being obtained (if required), approval be and is hereby given to the Board of Directors of CME (“Board”) to:

- (i) provisionally allot and issue by way of a renounceable rights issue of up to 846,307,143 Rights Shares on the basis of 2 Rights Shares for every 3 existing CME Shares, together with up to 1,057,883,928 Warrants on the basis of 5 Warrants for every 4 Rights Shares subscribed for, to the shareholders of CME whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined later by the Board, at an issue price per Rights Share and exercise price per Warrant to be determined by the Board and announced by the Company;
- (ii) enter into and execute the deed poll in relation to the Proposed Rights Issue of Shares with Warrants (“Deed Poll”) and to do all acts, deeds and things as they may deem fit or expedient in order to implement, finalise and give full effect to the aforesaid Deed Poll; and
- (iii) utilise the proceeds to be derived from the Proposed Rights Issue of Shares with Warrants in the manner as set out in Section 2.5 of the Circular to Shareholders dated 19 February 2018 (“Circular”),

THAT the shareholders’ fractional entitlements, if any, will be dealt with by the Board in such manner at its absolute discretion as it may deem fit or expedient and in the best interest of the Company;

THAT the Rights Shares with Warrants which are not taken up or validly taken up shall be made available for excess applications by the entitled shareholders and/or their renounee(s) (if applicable). It is the intention of the Board to allocate the excess Rights Shares with Warrants in a fair and equitable manner on a basis to be determined by the Board and announced later by the Company;

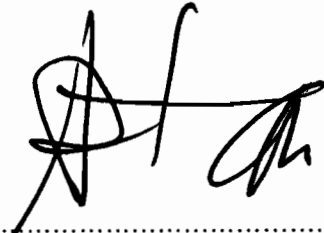
THAT the Rights Shares and the new CME Shares to be issued arising from the exercise of the Warrants shall, upon issuance and allotment, rank *pari passu* in all respects with the then existing CME Shares, save and except that the Rights Shares and the new CME Shares shall not be entitled to any dividends, rights, allotments and/or other forms of distribution, the entitlement date of which is prior to the date of allotment of the Rights Shares and the new CME Shares arising from the exercise of the Warrants;

CERTIFIED TRUE EXTRACT OF THE RESOLUTION IN RELATION TO THE RIGHTS ISSUE OF SHARES WITH WARRANTS PASSED AT OUR EGM II HELD ON 13 MARCH 2018 (CONT'D)

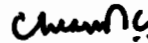
**CME GROUP BERHAD
CERTIFIED EXTRACT OF E.G.M. MINUTES 13 MARCH 2018**

AND THAT the Board be and is hereby authorised to take all such necessary steps to give full effect to the Proposed Rights Issue of Shares with Warrants with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities or deemed necessary by the Board, and to take all steps and to do all such acts and matters as they may consider necessary or expedient to implement, finalise and give full effect to the Proposed Rights Issue of Shares with Warrants.”

CERTIFIED TRUE COPY



.....
DIRECTOR
AZLAN OMRY BIN OMAR



.....
COMPANY SECRETARY
CHEAM TAU CHERN (MIA 18593)

INFORMATION ON OUR COMPANY

1. HISTORY AND BUSINESS

Our Company was incorporated in Malaysia on 14 November 1979 under the Companies Act, 1965 as a private limited company under the name of Beijer (Malaysia) Sdn Bhd. On 27 February 1984, our Company changed its name to Construction & Mining Equipment Holdings Sdn Bhd. On 5 January 1991, our Company changed its name to CME Group Sdn Bhd.

Our Company was converted into a public limited company and assumed its present name of CME Group Berhad on 26 December 1995. On 3 October 1997, our Company was listed on the Second Board of Bursa Securities (formerly known as Kuala Lumpur Stock Exchange). Subsequent to the merger of Main Board and Second Board into a single board on 3 August 2009, our Company is currently listed on the Main Market of Bursa Securities.

The principal activity of our Company is that of investment holding. Our Group is principally involved in providing comprehensive solutions in relation to designing, manufacturing and sales of various types of specialised mobility vehicles, fire fighting and safety vehicles and other safety related products. Our Group is also involved in property development and retail of maternity and baby products. Further details of the principal activities of our Group are set out in Section 6 of this Appendix.

2. SHARE CAPITAL

As at the LPD, the issued share capital of our Company is as follows:

	No. of Shares	Total RM
CME Shares	485,210,000	46,315,500

The changes in our issued share capital for the past 3 years up to the LPD are as follows:

Date of allotment	No. of Shares allotted	Description	Consideration per CME Share (RM)	Cumulative issued share capital (RM)
9 June 2017	44,110,000	Cash (from the Private Placement)	0.05	46,315,500

3. BOARD OF DIRECTORS

Please refer to the Corporate Directory on page 1 of this AP for the details of our Board.

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INFORMATION ON OUR COMPANY (CONT'D)**4. DIRECTORS' SHAREHOLDINGS**

The pro forma effects of the Rights Issue of Shares with Warrants on the shareholdings of our Directors based on their shareholdings as per the Record of Depositors as at the LPD are as follows:

Minimum Scenario

Name	As at the LPD				(I) After the Rights Issue of Shares with Warrants			
	Direct		Indirect		Direct		Indirect	
	No. of CME Shares	% ⁽¹⁾	No. of CME Shares	%	No. of CME Shares	% ⁽²⁾	No. of CME Shares	%
Y.M. Tunku Nizamuddin Bin Tunku Dato' Seri Shahabuddin	-	-	-	-	-	-	-	-
Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj	-	-	-	-	-	-	-	-
YAM Tengku Besar Tengku Kamil Ismail Bin Tengku Idris Shah Azlan Omry Bin Omar	-	-	-	-	-	-	-	-
Y. Bhg. Dato' Khairi Bin Mohamad Ong Suan Pin	12,400,000	2.56	-	-	12,400,000	2.16	-	-

Name	(II) After (I) and assuming full exercise of Warrants			
	Direct		Indirect	
	No. of CME Shares	% ⁽³⁾	No. of CME Shares	%
Y.M. Tunku Nizamuddin Bin Tunku Dato' Seri Shahabuddin	-	-	-	-
Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj	-	-	-	-
YAM Tengku Besar Tengku Kamil Ismail Bin Tengku Idris Shah Azlan Omry Bin Omar	-	-	-	-
Y. Bhg. Dato' Khairi Bin Mohamad Ong Suan Pin	12,400,000	1.81	-	-

Notes:

(1) Based on 485,210,000 CME Shares in issue.

(2) Based on 573,925,760 CME Shares in issue.

(3) Based on 684,820,460 CME Shares in issue.

INFORMATION ON OUR COMPANY (CONT'D)

Maximum Scenario

Name	As at the LPD				(I) Assuming full conversion of ICULS			
	Direct		Indirect		Direct		Indirect	
	No. of CME Shares	% ⁽¹⁾	No. of CME Shares	%	No. of CME Shares	% ⁽²⁾	No. of CME Shares	%
Y.M. Tunku Nizamuddin Bin Tunku Dato' Seri Shahabuddin Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj YAM Tengku Besar Tengku Kamil Ismail Bin Tengku Idris Shah Azlan Omry Bin Omar Y. Bhg. Dato' Khairi Bin Mohamad Ong Suan Pin	12,400,000	2.56	-	-	-	-	12,400,000	0.98
Name	(II) After (I) and the Rights Issue of Shares with Warrants ⁽³⁾				(III) After (II) and assuming full exercise of Warrants			
	Direct		Indirect		Direct		Indirect	
	No. of CME Shares	% ⁽⁴⁾	No. of CME Shares	%	No. of CME Shares	% ⁽⁵⁾	No. of CME Shares	%
Y.M. Tunku Nizamuddin Bin Tunku Dato' Seri Shahabuddin Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj YAM Tengku Besar Tengku Kamil Ismail Bin Tengku Idris Shah Azlan Omry Bin Omar Y. Bhg. Dato' Khairi Bin Mohamad Ong Suan Pin	20,666,666	0.98	-	-	30,999,999	0.98	-	-

Notes:

- (1) Based on 485,210,000 CME Shares in issue.
- (2) Based on 1,269,460,715 CME Shares in issue.
- (3) Assuming the Director fully subscribes for her entitlement pursuant to the Rights Issue of Shares with Warrants.
- (4) Based on 2,115,767,858 CME Shares in issue.
- (5) Based on 3,173,651,786 CME Shares in issue.

INFORMATION ON OUR COMPANY (CONT'D)

5. SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

The pro forma effects of the Rights Issue of Shares with Warrants on the shareholdings of our substantial shareholders based on their shareholdings as per the Record of Depositors as at the LPD are as follows:

Minimum Scenario

Name	As at the LPD			(I) Rights Issue of Shares with Warrants		
	Direct		Indirect	Direct		Indirect
	No. of CME Shares	% ⁽¹⁾	No. of CME Shares	No. of CME Shares	% ⁽²⁾	No. of CME Shares
BBSB	80,573,640	16.61	-	169,289,400	29.50	-
JVSB	53,230,000	10.97	-	53,230,000	9.27	-

Name	(II) After (I) and assuming full exercise of Warrants		
	Direct		Indirect
	No. of CME Shares	% ⁽³⁾	No. of CME Shares
BBSB	280,184,100	40.91	-
JVSB	53,230,000	7.77	-

Notes:

- (1) Based on 485,210,000 CME Shares in issue.
(2) Based on 573,925,760 CME Shares in issue.
(3) Based on 684,820,460 CME Shares in issue.

INFORMATION ON OUR COMPANY (CONT'D)

Maximum Scenario

Name	As at the LPD		(I) Full conversion of ICULS					
	Direct		Indirect		Direct		Indirect	
	No. of CME Shares	% ⁽¹⁾	No. of CME Shares	%	No. of CME Shares	% ⁽²⁾	No. of CME Shares	%
BBSB	80,573,640	16.61	-	-	80,573,640	6.35	-	-
JVSB	53,230,000	10.97	-	-	53,230,000	4.19	-	-
Luteum Pty Ltd	-	-	-	-	560,025,000	44.12	-	-
Grand Holdings Pty Ltd	-	-	-	-	189,975,000	14.97	-	-

Name	(II) After (I) and the Rights Issue of Shares with Warrants ⁽³⁾		(III) After (II) and assuming full exercise of Warrants					
	Direct		Indirect		Direct		Indirect	
	No. of CME Shares	% ⁽⁴⁾	No. of CME Shares	%	No. of CME Shares	% ⁽⁵⁾	No. of CME Shares	%
BBSB	134,289,400	6.35	-	-	201,434,100	6.35	-	-
JVSB	88,716,666	4.19	-	-	133,075,000	4.19	-	-
Luteum Pty Ltd	933,375,000	44.12	-	-	1,400,062,500	44.12	-	-
Grand Holdings Pty Ltd	316,625,000	14.97	-	-	474,937,500	14.97	-	-

Notes:

- (1) Based on 485,210,000 CME Shares in issue.
- (2) Based on 1,269,460,715 CME Shares in issue.
- (3) Assuming the substantial shareholders fully subscribe for their entitlements pursuant to the Rights Issue of Shares with Warrants.
- (4) Based on 2,115,767,858 CME Shares in issue.
- (5) Based on 3,173,651,786 CME Shares in issue.

INFORMATION ON OUR COMPANY (CONT'D)

6. SUBSIDIARY AND ASSOCIATED COMPANIES

The details of our subsidiary companies as at the LPD are as follows:

Company	Date and place of incorporation	Principal activities	Issued share capital	Effective equity interest (%)
CME Industries Sdn Bhd	21 January 1981, Malaysia	Sale and servicing of fire fighting and specialist vehicles and sale of related spare parts	RM1,500,000	100
CME Edaran Sdn Bhd	28 February 1985, Malaysia	Manufacturing, sale and servicing of fire fighting equipment and specialist vehicles and sale of related spare parts	RM6,000,000	100
CME Technologies Sdn Bhd	19 August 1992, Malaysia	Manufacturing and sale of fire fighting equipment and fire engines	RM500,000	100
CME Properties Sdn Bhd	23 October 1982, Malaysia	Dormant	RM500,000	100
CME Pyroshield Sdn Bhd	21 February 2005, Malaysia	Trading of pyroshield gas and accessories	RM157,894	100
CME Properties (Australia) Pty Ltd	17 February 2014, Australia	Property development	AUD10	100
Mom's Care Retail Sdn Bhd	22 February 2016, Malaysia	Retailing of mother and baby products	RM400,000	100
Modern Mum Retail Sdn Bhd	5 April 2016, Malaysia	Carrying on the business of costumiers, robe, dress makers to include maternity wear and suppliers of general clothing and franchises of boutiques	RM2	100
Jernih Iras Sdn Bhd*	7 March 2016, Malaysia	Intellectual property rights ownership*	RM2	100

We do not have any associated company as at the LPD.

Note:

- * Jernih Iras Sdn Bhd holds the intellectual property rights of "MODERN MUM" and "MOM'S CARE".

INFORMATION ON OUR COMPANY (CONT'D)

7. PROFIT AND DIVIDEND RECORDS

Our Group's profit and dividend records based on our audited consolidated financial statements for the past 3 FYEs 31 December 2014, 2015 and 2016 as well as the unaudited consolidated financial results for the 12-month FPE 31 December 2017 are as follows:

	Audited			Unaudited
	FYE 31 December 2014 (RM'000)	FYE 31 December 2015 (RM'000)	FYE 31 December 2016 (RM'000)	12-month FPE 31 December 2017 ⁽¹⁾ (RM'000)
Revenue	21,987	22,293	24,759	41,480
GP	4,485	3,375	5,032	8,817
Other income	473	3,635	599	921
Fair value gain on investment properties	17,802	-	15	-
Fair value loss on available-for-sale financial assets	-	-	(3,668)	(1,051)
Impairment loss on trade receivables	(8,771)	(463)	-	-
Impairment loss on land held for property development	-	-	(4,103)	-
Administrative expenses	(7,074)	(5,569)	(6,435)	(7,334)
Other expenses	(2,098)	(12,881)	(3,682)	(3,685)
Finance costs	(944)	(1,764)	(2,477)	(2,003)
PBT / (LBT)	3,873	(13,667)	(14,719)	(4,335)
Income tax (expense) / credit	(825)	150	(110)	-
PAT / (LAT)	3,048	(13,517)	(14,829)	(4,335)
PAT / (LAT) attributable to:				
Owners of our Company	3,048	(13,517)	(14,829)	(4,335)
Non-controlling interests	-	-	-	-
Net profit / (loss)	3,048	(13,517)	(14,829)	(4,335)
EBITDA / (LBITDA)	5,214	(11,410)	(11,655)	(1,699)
Weighted average number of Shares in issue ('000)	441,100	441,100	441,100	485,210
Basic EPS / (LPS) ⁽²⁾ (sen)	0.69	(3.06)	(3.36)	(0.89)
Diluted EPS / (LPS) ⁽³⁾ (sen)	0.25	N/A ⁽⁴⁾	N/A ⁽⁴⁾	N/A ⁽⁴⁾
GP margin (%)	20.40	15.14	20.32	21.26
PBT / (LBT) margin (%)	17.62	(61.31)	(59.45)	(10.45)
PAT / (LAT) margin (%)	13.86	(60.63)	(59.89)	(10.45)
Dividend (sen)	-	-	-	-

Notes:

N/A Not applicable.

(1) On 25 September 2017, our Company announced the change in our financial year end from 31 December to 30 June as the new financial year end of our Company does not fall within the peak period of our auditors thus allowing for better management of resources and avoiding work flow interruptions during festive breaks which tend to fall during the beginning and end of the calendar year. The next set of audited financial statements will be made up from 1 January 2017 to 30 June 2018, covering a period of 18 months.

(2) Being the PAT / (LAT) attributable to owners of our Company divided by weighted average number of Shares in issue for the financial years/period under review.

INFORMATION ON OUR COMPANY (CONT'D)

- (3) Being the PAT / (LAT) attributable to owners of our Company divided by weighted average number of Shares in issue and including adjustment for ICULS for the financial years/period under review.
- (4) Not applicable as the effects arising from the assumed conversion of the ICULS are anti-dilutive.

Commentaries:

(a) FYE 31 December 2015 vs FYE 31 December 2014

Our Group's revenue for the FYE 31 December 2015 increased by RM0.30 million or 1.36% to approximately RM22.29 million (FYE 31 December 2014: RM21.99 million). The increase in revenue for the FYE 31 December 2015 was mainly due to increase in contract revenue by RM5.72 million to RM17.04 million (FYE 31 December 2014: RM11.32 million) as a result of revenue recognition for various on going projects and projects completed under the manufacturing segment during the year. However, the increase in contract revenue was partially offset by the following:

- (i) decrease in sales of accessories and equipment (under the sales and servicing of fire fighting gas system and other safety related products of the trading segment) by RM0.71 million to RM1.65 million for the FYE 31 December 2015 (FYE 31 December 2014: RM2.36 million) as a result of higher competition in the market;
- (ii) decrease in rental income from investment properties held by our Company by RM0.51 million to RM1.37 million for the FYE 31 December 2015 (FYE 31 December 2014: RM1.88 million) as a result of the non-renewal of tenancy agreements by certain tenants; and
- (iii) decrease in operating lease rental income to nil for the FYE 31 December 2015 (FYE 31 December 2014: RM4.27 million) as a result of the cessation of operating lease agreement by the tenant. This rental income is generated from properties (i.e., Plaza Palas in Kuala Lumpur not owned by our Company) which our Company sublets to external party. The lease rental income was classified as an operating lease as the terms of the lease does not transfer substantially all the risks and rewards of ownership to the sublet tenant, which is consistent with our Group's accounting policies. The operating lease is a contract wherein our Company permits the sublet tenant to use the building for a particular period which is shorter than the economic life of the building without any transfer of ownership rights at the end of the tenure.

Our tenancy agreement with the owner of the property permits our Company to sublet the said building and any part thereof to any party or parties as our Company deems fit subject to owner's consent.

Our Group's GP and GP margin decreased to approximately RM3.38 million and 15.14%, respectively, for the FYE 31 December 2015 (FYE 31 December 2014: RM4.49 million and 20.40%, respectively), mainly due to the weakening of RM against major foreign currencies such as United States Dollar and British Pound Sterling, all of which contribute to the increase in the cost of components for the manufacturing and trading (sales and servicing of fire fighting gas safety system and other safety related products) segments.

Other income of RM3.64 million for the FYE 31 December 2015 comprised mainly of reversal of impairment loss on trade receivables made and insurance claim over loss of motor vehicle.

INFORMATION ON OUR COMPANY (CONT'D)

Despite the increase in revenue, our Group suffered a LAT of RM13.52 million for the FYE 31 December 2015 (FYE 31 December 2014: PAT of approximately RM3.05 million). The LAT during the FYE 31 December 2015 was mainly due to:

- (i) increase in other expenses for the FYE 31 December 2015 was due to a provision made for forbearance payment of approximately RM10.62 million payable to a financial institution in Australia due to a default of development loan (by the overseas joint venture partner) which was granted to our foreign subsidiary company's joint venture partner for the purpose of the development of lands in Mandurah, Australia. The provision was made upon entering a deed of forbearance with a financial institution in Australia on 23 December 2015;
- (ii) there was no fair value gain on investment properties for the FYE 31 December 2015 (FYE 31 December 2014: RM17.80 million). The fair value gain on investment properties of RM17.80 million for the FYE 31 December 2014 arose from revaluation of investment properties held by our Company; and
- (iii) increase in finance cost by RM0.82 million to approximately RM1.76 million for the FYE 31 December 2015 (FYE 31 December 2014: RM0.94 million) due to drawdown of borrowings for the funding of working capital.

The increase in LAT was partially offset by the following:

- (i) increase in other income by RM3.17 million to RM3.64 million for the FYE 31 December 2015 (FYE 31 December 2014: RM0.47 million) mainly due to a reversal of the impairment loss on trade receivable of our Company of RM3.30 million in the FYE 31 December 2015 (FYE 31 December 2014: nil).

Our Company had made a provision for impairment loss for rental owing by a tenant in the FYE 31 December 2014. In the FYE 31 December 2015, our Company had utilised the rental deposits as well as the utilities deposits to offset against the amount owing by the tenant, thereby reversing the impairment loss on trade receivables which has been provided for earlier;

- (ii) decrease in administrative expenses by RM1.50 million to RM5.57 million for the FYE 31 December 2015 (FYE 31 December 2014: RM7.07 million) mainly due to the absence of unrealised foreign exchange loss recognised in FYE 31 December 2015. There was an unrealised foreign exchange loss in FYE 31 December 2014 due to the depreciation of the Australian Dollar; and
- (iii) decrease in the impairment loss on trade receivables by RM8.31 million to RM0.46 million for the FYE 31 December 2015 (FYE 31 December 2014: RM8.77 million) due to cessation of the operating lease rental by the tenant.

(b) FYE 31 December 2016 vs FYE 31 December 2015

Our Group's revenue for the FYE 31 December 2016 increased by RM2.47 million or 11.08% to RM24.76 million (FYE 31 December 2015: RM22.29 million). The increase in revenue was mainly due to additional projects secured during the year such as contract from Petronas Refinery & Petrochemical Corporation Sdn Bhd to supply fire fighting vehicles and maintenance services, revenue recognition for various on-going projects and projects completed during the year.

INFORMATION ON OUR COMPANY (CONT'D)

Our Group's GP and GP margin increased to approximately RM5.03 million and 20.32%, respectively, for the FYE 31 December 2016 (FYE 31 December 2015: RM3.38 million and 15.14%, respectively) mainly due to increase in revenue and lower fluctuation in foreign exchange rates for United States Dollar and British Pound Sterling as compared to the previous year, thus the cost of sales is relatively stable for the FYE 31 December 2016.

Other income of RM0.60 million for the FYE 31 December 2016 comprised gain on disposal of 1 unit of 3-storey shop office in Bandar Indera Mahkota, Kuantan, Pahang and realised gain on foreign exchange rates from United States Dollar, British Pound Sterling, the Euro and Singaporean Dollar (all due to purchase of imported components). The decrease in other income was due to the reversal of impairment loss on trade receivable for the FYE 31 December 2015.

In spite of the increase in revenue, our Group's LAT increased by RM1.31 million or 9.69% to RM14.83 million for the FYE 31 December 2016 (FYE 31 December 2015: RM13.52 million). The increase in LAT for the FYE 31 December 2016 was mainly due to:

- (i) decrease in other income by RM3.04 million to RM0.60 million for the FYE 31 December 2016 (FYE 31 December 2015: RM3.64 million) due to the absence of a reversal of the impairment loss on trade receivables in the FYE 31 December 2016;
- (ii) impairment loss on land held for property development of RM4.10 million for the FYE 31 December 2016 (FYE 31 December 2015: nil) as a result of the revaluation of 2 plots of freehold land in Mandurah, Australia;
- (iii) fair value loss on available-for-sale financial assets of RM3.67 million for the FYE 31 December 2016 (FYE 31 December 2015: nil) as a result of the decline in fair value of the quoted equity shares in Australia;
- (iv) increase in administrative expenses by RM0.87 million to RM6.44 million for the FYE 31 December 2016 (FYE 31 December 2015: RM5.57 million) as a result of higher legal fees incurred for on-going litigation; and
- (v) the increase in finance costs by RM0.72 million to RM2.48 million for the FYE 31 December 2016 (FYE 31 December 2015: RM1.76 million) due to the drawdown of borrowings for the funding of working capital of our Group during the year.

The increase in LAT was offset by a decrease in other expenses by RM9.66 million to RM3.68 million for the FYE 31 December 2016 (FYE 31 December 2015: RM13.34 million) mainly due to decrease in the provision for forbearance payment by RM9.25 million to RM1.37 million (FYE 31 December 2015: RM10.62 million). The provision made in FYE 31 December 2016 were merely interest expenses incurred and legal cost associated to the forbearance. Refer to Section 7(a), Appendix II of this AP for further details of the forbearance payment.

(c) 12-month FPE 31 December 2017 vs FYE 31 December 2016

Our Group's revenue for the 12-month FPE 31 December 2017 increased by RM16.72 million or 67.53% to RM41.48 million (FYE 31 December 2016: RM24.76 million). The increase in revenue for the 12-month FPE 31 December 2017 was mainly due to the increase in sales from the manufacturing segment by RM13.26 million to RM33.46 million (FYE 31 December 2016: RM20.20 million) as a result of completion and delivery of fire fighting vehicles and increase in sales from the trading segment by RM3.61 million to RM6.95 million (FYE 31 December 2016: RM3.34 million) as a result of new projects from Fire Suppression and Prevention Division were secured and revenue generated from retail business which commenced in July 2016.

INFORMATION ON OUR COMPANY (CONT'D)

Our Group's GP and GP margin increased to approximately RM8.82 million and 21.26%, respectively, for the 12-month FPE 31 December 2017 (FYE 31 December 2016: RM5.03 million and 20.32%, respectively) which is in line with the increase in revenue as abovementioned, despite the increase of cost of sales.

Other income of RM0.92 million for the 12-month FPE 31 December 2017 comprised mainly of the realised gain on foreign exchange rates from United States Dollar, British Pound Sterling, the Euro and Singaporean Dollar (all due to purchase of imported components) and reversal of impairment loss on trade receivables made.

In line with the increase in revenue and GP, our Group's LAT decreased by RM10.49 million or 70.73% to RM4.34 million for the 12-month FPE 31 December 2017 (FYE 31 December 2016: RM14.83 million). The decrease in LAT for the 12-month FPE 31 December 2017 was mainly due to:

- (i) the fair value loss on available-for-sale financial assets of RM1.05 for the 12-month FPE 31 December 2017 which is lower as compared to FYE 31 December 2016 of RM3.67 million, arising from the decline in fair value of quoted equity shares in Australia.

