

**CME GROUP BERHAD**

(Company No. 52235-K)  
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF 31 MARCH 2017**

(The figures have not been audited)

	<b>Unaudited At 31/03/2017 RM '000</b>	<b>Audited At 31/12/2016 RM '000</b>
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	18,862	19,013
Land held for property development	38,781	37,457
Investment properties	51,260	51,260
Other financial assets	1,059	1,491
<b>TOTAL NON-CURRENT ASSETS</b>	<b>109,962</b>	<b>109,221</b>
<b>CURRENT ASSETS</b>		
Inventories	784	909
Amount due from contract customers	10,290	721
Trade receivables and other receivables	12,858	19,511
Tax recoverable	535	518
Cash and bank balances	521	1,120
<b>TOTAL CURRENT ASSETS</b>	<b>24,988</b>	<b>22,779</b>
<b>TOTAL ASSETS</b>	<b>134,950</b>	<b>132,000</b>
<b>EQUITY AND LIABILITIES</b>		
<b>CAPITAL AND RESERVES</b>		
Issued capital	44,110	44,110
ICULS	31,370	31,370
Reserves	(10,332)	(10,470)
<b>TOTAL EQUITY</b>	<b>65,148</b>	<b>65,010</b>
<b>NON-CURRENT LIABILITIES</b>		
Hire-purchase payables	544	599
Amount owing to third parties	1,514	1,779
Long-term loan	1,910	1,803
Deferred tax liabilities	1,216	1,238
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>5,184</b>	<b>5,419</b>
<b>CURRENT LIABILITIES</b>		
Trade payables and other payables	28,072	33,098
Amount due to contract customers	12,108	6,780
Hire-purchase payables	168	168
Bank borrowings	24,225	21,480
Tax liabilities	45	45
<b>TOTAL CURRENT LIABILITIES</b>	<b>64,618</b>	<b>61,571</b>
<b>TOTAL LIABILITIES</b>	<b>69,802</b>	<b>66,990</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>134,950</b>	<b>132,000</b>
<b>Net Tangible Assets Per RM0.10 Share</b>	<b>0.148</b>	<b>0.147</b>

(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.)

**CME GROUP BERHAD**

(Company No. 52235-K)  
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE CURRENT QUARTER AND CUMULATIVE 3-MONTH PERIOD ENDED 31 MARCH 2017**

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Current year quarter 31/03/2017 (RM '000)	Preceding year corresponding quarter 31/03/2016 (RM '000)	Current Year-to-date 31/03/2017 (RM '000)	Preceding year corresponding period 31/03/2016 (RM '000)
Revenue	9,772	7,131	9,772	7,131
Cost of sales	(7,524)	(5,824)	(7,524)	(5,824)
<b>Gross profit</b>	<b>2,248</b>	<b>1,307</b>	<b>2,248</b>	<b>1,307</b>
Other gains	7	103	7	103
Fair value loss on available-for-sale financial assets	(432)	-	(432)	-
Administrative expenses	(1,810)	(1,190)	(1,810)	(1,190)
Other expenses	(199)	(202)	(199)	(202)
Finance costs	(470)	(406)	(470)	(406)
<b>Loss before tax</b>	<b>(656)</b>	<b>(388)</b>	<b>(656)</b>	<b>(388)</b>
Income tax credit	22	-	22	-
<b>Loss for the period</b>	<b>(634)</b>	<b>(388)</b>	<b>(634)</b>	<b>(388)</b>
<b>Other comprehensive income</b>				
Foreign currency translation	772	(1,006)	772	(1,006)
Gain on revaluation of property, plant and equipment	-	11,285	-	11,285
Other comprehensive loss	-	(2,294)	-	(2,294)
	772	7,985	772	7,985
<b>Total comprehensive income for the period</b>	<b>138</b>	<b>7,597</b>	<b>138</b>	<b>7,597</b>
Loss for the period attributable to:-				
Equity holders of the parent	(634)	(388)	(634)	(388)
Non-controlling interests	-	-	-	-
	(634)	(388)	(634)	(388)
Total comprehensive income attributable to:-				
Equity holders of the parent	138	7,597	138	7,597
Non-controlling interests	-	-	-	-
	138	7,597	138	7,597
<b>Loss per share RM0.10 shares</b>				
<b>Basic (sen):-</b>				
• Before mandatory conversion of Irredeemable Convertible Unsecured Loan Stocks 2014/2024 ("ICULS")	-0.144	-0.088	-0.144	-0.088
• After mandatory conversion of ICULS	-0.084	-0.051	-0.084	-0.051
<b>Diluted (sen)</b>	-0.144	-0.088	-0.144	-0.088