Our Group does not have a policy of investing in quoted securities. Currently, our Group only has 1 investment in quoted securities in Australia, which was initially made in 2011 by our Company. Subsequently, due to equity market volatility, which is a factor beyond the control of our management, the market prices of these quoted equity share have declined. Against this backdrop, and pursuant to requirements under accounting standards, there is a fair value loss on available-for sale financial assets recognised in our books at the end of a reporting period. While our Group takes cognisance of this adjustment, our Group will continue to monitor the performance of these investment in quoted securities as well as the economic conditions and equity market in Australia, in order the make an informed investment decision on these assets;

- (ii) there was no impairment on land held for property development for the 12-month FPE 31 December 2017 (FYE 31 December 2016: RM4.10 million) as a result of our Group will assess the market value of the properties by the end of the financial year 30 June 2018; and
- (iii) the decrease in finance costs by RM0.48 million to RM2.00 million for the 12-month FPE 31 December 2017 (FYE 31 December 2016: RM2.48 million) as a result of settlement of loan from an external party (being an entity which is not a financial institution and not related to our Directors and substantial shareholders. A minority shareholder of this entity was appointed by our Company to assist in the preparation of tender or other legal documentations. The said individual is not related to our Directors and substantial shareholders) for our Group's working capital purpose, in 2017.

The decrease in LAT was offset by an increase in administrative expenses by RM0.89 million to RM7.33 million for the 12-month FPE 31 December 2017 (FYE 31 December 2016: RM6.44 million) due to the expenses incurred by retail business which commenced in July 2016.

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INFORMATION ON OUR COMPANY (CONT'D)**8. HISTORICAL PRICES OF CME SHARES**

The monthly highest and lowest transacted market prices of CME Shares for the past 12 months are as follows:

	Highest (RM)	Lowest (RM)
2017		
March	0.070	0.055
April	0.070	0.055
May	0.065	0.055
June	0.060	0.050
July	0.055	0.050
August	0.055	0.050
September	0.060	0.050
October	0.060	0.050
November	0.060	0.045
December	0.050	0.040
2018		
January	0.055	0.045
February	0.055	0.045

The last transacted market price for CME Shares on 21 December 2017 (being the last trading date prior to the Announcement) was RM0.045 each.

The last transacted market price for CME Shares on 6 March 2018 (being the LPD prior to printing of this AP) was RM0.050 each.

The last transacted market price for CME Shares on 22 March 2018 (being the last day on which CME Shares were traded prior to the ex-date of the Rights Issue of Shares with Warrants) was RM0.050 each.

(Source: Bloomberg Finance L.P.)

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON



Baker Tilly Monteiro Heng
Chartered Accountants (AF0117)
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Malaysia

T : +603 2297 1000
F : +603 2282 9980

info@bakertillymh.com.my
www.bakertillymh.com.my

Date: **08 MAR 2018**

The Board of Directors
CME Group Berhad
Lot 19, Jalan Delima 1/1
Taman Perindustrian Teknologi
Tinggi Subang
47500 Subang Jaya

PRIVATE & CONFIDENTIAL

Dear Sirs,

CME GROUP BERHAD ("CME" or the "Company")

REPORT ON THE COMPILATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Statements of Financial Position of CME and its subsidiaries (the "Group") as at 31 December 2016 for which the directors of CME are solely responsible. The Pro Forma Consolidated Statements of Financial Position consists of the Pro Forma Consolidated Statements of Financial Position as at 31 December 2016 together with the accompanying notes thereon, as set out in the accompanying statements, for which we have stamped for the purpose of identification. The applicable criteria on the basis of which the directors of CME have compiled the Pro Forma Consolidated Statements of Financial Position are as described in Note 1 to the Pro Forma Consolidated Statements of Financial Position ("Applicable Criteria").

The Pro Forma Consolidated Statements of Financial Position of the Group as at 31 December 2016 has been compiled by the directors of CME to illustrate the impact of the renounceable rights issue of up to 846,307,143 ordinary shares in CME ("CME Share(s)" or "Share(s)") ("Rights Shares") on the basis of 2 Rights Shares for every 3 existing CME Shares held as at 5.00 p.m. on 27 March 2018 at an issue price of RM0.085 per Rights Share, together with up to 1,057,883,928 free detachable warrants ("Warrants") on the basis of 5 Warrants for every 4 Rights Shares subscribed for ("Rights Issue of Shares with Warrants").

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

CME GROUP BERHAD**Report on the Compilation of the Pro Forma Consolidated Statements of Financial Position as at 31 December 2016****BAKER TILLY**

As part of this process, information about the Group's financial position has been extracted by the directors of CME from the audited consolidated financial statements of the Group for the financial year ended 31 December 2016, which were reported by the auditors to the members of CME on 28 April 2017, contained an unqualified opinion and a material uncertainty related to going concern paragraph:-

"Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the Financial Statements, which indicates that the Group incurred a loss for the year ended 31 December 2016 of RM14.8 million and, as of that date, the Group's current liabilities exceeded its current assets by RM38.8 million. Included in the current liabilities is a provision for forbearance payment in respect of the revised Deed of Forbearance with a financial institution in Australia entered into by a wholly-owned subsidiary, CME Properties (Australia) Pty Ltd ("CMEA"), for a settlement sum payable by CMEA of AUD3,702,945 (approximately RM11,990,000) as disclosed in Note 29(c) to the Financial Statements. As stated in Note 2 to the Financial Statements, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position

The directors of CME are responsible for compiling the Pro Forma Consolidated Statements of Financial Position based on the Applicable Criteria.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the By-Laws (on Professional Ethics, Conduct and Practice) issued by the Malaysian Institute of Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies *International Standard on Quality Control (ISQC) 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, whether the Pro Forma Consolidated Statements of Financial Position has been compiled, in all material respects, by the directors of CME based on the Applicable Criteria.

We conducted our engagement in accordance with *International Standard on Assurance Engagements (ISAE) 3420: Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors of CME have compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position based on the Applicable Criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position.

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

CME GROUP BERHAD

Report on the Compilation of the Pro Forma Consolidated Statements of Financial Position as at 31 December 2016



The purpose of the Pro Forma Consolidated Statements of Financial Position included in the abridged prospectus to shareholders of CME in relation to the Rights Issue of Shares with Warrants ("Abridged Prospectus") is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transactions had been undertaken on 31 December 2016. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, based on the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the directors of CME in the compilation of the Pro Forma Consolidated Statements of Financial Position of the Group provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:-

- (a) The related Pro Forma adjustments give appropriate effect to those criteria; and
- (b) The Pro Forma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Consolidated Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion:-

- (i) the Pro Forma Consolidated Statements of Financial Position of the Group have been properly compiled on the basis as set out in the accompanying notes to the Pro Forma Consolidated Statements of Financial Position based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2016 (which have been prepared by the directors of CME), and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group in the preparation of its audited consolidated financial statements for the financial year ended 31 December 2016 and the adoption of a new accounting policy as detailed in Note 1.2 to the Pro Forma Consolidated Statements of Financial Position; and
- (ii) each material adjustment made to the information used in the preparation of the Pro Forma Consolidated Statements of Financial Position is appropriate for the purposes of preparing the Pro Forma Consolidated Statements of Financial Position.

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS
AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS'
LETTER THEREON (CONT'D)**

CME GROUP BERHAD

**Report on the Compilation of the Pro Forma Consolidated
Statements of Financial Position as at 31 December 2016**



Other matters

This report has been prepared for inclusion in the Abridged Prospectus and is not to be used, circulated, quoted or otherwise referenced to in any document or used for any other purpose without the prior written consent from us. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully,

Baker Tilly Monteiro Heng
No. AF0117
Chartered Accountants

Dato' Lock Peng Kuan
No. 02819/10/2018 J
Chartered Accountant

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

CME GROUP BERHAD AND ITS SUBSIDIARIES

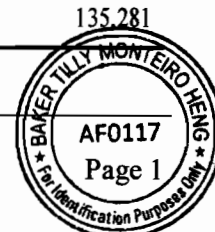
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

The Pro Forma Consolidated Statements of Financial Position of CME Group Berhad ("CME" or the "Company") and its subsidiaries (the "Group") as at 31 December 2016 as set out below for which the directors of CME are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited consolidated statements of financial position of the Group as at 31 December 2016 had the transactions as described in Note 2 and the Rights Issue of Shares with Warrants as described in Note 3 been effected on that date, and should be read in conjunction with the notes accompanying to the Pro Forma Consolidated Statements of Financial Position.

Minimum Scenario

	Audited Consolidated Statement of Financial Position as at 31 December 2016 RM'000	Pro Forma I After subsequent events RM'000	Pro Forma II After I and the Rights Issue of Shares with Warrants RM'000	Pro Forma III After II and assuming full exercise of Warrants RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	19,013	19,013	19,013	19,013
Land held for property development	37,457	29,790	29,790	29,790
Investment properties	51,260	51,260	51,260	51,260
Other financial assets	1,491	1,491	1,491	1,491
Total Non-current assets	109,221	101,554	101,554	101,554
Current assets				
Inventories	909	909	909	909
Amount due from contract customers	721	721	721	721
Trade receivables	13,006	13,006	13,006	13,006
Other receivables, deposits and prepaid expenses	6,505	6,505	6,505	6,505
Tax recoverable	518	518	518	518
Cash and bank balances	1,120	9,328	10,959	12,068
Total Current assets	22,779	30,987	32,618	33,727
TOTAL ASSETS	132,000	132,541	134,172	135,281

**Pro Forma Consolidated Statements of Financial Position
as at 31 December 2016**



PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

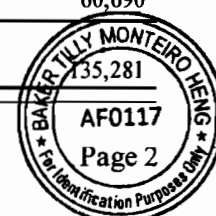
CME GROUP BERHAD AND ITS SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (Continued)

Minimum Scenario (Continued)

	Audited Consolidated Statement of Financial Position as at 31 December 2016 RM'000	Pro Forma I After subsequent events RM'000	Pro Forma II After I and the Rights Issue of Shares with Warrants RM'000	Pro Forma III After II and assuming full exercise of Warrants RM'000
EQUITY AND LIABILITIES				
Capital and Reserves				
Issued capital	44,110	46,316	48,789	54,966
ICULS	31,370	31,370	31,370	31,370
Foreign currency translation reserve	3,737	3,737	3,737	3,737
Revaluation reserve	10,721	10,721	10,721	10,721
Warrants reserve	-	-	5,068	-
Accumulated losses	(24,928)	(25,593)	(26,203)	(26,203)
Total equity	65,010	66,551	73,482	74,591
Non-current liabilities				
Hire-purchase payables - non-current portion	599	599	599	599
Amount owing to third parties - non-current portion	1,779	1,779	1,779	1,779
Long-term loans - non-current portion	1,803	1,803	1,803	1,803
Deferred tax liabilities	1,238	1,238	1,238	1,238
Total Non-current liabilities	5,419	5,419	5,419	5,419
Current liabilities				
Trade payables	13,727	13,727	13,227	13,227
Other payables, accrued expenses and provisions	19,371	19,371	18,871	18,871
Amount due to contract customers	6,780	6,780	6,780	6,780
Hire-purchase payables - current portion	168	168	168	168
Bank borrowings	21,480	20,480	16,180	16,180
Tax liabilities	45	45	45	45
Total Current liabilities	61,571	60,571	55,271	55,271
Total Liabilities	66,990	65,990	60,690	60,690
TOTAL EQUITY AND LIABILITIES	132,000	132,541	134,172	135,281

**Pro Forma Consolidated Statements of Financial Position
as at 31 December 2016**



PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

CME GROUP BERHAD AND ITS SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (Continued)

Minimum Scenario (Continued)

	Audited Consolidated Statement of Financial Position as at 31 December 2016 RM'000	Pro Forma I After subsequent events RM'000	Pro Forma II After I and the Rights Issue of Shares with Warrants RM'000	Pro Forma III After II and assuming full exercise of Warrants RM'000
Number of ordinary shares in issue ('000): - RM0.10 each *	441,100	485,210	573,926	684,821
Net assets ("NA")	65,010	66,551	73,482	74,591
NA per Share (RM)	0.15	0.14	0.13	0.11

* Pursuant to Section 74 of the Companies Act 2016 (the "Act"), all shares issued before or upon the commencement of the Act shall have no par or nominal value.

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

CME GROUP BERHAD AND ITS SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (Continued)

Maximum Scenario

	Audited Consolidated Statement of Financial Position as at 31 December 2016 RM'000	Pro Forma I After subsequent events RM'000	Pro Forma II After I and assuming full conversion of ICULS RM'000	Pro Forma III After II and the Rights Issue of Shares with Warrants RM'000	Pro Forma IV After III and assuming full exercise of Warrants RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	19,013	19,013	19,013	19,013	19,013
Land held for property development	37,457	29,790	29,790	29,790	29,790
Investment properties	51,260	51,260	51,260	51,260	51,260
Other financial assets	1,491	1,491	1,491	1,491	1,491
Total Non-current assets	109,221	101,554	101,554	101,554	101,554
Current assets					
Inventories	909	909	909	909	909
Amount due from contract customers	721	721	721	721	721
Trade receivables	13,006	13,006	13,006	13,006	13,006
Other receivables, deposits and prepaid expenses	6,505	6,505	6,505	6,505	6,505
Tax recoverable	518	518	518	518	518
Cash and bank balances	1,120	9,328	56,383	82,659	93,238
Total Current assets	22,779	30,987	78,042	104,318	114,897
TOTAL ASSETS	132,000	132,541	179,596	205,872	216,451

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

CME GROUP BERHAD AND ITS SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (Continued)

Maximum Scenario (Continued)

	Audited Consolidated Statement of Financial Position as at 31 December 2016 RM'000	Pro Forma I After subsequent events RM'000	Pro Forma II After I and assuming full conversion of ICULS RM'000	Pro Forma III After II and the Rights Issue of Shares with Warrants RM'000	Pro Forma IV After III and assuming full exercise of Warrants RM'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Issued capital	44,110	46,316	124,741	148,437	207,256
ICULS	31,370	31,370	-	-	-
Foreign currency translation reserve	3,737	3,737	3,737	3,737	3,737
Revaluation reserve	10,721	10,721	10,721	10,721	10,721
Warrants reserve	-	-	-	48,240	-
Accumulated losses	(24,928)	(25,593)	(25,593)	(26,203)	(26,203)
Total equity	65,010	66,551	113,606	184,932	195,511
Non-current liabilities					
Hire-purchase payables - non-current portion	599	599	599	599	599
Amount owing to third parties - non-current portion	1,779	1,779	1,779	1,779	1,779
Long-term loans - non-current portion	1,803	1,803	1,803	1,803	1,803
Deferred tax liabilities	1,238	1,238	1,238	1,238	1,238
Total Non-current liabilities	5,419	5,419	5,419	5,419	5,419
Current liabilities					
Trade payables	13,727	13,727	13,727	-	-
Other payables, accrued expenses and provisions	19,371	19,371	19,371	6,098	6,098
Amount due to contract customers	6,780	6,780	6,780	6,780	6,780
Hire-purchase payables - current portion	168	168	168	168	168
Bank borrowings	21,480	20,480	20,480	2,430	2,430
Tax liabilities	45	45	45	45	45
Total Current liabilities	61,571	60,571	60,571	15,521	15,521
Total Liabilities	66,990	65,990	65,990	20,940	20,940
TOTAL EQUITY AND LIABILITIES	132,000	132,541	179,596	205,872	216,451

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

CME GROUP BERHAD AND ITS SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (Continued)

Maximum Scenario (Continued)

	Audited Consolidated Statement of Financial Position as at 31 December 2016 RM'000	Pro Forma I After subsequent events RM'000	Pro Forma II After I and assuming full conversion of ICULS RM'000	Pro Forma III After II and the Rights Issue of Shares with Warrants RM'000	Pro Forma IV After III and assuming full exercise of Warrants RM'000
Number of ordinary shares in issue ('000): - RM0.10 each *	441,100	485,210	1,269,461	2,115,768	3,173,652
NA	65,010	66,551	113,606	184,932	195,511
NA per Share (RM)	0.15	0.14	0.09	0.09	0.06

* Pursuant to Section 74 of the Act, all shares issued before or upon the commencement of the Act shall have no par or nominal value.

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

CME GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

1. Basis of Preparation

- 1.1 The Pro Forma Consolidated Statements of Financial Position of the Group, for which the directors of CME are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited consolidated statements of financial position of the Group as at 31 December 2016 had the transactions as described in Note 2 and the Rights Issue of Shares with Warrants as described in Note 3 been effected on that date, and should be read in conjunction with the notes accompanying the Pro Forma Consolidated Statements of Financial Position.
- 1.2 The Pro Forma Consolidated Statements of Financial Position of the Group have been prepared in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group in the preparation of its audited consolidated financial statements for the financial year ended 31 December 2016, which have been prepared in accordance with the Malaysian Financial Reporting Standards in Malaysia, and the adoption of the following new accounting policy:-

Warrants Reserve

The allocated fair values of free warrants are credited to a warrants reserve, which is non-distributable. The warrants reserve will be transferred to the share capital account upon the exercise of warrants.

For the preparation of the Pro Forma Consolidated Statements of Financial Position, the directors of CME have allocated a value of RM0.0457 and RM0.0456 per Warrant under Minimum Scenario and Maximum Scenario respectively to the free Warrants based on the fair value of the Warrants extracted from Bloomberg Finance LP as at 6 March 2018, being the latest practicable date prior to the printing of Abridged Prospectus ("LPD"). The value of the Warrants is based on the relative fair values of the ordinary shares by reference to the following information extracted from Bloomberg Finance LP:-

Valuation model	: Black Scholes
5-days volume weighted average price	: RM0.050
Exercise price	: RM0.010 per Warrant
Tenure of Warrants	: 10 years
Share price volatility	: 67.55%
Dividend	: No dividend
Risk free interest rate	: 3.956% per annum

As the above variables are subject to change upon the implementation of the Rights Issue of Shares with Warrants as described in Note 3, the actual quantum of the components of the warrant reserve will only be determined upon issuance of the Warrants. As such, the actual quantum may differ from the amount computed above.

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

CME GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (Continued)

1. Basis of Preparation (Continued)

- 1.3 The audited financial statements of CME for the financial year ended 31 December 2016, which were reported by the auditors to the members of CME on 28 April 2017, contained an unqualified opinion and a material uncertainty to going concern paragraph:-

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the Financial Statements, which indicates that the Group incurred a loss for the year ended 31 December 2016 of RM14.8 million and, as of that date, the Group's current liabilities exceeded its current assets by RM38.8 million. Included in the current liabilities is a provision for forbearance payment in respect of the revised Deed of Forbearance with a financial institution in Australia entered into by a wholly-owned subsidiary, CME Properties (Australia) Pty Ltd ("CMEA"), for a settlement sum payable by CMEA of AUD3,702,945 (approximately RM11,990,000) as disclosed in Note 29(c) to the Financial Statements. As stated in Note 2 to the Financial Statements, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

2. Adjusted Consolidated Statements of Financial Position as at 31 December 2016

The audited consolidated statements of financial position of CME as at 31 December 2016 had been adjusted for the following transactions subsequent to 31 December 2016 and up to the LPD:-

2.1 Private Placement

On 19 June 2017, the Company has completed the private placement of 44,110,000 new CME Shares at an issue price of RM0.05 per CME Share with a total proceeds of RM2,205,500. The total expenses arising from the private placement of RM82,316 will be debited to Accumulated Losses Account.

The private placement had the following impact on the audited Consolidated Statement of Financial Position of the Group as at 31 December 2016:-

	Increase/(Decrease)	
	Effects on Total Assets RM'000	Effects on Total Liabilities and Total Equity RM'000
Cash and bank balances	1,124	-
Bank borrowings (current)	-	(1,000)
Accumulated losses	-	(82)
Issued capital	-	2,206
	1,124	1,124

**Pro Forma Consolidated Statements of Financial Position
as at 31 December 2016**



PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

CME GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (Continued)

2. Adjusted Consolidated Statements of Financial Position as at 31 December 2016 (continued)

2.2 Disposal of land held for property development

On 27 December 2017, the Company has received proceeds of RM7,084,252 for the disposal of the leasehold land measuring approximately 5,936 square metres or 1.47 acres located at Mukim Kuala Kuantan, Tempat Bandar Indera Mahkota, District of Kuantan, Pahang Darul Makmur. The Company recorded a loss on disposal amounted to RM582,748 based on the carrying amount of the land held for property development of RM7,667,000 as at the date of disposal. The loss on disposal arising from the disposal of land held for property development of RM582,748 will be debited to Accumulated Losses Account.

The disposal of land held for property development had the following impact on the audited Consolidated Statements of Financial Position of the Group as at 31 December 2016:-

	Increase/(Decrease)	
	Effects on Total Assets RM'000	Effects on Total Equity RM'000
Land held for property development	(7,667)	-
Cash and bank balances	7,084	-
Accumulated losses	-	(583)
	(583)	(583)

3. Rights Issue of Shares with Warrants

CME intends to undertake the renounceable rights issue of up to 846,307,143 new ordinary shares in CME ("CME Share(s)" or "Share(s)") ("Rights Shares") on the basis of 2 Rights Shares for every 3 existing CME Shares held as at 5 p.m. on 27 March 2018 at an issue price of RM0.085 per Rights Share, together with up to 1,057,883,928 free detachable warrants ("Warrants") on the basis of 5 Warrants for every 4 Rights Shares subscribed for ("Rights Issue of Shares with Warrants").

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

CME GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (Continued)

3. Rights Issue of Shares with Warrants (continued)

Proposed utilisation of proceeds from the Rights Issue of Shares with Warrants

The proceeds from the Right Issue of Shares with Warrants will be utilised in the following manner:-

	Minimum Scenario RM'000	Maximum Scenario RM'000
Repayment of borrowings	4,300	18,050
Working capital *	2,631	53,276
Estimated expenses in relation to the Rights Issue of Shares with Warrants	610	610
Total	7,541	71,936

* *The proceeds earmarked for the working capital of the Group will be utilised to finance the Group's operating expenses to support the existing business operations. The expenses include, amongst others, payments of staff related expenses such as wages and staff welfare, payments to trade and other creditors (new and existing) and administrative and general expenses.*

The payments of trade creditors which relate to purchase of raw materials and sub-contracting services, and other creditors (breakdown as follows):

	Minimum Scenario RM'000	Maximum Scenario RM'000
Trade creditors	500	15,000
Other creditors	500	12,000
Total	1,000	27,000

The variation in the actual utilisation for payments to existing trade and other creditors will be adjusted accordingly to/from the new trade and other creditors as and when the needs arise.

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

CME GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (Continued)

4. Pro Forma Consolidated Statements of Financial Position

4.1 Minimum Scenario

The minimum scenario assumes that:-

- (i) Assuming no conversion of outstanding irredeemable convertible unsecured loan stocks ("ICULS"), the Rights Issue of Shares with Warrants will be implemented on a minimum subscription basis, with a minimum subscription level of 88,715,760 Rights Shares together with 110,894,700 Warrants ("Minimum Subscription Level") at an issue price of RM0.085 per Rights Share; and
- (ii) The 110,894,700 Warrants issued pursuant to the Rights Issue of Shares with Warrants will be fully exercised at an exercise price of RM0.01 per Warrant.

4.1.1 Pro Forma I

Pro Forma I incorporates the effects of the subsequent events which occurred subsequent to 31 December 2016 and up to LPD as described in Note 2.

4.1.2 Pro Forma II

Pro Forma II incorporates the cumulative effects of the Pro Forma I and Rights Issue of Shares with Warrants on the adjusted consolidated statements of financial position of the Group as at 31 December 2016 and the proposed utilisation of proceeds, arising from the Rights Issue of Shares with Warrants as described in Notes 3 and 4.1.

With the issuance of 110,894,700 Warrants pursuant to the Rights Issue of Shares with Warrants, CME has recognised the fair value of the Warrants of approximately RM5.068 million based on the basis as disclosed in Note 1.2.

The proceeds arising from the Rights Issue of Shares with Warrants earmarked for repayment of borrowings of RM4.3 million will be debited to the Bank Borrowings Account and the proceeds earmarked for working capital of which RM1.631 million will be included in Cash and Bank Balances Account and the balance earmarked for payment of trade payables and other payables of RM0.5 million each will be debited to Trade Payables Account and Other Payables Account respectively.

The estimated expenses in relation to the Rights Issue of Shares with Warrants of RM0.61 million will be debited to the Accumulated Losses Account.

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

CME GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (Continued)

4. Pro Forma Consolidated Statements of Financial Position (Continued)

4.1 Minimum Scenario (Continued)

4.1.2 Pro Forma II (continued)

The Rights Issue of Shares with Warrants and the utilisation of proceeds arising from the Rights Issue of Shares with Warrants will have the following impact on the Pro Forma Consolidated Statements of Financial Position of the Group as at 31 December 2016:-

	Increase/(Decrease)	
	Effects on Total Assets RM'000	Effects on Total Liabilities and Total Equity RM'000
Cash and bank balances	1,631	-
Trade payables	-	(500)
Other payables, accrued expenses and provisions	-	(500)
Bank borrowings (current)	-	(4,300)
Issued capital	-	2,473
Warrants reserve	-	5,068
Accumulated losses	-	(610)
	1,631	1,631

4.1.3 Pro Forma III

Pro Forma III incorporates the cumulative effects of Pro Forma II and assuming the full exercise of 110,894,700 Warrants at an exercise price of RM0.01 per Warrant as described in Note 4.1(ii).

The full exercise of 110,894,700 Warrants will have the following impact on the Pro Forma Consolidated Statements of Financial Position of the Group as at 31 December 2016:-

	Increase/(Decrease)	
	Effects on Total Assets RM'000	Effects on Total Equity RM'000
Cash and bank balances	1,109	-
Issued capital	-	6,177
Warrants reserve	-	(5,068)
	1,109	1,109

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

CME GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (Continued)

4. Pro Forma Consolidated Statements of Financial Position (Continued)

4.2 Maximum Scenario

The maximum scenario assumes that:-

- (i) 784,250,715 outstanding 10-year zero coupon ICULS in CME are converted into new CME Shares by surrendering one (1) ICULS of RM0.04 nominal value together with RM0.06 in cash such that in aggregate it amounts to RM0.10 for one (1) new CME Share;
- (ii) All the shareholders of CME whose name appear in the record of depositors of CME as at the close of business on the Entitlement Date will subscribe for their entitlements in full at an issue price of RM0.085 per Rights Share; and
- (iii) The 1,057,883,928 Warrants issued pursuant to the Rights Issue of Shares with Warrants will be fully exercised at an exercise price of RM0.01 per Warrant.