(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.)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
 FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2017**

*(The figures have not been audited)*

	< -----Non-distributable----- >						Total equity
	Share capital	ICULS	Accumulated losses	Fair value reserve	Revaluation reserve	Foreign currency translation reserve	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Balance as at 1 January 2016</b>	44,110	31,370	(10,099)	3,038	-	3,061	71,480
Loss for the year	-	-	(14,829)	-	-	-	(14,829)
Other comprehensive (loss)/ 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)
<b>Balance as at 31 December 2016</b>	44,110	31,370	(24,928)	-	10,721	3,737	65,010
Loss for the period	-	-	(634)	-	-	-	(634)
Other comprehensive income for the period	-	-	-	-	-	772	772
Total comprehensive income for the period	-	-	(634)	-	-	772	138
<b>Balance as at 31 March 2017</b>	44,110	31,370	(25,562)	-	10,721	4,509	65,148

*(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.)*

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
 FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2017**  
*(The figures have not been audited)*

	<b>Current year-to-date 31/03/2017 RM'000</b>	<b>Preceding year corresponding year-to-date 31/03/2016 RM'000</b>
<b>CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES</b>		
Loss for the period	(634)	(388)
Adjustments for:		
Depreciation of property, plant and equipment	161	126
Fair value loss on available-for-sale financial assets	432	-
Finance costs	470	406
Gain on disposal of investment properties	-	(60)
Income tax credit recognised in profit or loss	(22)	-
Unrealised currency translation on land held for property development	(1,324)	1,472
Operating (loss)/ profit before working capital changes	(917)	1,556
Changes in working capital		
Net changes in current assets	(2,791)	(1,157)
Net changes in current liabilities	339	1,975
Cash (used in)/ from operations	(3,369)	2,374
Income tax paid	(17)	(16)
Income tax refunded	-	33
Net cash (used in)/ from operating activities	(3,386)	2,391
<b>CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(10)	-
Proceed from disposal of assets held for sale	-	960
Net cash (used in)/ from investing activities	(10)	960
<b>CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES</b>		
Decrease in amount owing to third parties	(302)	-
Interest expense paid	(470)	(406)
Proceed from/ (Repayment of) bank borrowings	5,412	(1,863)
(Repayment of)/ Proceed from hire purchase payables	(55)	23
Net cash from/ (used in) financing activities	4,585	(2,246)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>1,189</b>	<b>1,105</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>(17,445)</b>	<b>(19,224)</b>
Effects of exchange rate changes on cash and cash equivalents	772	(1,006)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>(15,484)</b>	<b>(19,125)</b>
<b>Cash and Cash Equivalents are as follows:-</b>		
Cash and bank balances	521	477
Bank overdrafts	(16,005)	(19,602)
	<b>(15,484)</b>	<b>(19,125)</b>

*(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.)*

**NOTES TO THE INTERIM FINANCIAL STATEMENT – FIRST QUARTER ENDED 31 MARCH 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.