4.2.1 Pro Forma I

Pro Forma I incorporates the effects of the subsequent events which occurred subsequent to 31 December 2016 and up to LPD as described in Note 2.

4.2.2 Pro Forma II

Pro Forma II incorporates the cumulative effects of Pro Forma I and assuming of the full conversion of ICULS into new CME Shares on the adjusted consolidated statements of financial position of the Group as at 31 December 2016 as described in Note 4.2(i).

The 784,250,715 ICULS in CME are converted into 784,250,715 new CME Shares by surrendering one (1) ICULS of RM0.04 nominal value of ICULS together with cash payment of RM0.06 for one (1) ICULS converted. A total proceeds of RM47.055 million pursuant to the conversion of ICULS into new CME Shares will be debited to Cash and Bank Balances Account.

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

CME GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (Continued)

4. Pro Forma Consolidated Statements of Financial Position (Continued)

4.2 Maximum Scenario (Continued)

4.2.2 Pro Forma II (continued)

The conversion of ICULS will have the following impact on the Pro Forma Consolidated Statements of Financial Position of the Group as at 31 December 2016:-

	Increase/(Decrease)	
	Effects on Total Assets RM'000	Effects on Total Equity RM'000
Cash and bank balances	47,055	-
ICULS	-	(31,370)
Issued capital	-	78,425
	47,055	47,055

4.2.3 Pro Forma III

Pro Forma III incorporates the cumulative effects of Pro Forma II and the effects of the Rights Issue of Shares with Warrants on the adjusted consolidated statements of financial position of the Group as at 31 December 2016 and the proposed utilisation of proceeds arising from the Rights Issue of Shares with Warrants as described in Notes 3 and 4.2(ii).

With the issuance of 1,057,883,928 Warrants pursuant to the Rights Issue of Shares with Warrants, CME has recognised the fair value of the Warrants of approximately RM48.240 million based on the basis as disclosed in Note 1.2.

The proceeds arising from the Rights Issue of Shares with Warrants earmarked for repayment of borrowings of RM18.050 million will be debited to the Bank Borrowings Account and the proceeds earmarked for working capital of which RM26.276 million will be debited to Cash and Bank Balances Account and the balance earmarked for payment of trade and other payables of RM13.727 million and RM13.273 million will be debited to Trade Payables Account and Other Payables Account respectively.

The estimated expenses in relation to the Proposed Rights Issue of Shares with Warrants of RM0.61 million will be debited to Accumulated Losses Account.

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

CME GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (Continued)

4. Pro Forma Consolidated Statements of Financial Position (Continued)

4.2 Maximum Scenario (Continued)

4.2.3 Pro Forma III (Continued)

The Rights Issue of Shares with Warrants and the utilisation of proceeds arising from the Rights Issue of Shares with Warrants will have the following impact on the Pro Forma Consolidated Statements of Financial Position of the Group as at 31 December 2016:-

	Increase/(Decrease)	
	Effects on Total Assets RM'000	Effects on Total Liabilities and Total Equity RM'000
Cash and bank balances	26,276	-
Trade payables	-	(13,727)
Other payables, accrued expenses and provisions	-	(13,273)
Bank borrowings (Current)	-	(18,050)
Issued capital	-	23,696
Warrants reserve	-	48,240
Accumulated losses	-	(610)
	26,276	26,276

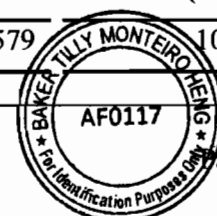
4.2.4 Pro Forma IV

Pro Forma IV incorporates the cumulative effects of Pro Forma III and assuming the full exercise of 1,057,883,928 Warrants at an exercise price of RM0.01 per Warrant as described in Note 4.2(iii).

The full exercise of 1,057,883,928 Warrants will have the following impact on the Pro Forma Consolidated Statements of Financial Position of the Group as at 31 December 2016:-

	Increase/(Decrease)	
	Effects on Total Assets RM'000	Effects on Total Equity RM'000
Cash and bank balances	10,579	-
Issued capital	-	58,819
Warrants reserve	-	(48,240)
	10,579	10,579

**Pro Forma Consolidated Statements of Financial Position
as at 31 December 2016**



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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

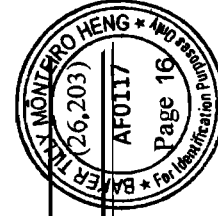
CME GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (Continued)

5. Movements in Issued Capital and Reserves
5.1 Minimum Scenario

	← Issued capital →		Foreign Currency		Warrants		Accumulated	
	Number of	Amount	Translation	Revaluation	Reserve	Reserve	Losses	
	Shares	RM'000	Reserve	Reserve	Reserve	Reserve		RM'000
	'000	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000
Audited consolidated statement of financial position as at 31 December 2016	441,100	44,110	3,737	10,721	-	-		(24,928)
Arising from Private Placement								
- proceeds from Private Placement	44,110	2,206	-	-	-	-		-
- defrayment of expenses	-	-	-	-	-	-		(82)
Arising from disposal of land								
- loss on disposal of land	-	-	-	-	-	-		(583)
Per Pro Forma I	485,210	46,316	3,737	10,721	-	-		(25,593)
Arising from the Rights Issue of Shares with Warrants								
- proceeds from issuance of Rights Shares	88,716	7,541	-	-	-	-		-
- fair value of Warrants	-	(5,068)	-	-	-	5,068		(610)
- defrayment of estimated expenses	-	-	-	-	-	-		-
Per Pro Forma II	573,926	48,789	3,737	10,721	5,068	-		(26,203)
Arising from the full exercise of Warrants								
- proceeds from exercise of Warrants	110,895	1,109	-	-	-	-		-
- reversal of fair value of Warrants	-	5,068	-	-	-	(5,068)		-
Per Pro Forma III	684,821	54,966	3,737	10,721	-	-		-

**Pro Forma Consolidated Statements of Financial Position
as at 31 December 2016**



PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

CME GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (Continued)

5. Movements in Issued Capital and Reserves (Continued)

5.2 Maximum Scenario

	← Issued capital →								
	Number of Shares '000	Amount RM'000	ICULS RM'000	Foreign Currency Translation Reserve RM'000	Revaluation Reserve RM'000	Warrants Reserve RM'000	Accumulated Losses RM'000		
Audited consolidated statement of financial position as at 31 December 2016	441,100	44,110	31,370	3,737	10,721	-	(24,928)		
Arising from Private Placement									
- proceeds from Private Placement	44,110	2,206	-	-	-	-	-		
- defrayment of expenses	-	-	-	-	-	-	(82)		
Arising from disposal of land									
- loss on disposal of land	-	-	-	-	-	-	(583)		
Per Pro Forma I	485,210	46,316	31,370	3,737	10,721	-	(25,593)		
Arising from conversion of ICULS									
- conversion of ICULS to CME Shares	784,251	78,425	(31,370)	-	-	-	-		
Per Pro Forma II	1,269,461	124,741	-	3,737	10,721	-	(25,593)		
Arising from the Rights Issue of Shares with Warrants									
- proceeds from issuance of Rights Shares	846,307	71,936	-	-	-	-	-		
- fair value of Warrants	-	(48,240)	-	-	-	48,240	-		
- defrayment of estimated expenses	-	-	-	-	-	-	(610)		
Per Pro Forma III	2,115,768	148,437	-	3,737	10,721	48,240	(26,203)		
Arising from the full exercise of Warrants									
- proceeds from exercise of Warrants	1,057,884	10,579	-	-	-	-	-		
- reversal of fair value of Warrants	-	48,240	-	-	-	(48,240)	-		
Per Pro Forma IV	3,173,652	207,256	-	3,737	10,721	-	(26,203)		

**Pro Forma Consolidated Statements of Financial Position
as at 31 December 2016**



PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

CME GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (Continued)

6. Movements in Cash and Bank Balances

6.1 Minimum Scenario

	RM'000
Audited consolidated statement of financial position as at 31 December 2016	1,120
Arising from the Private Placement	
- proceeds from Private Placement	2,206
- defrayment of expenses	(82)
- repayment of bank borrowings	(1,000)
Arising from the disposal of land	
- proceeds from disposal of land	7,084
Per Pro Forma I *	9,328
Arising from the Rights Issue of Shares with Warrants	
- proceeds from the issuance of Rights Shares	7,541
- defrayment of estimated expenses	(610)
- repayment of trade and other payables	(1,000)
- repayment of bank borrowings	(4,300)
Per Pro Forma II **	10,959
Arising from the full exercise of Warrants	1,109
Per Pro Forma III **	12,068

* Included in the cash and bank balances is an amount of RM1.124 million arising from the Private Placement earmarked for the working capital purposes.

** Included in the cash and bank balances is an amount of RM1.631 million arising from the Rights Issue of Shares with Warrants earmarked for the working capital purpose, to be utilised for staff related expenses, administration and general expenses.

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

CME GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (Continued)

6. Movements in Cash and Bank Balances (Continued)

6.2 Maximum Scenario

	RM'000
Audited consolidated statement of financial position as at 31 December 2016	1,120
Arising from the Private Placement	
- proceeds from Private Placement	2,206
- defrayment of expenses	(82)
- repayment of bank borrowings	(1,000)
Arising from the disposal of land	
- proceeds from disposal of land	7,084
Per Pro Forma I *	<u>9,328</u>
Arising from the conversion of ICULS	47,055
Per Pro Forma II *	<u>56,383</u>
Arising from the Rights Issue of Shares with Warrants	
- proceeds from the issuance of Rights Shares	71,936
- defrayment of estimated expenses	(610)
- repayment of trade and other payables	(27,000)
- repayment of bank borrowings	(18,050)
Per Pro Forma III **	<u>82,659</u>
Arising from the full exercise of Warrants	10,579
Per Pro Forma IV **	<u>93,238</u>

* Included in the cash and bank balances is an amount of RM1.124 million arising from the Private Placement earmarked for the working capital purposes.

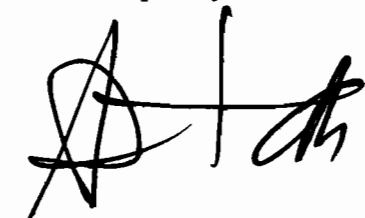
** Included in the cash and bank balances is an amount of RM26.276 million arising from the Rights Issue of Shares with Warrants earmarked for the working capital purposes, to be utilised for staff related expenses, project tender and electric bus project expenses and administration and general expenses.

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2016 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

CME GROUP BERHAD AND ITS SUBSIDIARIES

APPROVAL BY BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of CME Group Berhad on 8 March 2018.



.....
Name: **Azlan Omry Bin Omar**
Director



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31
DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON**

CERTIFIED TRUE COPY



Wong Kar Choon
Partner - 03153/08/2018 J
Chartered Accountant

CME GROUP BERHAD
(Company No. 52235 - K)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

**DIRECTORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**
(In Ringgit Malaysia)

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31
DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

CME GROUP BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES**FINANCIAL STATEMENTS**

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

CME GROUP BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors of **CME GROUP BERHAD** hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiary companies are disclosed in Note 13 to the Financial Statements.

Other than the acquisition of subsidiary companies as mentioned in Note 13, there have been no significant changes in the nature of the principal activities of the Company and its subsidiary companies during the financial year.

EVENTS AFTER REPORTING PERIOD

Events after reporting period are as disclosed in Note 30 to the Financial Statements.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	The Group RM'000	The Company RM'000
Loss before tax	(14,719)	(7,438)
Income tax (expense)/credit	<u>(110)</u>	<u>15</u>
Loss for the year	<u>(14,829)</u>	<u>(7,423)</u>
Attributable to:		
Equity holders of the Company	<u>(14,829)</u>	<u>(7,423)</u>

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature except for fair value loss on available-for-sale financial assets amounting to RM3,668,000 and impairment loss on land held for property development amounting to RM4,103,000 as disclosed in Note 7 to the Financial Statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

DIVIDENDS

No dividends have been paid or declared by the Company since the end of the previous financial year. The directors also do not recommend any dividend payment in respect of the current financial year.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that there were no known bad debts to be written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

The Group has incurred a loss for the year ended 31 December 2016 of RM14.8 million and, as of that date, the Group's current liabilities exceeded its current assets by RM38.8 million. Included in the current liabilities is a provision for forbearance payment in respect of the revised Deed of Forbearance with a financial institution in Australia entered into by a wholly-owned subsidiary, CME Properties (Australia) Pty Ltd ("CMEA"), for a settlement sum payable by CMEA of AUD3,702,945 (approximately RM11,990,000) as disclosed in Note 29 (c) to the Financial Statements.

The above events or conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. However, the financial statements of the Group have been prepared in accordance with the accounting principles applicable to a going concern. This going concern basis presumes amongst others that the Group will continue to receive financial support from its shareholders, the fund raising exercise as disclosed in Note 27 will be completed by the middle of 2017, and the operations of the Group will be profitable so that the realisation of assets and the settlement of liabilities would occur in the ordinary course of business.

Other than as disclosed in the preceding paragraph, at the date of this report, the directors are not aware of any circumstances:

- (a) which would require the writing off of bad debts or render the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the directors, 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 operations of the Group and of the Company for the succeeding financial year.

DIRECTORS

The following directors served on the Board of the Company since the date of the last report:

YAD Dato' Setia Tengku Indera Pahlawan
 Tengku Putra Alhaj bin Tengku Azman Shah Alhaj
 Dato' Khairi bin Mohamad
 Azlan Omry bin Omar
 Lim Bee Hong
 Tunku Nizamuddin bin Tunku Dato' Seri Shahabuddin
 Ong Suan Pin
 YAM Tengku Besar Tengku Kamil Ismail bin Tengku Idris Shah

DIRECTORS' INTERESTS

The shareholdings of directors in the Company of those who were directors at the end of the financial year as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

	Number of ordinary shares of RM0.10 each			
	Balance as of 1.1.2016	Bought	Sold	Balance as of 31.12.2016
DIRECT INTEREST				
Shares in the Company				
Registered in the name of director				
Lim Bee Hong	100,540	-	-	100,540
Ong Suan Pin	12,470,180	-	(70,180)	12,400,000

(Forward)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

		Number of ordinary shares of RM0.10 each			
		Balance			Balance
		as of	Bought	Sold	as of
Held through	1.1.2016	1.1.2016	Bought	Sold	31.12.2016
DEEMED INTEREST					
Shares in the Company					
Tunku Nizamuddin bin Tunku Dato' Seri Shahabuddin	Ikram Mulia Holdings Sdn Bhd	80,573,640	-	-	80,573,640

By virtue of their interest in the shares of the Company, the abovementioned directors are deemed to have an interest in the shares of the subsidiary companies to the extent the Company has interest.

None of the other directors in office at the end of the financial year held shares or had any beneficial interests in the shares of the Company or its related companies during and at the end of financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than the benefits included in the aggregate of emoluments received or fixed salary of full-time employees of certain directors in subsidiary companies as disclosed in the financial statements of the Group and of the Company) by reason of a contract made by the Company or a related company with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

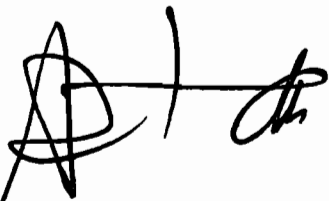
Significant events during the financial year are disclosed in Note 29 to the Financial Statements.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31
DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

Signed on behalf of the Board,
in accordance with a resolution of the directors,



AZLAN OMRY BIN OMAR



LIM BEE HONG

Petaling Jaya,

28 APR 2017

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

Deloitte PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)
Level 16, Menara LGB
1 Jalan Wan Kadir
Taman Tun Dr. Ismail
60000 Kuala Lumpur

P.O. Box 10093
50704 Kuala Lumpur
Malaysia

Tel: +60 3 7610 8888
Fax: +60 3 7726 8986
myaaa@deloitte.com
www.deloitte.com/my

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CME GROUP BERHAD
(Incorporated in Malaysia)****Report on the Audit of the Financial Statements***Opinion*

We have audited the financial statements of **CME GROUP BERHAD**, which comprise the statements of financial position of the Group and of the Company as of 31 December 2016, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 14 to 91.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2016, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

With effect from 3 January 2017, Deloitte, a conventional partnership firm with the Registration No. AF0080, was converted to Deloitte PLT (LLP0010145-LCA) (AF0080).

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/my/about to learn more about our global network of member firms.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the Financial Statements, which indicates that the Group incurred a loss for the year ended 31 December 2016 of RM14.8 million and, as of that date, the Group's current liabilities exceeded its current assets by RM38.8 million. Included in the current liabilities is a provision for forbearance payment in respect of the revised Deed of Forbearance with a financial institution in Australia entered into by a wholly-owned subsidiary, CME Properties (Australia) Pty Ltd ("CMEA"), for a settlement sum payable by CMEA of AUD3,702,945 (approximately RM11,990,000) as disclosed in Note 29 (c) to the Financial Statements. As stated in Note 2 to the Financial Statements, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matter

Key audit matter presented below is matter that, in our professional judgment, was of most significance in our audit of the financial statements of the Group and of the Company of the current year. This matter was addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

<i>Key audit matter</i>	<i>How the matter was addressed in the audit</i>
<p>Revenue recognition</p> <p>The Group's revenue of RM24,759,000 was mainly derived from revenue from contracts attributable to work performed to date determined using the percentage of completion method. The percentage of completion is estimated based on contract costs incurred for work performed to date against total budgeted contract costs.</p> <p>The determination of budgeted contract cost for each contract requires management to exercise judgement in their assessment of the valuation of contract variations, claims, the completeness and accuracy of the budgeted contract costs. The changes in their judgement could impact the total budgeted costs which would lead to impact on the percentage of completion which would eventually affect the revenue recorded in the financial statements.</p>	<p>We tested the controls surrounding revenue recognition.</p> <p>We evaluated management key judgements inherent in the budgeted contract costs to complete by tested the estimation and provisions included in the budget.</p> <p>We performed retrospective review by comparing the actual costs incurred of completed projects to initial budgeted contract costs of the same projects.</p> <p>We obtained the budgeted contract costs for on-going projects and compared the details in the budget to suppliers' quotations.</p> <p>We tested actual costs incurred up to date to determine the accuracy of budgeted contract costs. We selected samples of actual costs incurred and verified to supplier invoices, delivery orders, services reports and other supporting documents and ensured that they are recorded in the correct accounting period.</p> <p>We recomputed the percentage of completion of the contracts based on actual costs incurred and compared to management computation.</p>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)*Information Other than the Financial Statements and the Auditors' Report Thereon*

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

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

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

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

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group and of the Company. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies have been properly kept in accordance with the provisions of the Act;
- (b) we have considered the accounts and auditors reports' of the subsidiary companies, of which we have not acted as auditor, which is indicated in Note 13 to the financial statements;
- (c) We are satisfied that the accounts of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group, and we have received satisfactory information and explanations as required by us for those purposes; and
- (d) The auditors' reports on the accounts of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 31 on page 92 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits and Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31
DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.



**DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)**



**WONG KAR CHOON
Partner - 03153/08/2018 J
Chartered Accountant**

28 April 2017

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

CME GROUP BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

**STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	The Group		The Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	5	24,759	22,293	1,219	1,372
Cost of sales		(19,727)	(18,918)	(877)	(1,296)
Gross profit		5,032	3,375	342	76
Other gains		599	3,635	396	3,410
Fair value gain on investment properties	12	15	-	15	-
Fair value loss on available-for-sale financial assets	14	(3,668)	-	(3,668)	-
Impairment loss on land held for property development	11	(4,103)	-	-	-
Administrative expenses		(6,435)	(5,569)	(2,766)	(2,419)
Other expenses		(3,682)	(13,344)	(80)	(730)
Finance costs	6	(2,477)	(1,764)	(1,677)	(988)
Loss before tax	7	(14,719)	(13,667)	(7,438)	(651)
Income tax (expense)/credit	8	(110)	150	15	58
Loss for the year		(14,829)	(13,517)	(7,423)	(593)
Other comprehensive income/(loss), net of income tax:					
<u>Items that may be reclassified subsequently to profit or loss:</u>					
Revaluation gain on property, plant and equipment (net of deferred tax of RM564,000)		10,721	-	-	-
Fair value (loss)/gain on available-for-sale financial assets	14	(3,038)	1,354	(3,038)	1,354

(Forward)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Exchange differences on translating foreign operations	676	3,023	-	-
Other comprehensive income/(loss) for the year, net of tax	8,359	4,377	(3,038)	1,354
Total comprehensive (loss)/income for the year	(6,470)	(9,140)	(10,461)	761
Loss per ordinary share				
Basic loss per ordinary share (sen) (Note 9)	(3.362)	(3.064)		

The accompanying Notes form an integral part of the Financial Statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

CME GROUP BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF FINANCIAL POSITION
AS OF 31 DECEMBER 2016

	Note	The Group		The Company	
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	10	19,013	7,022	34	44
Land held for property development	11	37,457	40,532	7,667	7,667
Investment properties	12	51,260	41,110	51,260	41,110
Investment in subsidiary companies	13	-	-	8,457	8,057
Other financial assets	14	1,491	8,197	1,491	8,197
Deferred tax assets	15	-	291	-	-
Total Non-Current Assets		109,221	97,152	68,909	65,075
Current Assets					
Inventories	16	909	619	-	-
Amount due from contract customers	17	721	4,576	-	-
Trade receivables	18	13,006	2,149	57	160
Other receivables, deposits and prepaid expenses	18	6,505	9,778	4,790	8,291
Amount owing by subsidiary companies	13	-	-	58,914	56,050
Tax recoverable		518	535	-	-
Cash and bank balances	26	1,120	474	76	82
		22,779	18,131	63,837	64,583
Assets classified as held for sale	19	-	7,335	-	7,335
Total Current Assets		22,779	25,466	63,837	71,918
Total Assets		132,000	122,618	132,746	136,993

(Forward)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

	Note	The Group		The Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Issued capital	20	44,110	44,110	44,110	44,110
ICULS		31,370	31,370	31,370	31,370
Reserves	21	(10,470)	(4,000)	(2,697)	7,764
Total Equity		65,010	71,480	72,783	83,244
Non-Current Liabilities					
Hire-purchase payables					
- non-current portion	22	599	568	-	-
Amount owing to third parties - non-current portion	24	1,779	-	1,779	-
Long-term loans					
- non-current portion	23	1,803	2,074	-	-
Deferred tax liabilities	15	1,238	832	817	832
Total Non-Current Liabilities		5,419	3,474	2,596	832
Current Liabilities					
Trade payables	24	13,727	9,687	8,705	8,635
Other payables, accrued expenses and provisions	24	19,371	15,810	4,901	4,128
Amount due to contract customers	17	6,780	83	-	-
Amount owing to subsidiary companies	13	-	-	35,813	32,616
Hire-purchase payables - current portion	22	168	133	-	-
Bank borrowings	25	21,480	21,879	7,930	7,520
Tax liabilities		45	72	18	18
Total Current Liabilities		61,571	47,664	57,367	52,917
Total Liabilities		66,990	51,138	59,963	53,749
Total Equity and Liabilities		132,000	122,618	132,746	136,993

The accompanying Notes form an integral part of the Financial Statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

CME GROUP BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

The Group

	Issued capital RM'000	ICULS RM'000	(Accumulated losses)/ Distributable reserve - Retained earnings RM'000	Non- distributable reserve - Fair value reserve RM'000	Non- distributable reserve - Revaluation reserve RM'000	Non- distributable reserve - Foreign currency translation reserve RM'000	Total RM'000
Balance as of 1.1.2015	44,110	31,370	3,478	1,624	-	38	80,620
Loss for the year	-	-	(13,517)	-	-	-	(13,517)
Other comprehensive income for the year	-	-	-	1,354	-	3,023	4,377
Total comprehensive loss for the year	-	-	(13,517)	1,354	-	3,023	(9,140)
Reclassification	-	-	(60)	60	-	-	-
Balance as of 31.12.2015	44,110	31,370	(10,099)	3,038	-	3,061	71,480

(Forward)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

The Group

	Issued capital RM'000	ICULS RM'000	(Accumulated losses)/ Distributable reserve - Retained earnings RM'000	Non- distributable reserve - Fair value reserve RM'000	Non- distributable reserve - Revaluation reserve RM'000	Non- distributable reserve - Foreign currency translation reserve RM'000	Total RM'000
Balance as of 1.1.2016	44,110	31,370	(10,099)	3,038	-	3,061	71,480
Loss for the year	-	-	(14,829)	-	-	-	(14,829)
Other comprehensive income for the year	-	-	-	(3,038)	10,721	676	8,359
Total comprehensive loss for the year	-	-	(14,829)	(3,038)	10,721	676	(6,470)
Balance as of 31.12.2016	44,110	31,370	(24,928)	-	10,721	3,737	65,010

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

	Issued capital RM'000	ICULS RM'000	(Accumulated losses)/ Distributable reserve - Retained earnings RM'000	Non- distributable reserve - Fair value reserve RM'000	Total RM'000
The Company					
Balance as of 1.1.2015	44,110	31,370	5,319	1,684	82,483
Loss for the year	-	-	(593)	-	(593)
Other comprehensive income for the year	-	-	-	1,354	1,354
Total comprehensive income for the year	-	-	(593)	1,354	761
Balance as of 31.12.2015/1.1.2016	44,110	31,370	4,726	3,038	83,244
Loss for the year	-	-	(7,423)	-	(7,423)
Other comprehensive loss for the year	-	-	-	(3,038)	(3,038)
Total comprehensive loss for the year	-	-	(7,423)	(3,038)	(10,461)
Balance as of 31.12.2016	44,110	31,370	(2,697)	-	72,783

The accompanying Notes form an integral part of the Financial Statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

CME GROUP BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM/(USED IN)				
OPERATING ACTIVITIES				
Loss for the year	(14,829)	(13,517)	(7,423)	(593)
Adjustments for:				
Impairment loss on land held for property development	4,103	-	-	-
Fair value loss on available-for-sale financial assets	3,668	-	3,668	-
Finance costs	2,477	1,764	1,677	988
Provision for forbearance payment	1,372	10,618	-	-
Provision for warranty and free services	870	29	-	-
Depreciation of property, plant and equipment	587	493	22	38
Impairment of goodwill	121	-	121	-
Income tax expense/(credit) recognised in profit or loss	110	(150)	(15)	(58)
Impairment loss on trade receivables	101	463	17	437
Allowance for slow moving inventories	20	-	-	-
Unrealised gain on foreign exchange	(88)	(74)	-	-
Gain on disposal of assets held for sale	(60)	-	(60)	-
Fair value gain on investment properties	(15)	-	(15)	-
Impairment loss on trade receivables no longer required	-	(3,302)	-	(3,302)
Property, plant and equipment written off	-	90	-	90

(Forward)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Impairment loss on subsidiary	-	-	-	89
Operating Loss Before Working Capital Changes	(1,563)	(3,586)	(2,008)	(2,311)
(Increase)/Decrease in:				
Amount due from contract customers	3,855	(2,378)	-	-
Other receivables, deposits and prepaid expenses	3,483	490	3,501	(4,778)
Inventories	62	(30)	-	-
Trade receivables	(10,870)	2,882	86	3,313
Amount owing by subsidiary companies	-	-	(1,475)	(478)
Increase/(Decrease) in:				
Amount due to contract customers	6,697	83	-	-
Trade payables	4,040	(1,104)	70	(63)
Other payables, accrued expenses and provisions	104	(8,582)	(833)	(7,005)
Amount owing to subsidiary companies	-	-	3,197	2,517
Cash From/(Used In) Operations	5,808	(12,225)	2,538	(8,805)
Income tax refunded	82	-	-	-
Warranty and free services paid	(803)	(4)	-	-
Tax paid	(88)	(72)	-	-
Net Cash From/(Used In) Operating Activities	4,999	(12,301)	2,538	(8,805)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES				
Proceeds from disposal of assets held for sale	960	4,560	960	4,560
Additions to investment properties	(3,700)	-	(3,700)	-
Consideration paid on acquisition of business units (Note 13)	(1,510)	-	(1,510)	-
Purchase of property, plant and equipment (Note)	(255)	(103)	(12)	(7)
Decrease in fixed deposits pledged	-	1,008	-	-
Increase in refundable deposits	-	(3,659)	-	-
Additions to other financial assets	-	(2,088)	-	(2,088)

(Forward)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

	Note	The Group		The Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Increase in investment in subsidiary companies (Note 13)		-	-	(400)	-
Net Cash (Used In)/From Investing Activities		(4,505)	(282)	(4,662)	2,465
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Increase in amount owing to third parties		3,385	-	3,385	-
Increase in trust receipts/bankers' acceptances		825	189	-	-
(Decrease)/increase in bank overdrafts		(1,133)	14,899	410	7,520
Repayment of long-term loans		(362)	(419)	-	(75)
Finance costs paid		(2,477)	(1,764)	(1,677)	(988)
Repayment of hire-purchase payables		(144)	(243)	-	(98)
Net Cash From Financing Activities		94	12,662	2,118	6,359
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS					
		588	79	(6)	19
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR					
		474	193	82	63
Effects of exchange rate changes on cash and cash equivalents		58	202	-	-
CASH AND CASH EQUIVALENTS AT END OF YEAR					
	26	1,120	474	76	82

Note: The Group and the Company acquired property, plant and equipment with a total cost of RM465,000 (2015: RM432,000) and RM12,000 (2015: RM7,000) of which RM210,000 (2015: RM329,000) and RMNil (2015: RMNil) was acquired under hire purchase arrangement. Accordingly, cash payment for the acquisition of property, plant and equipment made by the Group and the Company amounted to RM255,000 (2015: RM103,000) and RM12,000 (2015: RM7,000).