**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 March 2017 (2016: Nil.).

**9 Segmental reporting**

<b>31.03.2017</b>	<b>Invest. Holding RM ‘000</b>	<b>Manufacturing RM ‘000</b>	<b>Trading RM ‘000</b>	<b>Others RM ‘000</b>	<b>Elimination RM ‘000</b>	<b>Consolidated RM ‘000</b>
<b>Revenue</b>						
External sales	325	8,353	1,094	-	-	9,772
Inter-segment sales	-	5,016	387	-	(5,403)	-
<b>Total revenue</b>	<b>325</b>	<b>13,369</b>	<b>1,481</b>	<b>-</b>	<b>(5,403)</b>	<b>9,772</b>
<b>Results</b>						
Segment results	<b>(943)</b>	<b>885</b>	<b>(15)</b>	<b>1,351</b>	<b>(1,464)</b>	<b>(186)</b>
Finance costs						(470)
<b>Loss before tax</b>						<b>(656)</b>
Income tax credit						22
<b>Loss for the period</b>						<b>(634)</b>
<b>Other information</b>						
Capital additions	10	-	-	-	-	10
Depreciation	7	73	81	-	-	161
<b>Consolidated Balance Sheet</b>						
<b>Assets</b>						
Segment assets	132,319	60,593	28,553	36,805	(124,379)	133,891
Other investment	1,059	-	-	-	-	1,059
<b>Consolidated total assets</b>	<b>133,378</b>	<b>60,593</b>	<b>28,553</b>	<b>36,805</b>	<b>(124,379)</b>	<b>134,950</b>
<b>Liabilities</b>						
Segment Liabilities	61,835	44,024	27,195	52,670	(115,922)	<b>69,802</b>
<b>31.03.2016</b>						
<b>Revenue</b>						
External sales	279	6,473	379	-	-	7,131
Inter-segment sales	-	3,313	528	-	(3,841)	-
<b>Total revenue</b>	<b>279</b>	<b>9,786</b>	<b>907</b>	<b>-</b>	<b>(3,841)</b>	<b>7,131</b>
<b>Results</b>						
Segment results	<b>(436)</b>	<b>425</b>	<b>302</b>	<b>(1,869)</b>	<b>1,596</b>	<b>18</b>
Finance costs						(406)
<b>Loss before tax</b>						<b>(388)</b>
Income tax expense						-
<b>Loss for the period</b>						<b>(388)</b>
<b>Other information</b>						
Capital additions	-	-	-	-	-	-
Depreciation	5	55	66	-	-	126

**A COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134, INTERM FINANCIAL REPORTING AND BURSA LISTING REQUIREMENTS (CONT.)**

**9 Segmental reporting (Cont.)**

31.03.2016	Invest. Holding RM ‘000	Manufacturing RM ‘000	Trading RM ‘000	Others RM ‘000	Elimination RM ‘000	Consolidated RM ‘000
<b>Consolidated Balance Sheet</b>						
<b>Assets</b>						
Segment assets	129,317	51,353	27,019	36,800	(120,138)	124,351
Other investment	5,903	-	-	-	-	5,903
<b>Consolidated total assets</b>	<b>135,220</b>	<b>51,353</b>	<b>27,019</b>	<b>36,800</b>	<b>(120,138)</b>	<b>130,254</b>
<b>Liabilities</b>						
Segment Liabilities	54,860	34,964	24,777	48,657	(112,081)	<b>51,177</b>

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 March 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.

**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 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 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><b>Revenue recognition</b></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 is currently exploring options of fund raising/refinancing to improve the net current liabilities position.



**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.)**

(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.

**B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS**

**1 Review of Group performance**

For the first quarter ended 31 March 2017, the Group recorded consolidated revenue of approximately RM9.8 million. The cost of sales for the quarter under review amounted to approximately RM7.5 million.

The consolidated revenue for the current quarter under review has increased by 37% or RM2.7 million, from RM7.1 million in the preceding year corresponding quarter to RM9.8 million. The main drivers of the increase in revenue were from the Manufacturing and Trading divisions, which saw a growth of RM1.9 million or 29% and RM715,000 or >100% respectively. The revenue from the Investment Holding division has also increased slightly to RM325,000 from RM279,000 or 16.5%.

Loss before tax for the quarter under review increased by RM268,000, from a loss of RM388,000 recorded in the corresponding preceding year 2016, to a loss of RM656,000, mainly due to fair value loss on available-for-sale financial assets.

**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:

	31.03.17 RM'000	31.12.16 RM'000	← Variance → RM'000	%
Revenue	9,772	10,107	(335)	-3.3
Loss before tax	(656)	(11,671)	11,015	94.4

For the current quarter ended 31 March 2017, the Group recorded revenue of RM9.8 million, a slight decrease in revenue of 3.3% compared to the preceding quarter ended 31 December 2016.

The Group recorded a loss before tax of RM656,000 for the current quarter as compared to a loss before tax of RM11.7 million in the preceding quarter, mainly due to impairment loss on land held for property development, provision for forbearance payment and reclassification of fair value loss on available-for-sale financial assets from other comprehensive loss in the 4<sup>th</sup> Quarter of 2016.

**3 Commentary on Prospects for 2017**

The local and global economy will continue to be challenging in 2017. However, the Group remains cautiously optimistic on the outlook of the Specialised Mobility Vehicles industry particularly in the after sales market. Fluctuations in exchange rates and commodity prices will continue to have an impact on the Group's financial performance and position. In order to maintain its market competitiveness, the Board will need to constantly review its price structure and react accordingly. The Group will continue its efforts to enhance operating efficiency programmes to mitigate as much as possible the impact of higher input costs.

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. Barring unforeseen circumstances, the Directors anticipate that the Group to achieve a satisfactory performance for the financial year 2017.

**4 Profit forecast**

No profit forecast was made or issued during the current financial quarter under review.

**5 Income tax expense/ (credit)**

The Tax figures consist of the following :-

	Current Quarter RM '000	Current Year to Date RM '000
Current year provision	(22)	(22)
	(22)	(22)

**B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD  
 MAIN MARKET LISTING REQUIREMENTS (CONT.)**

**6 Corporate Proposals**

There were no corporate proposals announced but not completed as at 19 May 2017.

**7 Group borrowings and debt securities**

	<b>As at 31/03/2017</b>
	<b>Secured</b>
	<b>RM'000</b>
<b>Amount payable within one year</b>	
Bank borrowings	24,225
Finance leases	168
	<u>24,393</u>
<b>Amount payable after one year</b>	
Bank borrowings	1,910
Finance leases	544
	<u>2,454</u>
<b>Total borrowings</b>	<u>26,847</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.

**B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD  
MAIN MARKET LISTING REQUIREMENTS (CONT.)**

(a) Kuala Lumpur High Court Originating Summons No. 22NCVC-19-01/2014 (Cont.)

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.

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;
- (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;
- (4) Interest at the rate of 5% per annum on paragraph (1) from date of judgement until date of 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.

The Notice of Motion for Leave to Appeal to the Federal Court is fixed for hearing on 20 July 2017.

(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:-
  - (i) an account of the Prime loan monies received by the Defendant or paid out to third parties by the Defendant; and

**B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD  
MAIN MARKET LISTING REQUIREMENTS (CONT.)**

(b) Supreme Court of Western Australia Originating Summons No. 2506 of 2015 (cont.)

(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.

(c) Federal Court of Australia File No. WAD371/2016

CME Properties (Australia) Pty Ltd ("CMEPA") entered into a joint venture agreement with Ruark No 11 Pty Ltd ("Ruark") to develop the properties situate at 170 Mandurah Terrace, Mandurah and 20 Henson Street, Mandurah ("the Properties").

Ruark arranged for a loan of A\$2.5 million from Prime Capital Securities ("Prime"), a private lender, to get the development underway. CMEPA agreed to grant a mortgage over the Properties to Prime as security for the loan.