The accompanying Notes form an integral part of the Financial Statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

CME GROUP BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES**NOTES TO THE FINANCIAL STATEMENTS****1. GENERAL INFORMATION**

The principal activity of the Company is investment holding.

The principal activities of the subsidiary companies are disclosed in Note 13.

Other than the acquisition of subsidiary companies as mentioned in Note 13, there have been no significant changes in the nature of the principal activities of the Company and its subsidiary companies during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed in Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 36A, Lorong Gelugor, Off Persiaran Sultan Ibrahim, 41300 Klang, Selangor Darul Ehsan.

The principal place of business of the Company is located at Lot 19, Jalan Delima 1/1, Taman Perindustrian Teknologi Tinggi Subang, 47500 Subang Jaya, Selangor Darul Ehsan.

The financial statements of the Group and of the Company have been approved by the Board of Directors and were authorised for issuance on 28 April 2017.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act, 1965 in Malaysia.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

The Group has incurred a loss for the year ended 31 December 2016 of RM14.8 million and, as of that date, the Group's current liabilities exceeded its current assets by RM38.8 million. Included in the current liabilities is a provision for forbearance payment in respect of the revised Deed of Forbearance ("Revised Deed") with a financial institution in Australia entered into by a wholly-owned subsidiary, CME Properties (Australia) Pty Ltd ("CMEA"), for a settlement sum payable by CMEA of AUD3,702,945 (approximately RM11,990,000) as disclosed in Note 29 (c).

The above events or conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. However, the financial statements of the Group have been prepared in accordance with the accounting principles applicable to a going concern. This going concern basis presumes amongst others that the Group will continue to receive financial support from its shareholders, the fund raising exercise as disclosed in Note 27 will be completed by the middle of 2017, and the operations of the Group will be profitable so that the realisation of assets and the settlement of liabilities would occur in the ordinary course of business.

The financial statements are presented in Ringgit Malaysia ("RM") which represents the functional currency of the Group and of the Company and all financial information presented in RM are rounded to the nearest thousand ("RM'000"), unless otherwise stated.

Adoption of New and Revised Malaysian Financial Reporting Standards

In the current financial year, the Group and the Company have adopted all the Standards and Amendments to MFRS issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to their operations and effective for annual periods beginning on or after 1 January 2016 as follows:

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116 and 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Amendments to MFRSs contained in the document entitled Annual Improvements to MFRSs 2012-2014 Cycle	

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

The adoption of these new revised Standards and Amendments have not had any material impact on the amounts reported in the financial statements of the Group and the Company.

Standards and Amendments in issue but not yet effective

At the date of authorisation for issue of these financial statements, the new and revised Standards and Amendments which were in issue but not yet effective and not early adopted by the Group and the Company are as listed below:

MFRS 9	Financial Instruments ⁴
MFRS 15	Revenue from Contracts with Customers ²
MFRS 16	Leases ³
Amendments to MFRS 107	Disclosure Initiative ¹
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses ¹
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions ²
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts ²
Amendments to MFRS 140	Transfers of Investment Property ²
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration ²
Amendments to MFRSs contained in the document entitled Annual Improvements to MFRSs 2014-2016 Cycle ¹	

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ Effective for annual periods beginning on or after 1 January 2018, with early application permitted

The directors anticipate that the abovementioned Standards, Amendments and Interpretation will be adopted in the annual financial statements of the Group and the Company when they become effective. However, it is not practicable to provide a reasonable estimate of the effect of abovementioned standards until the Group and the Company complete a detailed review, except as discussed below.

MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in July 2014) introduces new requirements for the classification and measurement of financial assets and financial liabilities and for recognition.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

Key requirements of MFRS 9:

- all recognised financial assets that are within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of equity instrument (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, MFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.
- in relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in MFRS 139. Under MFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

The directors are currently assessing the impact of adoption of MFRS 9 and have not made any accounting policy decision. Thus, the impact of adopting the new MFRS 9 on the Group and the Company's annual financial statements cannot be determined now until the process is completed.

MFRS 15 Revenue from Contracts with Customers

In May 2014, MFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contract with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in MFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by MFRS 15.

The directors are currently assessing the impact on adoption of MFRS 15 on the amounts reported and disclosures in the financial statements. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 15 until the Group and the Company complete a detailed review.

MFRS 16 Leases

MFRS 16 as issued by the MASB in April 2016 applies to annual reporting periods beginning on or after 1 January 2019 and specifies how the Group and the Company will recognise, measure, present and disclose leases then. This Standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with MFRS 16's approach to lessor accounting substantially unchanged from its predecessor, MFRS 117 *Leases*.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

The directors are currently assessing the impact of adoption of MFRS 16 on the amounts reported and the disclosures in the financial statements. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 16 until the Group and the Company complete a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the accounting policies below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group and the Company take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2, leasing transactions that are within the scope of MFRS 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value in use in MFRS 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

The principal accounting policies are set out below.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiary companies. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary company begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary company. Specifically, income and expenses of a subsidiary company acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiary companies to bring their accounting policies into line with the Group's accounting policies.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Subsidiary Companies

Investment in subsidiary companies which are eliminated on consolidation, are stated at cost less impairment losses, if any, in the Company's separate financial statements.

Business Combinations

Acquisitions of subsidiary companies and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interests in the acquiree are remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Related Party and Related Party Transactions

Related party is identified by the Group based on definition as set out in MFRS 124. Related party is identified when a party is a person or entity that is related to the Group.

A person is a related party when the person has control or joint control of the Group, has significant influence over the Group or is a key management personnel of the Group.

An entity is a related party when the entity and the Group are members of the same group, the entity is controlled or jointly controlled by a person identified as related party or a person identified as related party has significant influence over the entity or is a member of the key management personnel of the entity.

A related party transaction is a transfer of resources, services or obligations between the Group and a related party, regardless of whether a price is charged.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Revenue

Revenue is measured at the fair value of consideration received or receivable and represent amounts receivable for goods and services provided in the normal course of business net of returns, trade discounts, allowances and goods and services tax.

The Group and the Company recognise revenue when the amount of the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group and the Company, upon satisfying the conditions of the Group's and the Company's activities as set out below.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

Contract revenue is the proportion of the total contract value of contracts attributable to work performed determined using the percentage of completion method based on contract costs incurred for work performed to date against the total anticipated costs to completion on the contracts, net of goods and services tax and discounts.

Revenue from sale of equipment and spare parts, net of discounts is recognised upon delivery of products and when the risks and rewards of ownership have passed.

Revenue from rendering of services of equipment is recognised when services are rendered.

Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease.

Revenue from sale of other goods, net of discounts is recognised upon delivery of products and when the risks and rewards of ownership have passed.

Income Tax

Income tax for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is recognised as an income or an expense and included in profit or loss for the period, except when it arises from a transaction which is recognised directly in other comprehensive income or directly in equity, in which case, the deferred tax is also recognised in other comprehensive income or directly in equity. Where deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax is provided for, using the "liability" method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits are available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

The carrying amount of deferred tax assets, if any, is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors of the Company reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Nevertheless, the directors have determined that the 'sale' presumption set out in the amendments to MFRS 112 is rebutted.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Goods and Services Tax ("GST")

Revenue, expenses and assets are recognised net of GST, unless the GST is not recoverable from the tax authority. The amount of GST not recoverable from the tax authority is recognised as an expense or as part of cost of acquisition of an asset.

Receivables and payables relate to such revenue, expenses or acquisitions of assets are presented in the statements of financial position inclusive of GST recoverable or GST payable.

GST recoverable from or payable to tax authority may be presented on net basis should such amounts are related to GST levied by the same tax authority and the taxable entity has a legally enforceable right to set off such amounts.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging on operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Employee Benefits**(i) Short-Term Employee Benefits**

Wages, salaries, bonuses and non-monetary benefits are accrued for in the period in which the associated services are rendered by the employees of the Group and of the Company.

(ii) Defined Contribution Plans

The Group and the Company make monthly statutory contributions to Employees Provident Fund, a statutory defined contribution plan for all its eligible employees. The Group and the Company's contributions, calculated at certain prescribed rates, are charged to profit or loss.

Foreign Currency Conversion

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Ringgit Malaysia ("RM"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the Group and of the Company, transactions in currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in RM using exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation accumulated in a separate component of equity, shall be reclassified from equity to statements of profit or loss and comprehensive income when the gain or loss on disposal is recognised.

Property, Plant and Equipment

Freehold land and building held for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of such freehold land and building is recognised in other comprehensive income and accumulated within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such freehold land and building is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Depreciation of property, plant and equipment, except for freehold land which is not depreciated, is computed on the straight-line method at the following annual rates based on the estimated useful lives of the depreciable assets:

Freehold building	2%
Computers, furniture and fittings, office and workshop equipment and air conditioners	20% - 30%
Motor vehicles	20%

The residual value, depreciation method and estimated useful life of an asset are reviewed at each financial year-end and, if expectations differ from previous estimates, the changes will be accounted for as a change in an accounting estimate.

Gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the profit or loss for the year.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

Property, Plant and Equipment Acquired Under Hire-Purchase Arrangements

Property, plant and equipment acquired under hire-purchase arrangements are capitalised in the financial statements and the corresponding obligations treated as liabilities. Finance charges are allocated to profit or loss to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

Property, plant and equipment under hire-purchase arrangements are depreciated over their expected useful lives on the same basis as owned assets.

Land Held for Property Development

Land held for property development consists of land on which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at cost less accumulated impairment losses.

Costs associated with the acquisition of land include the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. The Group assesses recoverable amount of the land based valuations carried by independent firm of professional valuers as disclosed in Note 11.

Land held for property development is transferred to inventories (under current assets) where development activities have commenced and where the development activities can be completed within the Group's normal operating cycle.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation, or both rather than for use in production or supply of goods or services or for administrative purposes or sale in the ordinary course of business.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, representing open-market value determined by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. Gains or losses arising from change in fair value of investment properties are recognised in profit or loss in the period in which they arise.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period of the retirement or disposal.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

Impairment of Non-Financial Assets

The carrying amounts of property, plant and equipment, investment in subsidiary companies and other investments are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses are recognised in profit or loss. A revaluation gain is recognised in other comprehensive income based on valuations carried by independent firm of professional valuers as disclosed in Note 10.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are valued at the lower of cost (determined on weighted average method) and net realisable value. The cost comprises the original purchase price plus the cost of bringing these inventories to their present location and condition. Net realisable value is arrived at after considering the allowance for obsolete inventories.

Contract Work-in-Progress

When the outcome of a contract work can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customers.

When the outcome of a contract work cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are probable of recovery. Contract costs are recognised as expenses in the period in which they are incurred.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately as an allowance for foreseeable loss.

Amount due from contract customers represents the excess of cost incurred to date and portion of profit or loss attributable to work performed to date over progress billings while amount due to contract customers represents the excess of progress billings over costs incurred to date and portion of profit or loss attributable to work performed to date.

Provisions

Provisions are made when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

Provisions for estimated expenses related to product free service and warranty are made at the time products are delivered and estimated based on service warranty costs experienced over the years. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Financial Instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

(i) Financial Assets

Trade and other receivables, cash and cash equivalents and amount owing by subsidiary companies are measured at initial recognition at fair value, and are subsequently measured at amortised cost less impairment losses, if any.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

Available for sale (AFS) financial assets are measured at fair value at the end of the reporting period. Fair value is determined in the manner described in Note 27. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

(ii) **Impairment of Financial Assets**

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been impacted.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

(iii) Derecognition of Financial Assets

The Group and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities and equity instruments issued by the Group and the Company**(a) Classification as debt or equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(b) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs.

(c) Financial guarantee contract liabilities

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with MFRS 137 Provisions, Contingent Liabilities and Contingent Assets; and

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

(d) **Financial liabilities**

Trade and other payables, borrowing and amount owing to related companies, are initially measured at fair value. These financial liabilities are subsequently measured at amortised cost.

Derecognition of financial liabilities

The Group and the Company derecognise financial liabilities when, and only when, the Group's and the Company's obligation are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Statements of Cash Flows

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

Cash equivalents are short-term, highly liquid investments that are readily convertible to cash with insignificant risk of changes in value.

Segment Reporting

Segment reporting is presented for enhanced assessment of the Group's risks and returns. A business segment is a group of assets and operations engaged in providing products or services that are subject to risk and returns that are different from those or other business segments.

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the financial information is reviewed regularly by the Board of Directors and Group's Chief Executive Officer. Specifically, the Group's reportable segments under MFRS 8 are therefore as follows:

- **Manufacturing** Designing, manufacturing and sales of Specialised Mobility Vehicles, equipment and related products.
- **Trading** Sales and Servicing of Fire Fighting Gas System and other safety related products. Sales of maternity and baby products.
- **Investment** Investment holding, investment properties and rental of investment properties.

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Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and segment liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**(i) Critical judgements in applying the Group's and the Company's accounting policies**

In the process of applying the Group's and the Company's accounting policies, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

(ii) Key sources of estimation uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as discussed below:

- **Revenue recognition on contracts**

The Group recognises revenue from contracts in profit or loss by using the percentage-of-completion method.

The percentage-of-completion is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Estimated losses are recognised in full when determined. Contract cost estimates are reviewed and revised periodically as work progresses and as variation orders are approved.

Significant judgement is required in determining the stage of completion, the estimated total contract revenue and costs as well as the recoverability of the project undertaken. In making the judgement, the Group evaluates the stage of completion based on past experience and by relying on the work of specialists. If the Group is unable to make reasonably dependable estimates, the Group would not recognise any profit before a contract is completed, but would recognise a loss as soon as the loss becomes evident.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

Adjustments based on the percentage-of-completion method are reflected in contract revenue in the reporting period. To the extent that these adjustments result in a reduction or elimination of previously reported contract revenue and costs, the Group recognises a charge or credit against current earnings and amounts in prior periods, if any, are not restated.

Note 3 describes the Group's policy to recognise contract revenue using the percentage-of-completion method.

- **Impairment loss recognised on trade receivables**

The Group assesses at each reporting date whether there is any objective evidence that receivables are impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the trade debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and present value of estimated future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics and impairment loss is recorded when necessary.

- **Impairment loss on land held for property development**

The Group assesses the recoverable amount of the land held for development based on appraisal opinion given by an independent firm of professional valuers using the "open market value" basis.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

5. REVENUE

Analysis of revenue of the Group and of the Company is as follows:

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Contract revenue	16,532	17,036	-	-
Servicing of equipment	2,255	2,237	-	-
Sale of accessories and equipment	3,634	1,648	-	-
Rental income from investment properties	1,219	1,372	1,219	1,372
Sale of other goods	1,119	-	-	-
	<u>24,759</u>	<u>22,293</u>	<u>1,219</u>	<u>1,372</u>

Operating costs applicable to revenue, classified by nature are as follows:

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Contract costs	12,176	13,641	-	-
Other expenses	7,746	6,476	2,166	2,031
Cost of inventories sold:				
Accessories and equipment	1,606	841	-	-
Other goods	894	-	-	-
Raw materials and consumables used	2,308	1,994	-	-
Servicing costs	1,438	1,147	-	-
Provision for forbearance payment (Note 24)	1,372	10,618	-	-
Directors' remuneration	908	893	641	555
Direct operating expenses related to investment properties	798	1,187	798	1,187
Depreciation of property, plant and equipment (Note 10)	587	493	22	38
Impairment of goodwill (Note 13)	121	-	-	-
Impairment loss on trade receivables (Note 18)	101	463	17	437
Quit rent and assessment	79	108	79	108
Changes in inventories	(290)	(30)	-	-
Impairment loss on investment in subsidiary	-	-	-	89
	<u>29,844</u>	<u>37,831</u>	<u>3,723</u>	<u>4,445</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

The remuneration of the directors, who are also the key management personnel, is as follows:

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Executive directors:				
Company				
- Fees	60	50	60	50
- Other emoluments	441	358	441	358
	501	408	501	408
Subsidiary companies				
- Fees	25	26	-	-
- Other emoluments	221	300	-	-
- EPF contributions	21	12	-	-
	267	338	-	-
Non-executive directors:				
Company				
- Fees	140	147	140	147
	908	893	641	555

6. FINANCE COSTS

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest expense on:				
Bank overdrafts	1,346	1,204	614	486
Amount owing to third parties (Note 24)	722	-	722	-
Other borrowings	343	500	341	499
Hire-purchase	36	30	-	3
Bankers acceptances	21	9	-	-
Long-term loans	9	21	-	-
	2,477	1,764	1,677	988

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

Compensation of key management personnel

The remuneration of key management personnel during the financial year is as follows:

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Short-term employee benefits	408	394	277	264
Contributions to EPF	49	47	33	32
	<u>457</u>	<u>441</u>	<u>310</u>	<u>296</u>

7. LOSS BEFORE TAX

Loss before tax of the Group and of the Company is arrived at:

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
After charging:				
Impairment loss on land held for property development (Note 11)	4,103	-	-	-
Fair value loss on available-for-sale financial assets (Note 14)	3,668	-	3,668	-
Provision for forbearance payment (Note 24)	1,372	10,618	-	-
Provision for warranty and free services (Note 24)	870	29	-	-
Audit fee	126	93	32	28
Impairment of goodwill	121	-	121	-
Impairment loss on trade receivables (Note 18)	101	463	17	437
Allowance for slow moving inventories (Note 16)	20	-	-	-
Property, plant and equipment written off	-	90	-	90
Impairment loss on investment in subsidiary	-	-	-	89
	<u>-</u>	<u>-</u>	<u>-</u>	<u>89</u>
And crediting:				
Unrealised gain on foreign exchange	88	74	-	-
(Forward)	48			

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Gain on disposal of assets held for sale	60	-	60	-
Realised gain on foreign exchange	38	212	-	-
Fair value gain on investment properties (Note 12)	15	-	15	-
Impairment loss on trade receivables no longer required (Note 18)	-	3,302	-	3,302
Employee information:				
Staff costs	3,317	3,320	1,614	1,615
EPF contributions	437	402	152	192

Staff costs include salaries, bonuses, and all other staff related expenses.

8. INCOME TAX EXPENSE/(CREDIT)

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Estimated current tax credit:				
- Current year	31	57	-	-
- Overprovision in prior year	(35)	-	-	-
	(4)	57	-	-
Deferred tax expense (Note 15)				
- Current year	114	(207)	(15)	(58)
	110	(150)	(15)	(58)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

A reconciliation of income tax expense/(credit) applicable to loss before tax at the applicable statutory income tax rate to income tax expense/(credit) at the effective income tax rate is as follows:

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Loss before tax	(14,719)	(13,667)	(7,438)	(651)
Tax at the statutory tax rate of 24% (2015:25%)	(3,533)	(3,417)	(1,785)	(163)
Expenses not deductible for tax purposes	3,885	3,574	1,770	105
Different tax rate in other jurisdiction	(307)	(426)	-	-
Recognition of deferred tax assets previously not recognised	-	(191)	-	-
Utilisation of deferred tax assets previously not recognised	(23)	(133)	-	-
Deferred tax asset not recognised	88	443	-	-
Tax expense/(credit) for the year	110	(150)	(15)	(58)

Malaysian income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The Real Property Gains Tax ("RPGT") is set at 30% for disposal within the first three years, 20% within the fourth year, 15% within the fifth year, and 5% from sixth year onwards, on gain from the disposal of real property effective 1 January 2014. Accordingly, the applicable tax rates to be used for the measurement of any applicable deferred tax will be the expected rates.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

As mentioned in Note 3, the tax effects of deductible temporary differences, unused tax losses and unused tax credits which would give rise to deferred tax asset are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of 31 December 2016, the estimated amount of temporary differences, unused tax losses and unabsorbed capital allowances for which the net deferred tax asset has not been recognised in the financial statements due to uncertainty of realisation, are as follows:

	Deferred Tax Asset/(Liabilities) The Group	
	2016	2015
	RM'000	RM'000
Temporary differences in respect of		
Property, plant and equipment	(550)	(1,060)
Accrued expenses and other provisions	(160)	(240)
Unused tax losses	11,660	12,400
Unabsorbed capital allowances	60	180
	<u>11,010</u>	<u>11,280</u>

The unused tax losses and unabsorbed capital allowances are subject to the approval by the tax authorities and are available for offset against future taxable profit.

9. BASIC LOSS PER ORDINARY SHARE

	The Group	
	2016	2015
	RM'000	RM'000
Loss for the year attributable to ordinary shareholders of the Company	<u>(14,829)</u>	<u>(13,517)</u>
Number of ordinary shares in issue ('000)	<u>441,100</u>	<u>441,100</u>
Basic loss per ordinary share (sen)	<u>(3.362)</u>	<u>(3.064)</u>

The basic loss per ordinary share is calculated by dividing the loss for the year attributable to ordinary shareholders of the Company of RM14,829,000 (2015: loss of RM13,517,000) by the number of ordinary shares in issue during the year of 441,100,000 (2015: 441,100,000).

The basic and diluted loss per ordinary share is the same as the Company has no potential dilutive ordinary shares.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

10. PROPERTY, PLANT AND EQUIPMENT

The Group	Freehold land RM'000	Freehold building RM'000	Computers, furniture and fittings, office and workshop equipment and air conditioners RM'000	Motor vehicles RM'000	Total RM'000
Cost					
As of 1.1.2015	1,820	7,393	819	1,441	11,473
Additions	-	-	86	346	432
Disposal	-	-	-	(109)	(109)
As of 31.12.2015/1.1.2016	1,820	7,393	905	1,678	11,796
Revaluation gain on freehold land and building	9,680	1,605	-	-	11,285
Additions	-	-	97	368	465
Acquisition of business units (Note 13)	-	-	828	-	828
Transfer from accumulated depreciation upon revaluation	-	(2,865)	-	-	(2,865)
As of 31.12.2016	11,500	6,133	1,830	2,046	21,509
(Forward)					

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

The Group	Freehold land RM'000	Freehold building RM'000	Computers, furniture and fittings, office and workshop equipment and air conditioners RM'000	Motor vehicles RM'000	Total RM'000
Accumulated Depreciation					
As of 1.1.2015	-	2,727	625	948	4,300
Charge for the year	-	145	123	225	493
Disposal	-	-	-	(19)	(19)
As of 31.12.2015/1.1.2016	-	2,872	748	1,154	4,774
Charge for the year	-	185	183	219	587
Transfer to cost upon revaluation	-	(2,865)	-	-	(2,865)
As of 31.12.2016	-	192	931	1,373	2,496
Net Book Value					
As of 31.12.2016	11,500	5,941	899	673	19,013
As of 31.12.2015	1,820	4,521	157	524	7,022

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

The freehold land and building of the Group pertaining to a subsidiary company have been charged to a local bank for credit facilities granted to the said subsidiary company as mentioned in Note 25.

Included in property, plant and equipment of the Group are the following fully depreciated property, plant and equipment which are still in use:

	The Group	
	2016	2015
	RM'000	RM'000
At cost:		
Computers, furniture and fittings, and air-conditioners	494	423
Motor vehicles	1,139	505
	<u>1,633</u>	<u>928</u>

During the current financial year, the Group performed a revaluation exercise on freehold land and building. The valuations were carried by Knight Frank Malaysia Sdn Bhd, an independent firm of professional valuers using the "comparison method and cost method" basis. The land and building were revalued at RM17,500,000, resulting in a revaluation surplus of RM10,721,000 net of deferred tax of RM564,000. Had the Group's freehold land and building been measured on a historical cost basis, their carrying amount would have been at approximately RM6,338,000.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

The Company	Computers, furniture and fittings, office and workshop equipment and air conditioners RM'000	Motor vehicles RM'000	Total RM'000
Cost			
As of 1.1.2015	82	109	191
Additions	7	-	7
Disposal	-	(109)	(109)
As of 31.12.2015/1.1.2016	89	-	89
Additions	12	-	12
Acquisition of business units (Note 13)	828	-	828
Transfer to subsidiary companies	(828)	-	(828)
As of 31.12.2016	101	-	101
Accumulated Depreciation			
As of 1.1.2015	26	-	26
Charge for the year	19	19	38
Disposal	-	(19)	(19)
As of 31.12.2015/1.1.2016	45	-	45
Charge for the year	22	-	22
As of 31.12.2016	67	-	67
Net Book Value			
As of 31.12.2016	34	-	34
As of 31.12.2015	44	-	44

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

Included in property, plant and equipment of the Group are the following assets acquired under hire-purchase arrangements:

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Net book value:				
Motor vehicles	671	521	-	-

11. LAND HELD FOR PROPERTY DEVELOPMENT

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At beginning of the year	40,532	30,044	7,667	-
Difference arising from foreign exchange translation	1,028	2,821	-	-
Impairment loss on land held for property development (Note 7)	(4,103)	-	-	-
Reclassified from investment	-	7,667	-	7,667
At end of the year	37,457	40,532	7,667	7,667

Note:

- a. In 2015, the Company has entered into a Joint Venture Agreement ("JV") with Tanah Mestika Sdn Bhd ("TMSB") for a mixed development on a piece of leasehold land located in Bandar Indera Mahkota, Kuantan. The piece of land which is owned by the Company and previously classified as investment property, has been reclassified as land held for development during the financial year 2015. The carrying amount of the land of RM7,667,000 was fair valued in 2014.
- b. Included in the land held for property development of the Group are 2 plots of freehold land in Mandurah, Australia ("Lands"), acquired through its subsidiary company, CME Properties (Australia) Pty Ltd. ("CMEA"), for the purpose of property development. The legal title of the land is registered under the name of its subsidiary company.

In 2014, the Lands were used as capital contributions to a joint venture agreement ("JVA") between the Company and CMEA, Ruark No 11 Pty Ltd ("Ruark") and Central Park (Qld) Pty Ltd ("Central Park"). As part of the JVA, the Lands were used as a security for an AUD2,500,000 Development Loan ("Loan") obtained by Ruark for the development of the Lands. The proceeds of the Loan was received by Ruark, but subsequently defaulted as Ruark failed to repay the Loan amount.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

In 2015, the JVA was terminated by the Company and CMEA.

In view that the Lands were used as a security for the defaulted loan, the Company and CMEA have proceeded to negotiate with the financial institution in Australia ("FIA") to forbear the FIA's right from enforcing the sale of the Lands. The Board of Directors and management have estimated a provision for forbearance payment amounting to RM11,990,000 (2015:RM10,618,000) (Note 24) based on the revised Forbearance Deed ("Revised Deed") offered by the financial institution. Details of the Revised Deed is further disclosed in Note 29 (c).

The Group assesses the recoverable amount of the land held for development of a subsidiary company based on appraisal opinion given by Knight Frank Australia Pty Ltd, an independent firm of professional valuers using the "open market value" basis. The lands were revalued at AUD9,200,000 (approximately RM29,790,000), resulting in an impairment loss of RM4,103,000.

12. INVESTMENT PROPERTIES

	The Group and The Company	
	2016	2015
	RM'000	RM'000
At beginning of the year	41,110	56,112
Reclassified as land held for property development (Note 11)	-	(7,667)
Reclassified from/(as) assets held for sale (Note 19)	6,435	(7,335)
Addition during the year	3,700	-
Increase in fair value of investment properties (Note 7)	15	-
At end of the year	<u>51,260</u>	<u>41,110</u>
Fair value	<u>51,260</u>	<u>41,110</u>

The fair values of the investment properties were determined by the directors based on an appraisal opinion given by Henry Butcher Malaysia (Kuantan) Sdn Bhd., an independent firm of professional valuers in the current year using the "open market value" basis. Certain investment properties have been revalued upwards with a revaluation gain totaling RM15,000 as of 31 December 2016.

Certain investment properties of the Company are charged as securities for banking facilities as mentioned in Note 25.

Addition during the year represents a purchase of a 2-storey property from an appointed advisor of the Group and the Company.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

The rental income and direct operating expenses related to investment properties are disclosed in Note 5.

Details of the Group's investment properties and information on the fair value hierarchy as of 31 December 2016 are as follows:

2016	Level 1	Level 2	Level 3	Fair Value
	RM	RM	RM	as of 31.12.2016 RM
Shop offices	-	-	51,260	51,260

2015	Level 1	Level 2	Level 3	Fair Value
	RM	RM	RM	as of 31.12.2015 RM
Shop offices	-	-	41,110	41,110

There were no transfers between Levels 1 and 2 during the financial year.

The fair value of the Group's investment properties are classified as a Level 3 fair value item for the purpose of fair value hierarchy disclosures, the following information is relevant:

Description	Fair Value as at 31 December 2016 RM	Valuation techniques	Significant unobservable inputs	Rate per square foot
Shop offices located in Kuantan	47,560,000 (2015: 41,110,000)	Sales transaction comparison based on similar location and condition.	Estimated transaction price per square foot	Approximately RM197 per square foot (2015: RM197)
2-storey property in Petaling Jaya	3,700,000 (2015: Nil)	Sales transaction comparison based on similar location and condition.	Estimated transaction price per square foot	Approximately RM611 per square foot (2015: RMNil)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

13. INVESTMENT IN SUBSIDIARIES

	The Company	
	2016	2015
	RM'000	RM'000
Unquoted shares, at cost	10,338	9,938
Less: Accumulated impairment loss	<u>(1,881)</u>	<u>(1,881)</u>
At end of the year	<u>8,457</u>	<u>8,057</u>

The subsidiary companies are as follows:

Companies	Proportion of ownership interest and voting power held by the Group		Principal Activities
	2016	2015	
	%	%	
CME Industries Sdn Bhd	100	100	Servicing of fire fighting and specialist vehicles and sale of related spare parts
CME Edaran Sdn Bhd	100	100	Sale and servicing of fire fighting equipment and specialist vehicles and sale of related spare parts
CME Technologies Sdn Bhd	100	100	Manufacturing and sale of fire fighting equipment and fire engines
CME Properties Sdn Bhd	100	100	Dormant
CME Pyroshield Sdn Bhd	100	100	Trading of pyroshield gas and accessories
CME Properties (Australia) Pty Ltd*	100	100	Property development
Jernih Iras Sdn Bhd*	100	-	Dormant
Mom's Care Retail Sdn Bhd (formally known as Hati Takzim Sdn Bhd)*	100	-	Trading of mother and baby products
Modern Mum Retail Sdn Bhd (formally known as Titi Sanjung Sdn Bhd)*	100	-	Trading of maternity wear

* Not audited by Deloitte.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

Amounts owing by/(to) subsidiary companies which arose mainly from advances to/(by), transfer of property, plant and equipment, inventories, and other assets and payments made on behalf for/(by) its wholly-owned subsidiary companies, are unsecured, interest-free and repayable on demand.

(a) Acquisition of subsidiary companies

On 29 April 2016, the Company acquired the entire equity interest of Jernih Iras Sdn Bhd, Mom's Care Retail Sdn Bhd and Modern Mum Retail Sdn Bhd, companies incorporated in Malaysia. Each Company has an authorised share capital of RM400,000 comprising 400,000 ordinary shares of RM1.00 each, of which 2 ordinary shares have been issued and fully paid-up, for a total cash consideration of RM6.

On 28 November 2016, the Group increased the additional issued and paid-up share capital of Mom's Care Retail Sdn Bhd which was increased from RM2, comprising 2 ordinary shares of RM1 each, to RM400,000, comprising 400,000 ordinary shares of RM1 each, by way of issuance of 399,998 new ordinary shares of RM1 each at par for cash.

(b) Acquisition of business units

As disclosed in Note 29 (b), the Company had on 31 May 2016 rescinded the Share Sales & Purchase Agreement dated 25 May 2015 and entered into a Settlement Agreement ("SA") with Amazing Area Sdn Bhd ("AASB"), Mom's Care Sdn Bhd, Modern Mum Sdn Bhd and others to acquire certain assets for a total consideration of RM1,510,000. Subsequent to the acquisition, the Company has transferred these assets to the subsidiary companies acquired during the year as disclosed in (a) above.

The fair values of identifiable assets acquired at the date of acquisition are as follows:

	2016 At Cost RM'000	2016 At Fair Value RM'000
The Group and The Company		
ASSETS		
Non-Current Asset		
Property, plant and equipment (Note 10)	828	828
Current Assets		
Inventories (Note 16)	372	372
Deposits	189	189
Net assets acquired	<u>1,389</u>	<u>1,389</u>

(Forward)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

	2016	2016
	At Cost	At Fair
	RM'000	Value
		RM'000
Goodwill arising from the acquisition of the business units:		
Total consideration paid	1,510	1,510
Net assets acquired	<u>(1,389)</u>	<u>(1,389)</u>
Goodwill	<u>121</u>	<u>121</u>

Subsequent to the acquisition, the management had provided an impairment of goodwill of RM121,000 as the recoverable amount of the cash-generating units to which goodwill is allocated is lower than its carrying amount.

14. OTHER FINANCIAL ASSETS

Available-for-sale financial assets carried at fair value

	The Group and The Company	
	2016	2015
	RM'000	RM'000
At fair value		
At beginning of the year	8,197	4,755
Acquisition during the year	-	2,088
Fair value loss recognised directly in profit or loss (Note 7)	(3,668)	-
Fair value (loss)/gain recognised directly in other comprehensive income	<u>(3,038)</u>	<u>1,354</u>
At end of the year	<u>1,491</u>	<u>8,197</u>

Available-for-sale financial assets represent investments in quoted equity shares in Australia. The fair value is based on quoted market prices and classified as Level 1 in the fair value hierarchy.

There is indication of prolonged decline in the fair value of the available-for-sale financial assets, hence impairment loss is recognised into profit or loss.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

15. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net deferred tax assets and liabilities shown on the consolidated statements of financial position after appropriate offsetting are as follows:

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	-	291	-	-
Deferred tax liabilities	(1,238)	(832)	(817)	(832)
Net	(1,238)	(541)	(817)	(832)

The deferred tax assets represent mainly the tax effects of temporary differences from unused tax losses.

	The Group and The Company	
	2016	2015
	RM'000	RM'000
Deferred tax assets:		
At beginning of year	291	142
Transferred to profit or loss (Note 8)	(291)	149
At end of year	-	291

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Deferred tax liabilities:				
At beginning of year	(832)	(890)	(832)	(890)
Transferred to profit or loss (Note 8):				
Investment properties	15	100	15	58
Property, plant and equipment	-	12	-	-
Other payables, accrued expenses and provisions	(23)	(54)	-	-
Unutilised tax losses	166	-	-	-
	158	58	15	58

(Forward)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Transferred to other comprehensive income (Note 8):				
Property, plant and equipment	(564)	-	-	-
	(406)	58	15	58
At end of year	<u>(1,238)</u>	<u>(832)</u>	<u>(817)</u>	<u>(832)</u>

The components and movements of deferred tax liabilities during the financial year prior to offsetting are as follows:

	Deferred Tax Liabilities			
	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Temporary differences in respect of:				
Investment properties	(817)	(832)	(817)	(832)
Property, plant and equipment	(564)	-	-	-
Other payables, accrued expenses and provisions	(23)	-	-	-
Unutilised tax losses	166	-	-	-
At end of year	<u>(1,238)</u>	<u>(832)</u>	<u>(817)</u>	<u>(832)</u>

16. INVENTORIES

	The Group	
	2016	2015
	RM'000	RM'000
At cost:		
Trading merchandise	929	619
Less: Allowance for slow moving inventories (Note 7)	<u>(20)</u>	<u>-</u>
	<u>909</u>	<u>619</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

17. AMOUNT DUE (TO)/FROM CONTRACT CUSTOMERS

	The Group	
	2016	2015
	RM'000	RM'000
Amount due from contract customers	721	4,576
Amount due to contract customers	<u>(6,780)</u>	<u>(83)</u>
	<u>(6,059)</u>	<u>4,493</u>
Represented by:		
Contract costs incurred plus recognised profits	21,386	23,562
Less: Progress billings	<u>(27,445)</u>	<u>(19,069)</u>
Net amount due (to)/from contract customers	<u>(6,059)</u>	<u>4,493</u>

18. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Trade receivables	19,744	8,786	6,358	6,444
Less: Impairment loss	<u>(6,738)</u>	<u>(6,637)</u>	<u>(6,301)</u>	<u>(6,284)</u>
Net	<u>13,006</u>	<u>2,149</u>	<u>57</u>	<u>160</u>

Trade receivables comprise amounts receivable from the progress billings, sale of goods and income from renting properties. They are recognised at their original invoice amounts which represent their fair values on initial recognition. The credit period granted by the Group and the Company range from 30 days to 90 days (2015: 30 days to 90 days). Interest on late payment is charged at the bank's base lending rate by the Company whilst no interest on late payment is charged by the subsidiary companies.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

Ageing analysis of trade receivables

The ageing analysis of the Group's and the Company's trade receivables is as follows:

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Neither past due nor impaired	11,951	994	-	-
Past due but not impaired	1,055	1,155	57	160
Past due and impaired	6,738	6,637	6,301	6,284
	<u>19,744</u>	<u>8,786</u>	<u>6,358</u>	<u>6,444</u>

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company.

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to RM1,055,000 (2015: RM1,155,000) and RM57,000 (2015: RM160,000) respectively that are past due at the reporting date but not impaired for which the Group and the Company have not made any allowances as there has not been a significant change in the credit quality and the amounts are still considered recoverable. The Group and the Company do not hold any collateral or other credit enhancement over these balances nor do they have a legal right of set-off against any amounts owed by the Group and the Company to the counterparty.

Receivables that are impaired

The Group's and the Company's trade receivables that are impaired at the reporting date and the movement of allowance accounts used to record the impairment are as follows:

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At beginning of the year	6,637	9,476	6,284	9,149
Charge for the year (Note 7)	101	463	17	437
Impairment loss no longer required (Note 7)	-	(3,302)	-	(3,302)
At end of year	<u>6,738</u>	<u>6,637</u>	<u>6,301</u>	<u>6,284</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

The currency exposure profile of trade receivables is as follows:

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	19,436	8,476	6,358	6,444
United States Dollar	308	310	-	-
	<u>19,744</u>	<u>8,786</u>	<u>6,358</u>	<u>6,444</u>

Other receivables, deposits and prepaid expenses consist of:

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Refundable deposits	3,921	7,569	3,456	7,213
Other receivables	2,037	1,748	853	923
GST receivable	88	306	21	-
Prepaid expenses	459	155	460	155
	<u>6,505</u>	<u>9,778</u>	<u>4,790</u>	<u>8,291</u>

Included in refundable deposits of the Group and the Company in 2015 are deposits made for the acquisition of business units (Note 29 (b)) and purchase of a 2-storey property from the appointed advisor of the Group and the Company as disclosed in Note 12 amounted to RM810,000 and RM2,849,000 respectively.

19. ASSETS CLASSIFIED AS HELD FOR SALE

	The Group and the Company	
	2016	2015
	RM'000	RM'000
At beginning of year	7,335	4,560
Transfer from investment properties (Note 12)	-	7,335
Reclassified to investment properties (Note 12)#	(6,435)	-
Disposals*	<u>(900)</u>	<u>(4,560)</u>
	<u>-</u>	<u>7,335</u>

* In 2015, the Company entered into a sale and purchase agreement with a buyer to dispose off a property amounting to RM900,000. The sale has been completed during the year with a gain on disposal of RM60,000 (Note 7).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

- # Also in 2015, the Company entered into an offer to purchase with a buyer to dispose off certain properties amounting to RM6,435,000. A deposit amounting to RM2,800,000 was received from the buyer. During the year, the offer to purchase has been terminated and the properties have been reclassified to investment properties. The said deposits received was subsequently converted to an amount owing to a third party with an interest rate of 18% per annum (Note 24).

20. ISSUED CAPITAL

Issued capital is represented by:

	The Group and The Company			
	No. of shares			
	2016	2015	2016	2015
	'000	'000	RM'000	RM'000
Authorised:				
Ordinary shares of RM0.10 each	<u>10,000,000</u>	<u>10,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:				
Ordinary shares of RM0.10 each	<u>441,100</u>	<u>441,100</u>	<u>44,110</u>	<u>44,110</u>

21. RESERVES

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Non-distributable:				
Foreign currency translation reserve	3,737	3,061	-	-
Revaluation reserve	10,721	-	-	-
Fair value reserve	-	3,038	-	3,038
	<u>14,458</u>	<u>6,099</u>	<u>-</u>	<u>3,038</u>
Distributable:				
(Accumulated losses)/ Retained earnings	<u>(24,928)</u>	<u>(10,099)</u>	<u>(2,697)</u>	<u>4,726</u>
	<u>(10,470)</u>	<u>(4,000)</u>	<u>(2,697)</u>	<u>7,764</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the net investment in CME Properties (Australia) Pty Ltd.

Revaluation reserve

Revaluation reserve arose from revaluation of property, plant and equipment (Note 10).

Fair value reserve

Fair value reserve comprises changes in fair value of available-for-sale financial assets (Note 14).

22. HIRE-PURCHASE PAYABLES

	The Group	
	2016	2015
	RM'000	RM'000
Total outstanding	852	801
Less: Interest-in-suspense	(85)	(100)
	<u>767</u>	<u>701</u>
Total principal outstanding	767	701
Less: Portion due within one year (included under current liabilities)	(168)	(133)
	<u>599</u>	<u>568</u>

The interest rates implicit in these hire-purchase obligations range from 2.37% to 2.95% (2015: 2.37% to 2.60%) per annum. The non-current portion of the hire-purchase obligations is repayable as follows:

	The Group	
	2016	2015
	RM'000	RM'000
Financial years ending:		
2017	-	151
2018	168	163
2019 and thereafter	431	254
	<u>599</u>	<u>568</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

23. LONG-TERM LOANS

	The Group	
	2016	2015
	RM'000	RM'000
Total principal outstanding	2,051	2,413
Less: Portion due within one year (included under bank borrowings) (Note 25)	(248)	(339)
Non-current portion	<u>1,803</u>	<u>2,074</u>

The non-current portion of the long-term loans is repayable as follows:

	The Group	
	2016	2015
	RM'000	RM'000
Financial years ending:		
2017	-	271
2018	267	267
2019 and thereafter	1,536	1,536
	<u>1,803</u>	<u>2,074</u>

The details of the long-term loans are disclosed in Note 25.

24. TRADE PAYABLES, OTHER PAYABLES, ACCRUED EXPENSES AND PROVISIONS

- (a) Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs. The average credit period granted to the Group for trade purchases ranges from 30 to 60 days (2015: 30 to 60 days).

The currency exposure profile of trade payables is as follows:

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	13,450	9,625	8,705	8,635
US Dollar	172	10	-	-
Sterling Pound	100	52	-	-
Euro	5	-	-	-
	<u>13,727</u>	<u>9,687</u>	<u>8,705</u>	<u>8,635</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

(b) Other payables, accrued expenses and provisions consist of:

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Provision for forbearance payment (Note 29 (c))	11,990	10,618	-	-
Other deposits (Note 12)	-	2,870	-	2,870
Other payables	3,020	853	1,667	304
Amount owing to third parties	1,606	-	1,606	-
Rental deposits	814	671	813	738
Accrued expenses	1,140	518	779	186
Provisions (c)	293	192	-	-
GST payables	508	88	36	30
	<u>19,371</u>	<u>15,810</u>	<u>4,901</u>	<u>4,128</u>

Amount owing to third parties

Amount owing to third parties amounting to RM3,385,000 bear interest at 18% per annum of which RM1,386,000 is owing to an entity in which a minority shareholder of said entity is the appointed advisor of the Group and the Company as disclosed in Note 12.

The total amount owing to third parties is as follows:

	The Group and the Company	
	2016	2015
	RM'000	RM'000
Total principal outstanding	3,385	-
Less: Portion due within one year (included under current liabilities)	<u>(1,606)</u>	<u>-</u>
Non-current portion	<u>1,779</u>	<u>-</u>

Subsequent to year end, the Company has entered into a Settlement Agreement with certain third parties to repay the amount outstanding by way of transfer of investment properties of RM4,165,000.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

The currency exposure profile of other payables is as follows:

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	2,311	450	1,667	304
Australian Dollar	709	403	-	-
	<u>3,020</u>	<u>853</u>	<u>1,667</u>	<u>304</u>

(c) Provisions:

	The Group				Total RM'000
	Forbearance Payment RM'000	Warranty RM'000	Free Service RM'000	Others RM'000	
Balance as of 1 January 2015	-	102	30	28	160
Additional provisions (Note 7)	10,618	7	22	7	10,654
Utilised during the year	-	(4)	-	-	(4)
Balance as of 31 December 2015/ 1 January 2016	10,618	105	52	35	10,810
Additional provisions (Note 7)	1,372	844	26	34	2,276
Utilised during the year	-	(803)	-	-	(803)
Balance as of 31 December 2016	<u>11,990</u>	<u>146</u>	<u>78</u>	<u>69</u>	<u>12,283</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

25. BANK BORROWINGS

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Bank overdrafts	18,565	19,698	7,930	7,520
Trust receipts/Bankers' acceptances	2,667	1,842	-	-
Long-term loans - current portion (Note 23)	248	339	-	-
	<u>21,480</u>	<u>21,879</u>	<u>7,930</u>	<u>7,520</u>

Subsidiary Company

The subsidiary company has credit facilities consisting of long-term loan, bank overdraft, trade financing, trust receipts and bank guarantee facilities totalling RM54,300,000 (2015: RM27,300,000) from four local banks. These facilities are secured by the following:

- (a) a corporate guarantee by the Company;
- (b) a negative pledge on assets of the subsidiary companies;
- (c) a charge over the freehold land and building of a subsidiary company as mentioned in Note 10; and
- (d) a charge over the investment properties of the Company as disclosed in Note 12.

The overdraft and trade financing facilities granted to the subsidiary company bear interest at rates ranging from 7.85% to 8.35% (2015: 7.85% to 8.35%) per annum.

26. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows consist of cash at banks.

27. FINANCIAL INSTRUMENTS**Capital Risk Management Policies and Procedures**

The primary objective of the Group and the Company's capital management is to ensure that a strong credit rating and healthy capital ratios are maintained in order to support their business and maximise shareholder's value.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

The Group and the Company manage the capital structure and make adjustments to it in light of changes in economic conditions. The capital structure of the Group and the Company comprise issued capital and borrowings. The Group and the Company are not subject to any externally imposed capital requirements. Subsequent to the financial year end, the Group plans to raise working capital to funds its working capital and to settle its borrowing obligations.

Financial Risk Management Objectives and Policies

The operations of the Group and the Company are subject to a variety of financial risks, including interest rate risk, credit risk, equity price risk, liquidity risk, cash flow risk and foreign currency risk. The Group and the Company's principal objective is to minimise the exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and the Company.

Various risk management policies are made and approved by the management for observation in the day-to-day operations for the control and management of the risks associated with financial instruments.

(i) Interest rate risk

The Group's interest rate risk relates to interest-bearing debts. The Group manages its interest rate risk by actively reviewing its debt portfolio. This strategy will allow the Group to capitalise on more favourable funding in a low interest rate environment and hence, to achieve a certain level of protection against interest rate hikes.

The Group is mainly exposed to interest rate risk through overdrafts, long-term loans and amount owing to third parties at rates ranging from 7.85% to 18% (2015: 7.85% to 8.35%) per annum. The Group's exposure to interest rate risk via hire-purchase is minimal as these liabilities are subject to fixed interest rate.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for floating rate interest bearing borrowings and is prepared assuming the amount of liability outstanding at the reporting period end date was outstanding for the whole year. A 100 basis point increase or decrease is used.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2016 would decrease/increase by approximately RM240,000 (2015: RM221,000). This is mainly attributable to the Group's exposure to interest rates on its long-term loans and amount owing to third parties.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

(ii) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information and its own trading records to rate the major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of receivables and cash and cash equivalents recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The Company is exposed to credit risk mainly from amount owing by subsidiary companies and receivables.

(iii) Equity price risk

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices of the Group and the Company had been 5% higher/lower, profit for the year ended 31 December 2016 would increase/decrease by RM75,000 (2015: increase/decrease by RM410,000) as a result of the changes in fair value of available-for-sale shares.

(iv) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group and Company's short, medium and long-term funding and liquidity management requirements. The Group and Company manage liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

As disclosed in Note 2, the Group has incurred a loss for the year ended 31 December 2016 of RM14.8 million and, as of that date, the Group's current liabilities exceeded its current assets by RM38.8 million.

Subsequent to the financial year end, the directors have initiated plan to raise working capital. The capital raised will be used to funds its working capital and to repay the settlement sum under the Revised Deed. The Group will also continue to receive financial support from its shareholders.