The purpose of the loan was to provide capital funds to commence the development of the Properties into a mixed-use development involving residential and commercial lots and a hotel.

Ruark subsequently fully utilised the loan funds of A\$2.5 million without CMEPA's permission or consent. CMEPA and CME brought proceedings against Ruark in the Supreme Court of Western Australia for breach of the joint venture agreement and for failure to account for the loan monies. CMEPA and CME were awarded judgement against Ruark with the court ordering that Ruark pay to CMEPA and CME the sum of A\$2,115,051.41 plus interest and costs, and gave CMEPA and CME liberty to apply for damages. CMEPA and CME are continuing to enforce the court orders against Ruark.

As a consequence of Ruark's conduct in failing to repay the loan to Prime, the loan went into default on 24 September 2015. Subsequently, Prime has sought to enforce the mortgage against CMEPA to recover the loan amount.

Prime sought to exercise its right to sell the Mandurah Properties as mortgagee. CMEPA took action to restrain Prime on the basis that Prime had not taken all reasonable care to sell the Properties for not less than the market value. CMEPA was initially successful in obtaining an interim injunction against Prime but the injunction has subsequently discharged on 29 July 2016.

**B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD  
MAIN MARKET LISTING REQUIREMENTS (CONT.)**

(c) Federal Court of Australia File No. WAD371/2016 (cont.)

On 19 August 2016, Prime served on CMEPA an originating process seeking to wind up CMEPA on the basis that it is allegedly insolvent, relying on the loan default, details of which are as follows:

- (a) An order that CMEPA be wound up in insolvency under the provisions of the Corporations Act 2001;
- (b) An order that a liquidator of CMEPA be appointed;
- (c) An order that the costs of Prime be fixed and reimbursed in accordance with Section 466 (2) of the Corporations Act 2001 (Cth).

On 31 January 2017, CMEPA and Prime reached an agreement whereby the parties entered into a Deed of Forbearance to allow CMEPA time to repay the agreed settlement amount of A\$3,702,944.68 plus interest by 31 July 2017 (“Settlement Date”). On the Settlement Date, so long as CMEPA complies with all its obligations under the Deed, Prime will file a Notice of Discontinuance in relation to the winding up proceedings with no order as to costs and each party will bear their own costs (see Note A11 of this report).

(d) Supreme Court of Western Australia Originating Summons No. 2217 of 2016

The Company’s wholly owned subsidiary, CME Properties (Australia) Pty Ltd (“CMEPA”), had on 26 August 2016 served an Amended Writ and Statement of Claim against Prime Capital Securities Pty Ltd (“Prime”) through a firm of lawyers based in Perth, Australia acting on behalf of CMEPA. CMEPA had on 12 September 2016 filed the Re-Amended Writ and the Amended Statement of Claim in the Supreme Court of Western Australia.

CMEPA commenced the legal action against Prime arising from:-

1. the terms of:-

- a. written loan agreement dated 17 December 2014; and
- b. written mortgage agreement dated 17 December 2014 between the plaintiff and the defendant;

The Plaintiffs claimed against the Defendant the following:-

1. Declarations that
  1. the Default Establishment Fee;
  2. sums calculated based on the Default Interest Rate;
  3. sums calculated based on the Default Interest Rate and compounded monthly;
  4. the re-negotiation fee; and
  5. the covenant breach fee

provided for in the loan are unlawful penalties and unenforceable against the plaintiff pursuant to the Loan and Mortgage.

2. Such further or other order as this Honourable Court considers just.

3. Costs.

Prime filed a Chamber Summons with the Supreme Court of Western Australia, seeking leave to apply for summary judgment in relation to the matter on the basis that the loan agreement contains certain clauses that prevent CMEPA from commencing litigation against Prime before it has repaid the loan in full and CMEPA is opposing the application. The summary judgment application was heard on 13 December 2017 and the decision was reserved.