The following tables detail the liquidity analysis for its financial assets and liabilities, based on the contractual maturity of these financial instruments. The tables have been drawn up based on:

- the undiscounted cash flows of financial assets based on the earliest contractual date on which the Group can be expected to receive; and
- the undiscounted cash flows of financial liabilities based on the earliest contractual date on which the Group can be required to pay.

The inclusion of analysis of financial assets is necessary in order to understand the Group's liquidity risk management as liquidity is managed on a net asset and liability basis. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the fair value as of the date of the statements of financial position.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

	Weighted average effective interest %	← The Group →			Total RM'000
		Less than 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	
2016					
Financial assets					
Non-interest bearing:					
Cash and bank balances	-	1,120	-	-	1,120
Trade receivables	-	13,006	-	-	13,006
Other receivables (Note 18)	-	5,958	-	-	5,958
Financial assets available-for-sale	-	-	-	1,491	1,491
Total Financial Assets		20,084	-	1,491	21,575
Financial liabilities					
Non-interest bearing:					
Trade payables	-	13,727	-	-	13,727
Other payables and accrued expenses (Note 24)	-	4,974	-	-	4,974
		18,701	-	-	18,701
Interest bearing:					
Long-term loans and bank borrowings	7.85% - 8.35%	21,671	2,065	208	23,944
Amount owing to third parties (Note 24)	18%	2,443	3,145	-	5,588
Hire-purchase payables	2.37% - 2.95%	200	591	61	852
		24,314	5,801	269	30,384
Total Financial Liabilities		43,015	5,801	269	49,085

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

	Weighted average effective interest %	← The Group →			Total RM'000
		Less than 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	
2015					
Financial assets					
Non-interest bearing:					
Cash and bank balances	-	474	-	-	474
Trade receivables	-	2,149	-	-	2,149
Other receivables (Note 18)	-	9,317	-	-	9,317
Financial assets available-for-sale	-	-	-	8,197	8,197
Total Financial Assets		11,940	-	8,197	20,137
Financial liabilities					
Non-interest bearing:					
Trade payables	-	9,687	-	-	9,687
Other payables and accrued expenses (Note 24)	-	4,912	-	-	4,912
		14,599	-	-	14,599
Interest bearing:					
Long-term loans and bank borrowings	7.85% - 8.35%	22,093	2,064	647	24,804
Hire-purchase payables	2.37% - 2.60%	163	553	85	801
		22,256	2,617	732	25,605
Total Financial Liabilities		36,855	2,617	732	40,204

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

	Weighted average effective interest %	← The Company →			Total RM'000
		Less than 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	
2016					
Financial assets					
Non-interest bearing:					
Cash and bank balances	-	76	-	-	76
Trade receivables	-	57	-	-	57
Other receivables (Note 18)	-	4,309	-	-	4,309
Amount owing by subsidiary companies	-	58,914	-	-	58,914
Financial assets available-for-sale	-	-	-	1,491	1,491
Total Financial Assets		63,356	-	1,491	64,847
Financial liabilities					
Non-interest bearing:					
Trade payables	-	8,705	-	-	8,705
Other payables and accrued expenses (Note 24)	-	3,259	-	-	3,259
Amount owing to subsidiary companies	-	35,813	-	-	35,813
		47,777	-	-	47,777
Interest bearing:					
Long-term loans and bank borrowings	7.85%	7,930	-	-	7,930
Amount owing to third parties (Note 24)	18%	2,443	3,145	-	5,588
		10,373	3,145	-	13,518
Total Financial Liabilities		58,150	3,145	-	61,295

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

	Weighted average effective interest %	← The Company →			Total RM'000
		Less than 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	
2015					
Financial assets					
Non-interest bearing:					
Cash and bank balances	-	82	-	-	82
Trade receivables	-	160	-	-	160
Other receivables	-	8,136	-	-	8,136
Amount owing by subsidiary companies	-	56,050	-	-	56,050
Financial assets available-for-sale	-	-	-	8,197	8,197
Total Financial Assets		64,428	-	8,197	72,625
Financial liabilities					
Non-interest bearing:					
Trade payables	-	8,635	-	-	8,635
Other payables and accrued expenses (Note 24)	-	4,098	-	-	4,098
Amount owing to subsidiary companies	-	32,616	-	-	32,616
		45,349	-	-	45,349
Interest bearing:					
Long-term loans and bank borrowings	7.85%	7,520	-	-	7,520
Total Financial Liabilities		52,869	-	-	52,869

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

(v) Financial guarantees

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiary companies. The Company monitors on an ongoing basis the results of the subsidiary companies and repayments made by them.

The maximum exposure to credit risk amounted to RM16,100,000 (2015: RM17,200,000) representing the outstanding banking facilities of the subsidiary companies as at the end of the reporting period.

The financial guarantees have not been recognised since the fair value on initial recognition was not material as the financial guarantees provided by the Company did not contribute towards credit enhancement of the subsidiary companies' borrowings in view of the securities pledged by the subsidiary companies as disclosed in Note 25.

(vi) Foreign currency risk management

The Group has exposure to foreign currency risk as a result of its trade transactions. Foreign exchange exposures in transactional currencies other than the functional currency of the operating entities are kept to an acceptable level.

Foreign currency sensitivity analysis

The Group and the Company are mainly exposed to the currency of United States Dollar (USD) and Australian Dollar (AUD).

The following table details the Group's sensitivity to a 10% increase and decrease in the RM against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the RM strengthens 10% against the relevant currency. For a 10% weakening of the RM against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

	The Group Impact of United States Dollar (USD)	
	2016 RM'000	2015 RM'000
Profit or loss	14	30

	The Group Impact of Australian Dollar (AUD)	
	2016 RM'000	2015 RM'000
Profit or loss	71	40

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the year end exposure does not reflect the exposure during the year.

(vii) **Categories of financial instruments**

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Available-for-sale				
Other financial assets	1,491	8,197	1,491	8,197
	1,491	8,197	1,491	8,197
Loans and receivables:				
Trade receivables	13,006	2,149	57	160
Other receivables and deposits (Note 18)	5,958	9,317	4,309	8,136
Amount owing by subsidiary companies	-	-	58,914	56,050
Cash and bank balances	1,120	474	76	82
	20,084	11,940	63,356	64,428
	21,575	20,137	64,847	72,625

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Other financial liabilities at amortised cost				
Hire-purchase payables	767	701	-	-
Long-term loans - non current portion	1,803	2,074	-	-
Trade payables	13,727	9,687	8,705	8,635
Other payables and accrued expenses (Note 24)	6,580	4,912	4,865	4,098
Amount owing to subsidiary companies	-	-	35,813	32,616
Amount owing to third parties	1,779	-	1,779	-
Bank borrowings	21,480	21,879	7,930	7,520
	<u>46,136</u>	<u>39,253</u>	<u>59,092</u>	<u>52,869</u>

(viii) **Fair Values of Financial Assets and Financial Liabilities**

The fair values of financial instruments refer to the amounts at which the instruments could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. Fair values have been arrived at based on prices quoted in an active, liquid market or estimated using certain valuation techniques such as discounted future cash flows based upon certain assumptions. Amounts derived from such methods and valuation techniques are inherently subjective and therefore do not necessarily reflect the amounts that would be received or paid in the event of immediate settlement of the instruments concerned.

On the basis of the amounts estimated from the methods and techniques as mentioned in the preceding paragraph, the carrying amounts of the various financial assets and financial liabilities shown in the statements of financial position approximate their fair values.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

The fair values of the financial assets and financial liabilities reported in the statements of financial position approximate the carrying amounts of those assets and liabilities because of the immediate or short-term maturity of these financial instruments, other than the following:

	Carrying Amount		Fair Value	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
The Group				
<i>Financial Liabilities</i>				
Amount owing to third parties (Note 24)	3,385	-	4,453	-
Hire-purchase payables (Note 22)	767	701	791	722
Long-term loan (Note 23)	<u>2,051</u>	<u>2,413</u>	<u>2,077</u>	<u>2,429</u>
The Company				
<i>Financial Liability</i>				
Amount owing to third parties (Note 24)	<u>3,385</u>	<u>-</u>	<u>4,453</u>	<u>-</u>

The fair values of amount owing to third parties, long-term loans and hire-purchase payables are estimated using discounted cash flow analysis based on current borrowing rates for similar types of borrowing arrangements.

Cash and cash equivalents, trade and other receivables, trade and other payables, intercompanies indebtedness and short term borrowings

The carrying amounts approximate fair value because of the short maturity of these assets and liabilities.

Fair value measurements recognised in the statements of financial position

The Group and the Company adopt the following hierarchy for determining and disclosing fair values of financial instruments:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below analyses financial instruments carried at fair value and financial instruments for which fair value is disclosed, by valuation method.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
31 December 2016				
Financial asset				
Other financial assets (Note 14)	1,491	-	-	1,491
31 December 2015				
Other financial assets (Note 14)	8,197	-	-	8,197

There were no transfers between hierarchies in both years. The Group and the Company have no financial assets with fair value determined at level 3.

28. SEGMENTAL REPORTING

For management purposes, the Group is organised into the following operating divisions:

- Manufacturing
- Trading
- Investment holding
- Others (consist of subsidiary companies which are dormant)

Inter-segment sales are charged at cost plus a percentage profit mark-up.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

2016	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External sales	1,219	20,201	3,339	-	-	24,759
Inter-segment sales	-	8,009	2,754	-	(10,763)	-
Total revenue	<u>1,219</u>	<u>28,210</u>	<u>6,093</u>	<u>-</u>	<u>(10,763)</u>	<u>24,759</u>
Results						
Segment results	<u>2,148</u>	<u>432</u>	<u>(106)</u>	<u>(5,586)</u>	<u>(1,137)</u>	<u>(4,249)</u>
Impairment loss on trade receivables	(17)	-	(84)	-	-	(101)
Impairment loss on land held for property development	(4,103)	-	-	-	-	(4,103)
Impairment of goodwill	(121)	-	-	-	-	(121)
Fair value loss on available-for-sale financial assets	(3,668)	-	-	-	-	(3,668)
Finance costs	<u>(1,677)</u>	<u>(789)</u>	<u>(11)</u>	<u>-</u>	<u>-</u>	<u>(2,477)</u>
Loss before tax	<u>(7,438)</u>	<u>(357)</u>	<u>(201)</u>	<u>(5,586)</u>	<u>(1,137)</u>	<u>(14,719)</u>
Income tax credit/(expense)	15	-	(182)	-	57	(110)
Loss for the year	<u>(7,423)</u>	<u>(357)</u>	<u>(383)</u>	<u>(5,586)</u>	<u>(1,080)</u>	<u>(14,829)</u>
(Forward)						

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

2016	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Other information						
Land held for property development	7,667	-	-	29,790	-	37,457
Investment properties	51,260	-	-	-	-	51,260
Capital additions	13	394	58	-	-	465
Depreciation of property, plant and equipment	21	267	297	2	-	587
Consolidated Statement of Financial Position						
Assets						
Segment assets	131,255	64,612	29,015	35,203	(129,576)	130,509
Other investments	1,491	-	-	-	-	1,491
Consolidated total assets	132,746	64,612	29,015	35,203	(129,576)	132,000
Liabilities						
Segment liabilities	59,963	48,757	27,661	51,728	(121,119)	66,990

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

2015	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External sales	1,372	17,803	3,118	-	-	22,293
Inter-segment sales	-	7,909	1,684	-	(9,593)	-
Total revenue	1,372	25,712	4,802	-	(9,593)	22,293
Results						
Segment results	774	(1,069)	571	(8,527)	(3,189)	(11,440)
Impairment loss on trade receivables	(437)	(2)	(24)	-	-	(463)
Finance costs	(988)	(762)	(14)	-	-	(1,764)
(Loss)/Profit before tax	(651)	(1,833)	533	(8,527)	(3,189)	(13,667)
Income tax credit/(expense)	58	(42)	134	-	-	150
(Loss)/Profit for the year	(593)	(1,875)	667	(8,527)	(3,189)	(13,517)
(Forward)						

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

2015	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Other information						
Land held for property development	7,667	-	-	32,865	-	40,532
Investment properties	41,110	-	-	-	-	41,110
Capital additions	7	415	10	-	-	432
Depreciation of property, plant and equipment	38	188	265	2	-	493
Consolidated Statement of Financial Position						
Assets						
Segment assets	128,796	53,440	15,839	38,178	(121,832)	114,421
Other investments	8,197	-	-	-	-	8,197
Consolidated total assets	136,993	53,440	15,839	38,178	(121,832)	122,618
Liabilities						
Segment liabilities	53,749	37,230	25,179	48,755	(113,775)	51,138

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

29. SIGNIFICANT EVENTS DURING THE YEAR

- (a) On 12 May 2014, Bellajade has commenced legal actions against the Company to sue for damages for breach of Tenancy Agreement dated 21 February 2013 whereby the Company agreed to rent from Bellajade a 23-Storey Office Building ("the Premise") for a rental of RM1,018,750 per month, commencing from 20 February 2013, for tenancy term of 3 years.

On 20 May 2015, the Kuala Lumpur High Court has dismissed Bellajade's claims of RM8,401,757 to the Company and allowed the Company's counterclaim that the Tenancy Agreement is void for the sum of RM9,411,062 with interest of 4% on the pre-judgment sum and 5% on the post judgment sum, along with the cost of RM30,000. On 10 June 2015, the Company has been informed by its solicitors that Bellajade's solicitors has filed the Notice of Appeal on 3 June 2015.

The Court of Appeal on 26 November 2015 upon reading the respective written submissions filed and hearing oral clarification, invited respective Counsel for the parties to file further submission on specific issues and a date for decision will be notified by the Registry of the Court of Appeal once the Grounds of Judgment is ready. The Company has since filed their further written submission and reply submission on 8 January 2016 and 4 February 2016 respectively.

The Court of Appeal on 24 August 2016, upon reading the written submissions filed by the Company and Bellajade and hearing oral submission allowed Bellajade's appeal and set aside the High Court Judgment dated 20 May 2015.

The Court of Appeal further granted in favour of Bellajade by awarding costs of RM50,000 (for the Appeal Court and High Court) to be paid to Bellajade.

The Court of Appeal, however stayed the judgment granted in favour of Bellajade pending appeal to be made by the Company to the Federal Court.

- (b) On 25 May 2015, the Company has entered into Share Sales & Purchase Agreement ("SSA") to acquire the entire issued and paid-up share capital of Amazing Areas Sdn Bhd ("AASB"), a company incorporated in Malaysia under the Companies Act 1965, for a cash consideration of RM1,100,000.

On 31 May 2016, the Company has rescinded the SSA dated 25 May 2015 and entered into a Settlement Agreement with AASB, Mom's Care Sdn Bhd, Modern Mum Sdn Bhd and others to acquire certain assets for a total consideration of RM1,510,000. Subsequent to the acquisition, the Company has transferred the assets to the subsidiary companies that acquired during the year which are Jernih Iras Sdn Bhd, Mom's Care Retail Sdn Bhd and Modern Mum Retail Sdn Bhd as disclosed in Note 13 (b).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

- (c) As disclosed in Note 11 (b), in the previous financial year, the financial institution in Australia ("FIA") offered a forbearance deed ("the Deed") to CMEA, agreeing to forbear from further enforcing the sale of 2 plots of freehold land in Mandurah, Australia ("Lands"). The Deed required CME to pay the outstanding amount of approximate of AUD3,300,000 (approximately RM10,618,000) up to 30 April 2016, by installments.

The FIA started the process to sell the land in view of CMEA failed to meet the obligations under the Deed. CMEA subsequently successfully being granted an injunction from the Supreme Court of Western Australia on 15 July 2016 until 20 July 2016 to restrain the FIA from selling the Lands. The injunction was lifted on 29 July 2016.

On 19 August 2016, the FIA has served a winding-up application to CMEA on the alleged basis of CMEA failed to meet the obligations under the Deed.

On 26 August 2016, CMEA served a Writ of Summons and Statement of Claim. On 12 September 2016, CMEA filed a Re-Amended Writ and the Amended Statement of Claim against the FIA to the Supreme Court of Western Australia for declaration that the default establishment fees and default interest rate provided based on the terms in the Loan Agreement dated 17 December 2014 are unlawful penalties and unenforceable against CMEA.

On 31 January 2017, CMEA entered into a revised Deed ("Revised Deed") with the FIA. The FIA agreed to forbear its right to sell the Lands subject to CMEA complying with the terms of the Revised Deed to repay the agreed Settlement Sum of AUD3,702,945 (approximately RM11,990,000), by installments with the final date for repayment on 31 July 2017. As of the date of report, CMEA has made two scheduled installment payments amounting to AUD600,000 (approximately RM2,019,540) to the FIA.

30. EVENTS AFTER REPORTING PERIOD

- (a) On 23 January 2017, the Company filed a Writ of Summons and Statement of Claim against a former executive director of the Group and the Company ("Defendant") due to alleged breach of director's duties and breach of fiduciary duties which caused the Company to suffer losses. The Writ was sealed by the Shah Alam High Court on 23 January 2017 and were served on the Defendant on 21 February 2017.

The Company is seeking damages and losses of AUD3,488,269 (approximately RM11,934,415) from the Defendant plus an interest rate of 5% per annum beginning from 1 January 2015 to the date of full realisation of the Judgment Sum. The amount is to be assessed by Honourable Court at an Assessment of Damages trial.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

On 29 March 2017, the Company has received the Statement of Defence and Counterclaim dated 27 March 2017. The Defendant counterclaimed against the Company for an order that the Company pays the Defendant a sum of RM11,667 being the outstanding director fees forthwith from the day of the order and a sum of RM13,427 being the outstanding approved claims forthwith from the day of the order with an interest at a rate of 5% per annum from 10 February 2015.

The Court has yet to notify the parties of a date for decision.

- (b) The Companies Act, 2016 (New Act) was enacted to replace the Companies Act, 1965 and was passed by Parliament on 4 April 2016. The New Act was subsequently gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the effective date of the New Act, except for section 241 and Division 8 of Part III of the New Act, to be 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Group and of the Company would include the removal of the authorised share capital, replacement of no par value shares in place of par or nominal value shares, and the treatment of share premium and capital redemption reserves.

The adoption of the New Act is not expected to have any financial impact on the Group and on the Company for the financial year ended 31 December 2016 as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on the disclosures to the annual report and financial statements of the Group and of the Company for the financial year ending 31 December 2017.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

31. SUPPLEMENTARY INFORMATION ON BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25 March 2010 Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Securities Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as of the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the prescribed format of disclosure.

The breakdown of the (accumulated losses)/retained earnings of the Group and of the Company as of 31 December 2016 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Total accumulated losses of the Company and its subsidiaries				
- Realised	(41,915)	(24,491)	(19,368)	(11,974)
- Unrealised	17,424	16,923	16,671	16,700
	(24,491)	(7,568)	(2,697)	4,726
Less: Consolidation Adjustments	(437)	(2,531)	-	-
Total Group (accumulated losses)/retained earnings at end of year	<u>(24,928)</u>	<u>(10,099)</u>	<u>(2,697)</u>	<u>4,726</u>

The determination of realised and unrealised profits or losses is based on Guidance of Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements" as issued by the Malaysian Institute of Accountants on December 20, 2010. A charge or a credit to the profit or loss of a legal entity is deemed realised when it results from the consumption of resources of all types and form, regardless of whether it is consumed in the ordinary course of business or otherwise. A resource may be consumed through sale or use. Where a credit or a charge to the profit or loss upon initial recognition or subsequent measurement of an asset or a liability is not attributed to consumption of resources, such credit or charge should not be deemed as realised until the consumption of resources could be demonstrated.

This supplementary information has been made solely for complying with the disclosure requirements as stipulated in the directives of Bursa Malaysia Securities Berhad and is not made for any other purposes.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

CME GROUP BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

The directors of **CME GROUP BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as of 31 December 2016 and of the financial performance and the cash flows of the Group and the Company for the year ended on that date.

The supplementary information set out in Note 31, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1 'Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements' as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the board
in accordance with a resolution of the directors,



AZLAN OMRY BIN OMAR



LIM BEE HONG

Petaling Jaya,

26 APR 2017

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

CME GROUP BERHAD
(Incorporated in Malaysia)

DECLARATION BY THE DIRECTOR PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **LIM BEE HONG**, the director primarily responsible for the financial management of **CME GROUP BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



LIM BEE HONG

Subscribed and solemnly declared by the abovenamed **LIM BEE HONG** at **PETALING JAYA** this 28th day of April, 2017.

Before me,

COMMISSIONER FOR OATHS



No. 69A, Jalan SS21/37
Damansara Utama (Up Town)
47400 Petaling Jaya, Selangor D.E.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE 12-MONTH FPE 31 DECEMBER 2017

CERTIFIED TRUE COPY



Cheam Tau Chern
.....
CHEAM TAU CHERN
(MIA 18593)
Secretary

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2017
(The figures have not been audited)

	Unaudited At 31/12/2017 RM '000	Audited At 31/12/2016 RM '000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	18,557	19,013
Land held for property development	29,078	37,457
Investment properties	47,095	51,260
Other financial assets	440	1,491
TOTAL NON-CURRENT ASSETS	95,170	109,221
CURRENT ASSETS		
Inventories	515	909
Amount due from contract customers	10,658	721
Trade receivables and other receivables	10,930	19,511
Tax recoverable	605	518
Cash and bank balances	4,999	1,120
	27,707	22,779
Assets classified as held for sale	7,667	-
TOTAL CURRENT ASSETS	35,374	22,779
TOTAL ASSETS	130,544	132,000
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Issued capital	46,316	44,110
ICULS	31,370	31,370
Reserves	(16,430)	(10,470)
TOTAL EQUITY	61,256	65,010
NON-CURRENT LIABILITIES		
Hire-purchase payables	535	599
Amount owing to third parties	550	1,779
Long-term loan	1,510	1,803
Deferred tax liabilities	1,238	1,238
TOTAL NON-CURRENT LIABILITIES	3,833	5,419
CURRENT LIABILITIES		
Trade payables and other payables	28,503	33,098
Amount due to contract customers	-	6,780
Hire-purchase payables	185	168
Bank borrowings	36,749	21,480
Tax liabilities	18	45
TOTAL CURRENT LIABILITIES	65,455	61,571
TOTAL LIABILITIES	69,288	66,990
TOTAL EQUITY AND LIABILITIES	130,544	132,000
Net Tangible Assets Per RM0.10 Share	0.126	0.147

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statement for the year ended 31 December 2016 and the explanatory notes attached to the interim financial report.)

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE 12-MONTH FPE 31 DECEMBER 2017 (CONT'D)

CERTIFIED TRUE COPY



Cheam Tau Chern
.....
CHEAM TAU CHERN
(MIA 18593)
Secretary

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE CURRENT QUARTER AND CUMULATIVE 12-MONTH PERIOD ENDED 31 DECEMBER 2017
(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Current year quarter 31/12/2017 (RM '000)	Preceding year corresponding quarter 31/12/2016 (RM '000)	Current Year-to-date 31/12/2017 (RM '000)	Preceding year corresponding period 31/12/2016 (RM '000)
Revenue	3,117	10,107	41,480	24,759
Cost of sales	(1,775)	(7,965)	(32,663)	(19,727)
Gross profit	1,342	2,142	8,817	5,032
Other gains	-	(1,503)	921	614
Fair value loss on available-for-sale financial assets	(59)	(3,668)	(1,051)	(3,668)
Administrative expenses	(1,649)	(2,037)	(7,334)	(6,435)
Other expenses	(93)	(7,202)	(3,685)	(7,785)
Finance costs	(588)	(792)	(2,003)	(2,477)
Loss before tax	(1,047)	(13,060)	(4,335)	(14,719)
Income tax expense	-	(155)	-	(110)
Loss for the period	(1,047)	(13,215)	(4,335)	(14,829)
Other comprehensive (loss)/ income				
Foreign currency translation	(1,445)	565	(1,625)	676
Gain on revaluation of property, plant and equipment	-	2,145	-	10,721
Other comprehensive loss	-	4,173	-	(3,038)
	(1,445)	6,883	(1,625)	8,359
Total comprehensive loss for the period	(2,492)	(6,332)	(5,960)	(6,470)
Loss for the period attributable to:-				
Equity holders of the parent	(1,047)	(13,215)	(4,335)	(14,829)
Non-controlling interests	-	-	-	-
	(1,047)	(13,215)	(4,335)	(14,829)
Total comprehensive loss attributable to:-				
Equity holders of the parent	(2,492)	(6,332)	(5,960)	(6,470)
Non-controlling interests	-	-	-	-
	(2,492)	(6,332)	(5,960)	(6,470)
Loss per share RM0.10 shares				
Basic (sen):-				
• Before mandatory conversion of Irredeemable Convertible Unsecured Loan Stocks 2014/2024 ("ICULS")	-0.216	-2.996	-0.893	-3.362
• After mandatory conversion of ICULS	-0.131	-1.751	-0.543	-1.965
Diluted (sen)	-0.216	-2.996	-0.893	-3.362

(The Condensed Consolidated Statement of Profit Or Loss And Other Comprehensive Income should be read in conjunction with the Annual Audited Financial Statement for the year ended 31 December 2016 and the explanatory notes attached to the interim financial report.)

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE 12-MONTH PERIOD ENDED 31 DECEMBER 2017 (CONT'D)



CME GROUP BERHAD
(Company No. 52235-K)
(Incorporated in Malaysia)

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(MIA 18593)
Secretary

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 12-MONTH PERIOD ENDED 31 DECEMBER 2017
(The figures have not been audited)

	Share capital	ICULS	Accumulated losses	Fair value reserve	Revaluation reserve	Foreign currency translation reserve	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2016	44,110	31,370	(10,099)	3,038	-	3,061	71,480
Loss for the year	-	-	(14,829)	-	-	-	(14,829)
Other comprehensive income for the year	-	-	-	(3,038)	10,721	676	8,359
Total comprehensive loss for the year	-	-	(14,829)	(3,038)	10,721	676	(6,470)
Balance as at 31 December 2016	44,110	31,370	(24,928)	-	10,721	3,737	65,010
Issuance of ordinary shares	2,206	-	-	-	-	-	2,206
Loss for the period	-	-	(4,335)	-	-	-	(4,335)
Other comprehensive loss for the period	-	-	-	-	-	(1,625)	(1,625)
Total comprehensive loss for the period	2,206	-	(4,335)	-	-	(1,625)	(3,754)
Balance as at 31 December 2017	46,316	31,370	(29,263)	-	10,721	2,112	61,256

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Audited Financial Statement for the year ended 31 December 2016 and the explanatory notes attached to the interim financial report.)

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE 12-MONTH FPE 31 DECEMBER 2017 (CONT'D)

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(MIA 18593)
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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE 12-MONTH PERIOD ENDED 31 DECEMBER 2017**
(The figures have not been audited)

	Current year-to-date 31/12/2017 RM'000	Preceding year corresponding year-to-date 31/12/2016 RM'000
CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES		
Loss for the period	(4,335)	(14,829)
Adjustments for:		
Allowance for slow moving inventories	-	20
Depreciation of property, plant and equipment	633	587
Fair value loss on available-for-sale financial assets	1,051	3,668
Finance costs	2,003	2,477
Impairment loss on land held for property development	-	4,103
Impairment loss on trade receivables	49	101
Impairment of goodwill	-	121
Income tax expense recognised in profit or loss	-	110
Loss on debt settlement by investment properties	201	-
Provision for forbearance payment	-	1,372
Provision for warranty and free services	-	870
Unrealised currency translation on land held for property development	712	-
Fair value gain on investment properties	-	(15)
Gain on disposal of assets held for sale	-	(60)
Impairment loss on trade receivables no longer required	(330)	-
Unrealised gain on foreign exchange	-	(88)
Operating loss before working capital changes	(16)	(1,563)
Changes in working capital		
Net changes in current assets	(681)	(3,470)
Net changes in current liabilities	(9,989)	10,841
Cash (used in)/ from operations	(10,686)	5,808
Income tax paid	(123)	(88)
Warranty and free services paid	-	(803)
Income tax refunded	66	82
Net cash (used in)/ from operating activities	(10,743)	4,999
CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES		
Additions to investment properties	-	(3,700)
Consideration paid on acquisition of business units	-	(1,510)
Debt settlement by investment properties	3,964	-
Purchase of property, plant and equipment	(177)	(255)
Proceed from disposal of assets held for sale	-	960
Net cash from/ (used in) investing activities	3,787	(4,505)
CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES		
(Decrease)/ Increase in amount owing to third parties	(466)	3,385
Interest expense paid	(2,003)	(2,477)
Proceed from bank borrowings	18,912	463
Repayment of hire purchase payables	(47)	(144)
Net cash from financing activities	16,396	1,227
NET CHANGE IN CASH AND CASH EQUIVALENTS	9,440	1,721

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE 12-MONTH FPE 31 DECEMBER 2017 (CONT'D)

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(MIA 18593)
Secretary

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE 12-MONTH PERIOD ENDED 31 DECEMBER 2017 (Cont.)**
(The figures have not been audited)

	Current year-to-date 31/12/2017 RM'000	Preceding year corresponding year-to-date 31/12/2016 RM'000
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(17,445)	(19,224)
Effects of exchange rate changes on cash and cash equivalents	(1,625)	58
CASH AND CASH EQUIVALENTS AT END OF PERIOD	(9,630)	(17,445)
Cash and Cash Equivalents are as follows:-		
Cash and bank balances	4,999	1,120
Bank overdrafts	(14,629)	(18,565)
	(9,630)	(17,445)

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Audited Financial Statement for the year ended 31 December 2016 and the explanatory notes attached to the interim financial report.)

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE 12-MONTH FPE 31 DECEMBER 2017 (CONT'D)

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CHEAM TAU CHERN
(MIA 18593)
Secretary

NOTES TO THE INTERIM FINANCIAL STATEMENT – FOURTH QUARTER ENDED 31 DECEMBER 2017

A COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134, INTERM FINANCIAL REPORTING AND BURSA LISTING REQUIREMENTS

1 Basis of Preparation

The interim financial statements are unaudited and have been prepared in compliance with Malaysian Financial Reporting Standard (MFRS) 134 - *Interim Financial Reporting*, issued by the Malaysian Accounting Standards Board (“MASB”) and Part A of Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2016. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2016.

2 Financial Reporting Standards

Significant accounting policies adopted by the Group in these interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2016.

The Group has adopted the Malaysian Financial Reporting Standards (“MFRS”) framework issued by MASB with effect from 1 January 2017. This MFRS framework was introduced by MASB in order to fully converge Malaysia’s existing Financial Reporting Standard (“FRS”) framework with the International Financial Reporting Standards (“IFRS”) framework issued by the International Accounting Standards Board. There has been no material impact upon the adoption of the MFRS on the financial statements of the Group.

The Group has also adopted all the new and revised MFRSs and IC Interpretations that are relevant and effective for accounting periods beginning on or after 1 January 2017. The adoption of these new and revised MFRS and IC Interpretations have not resulted in any material impact upon the financial statements of the Group.

MFRSs and IC Interpretations that were issued but are not yet effective have not been early adopted by the Group.

3 Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report on the financial statements for the year ended 31 December 2016 was not subjected to any qualification.

4 Seasonal or cyclical factors

The Group’s operations were not subject to any seasonal or cyclical factors.

5 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no exceptional items and unusual events affecting the assets, liabilities, equity, net income and cash flow of the Group for the current quarter and financial year-to-date.

6 Changes in estimates

There were no changes in the estimates of amounts, which give a material effect in the current quarter or financial year-to-date.

7 Debt and equity securities

There was no issuance or repayment of debts and equity securities, share buy-back, shares cancellation, shares held as treasury shares and resale of treasury shares for the current quarter under review.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE 12-MONTH FPE 31 DECEMBER 2017 (CONT'D)

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CHEAM TAU CHERN
(MIA 18593)
Secretary

A COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134, INTERM FINANCIAL REPORTING AND BURSA LISTING REQUIREMENTS (CONT.)

8 Dividends paid

There was no dividend paid/ declared by the Company for the current quarter ended 31 December 2017 (2016: Nil).

9 Segmental reporting

31.12.2017	Invest. Holding RM '000	Manufacturing RM '000	Trading RM '000	Others RM '000	Elimination RM '000	Consolidated RM '000
Revenue						
External sales	1,066	33,465	6,949	-	-	41,480
Inter-segment sales	-	15,810	1,801	-	(17,611)	-
Total revenue	1,066	49,275	8,750	-	(17,611)	41,480
Results						
Segment results	(3,012)	2,781	470	(2,571)	-	(2,332)
Finance costs						(2,003)
Loss before tax						(4,335)
Income tax credit						-
Loss for the period						(4,335)
Other information						
Capital additions	10	167	-	-	-	177
Depreciation	25	283	324	1	-	633
Consolidated Balance Sheet						
Assets						
Segment assets	139,843	66,438	26,706	34,492	(137,375)	130,104
Other investment	440	-	-	-	-	440
Consolidated total assets	140,283	66,438	26,706	34,492	(137,375)	130,544
Liabilities						
Segment Liabilities	69,409	48,689	24,895	55,213	(128,918)	69,288
31.12.2016						
Revenue						
External sales	1,219	20,201	3,339	-	-	24,759
Inter-segment sales	-	8,009	2,754	-	(10,763)	-
Total revenue	1,219	28,210	6,093	-	(10,763)	24,759
Results						
Segment results	(5,761)	432	(190)	(5,586)	(1,137)	(12,242)
Finance costs						(2,477)
Loss before tax						(14,719)
Income tax expense						(110)
Loss for the period						(14,829)
Other information						
Capital additions	13	394	58	-	-	465
Depreciation	21	267	297	2	-	587

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE 12-MONTH FPE 31 DECEMBER 2017 (CONT'D)

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(MIA 18593)
Secretary

A COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134, INTERM FINANCIAL REPORTING AND BURSA LISTING REQUIREMENTS (CONT.)

9 Segmental reporting (Cont.)

31.12.2016	Invest. Holding RM '000	Manufacturing RM '000	Trading RM '000	Others RM '000	Elimination RM '000	Consolidated RM '000
Consolidated Balance Sheet						
Assets						
Segment assets	131,255	64,612	29,015	35,203	(129,576)	130,509
Other investment	1,491	-	-	-	-	1,491
Consolidated total assets	132,746	64,612	29,015	35,203	(129,576)	132,000
Liabilities						
Segment Liabilities	59,963	48,757	27,661	51,728	(121,119)	66,990

As the Group is principally operating within Malaysia, geographical segment has not been presented.

10 Valuation of property, plant and equipment

The Group did not carry out any valuations on its property, plant and equipment for the interim financial year under review. The valuations of the property, plant and equipment have been brought forward from the preceding annual financial statements.

11 Material Subsequent Events

There were no material events subsequent to 31 December 2017 that have not been reflected in the interim financial report.

12 Material Uncertainty Related to Going Concern

The Board of Directors of CME Group Berhad ("CME" or "the Company") wishes to announce that its external auditors, Deloitte PLT have issued a statement of "Material Uncertainty Related to Going Concern" ("Statement") in respect of CME's Financial Statements for 31 December 2016 ("FS 2016").

Pursuant to Paragraph 9.19(37) of the Main Market Listing Requirements, the description of the Statement is as follows:

"Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the Financial Statements, which indicates that the Group incurred a loss for the year ended 31 December 2016 of RM14.8 million and, as of that date, the Group's current liabilities exceeded its current assets by RM38.8 million. Included in the current liabilities is a provision for forbearance payment in respect of the revised Deed of Forbearance with a financial institution in Australia entered into by a wholly-owned subsidiary, CME Properties (Australia) Pty Ltd ("CMEA"), for a settlement sum payable by CMEA of AUD3,702,945 (approximately RM11,990,000) as disclosed in Note 29 (c) to the Financial Statements. As stated in Note 2 to the Financial Statements, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

The reference to Note 2 of the FS 2016 is reproduced below:-

"BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act, 1965 in Malaysia.

The Group has incurred a loss for the year ended 31 December 2016 of RM14.8 million and, as of that date, the Group's current liabilities exceeded its current assets by RM38.8 million. Included in the current liabilities is a provision for forbearance payment in respect of the revised Deed of Forbearance ("Revised Deed") with a financial institution in Australia entered into by a wholly-owned subsidiary, CME Properties (Australia) Pty Ltd ("CMEA"), for a settlement sum payable by CMEA of AUD3,702,945 (approximately RM11,990,000) as disclosed in Note 29 (c).

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE 12-MONTH FPE 31 DECEMBER 2017 (CONT'D)

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CHEAM TAU CHERN
(MIA 18593)
Secretary

A COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134, INTERM FINANCIAL REPORTING AND BURSA LISTING REQUIREMENTS (CONT.)

12 Material Uncertainty Related to Going Concern (Cont.)

The above events or conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. However, the financial statements of the Group have been prepared in accordance with the accounting principles applicable to a going concern. This going concern basis presumes amongst others that the Group will continue to receive financial support from its shareholders, the fund raising exercise as disclosed in Note 27 will be completed by the middle of 2017, and the operations of the Group will be profitable so that the realisation of assets and the settlement of liabilities would occur in the ordinary course of business."

The following are the Key Audit Matters as reported in the Independent Auditors' Report of the FS 2016:-

Key audit matter	How the matter was addressed in the audit
<p>Revenue recognition</p> <p>The Group's revenue of RM24,759,000 was mainly derived from revenue from contracts attributable to work performed to date determined using the percentage of completion method. The percentage of completion is estimated based on contract costs incurred for work performed to date against total budgeted contract costs.</p> <p>The determination of budgeted contract cost for each contract requires management to exercise judgement in their assessment of the valuation of contract variations, claims, the completeness and accuracy of the budgeted contract costs. The changes in their judgement could impact the total budgeted costs which would lead to impact on the percentage of completion which would eventually affect the revenue recorded in the financial statements.</p>	<p>We tested the controls surrounding revenue recognition.</p> <p>We evaluated management key judgements inherent in the budgeted contract costs to complete by tested the estimation and provisions included in the budget.</p> <p>We performed retrospective review by comparing the actual costs incurred of completed projects to initial budgeted contract costs of the same projects.</p> <p>We obtained the budgeted contract costs for on-going projects and compared the details in the budget to suppliers' quotations.</p> <p>We tested actual costs incurred up to date to determine the accuracy of budgeted contract costs. We selected samples of actual costs incurred and verified to supplier invoices, delivery orders, services reports and other supporting documents and ensured that they are recorded in the correct accounting period.</p> <p>We recomputed the percentage of completion of the contracts based on actual costs incurred and compared to management computation.</p>

In relation to the above, the Board wishes to advise on the followings:-

(a) The Independent Auditors have expressed unqualified opinion on the FS 2016 and that their opinion is not modified in respect of the Statement on that matter;

(b) The Group has already started the process of addressing the net current liabilities through entering into a Settlement Agreement with certain third parties to repay the amount outstanding by way of transfer of investment properties.

In 2016, The Group has secured a total book order of approximately RM48.8 million for supply fire fighting vehicles and maintenance services between 2016 to maximum period of 5 years upon expiry of the 2 years warranty period of the fire fighting vehicles. The contract is expected to contribute positively to the Group's earnings for following years.

The Group raised fund for the working capital and repayment of bank borrowings by the issuance of 44,110,000 ordinary shares at an issue price of RM0.05 per ordinary share under the Proposed Private Placement which was completed on 19 June 2017.

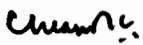
On 29 August 2017, The Group and CMEA had entered into a Deed of Settlement with Prime Capital Securities Pty Ltd, to finalise and settle the Loan, the Mortgage and Deed of Forbearance arising from a registered mortgage to Prime over the Lands of CMEA to secure the repayment of a Development Loan. This Deed of Settlement constitutes a full and final settlement of all debts, liabilities or claims arising out of or in any way connected with the Development Loan.

CME has disposed a leasehold land located at Mukim Kuala Kuantan, Tempat Bandar Indera Mahkota, District of Kuantan, Pahang Darul Makmur, for a total cash consideration of RM7,084,252, which was received on 27 December 2017.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE 12-MONTH FPE 31 DECEMBER 2017 (CONT'D)

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(MIA 18593)
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A COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134, INTERM FINANCIAL REPORTING AND BURSA LISTING REQUIREMENTS (CONT.)

12 Material Uncertainty Related to Going Concern (Cont.)

On 22 December 2017, CME is proposing to issue up to 846,307,143 Rights Shares on the basis of 2 Rights Shares for every 3 existing CME Shares held on an entitlement date to be determined later ("Entitlement Date"), together with up to 1,057,883,928 Warrants on the basis of 5 Warrants for every 4 Rights Shares subscribed for by the shareholders of CME whose name appear in the Record of Depositors of the Company as at the close of business on the Entitlement Date ("Entitled Shareholders") (refer to Note B6(ii) of this report).

The Group is currently exploring options of fund raising/refinancing to improve the net current liabilities position.

(c) CME Group is currently exploring other viable, synergistic and profitable business ventures to improve the Group's performance whilst improving its current production and cost efficiency.

13 Changes in Composition of the Group

There were no major changes in the composition of the Group including business combination, acquisition or disposal of subsidiaries and restructuring or discontinued of operations during the quarter under review.

14 Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets for the financial quarter under review.

15 Capital Commitments

There were no capital commitments for the financial quarter under review.

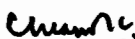
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE 12-MONTH FPE 31 DECEMBER 2017 (CONT'D)

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CME GROUP BERHAD

(Company No. 52235-K)
(Incorporated in Malaysia)


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CHEAM TAU CHERN
(MIA 18593)
Secretary

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS

1 Review of Group performance

The Group's revenue for the fourth quarter ended 31 December 2017 was recorded at RM3.1 million as compared to RM10.1 million for the corresponding preceding quarter of 2016, a decrease RM7.0 million or 69.2%. The decrease was mainly due to the timing of revenue recognition for on-going projects during the current quarter by Specialised Mobility Vehicles ("SMV") Division.

Loss for the quarter under review has decreased RM12.0 million from a loss before tax of RM13.0 million to a loss before tax of RM1.0 million. The decrease was mainly due to provision made for forbearance deed and impairment loss on land held for property development recognised by the foreign subsidiary company in the corresponding preceding quarter of 2016.

For the financial period ended 31 December 2017, the Group generated total revenue of RM41.5 million, an increase of RM16.7 million or 67.5% as compared to the amount of RM24.8 million in the corresponding preceding financial period ended 31 December 2016. The increase in revenue was mainly attributable to completion and delivery of fire fighting vehicles during the current financial period. The revenue from trading segment has also increased RM3.6 million or 108.1% to RM6.9 million as compared to preceding year corresponding period, reason being more projects secured and completed by Fire Suppression and Prevention ("FSP") Division.

Loss before tax for the period under review decreased by RM10.4 million to RM4.3 million compared to loss before tax of RM14.7 million of the corresponding preceding period of 2016, mainly due to better sales performance achieved by both the SMV and FSP Divisions.

Cost of sales increased in tandem with higher revenue, by RM12.9 million or 65.6%, albeit at a slightly lower rate of increase compared to revenue. This resulted in a marginal improvement on gross profit margin from 20.3% to 21.3%.

2 Material change in loss before tax for the quarter compared with the immediate preceding quarter

The comparison of the Group's revenue and loss before tax for the current quarter and preceding quarter is as follows:

	31.12.17	30.09.17	← Variance →	
	RM'000	RM'000	RM'000	%
Revenue	3,117	14,028	(10,911)	-77.8
Loss before tax	(1,047)	(278)	(769)	> -100.0

For the current quarter ended 31 December 2017, the Group registered a revenue of RM3.1 million, a decrease in revenue of 77.8% compared to the preceding quarter ended 30 September 2017.

The Group recorded a loss before tax of RM1.0 million for the current quarter as compared to a loss before tax of RM278,000 in the preceding quarter, mainly due to higher sales generated in preceding quarter ended 30 September 2017.

3 Commentary on Future Prospects

The outlook for the demand for specialized mobility vehicles and fire fighting and safety vehicles remain challenging. The Group will remain cautious on its capital and cost management especially the fluctuations in exchange rates and commodity prices which will continue to have an impact on the Group's financial performance and position.

The Management continues to focus on business development activities and is continuously trying to grow revenues from existing and new customers. The Group's products are expected to remain competitive in the market.

The Fire Suppression and Prevention Division, which has delivered a satisfactory performance in the financial period ended 2017, is expected to chart a steady growth in future and as for our Retail Division, the management will continue to explore its marketing strategy to improve the performance.

Barring unforeseen circumstances, the Board and the management will continue to access all business opportunities with prudence and leverage on its core strengths and competencies built over the years, to improve the profitability of the Group.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE 12-MONTH FPE 31 DECEMBER 2017 (CONT'D)

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CHEAM TAU CHERN
(MIA 18593)
Secretary

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS (CONT.)

4 Profit forecast

No profit forecast was made or issued during the current financial quarter under review.

5 Income tax expense

The Tax figures consist of the following :-	Current Quarter RM '000	Current Year to Date RM '000
Current year provision	-	-
	-	-

6 Corporate Proposals

Saved as disclosed below, there is no other corporate proposal announced by the Company and pending completion.

(i) **Proposed Joint Venture between CME and Tanah Mestika Sdn Bhd ("TMSB" or "Developer")**

CME had on 10 February 2015 entered into a Joint Venture Agreement ("the Agreement") with TMSB for a mixed development on a piece of leasehold land measuring approximately 5,936 square metre located at Lot 35895, Bandar Indera Mahkota, Mukim Kuala Kuantan, Daerah Kuantan, Negeri Pahang Darul Makmur.

The Agreement was entered into a joint-venture basis between CME as the Landowner and TMSB as the Developer subject to and upon the terms and conditions of the Agreement.

As at 23 February 2016, all the conditions precedent in the Agreement have been met and this Agreement have fulfill all the requisite conditions for its validity between the Parties.

On 20 July 2017, CME entered into Supplemental Agreement ("SA") with the Developer to vary the terms of the Joint Venture Agreement ("the JVA") dated 10 February 2015. CME has requested from the Developer for an early payment of Land Owner entitlements. In consideration of this early payment, both parties agreed with the net present value of Landowner's Entitlement at Ringgit Malaysia Seven Million Eighty Four Thousand Two Hundred Fifty Two And Cents Eleven (RM7,084,252.11) by taking into account a discount rate of 9% for a period of 4 years. In consideration of the early payment of CME's Entitlement, CME shall transfer the Said Land on an "as is where is basis" subject to the express conditions and restrictions-in-interest affecting the title to the Said Land but otherwise free from all encumbrances and with vacant possession of the Said Land.

CME and the Developer via an exchange of letter dated 17 November 2017, mutually agreed to extend the Completion Date of SA until 19th December 2017.

In the event this SA is not fulfilled, not completed or terminated for any reason whatsoever, the Parties hereby agree that the terms of the JVA shall remain in place and the Parties shall revert to the terms thereunder contained.

In the event this SA is completed and the Said Land transferred to the Developer, the JVA shall be deemed completed and neither party shall have any further claims in relation to this SA and the JVA save and except for any antecedent breaches.

On 19 December 2017, the Land Owner's Entitlement of Ringgit Malaysia Seven Million Eighty Four Thousand Two Hundred Fifty Two And Cents Eleven (RM7,084,252.11) has been paid today and has been received by the parties' mutually agreed solicitors as stakeholders pending registration of the transfer of the said land to the Developer. The payment of interest of Ringgit Malaysia Ninety Four Thousand Four Hundred Fifty Six and Cents Sixty Nine (RM94,456.69) (calculated at the rate of eight (8%) per annum from the first day of the Extended Completion Period, 20 October 2017 to 19 December 2017) has also been paid by the Developer.

On 22 December 2017, CME's Solicitors has confirmed that they have received the Land Owner's Entitlement of Ringgit Malaysia Seven Million Eighty Four Thousand Two Hundred Fifty Two And Cents Eleven (RM7,084,252.11) as the Said Land has been duly registered in favour of the Developer and the Company received the Land Owner's Entitlement and the interest from CME's Solicitors on 27 December 2017.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE 12-MONTH FPE 31 DECEMBER 2017 (CONT'D)

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CHEAM TAU CHERN
(MIA 18593)
Secretary

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS (CONT.)

6 Corporate Proposals (Cont.)

(ii) **Proposed Rights Issue of Shares with Warrants**

On 22 December 2017, CME is proposing to issue up to 846,307,143 Rights Shares on the basis of 2 Rights Shares for every 3 existing CME Shares held on an entitlement date to be determined later ("Entitlement Date"), together with up to 1,057,883,928 Warrants on the basis of 5 Warrants for every 4 Rights Shares subscribed for by the shareholders of CME whose name appear in the Record of Depositors of the Company as at the close of business on the Entitlement Date ("Entitled Shareholders"). ("Proposed Rights Issue of Shares with Warrants")

The additional listing application in relation to the Proposed Rights Issue of Shares with Warrants has been submitted to Bursa Securities on 12 January 2018.

Bursa Securities had, vide its letter dated 25 January 2018, resolved to approve the following:

- (i) admission to the Official List of the Main Market of Bursa Securities and the listing and quotation of up to 1,057,883,928 Warrants to be issued pursuant to the Proposed Rights Issue of Shares with Warrants;
- (ii) the listing and quotation of up to 846,307,143 Rights Shares to be issued pursuant to the Proposed Rights Issue of Shares with Warrants; and
- (iii) the listing and quotation of up to 1,057,883,928 new CME Shares to be issued pursuant to the exercise of Warrants.

The approval by Bursa Securities for the Proposed Rights Issue of Shares with Warrants is subject to the following conditions:

- (i) CME and TA Securities must fully comply with the relevant provisions under the Main Market Listing Requirements pertaining to the implementation of the Proposed Rights Issue of Shares with Warrants;
- (ii) CME and TA Securities to inform Bursa Securities upon the completion of the Proposed Rights Issue of Shares with Warrants;
- (iii) CME and TA Securities to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Rights Issue of Shares with Warrants is completed; and
- (iv) CME to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of Warrants as at the end of each quarter together with a detailed computation of listing fees payable.

On 19 February 2018, the circular to shareholders in relation to the Proposed Rights Issue of Shares with Warrants was despatched to the shareholders of CME.

The Extraordinary General Meeting for Proposed Rights Issue of Shares with Warrants will be held on Tuesday, 13 March 2018 at 10.00 a.m.

(iii) **Proposed Trust Deed Amendments and Proposed By-Laws Amendments**

On 30 January 2018, CME is proposing to undertake the following proposals:

(i) proposed amendments to the Trust Deed dated 15 October 2014 ("Trust Deed") constituting the ten (10)-years, zero coupon irredeemable convertible unsecured loan stocks at 100% of the nominal value of RM0.04 each in CME ("ICULS") ("Proposed Trust Deed Amendments"); and

(ii) proposed amendments to the by-laws governing the existing employee share option scheme of CME ("ESOS") ("By-Laws") ("Proposed By-Laws Amendments"),

(collectively referred to as "Proposed Amendments").

The circular to the ICULS holders and shareholders of CME in relation to the Proposed Amendments was despatched on 19 February 2018.

The ICULS holders meeting for the Proposed Trust Deed Amendments and the extraordinary general meeting for the Proposed By-Laws Amendments will be held on Tuesday, 13 March 2018 at 9.00 a.m. and 9.30 a.m. respectively.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE 12-MONTH FPE 31 DECEMBER 2017 (CONT'D)

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Cheam Tau Chern
.....
CHEAM TAU CHERN
(MIA 18593)
Secretary

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS (CONT.)

7 Group borrowings and debt securities

	As at 31/12/2017
	Secured
	RM'000
Amount payable within one year	
Bank borrowings	36,749
Finance leases	185
	<u>36,934</u>
Amount payable after one year	
Bank borrowings	1,510
Finance leases	535
	<u>2,045</u>
Total borrowings	<u>38,979</u>

8 Material litigation

Save as disclosed below, there were no material litigations against the Group or taken by the Group at the date of issuance of this Interim Financial Report.