On 31 January 2017, CMEPA and Prime reached an agreement whereby the parties entered into a Deed of Forbearance to allow CMEPA time to repay the agreed settlement amount of A\$3,702,944.68 plus interest by 31 July 2017. From the date of the Deed, CMEPA released Prime and its servants, agents and employees from any Claim it may have now, have had in the past or may have at any time in the future in respect of or arising out of the Loan or Securities.

Pursuant to Part B Note 8 (c) and (d), the Company’s wholly owned subsidiary, CME Properties (Australia) Pty Ltd (“CMEPA”) had on 31 January 2017 entered into a Deed of Forbearance (the “Deed”) with Prime Capital Securities (“Prime”).

**B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD  
MAIN MARKET LISTING REQUIREMENTS (CONT.)**

(d) Supreme Court of Western Australia Originating Summons No. 2217 of 2016 (cont.)

Subject to the terms of this Deed being met and there being no further defaults, Prime agrees:

- (a) to forbear its right to enter into and complete a contract for the sale of the Properties as mortgagee exercising power of sale subject to CMEPA complying with the terms of the deed including repayment of the principal amount of \$AUD2.5 million plus interest and costs;
- (b) to adjourn the winding up proceedings in the Federal Court of Australia WAD 371/2016 and the parties consent to such adjournment and to orders extending the time for determination of the winding up application; and
- (c) the parties consent to orders notifying the Supreme Court of Western Australia of the parties having reaching an agreement and seeking the adjournment of the Supreme Court Proceedings CIV 2217/2016 until after 31 July 2017 with liberty to apply.

Salient terms of the Deed:

- (i) CMEPA will pay the agreed Settlement Sum of AUD 3,702,944.68 (approximately RM 12,397,088) plus interest at the Higher Rate from the date of the Deed together with any legal costs and outlays, or expenses costs incurred or payable by CMEPA to Prime, by instalments with the final date for repayment being 31 July 2017 (hereinafter referred to as “the Settlement Date”);
- (ii) Simultaneously with the exchange of signed counterparts of this deed, the solicitors for CMEPA must sign and provide to Prime:-
  - (a) a minute of consent order, providing for judgment for Prime for the full amount payable under the mortgage, plus interest from the date of this Deed and costs (calculated on a full indemnity basis);
  - (b) a minute of consent order, providing for the winding up of Prime and costs (calculated on a full indemnity basis).Prime agrees to hold the signed minutes of consent order in escrow in accordance with the terms of the Deed.
- (iii) On the Settlement Date, so long as CMEPA complies with all its obligations under the Deed:
  - (a) Prime will prepare, sign and file a Notice of Discontinuances in relation to the Proceedings, discontinuing the Proceeding and dismissing the Winding up Proceedings with no orders as to costs, and the solicitors for CMEPA will sign the Notice of Discontinuance. It is agreed that if a Notice of Discontinuance is filed, each party bears its own costs of the proceedings and that there should be no order as to costs. In such circumstances, the parties agree not to enforce any cost entitlement that they may have as a result of the filing of any Notice of Discontinuance or dismissal.
  - (b) Prime will release CMEPA from any Claim it may have now, have had in the past or may have at any time in the future in respect of or arising out of the Loan or Securities; there will be no further payments required under the Loan Agreement or the Securities and the mortgages over the Securities will be discharged.
- (iv) From the date of the Deed, CMEPA released Prime and its servants, agents and employees from any Claim it may have now, have had in the past or may have at any time in the future in respect of or arising out of the Loan or Securities.

(e) Shah Alam High Court Civil Suit No. BA-22NCVC-37-01/2017

The Company had on 21st February 2017 served a Writ of Summons (the “Writ”) and Statement of Claim against Chin Fook Kheong, former Executive Director of CME (the “Defendant”). The Company subsequently filed the Amended Writ and the Amended Statement of Claim in the Shah Alam High Court.