(a) Kuala Lumpur High Court Originating Summons No. 22NCVC-19-01/2014

The Company on 12 May 2014 had been served with the Writ and the Statement of Claim by the Kuala Lumpur High Court in relation to a claim filed by Bellajade Sdn Bhd ("Bellajade"). Bellajade commenced an action against the Company arising from disputes in relation to a Tenancy Agreement dated 21 February 2013 whereby the Company agreed to rent from Bellajade a 23-Storey Office Building known as Plaza Palas bearing the postal address Plaza Palas, Lorong Palas, Off Jalan Ampang, Kuala Lumpur, for a rental of RM1,018,750.00 per month commencing from 20 February 2013, for tenancy term of 3 years. Bellajade is claiming for an outstanding amount of RM8,401,756.85 as of 27 December 2013, rental payment for January 2014 and every subsequent monthly rental payment until the end of tenancy period of 3 years, interest and costs.

The Company has been informed by its solicitors that the Kuala Lumpur High Court had on 20th May 2015:

- (i) Dismissed the Bellajade's claim against the Company;
- (ii) Allowed the Company's Counterclaim that the Tenancy Agreement is void and Bellajade pay to the Company the sum of RM9,411,062.50 with interest of 4% on the pre judgment sum and 5% on post judgment sum (from the respective date of payment);
- (iii) Awarded costs of RM30,000 to the Company; and
- (iv) Costs of RM20,000 to the 2nd Defendant (others).

On 10 June 2015, the Company was informed by its solicitors that Bellajade's Solicitors had filed and served a Notice of Appeal on 3 June 2015.

On 16 July 2015, the Company has via its solicitors served the Statutory Notice of Demand Pursuant to Section 218 (1)(e) of the Companies Act, 1965 on Bellajade to pay to the sum of RM10,128,678.55 being the principle judgment sum, interest, costs and further interest accruing until full settlement pursuant to the Judgment dated 20 May 2015 obtained vide Civil Suit No. 22NCVC-19-01/2014 in the High Court of Malaya at Kuala Lumpur entered against Bellajade. Bellajade must secure or compound the same to the Company's reasonable satisfaction within TWENTY ONE (21) days from the date of receipt of the demand, in default of which, Bellajade shall be deemed to be unable to pay their debts, in which event the Company shall proceed to petition to the Court that Bellajade be wound up.

On 7 August 2015, the Company was informed by its solicitors that the stay of execution of Judgment was granted on condition that Bellajade deposits within 14 days from 7 August 2015 a sum of RM10 million into a joint stakeholders account to be operated jointly by Bellajade's Solicitors and CME's Solicitors who shall place it in an interest bearing fixed deposit account and hold the same pending the disposal of Bellajade's appeal to the Court of Appeal, with no order as to costs.


Bellajade's Solicitors and CME's Solicitors on 26 August 2015 opened a joint account at CIMB Bank and the RM10 million deposited by Bellajade.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE 12-MONTH FPE 31 DECEMBER 2017 (CONT'D)

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**CME GROUP BERHAD**

(Company No. 52235-K)
(Incorporated in Malaysia)


.....
CHEAM TAU CHERN
(MIA 18593)
Secretary

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS (CONT.)
8 Material litigation (Cont.)**(a) Kuala Lumpur High Court Originating Summons No. 22NCVC-19-01/2014 (Cont.)**

The Court of Appeal on 26 November 2015 upon reading the respective written submissions filed and hearing oral clarification, invited respective Counsel for the parties to file further submission on specific issues and a date for decision will be notified by the Registry of the Court of Appeal once the Grounds of Judgment is ready. The Company has since filed their further written submission and reply submission on 8-01-2016 and 4-02-2016 respectively.

The Court of Appeal has on 24 August 2016, upon reading the written submissions filed by the respective parties and hearing oral submission allowed the Appellant's (Bellajade) appeal and set aside the High Court Judgment dated 20-05-2015 and entered Judgment for the Plaintiff.

The Plaintiff had, among others, sought the following relief:-

- (1) The sum of RM8,401,756.85 as at 27-12-2013;
- (2) Monthly rental for January 2014 and the following months until expiry of the 3 year tenancy; and
- (3) Interest at the rate of 10% per annum for the outstanding rentals to be calculated from the 22nd day of each said rental month until the full settlement.

The Court of Appeal further awarded costs of RM50,000.00 (for the appeal and High Court) to be paid to Bellajade and the deposit is to be refunded to the Appellant. The Court, however, stayed the Judgment granted in favour of Bellajade pending disposal of CME's Motion for Leave to Appeal to the Federal Court to be filed. CME's Motion for leave to appeal was filed on 22 September 2016.

The Federal Court had on 13 November 2017 allowed CME's Motion for leave to appeal to the Federal Court. The Federal Court also granted a stay of execution of the Judgment of the Court of Appeal dated 24 August 2016.

Subsequently, the Notice of Appeal and Record of Appeal have been filed in the Federal Court and the hearing date for the appeal has been fixed on 12 March 2018.

The solicitors acting for this case, in accordance with their legal opinion dated 5 January 2018, are of the view that our Company has a very good appeal and a good chance of succeeding in the appeal.

(b) Supreme Court of Western Australia Originating Summons No. 2506 of 2015

The Company and its wholly owned subsidiary, CME Properties (Australia) Pty Ltd ("Plaintiffs"), had on 25 September 2015 served a Writ and Indorsement of Claim against Ruark No 11 Pty Ltd ("Ruark" or "Defendant") through a firm of lawyers based in Perth, Australia. CME commenced the legal action against Ruark arising from the disputes in relation to a Joint Venture Agreement dated 12 August 2014 entered originally with Ruark Properties Pty Ltd ATF the Oasis Unit Trust, later substituted by Ruark No 11 Pty Ltd ATF the Oasis Unit Trust ("Ruark" or "Defendant"), and Central Park (Qld) Pty Ltd ("Central Park") ATF the Increase Discretionary Trust to carry out a mixed development of the property situate at 170 Mandurah Terrace, Mandurah and 20 Henson Street, Mandurah ("the Properties").

On 19 October 2015, Ruark entered an appearance in response to CME's writ notifying that Ruark will be defending the claim. The Parties are summonsed to appear in the Supreme Court of Western Australia on 2 December 2015 for a status conference.

On 7 December 2015, the Plaintiffs filed a Statement of Claim in the Supreme Court of Western Australia and the Statement of Claim was served on the Defendant on 8 December 2015.

Pursuant to the Statement, the Plaintiffs claim against the Defendant the following:-

(a) a declaration that:-

- (i) the Joint Venture Agreement was validly terminated by the Plaintiffs;
- (ii) pursuant to the terms of the Joint Venture Agreement, the development relating to the Joint Venture now vests in the Plaintiffs.

(b) payment of the sum of A\$2,115,051.41.

(c) in the alternative:-

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE 12-MONTH FPE 31 DECEMBER 2017 (CONT'D)

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(MIA 18593)
Secretary

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS (CONT.)

8 Material litigation (Cont.)

(b) Supreme Court of Western Australia Originating Summons No. 2506 of 2015 (cont.)

- (i) an account of the Prime loan monies received by the Defendant or paid out to third parties by the Defendant; and
(ii) an order for the payment by the Defendant to the Plaintiffs of the amount found due to the Plaintiffs under the Joint Venture Agreement or otherwise on the taking of the such account.
- (d) further and in the alternative, damages suffered by the Plaintiffs on account of the Defendant's breaches of the Joint Venture Agreement and the termination of the Joint Venture Agreement.
- (e) alternatively equitable compensation.
- (f) interest on such sum found due to the Plaintiffs at such rate and for such period as the Honourable Court deems fit.
- (g) such further or other relief as the Honourable Court deems just.
- (h) costs.

On 4 January 2016, the Defendant's lawyers filed and served their defence in relation to the Statement of Claim. On 14 January 2016, the Plaintiffs' lawyers wrote to the Defendant's lawyers seeking further and better particulars in relation to the defence.

On 12 April 2016, the Supreme Court of Western Australia had ordered that:-

1. It is declared that:
 - i. the Joint Venture Agreement dated 12 August 2014 between the parties as varied by the Joint Venture Agreement Deed of Variation dated 18 December 2014 ("the Joint Venture Agreement") was validly terminated by the Plaintiffs on 21 September 2015.
 - ii. the development described in the Joint Venture Agreement vests in the First and Second Plaintiff.
2. The Defendant pay to the Plaintiffs the sum A\$2,115,051.41.
3. The Defendant pay to the Plaintiffs interest on the sum of A\$2,115,051.41 at the rate of 6% per annum from the date of judgment.
4. The Defendant pay the Plaintiffs' costs of the action and the application for summary judgment, including any reserved costs, such costs to be taxed if not agreed.
5. The Plaintiffs have liberty to apply for damages to be paid by the Defendant to be assessed.

9 Dividend

No dividend had been declared for the financial period ended 31 December 2017.

10 Loss Per Share

The basic loss per share of the Group has been computed by dividing the loss attributable to equity holders of the parent for the financial quarter/ period by the weighted average number of ordinary shares in issue during the financial quarter, assuming full conversion of 784,250,715 ICULS into ordinary shares at a conversion price of RM0.10 per share.

INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
Current year quarter	Preceding year corresponding quarter	Current Year-to-date	Preceding year corresponding period
31/12/2017 (RM '000)	31/12/2016 (RM '000)	31/12/2017 (RM '000)	31/12/2016 (RM '000)

Loss attributable to equity holders of the parent

(1,047)	(13,215)	(4,335)	(14,829)
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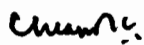
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE 12-MONTH FPE 31 DECEMBER 2017 (CONT'D)

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CME GROUP BERHAD

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B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS (CONT.)

10 Loss Per Share (Cont.)

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Current year quarter 31/12/2017 (RM '000)	Preceding year corresponding quarter 31/12/2016 (RM '000)	Current Year-to-date 31/12/2017 (RM '000)	Preceding year corresponding period 31/12/2016 (RM '000)
Weighted average number of ordinary shares	485,210	441,100	485,210	441,100
Adjustment for assumed conversion of ICULS	313,700	313,700	313,700	313,700
Adjusted weighted average number of ordinary shares	798,910	754,800	798,910	754,800
Basic per RM0.10 shares (sen):-				
• Before mandatory conversion of ICULS	-0.216	-2.996	-0.893	-3.362
• After mandatory conversion of ICULS	-0.131	-1.751	-0.543	-1.965
Diluted per RM0.10 shares (sen)	-0.216	-2.996	-0.893	-3.362

11 Realised And Unrealised Profits/ Losses Disclosure

On 25 March 2010, Bursa Malaysia issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits and losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the prescribed format of disclosure.

The breakdown of accumulated losses of the Group as of 31 December 2017 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	As at 31/12/2017 RM'000	As at 31/12/2016 RM'000
Total accumulated losses of the Company and its subsidiaries		
- Realised	(47,306)	(41,915)
- Unrealised	15,372	17,424
	(31,934)	(24,491)
Less: Consolidation Adjustments	2,671	(437)
Total Group accumulated losses as per consolidated accounts	(29,263)	(24,928)

The determination of realised and unrealised profits or losses is based on Guidance of Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements" as issued by the Malaysian Institute of Accountants on December 20, 2010. A charge or a credit to the profit or loss of a legal entity is deemed realised when it is resulted from the consumption of resource of all types and form, regardless of whether it is consumed in the ordinary course of business or otherwise. A resource may be consumed through sale or use. Where a credit or a charge to the profit or loss upon initial recognition or subsequent measurement of an asset or a liability is not attributed to consumption of resource, such credit or charge should not be deemed as realised until the consumption of resource could be demonstrated.

This supplementary information have been made solely for complying with the disclosure requirements as stipulated in the directives of Bursa Malaysia Securities Berhad and is not made for any other purposes.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE 12-MONTH FPE 31 DECEMBER 2017 (CONT'D)

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.....
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(MIA 18593)
Secretary

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS (CONT.)

12 Loss before tax

	As at 31/12/2017 RM'000	As at 31/12/2016 RM'000
This is arrived at after charging/ (crediting):-		
Allowance for slow moving inventories	-	20
Audit fee	124	126
Depreciation on property, plant and equipment	633	587
Finance costs	2,003	2,477
Impairment loss on land held for property development	-	4,103
Impairment loss on trade receivables	49	101
Loss on debt settlement by investment properties	201	-
Provision for warranty and free services	-	870
Gain on disposal of assets held for sale	-	(60)
Realised gain on foreign exchange	(277)	(38)
Unrealised gain on foreign exchange	-	(88)

Other disclosure items pursuant to Note 16 of the Appendix 9B of the Main Market Listing requirements are not applicable.

**BY ORDER OF THE BOARD
CME GROUP BERHAD**

**Azlan Omry Bin Omar
Executive Director**

**Subang Jaya, Selangor Darul Ehsan
26 February 2018**

DIRECTORS' REPORT



CME GROUP BERHAD

(No. Syarikat: 52235-K)

Lot 19, Jalan Delima 1/1,
Taman Perindustrian Teknologi
Tinggi Subang, 47500 Subang Jaya,
Selangor Darul Ehsan,
MALAYSIA.

TEL : 603 5633 1188

FAX : 603 5634 3838

Registered Office:

36A, Lorong Gelugor
Off Persiaran Sultan Ibrahim
41300 Klang
Selangor Darul Ehsan

14 MAR 2018

To: Shareholders of CME Group Berhad ("CME" or "Company")

Dear Sir/Madam,

On behalf of the Board of Directors of CME ("Board"), I wish to report that after making due enquiries in relation to our Company and subsidiary companies ("Group") during the period between 31 December 2016 (being the date on which the latest audited consolidated financial statements have been made up) to the date thereof, being a date not earlier than 14 days before the date of this Abridged Prospectus that:

- (i) in the opinion of the Board, the business of our Group has been satisfactorily maintained;
- (ii) in the opinion of the Board, no circumstances have arisen since the last audited consolidated financial statements of our Group which have adversely affected the trading or the value of the assets of our Group;
- (iii) the current assets of our Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by our Group;
- (v) since the last audited consolidated financial statements of our Group, there has been no default or any known event that could give rise to a default situation, in respect of payment of either interest and/or principal sums in relation to any borrowings; and
- (vi) there have been no material changes in the published reserves or any unusual factors affecting the results of our Group since the last audited consolidated financial statements of our Group.

Yours faithfully
For and behalf of the Board of
CME GROUP BERHAD


AZLAN OMRY BIN OMAR
Executive Director

ADDITIONAL INFORMATION

1. SHARE CAPITAL

- 1.1 Save for the Rights Shares, Warrants and new Shares to be issued pursuant to the exercise of the Warrants, no securities in our Company will be allotted or issued on the basis of this AP later than 12 months after the date of the issuance of this AP.
- 1.2 As at the date of this AP, there is no founder, management, deferred shares or preference shares in the share capital of our Company. There is only 1 class of shares in our Company, namely ordinary shares, all of which rank *pari passu* with one another.
- 1.3 Save as disclosed below, no person has been or is entitled to be granted an option to subscribe for any of our securities as at the LPD:
- (i) the Entitled Shareholders who will be allotted the provisional Rights Shares with Warrants under the Rights Issue of Shares with Warrants;
 - (ii) the holders of the outstanding ICULS, who are entitled to subscribe for 1 new CME Share for each ICULS held during the 10-year conversion period up to 23 November 2024 at the exercise price of the ICULS. As at the LPD, our Company has a total of 784,250,715 ICULS; and
 - (iii) on 11 September 2014, Public Investment Bank Berhad had on behalf of our Board, announced that Bursa Securities had, vide its letter dated 11 September 2014, granted its approval for the establishment of ESOS. Under the ESOS, our Company may grant ESOS carrying the right to subscribe for new Shares up to but not exceeding 15% of our Company's total number of issued Shares (excluding treasury shares, if any) at any one time throughout the duration of the 5 years from the effective date of the ESOS, for a subscription price fixed based on the 5D-VWAP at the date of the offer with a discount of not more than 10% or such other percentage in accordance with the prevailing guidelines in Malaysia. The ESOS will be implemented after the completion of the Rights Issue of Shares with Warrants.

2. REMUNERATION OF DIRECTORS

The provisions in our Articles of Association in respect of the arrangements for the remuneration of Directors are reproduced as follows (capitalised terms mentioned are as defined in our Articles of Association):

Article 92

The Directors shall be paid by way of fees for their service, such fixed sum (if any) as shall from time to time be determined by the Company in general meeting and such fees shall be divided among the Directors in such proportions and manner as the Directors may determine. PROVIDED ALWAYS that:

- (a) fee payable to Directors who hold no executive office in the Company shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover.
- (b) salaries and other emoluments payable to Directors who hold an executive office in the Company pursuant to a contract of service need not be determined by the Company in general meeting but such salaries and emoluments may not include a commission on or percentage of turnover but may include commissions on or percentage of profit.
- (c) fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting where notice of the proposed increase has been given in notice convening the meeting.

ADDITIONAL INFORMATION (CONT'D)

- (d) any fee paid to an alternate Director shall be such as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Article 93

- (i) The Directors shall be paid all their traveling and other expenses properly and necessarily expanded to them in and about the business of the Company including their traveling and other expenses incurred in attending meetings of the Directors or any committee of the Directors of the Company.
- (ii) If any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or otherwise (other than a sum to include a commission on or percentage of turnover) as may be determine by the Board provided that in the case of non-executive Directors of the Company, the said remuneration shall not include a commission on a percentage of profits or turnover. In the case of an Executive Director, such fee may be either in addition to or in substitution for his share in the fee from time to time provided for the Directors.

3. MATERIAL CONTRACTS

Save as disclosed below, our Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business of our Group) within the 2 years immediately preceding the date of this AP:

- (i) the Deed Poll dated 13 March 2018 executed by our Company constituting the Warrants; and
- (ii) the supplemental trust deed dated 13 March 2018 executed between our Company and the trustee who acts for the benefit of the holders of the ICULS in relation to the amendments to the Trust Deed.

4. MATERIAL LITIGATION

Save as disclosed below, as at the LPD, our Group is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the financial position of our Group and there is no proceedings, pending or threatened, or of any facts likely to give rise to any proceedings, which might materially and adversely affect the business or financial position of our Group:

- (i) **Kuala Lumpur High Court Originating Summons No. 22NCVC-19-01/2014**

Our Company on 12 May 2014 had been served with the Writ and the Statement of Claim in relation to a claim filed by Bellajade. Bellajade commenced an action against our Company arising from disputes in relation to a Tenancy Agreement dated 21 February 2013 whereby our Company agreed to rent from Bellajade a 23-storey office building known as Plaza Palas bearing the postal address Plaza Palas, Lorong Palas, Off Jalan Ampang, Kuala Lumpur, for a rental of RM1,018,750.00 per month commencing from 20 February 2013, for tenancy term of 3 years. Bellajade is claiming for an outstanding amount of RM8,401,756.85 as of 27 December 2013, rental payment for January 2014 and every subsequent monthly rental payment until the end of tenancy period of 3 years, interest and costs.

ADDITIONAL INFORMATION (CONT'D)

Our Company has been informed by our solicitors that the Kuala Lumpur High Court had on 20 May 2015:

- (a) dismissed the Bellajade's claim against our Company;
- (b) allowed our Company's counterclaim that the Tenancy Agreement is void and Bellajade pay to our Company the sum of RM9,411,062.50 with interest of 4% on the pre-judgment sum and 5% on post judgment sum (from the respective date of payment);
- (c) awarded costs of RM30,000 to our Company; and
- (d) costs of RM20,000 to the other defendants.

On 10 June 2015, our Company was informed by our solicitors that Bellajade's Solicitors had filed and served a Notice of Appeal on 3 June 2015.

On 16 July 2015, our Company has through our solicitors served the Statutory Notice of Demand pursuant to Section 218 (1)(e) of the Companies Act, 1965 on Bellajade to pay to the sum of RM10,128,678.55 being the principle judgment sum, interest, costs and further interest accruing until full settlement pursuant to the Judgment dated 20 May 2015 obtained vide Civil Suit No. 22NCVC-19-01/2014 in the High Court of Malaya at Kuala Lumpur entered against Bellajade and Bellajade must secure or compound the same to our Company's reasonable satisfaction within 21 days from the date of receipt of the demand, failing which, Bellajade shall be deemed to be unable to pay their debts, in which event our Company shall proceed to petition to the Court that Bellajade be wound up.

On 7 August 2015, our Company was informed by our solicitors that the stay of execution of Judgment was granted on condition that Bellajade deposits within 14 days from 7 August 2015 a sum of RM10 million into a joint stakeholders account to be operated jointly by Bellajade's solicitors and CME's solicitors who shall place it in an interest bearing fixed deposit account and hold the same pending the disposal of Bellajade's appeal to the Court of Appeal, with no order as to costs.

Bellajade's solicitors and CME's solicitors had on 26 August 2015, subsequently opened a joint account and the RM10 million was deposited by Bellajade.

The Court of Appeal had on 26 November 2015 upon reading the respective written submission filed and hearing oral clarification, invited respective Counsel for the parties to file further submission on specific issues and a date for decision will be notified by the Registry of the Court of Appeal once the Grounds of Judgment is ready. Our Company has since filed further written submission and reply submission on 8 January 2016 and 4 February 2016 respectively.

The Court of Appeal had on 24 August 2016, upon reading the written submissions filed by the respective parties and hearing oral submission allowed Bellajade's appeal and set aside the High Court Judgment dated 20 May 2015 and entered the judgment for Bellajade.

Bellajade had, among others, sought the following relief:

- (a) the sum of RM8,401,756.85 as at 27 December 2013;
- (b) monthly rental for January 2014 and the following months until expiry of the 3-years tenancy; and
- (c) interest at the rate of 10% per annum for the outstanding rentals to be calculated from the 22nd day of each said rental month until the full settlement.

ADDITIONAL INFORMATION (CONT'D)

The Court of Appeal further awarded costs of RM50,000.00 (for the appeal and High Court) to be paid to Bellajade and the deposit is to be refunded to Bellajade. The Court, however, stayed the judgment granted in favour of Bellajade pending disposal of our Company's Motion for Leave to Appeal to the Federal Court to be filled.

Our Company had filed a Motion for Leave in the Federal Court under Federal Court Civil Application No. 08(i)-491-09/2016(W). The Federal Court had on 13 November 2017 allowed our Company's Motion for Leave to appeal to the Federal Court and also granted a stay of execution of the judgment of the Court of Appeal dated 24 August 2016.

Subsequently, the Notice of Appeal and Record of Appeal have been filed in the Federal Court and the hearing date for the appeal has been fixed on 12 March 2018.

Our Company has been informed by the solicitors acting for this case that the Federal Court had on 12 March 2018, having heard full submissions from both the counsels of our Company and Bellajade, reserved its decision to a date to be notified by the Federal Court.

The solicitors acting for this case, in accordance with their legal opinion dated 5 January 2018, are of the view that our Company has a very good appeal and a good chance of succeeding in the appeal.

5. GENERAL

- 5.1 There is no existing or proposed service contract entered or to be entered into by our Company with any Director or proposed Director, other than those which are expiring or determinable by the employing company without payment of compensation (other than statutory compensation) within 1 year from the date of this AP.
- 5.2 Save as disclosed in this AP, the financial conditions and operations of our Group are not affected by any of the following:
- (i) known trends or demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group's liquidity increasing or decreasing in any material way;
 - (ii) material commitments for capital expenditure of our Group;
 - (iii) unusual or infrequent events or transactions or significant economic changes that will materially affect the amount of reported income from operations;
 - (iv) known trends or uncertainties that have had or that our Group reasonably expects will have, a material favourable or unfavourable impact on our Group's revenue or operating income;
 - (v) substantial increase in revenues; and
 - (vi) material information, including trading factors or risks, which are unlikely to be known or anticipated by the general public and which could materially affect our profits.

ADDITIONAL INFORMATION (CONT'D)

6. CONSENTS

The Adviser, Company Secretary, Independent Market Researcher, Principal Bankers, Share Registrar, Due Diligence Solicitors for the Rights Issue of Shares with Warrants and Bloomberg Finance L.P., have each given and have not subsequently withdrawn their written consents to the inclusion in this AP of their names and all references thereto in the form and context in which they appear in this AP.

Deloitte PLT, being our Auditors for the FYE 31 December 2016, have given and have not subsequently withdrawn its consent for the inclusion of its name, the audited consolidated financial statements of our Group for the FYE 31 December 2016 together with the auditors' report thereon and all references thereto in the form and context in which they appear in this AP.

Baker Tilly Monteiro Heng, being our Reporting Accountants and Auditors, have given and have not subsequently withdrawn its consent for the inclusion of its name, the pro forma consolidated statements of financial position of our Group as at 31 December 2016 together with the notes and Reporting Accountants' letter thereon and all references thereto in the form and context in which they appear in this AP.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our Registered Office at 36A, Lorong Gelugor, Off Persiaran Sultan Ibrahim, 41300 Klang, Selangor Darul Ehsan during normal business hours from 9.00 a.m. to 5.00 p.m. from Monday to Friday (excluding public holidays) for a period of 12 months from the date of this AP:

- (i) our Memorandum and Articles of Association;
- (ii) our audited financial statements for the FYE 31 December 2015 and FYE 31 December 2016 as well as our latest unaudited consolidated financial statements for 12-month FPE 31 December 2017;
- (iii) the pro forma consolidated statements of financial position of our Group as at 31 December 2016 and the Reporting Accountants' letter thereon as set out in Appendix III of this AP;
- (iv) Undertaking and Additional Undertaking referred to in Section 2.4 of this AP;
- (v) Directors' Report referred to as Appendix VI of this AP;
- (vi) the relevant cause paper in respect of the material litigation referred to in Section 4 above;
- (vii) the Deed Poll;
- (viii) the supplemental trust deed referred to in Section 3 above;
- (ix) the IMR Report; and
- (x) the letters of consent referred to in Section 6 above.

ADDITIONAL INFORMATION (CONT'D)

8. RESPONSIBILITY STATEMENT

This AP together with its accompanying documents have been seen and approved by our Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement herein false or misleading.

TA Securities, being the Adviser for the Rights Issue of Shares with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning this Rights Issue of Shares with Warrants.

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