CME sought for the following reliefs:-

- (a) That the Defendant pays to the Plaintiff damages/losses suffered by the Plaintiff amounting to AUD3,956,711.41 (approximately RM13,537,097) and accruing;
- (b) That the Defendant pays to the Plaintiff interest at the rate of 5% per annum on the sum of AUD3,956,711.41 (approximately RM13,537,097) beginning from 24.12.2014 until the date of full realisation;
- (c) That the Defendant bears the costs of this action and to be paid to the Plaintiff forthwith; and

**B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD  
 MAIN MARKET LISTING REQUIREMENTS (CONT.)**

(e) Shah Alam High Court Civil Suit No. BA-22NCVC-37-01/2017 (cont.)

(d) Any further or other relief this Honourable Court deems fit and appropriate.

On 29 March 2017, the Company has been informed by its solicitors that they have received the Statement of Defence and Counterclaim dated 27 March 2017. The Defendant subsequently filed an Amended Statement of Defence and Amended Counterclaim.

The Defendant counterclaims against the Plaintiff for an order:

- (a) that the Plaintiff pays the Defendant a sum of RM11,667.00 being the outstanding director fees forthwith from the day of the order;
- (b) that the Plaintiff pays the Defendant a sum of RM13,426.97 being the outstanding approved claims forthwith from the day of the order;
- (c) interest at a rate of 5% per annum from 10.2.2015 on (a) and (b) until full and final settlement;
- (d) costs;
- (e) any and other relief the Honourable Court deems fit.

The case is fixed for Case Management on 14 July 2017.

**9 Dividend**

No dividend had been declared for the financial period ended 31 March 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/ year 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 31/03/2017 (RM '000)	Preceding year corresponding quarter 31/03/2016 (RM '000)	Current Year-to-date 31/03/2017 (RM '000)	Preceding year corresponding period 31/03/2016 (RM '000)
Loss attributable to equity holders of the parent	<b>(634)</b>	(388)	<b>(634)</b>	(388)
Weighted average number of ordinary shares	<b>441,100</b>	441,100	<b>441,100</b>	441,100
Adjustment for assumed conversion of ICULS	<b>313,700</b>	313,700	<b>313,700</b>	313,700
Adjusted weighted average number of ordinary shares	<b>754,800</b>	754,800	<b>754,800</b>	754,800
<b>Basic per RM0.10 shares (sen):-</b>				
• Before mandatory conversion of ICULS	<b>-0.144</b>	-0.088	<b>-0.144</b>	-0.088
• After mandatory conversion of ICULS	<b>-0.084</b>	-0.051	<b>-0.084</b>	-0.051
<b>Diluted per RM0.10 shares (sen)</b>	<b>-0.144</b>	-0.088	<b>-0.144</b>	-0.051



**B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS (CONT.)**

**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 March 2017 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	<b>As at 31/03/2017 RM'000</b>	<b>As at 31/12/2016 RM'000</b>
Total accumulated losses of the Company and its subsidiaries		
- Realised	(42,035)	(41,915)
- Unrealised	17,336	17,424
	<u>(24,699)</u>	<u>(24,491)</u>
Less: Consolidation Adjustments	(863)	(437)
	<u>(25,562)</u>	<u>(24,928)</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 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.

**12 Loss before tax**

	<b>As at 31/03/2017 RM'000</b>	<b>As at 31/12/2016 RM'000</b>
This is arrived at after charging/ (crediting):-		
Allowance for slow moving inventories	-	20
Audit fee	41	126
Depreciation on property, plant and equipment	161	587
Finance costs	470	2,477
Impairment loss on land held for property development	-	4,103
Impairment loss on trade receivables	-	101
Provision for warranty and free services	-	870
Realised loss on foreign exchange	5	-
Gain on disposal of assets held for sale	-	(60)
Realised gain on foreign exchange	-	(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**

**Lim Bee Hong**  
**Executive Director**

**Subang Jaya, Selangor Darul Ehsan**  
**25 May 2017**