CME GROUP BERHAD

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

PERFORMANCE & TECHNOLOGY

Annual Report 2016

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NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty First (21st) Annual General Meeting ("AGM") of the Company will be held at the Delima Room, Lobby Floor, Empress Hotel, Jalan ST 1C/7, Medan 88, Bandar Baru Salak Tinggi, 43900 Sepang, Selangor Darul Ehsan on Thursday, 25 May 2017 at 10.00 a.m. to transact the following Businesses:

1 To receive and adopt the Financial Statements for the year ended 31 December 2016 together with the Reports of Directors and Auditors thereon. **Note A**

2 To re-elect the following Director who retires in pursuant to Article 83 of the Constitution of the Company :-

Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj (Independent Non-Executive Director) **Resolution 1**

Miss Ong Suan Pin (Independent Non-Executive Director) **Resolution 2**

3 To approve the payment of Directors' fees of RM225,000 for the financial year ending 31 December 2016 **Resolution 3**

4 To re-appoint Messrs Deloitte PLT as Auditors and to authorise the Directors to fix their remuneration **Resolution 4**

As Special Business to consider and if thought fit, to pass the following resolution:

5 **ORDINARY RESOLUTION**
PROPOSED AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 75 AND SECTION 76 OF THE COMPANIES ACT 2016,

"THAT pursuant to Section 75 and Section 76 of the Companies Act, 2016 and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the total issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad ("Bursa Malaysia") and that such authority shall continue in force until the conclusion of the next AGM of the Company." **Resolution 5**

NOTICE OF ANNUAL GENERAL MEETING
(CONT'D)

6 **ORDINARY RESOLUTION**
RETENTION OF INDEPENDENT DIRECTOR

a. "THAT, **Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj** be and is hereby retained as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code of Corporate Governance 2012." **Resolution 6**

b. "THAT, **Y. Bhg. Dato' Khairi Bin Mohamad** be and is hereby retained as an Independent Non-Executive Director of the Company in accordance with the Malaysian Code of Corporate Governance 2012." **Resolution 7**

7 To transact any other business of which, due notice shall have been given in accordance with the Companies Act, 2016 and the Constitution of the Company.

By Order of the Board

BERNARD LIM BOON SIANG (MACS 01153)
Company Secretary
Shah Alam, Selangor Darul Ehsan
28 April 2017

Notes:

A. This Agenda item is meant for discussion only and does not require a formal approval of the shareholders for the Audited Financial Statement and hence, this Agenda item is not put forward for voting.

1. A proxy need not be a member of the Company.

2. For a proxy to be valid, this form, duly completed must be deposited at the Registered Office of the Company at 36A, Lorong Gelugor, Off Persiaran Sultan Ibrahim, 41300 Klang, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for the meeting or any adjournment thereof.

3. A member shall be entitled to appoint one (1) or more proxies to attend and vote instead of him at the same meeting and where a member appoints two (2) or more proxies to vote at the same meeting, such appointment shall be invalid unless he specify the proportion of his shareholding to be represented by each proxy.

4. Where a member is an exempt authorised nominee which holds ordinary shares of the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies it may appoint in respect of each omnibus account it holds.

NOTICE OF ANNUAL GENERAL MEETING
(CONT'D)

5. *In the case of a corporate member, this form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.*

6. *For the purpose of determining a member who shall be entitled to attend this Twenty First (21st) AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 59 of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991 to issue a Record of Depositors as at 19 May 2017. Only a depositor whose name appears on such Record of Depositors shall be entitled to attend the said meeting or appoint proxies to attend and vote on his/her behalf.*

EXPLANATORY NOTE ON SPECIAL BUSINESS

7. Ordinary Resolution 5 – Authority to allot and issue shares

The proposed Ordinary Resolution, if passed, will give the Directors of the Company, from the date of the Twenty First (21st) AGM, the authority to issue shares up to a maximum 10% of the issued capital of the Company for the time being for such purpose as the Directors would consider in the best interest of the Company. This authority, unless revoked or varied by the Company at a general meeting will expire at the next AGM of the Company.

The Company has not issued any new shares under the general authority which was approved at the Twentieth (20th) AGM held on 23 May 2016 and which authority will lapse at the conclusion of the Twenty First (21st) AGM. A renewal of this authority is being sought at the Twenty First (21st) AGM under the proposed Resolution 5.

The renewal mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of future investment projects(s), working capital and/ or acquisition.

8. Ordinary Resolution 6 and 7 – Retention of Independent Director

Pursuant to the Malaysian Code of Corporate Governance 2012, the tenure of an Independent Director should not exceed a cumulative term of nine years unless an approval is sought from the Company's shareholders at the Annual General Meeting to retain the said director as an Independent Director.

The Board of Directors ("the Board") via the Nomination Committee has assessed the independence of Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj and Y. Bhg. Dato' Khairi Bin Mohamad who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years and the Board has recommended them to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:-

i) They fulfill the criteria under the definition on Independent Director as defined in the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia;
ii) They are able to bring independent and objective judgment to the Board;
iii) They have been with the Company for more than nine (9) years with incumbent knowledge of the Company and the Group's activities and corporate history which enable them to participate actively and contribute positively during deliberations or discussions at Board meetings;
iv) They have contributed sufficient time and effort and attended the Committee and Board Meetings for an informed and balanced decision making;
v) They do not have any conflict of interest with the Company and have not been entering/ are not expected to enter into contract(s) especially material contract(s) with the Company and/or its subsidiary companies; and
vi) They have performed their duties diligently and in the best interest of the Company and provide a broader views, independent and balanced assessment of proposals from the management.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

(1) Venue, Date and Time of the Twenty First Annual General Meeting

Venue	:	Delima Room, Lobby Floor, Empress Hotel, Jalan ST 1C/7, Medan 88, Bandar Baru Salak Tinngi, 43900 Sepang, Selangor Darul Ehsan.
Time & Date	:	10.00 a.m., Thursday, 25th May 2017

(2) Directors Standing for Re-election

Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj (Independent Non-Executive Director) and **Miss Ong Suan Pin** (Independent Non-Executive Director) are standing for re-election pursuant to Article 83 of the Constitution of the Company. Their profiles are set out in the section on Directors' Profile of this Annual Report.

(3) Attendance of Directors at Board Meetings

Details of attendance of Directors at Board meetings held for the financial year ended 31 December 2016 are set out in the Statement of Corporate Governance of this Annual Report.

CORPORATE PROFILE

CME Group Berhad ("CME") 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. The name was changed to Construction and Mining Equipment Holdings Sdn Bhd on 27 February 1984 to reflect its activities at that time. On 5 January 1991, the Company changed its name to CME Group Sdn Bhd.

The Company subsequently converted its status into a public company and assumed its present name on 26 December 1995. The Company was listed on the Second Board of the Kuala Lumpur Stock Exchange on the 3 October 1997.

The existing principal activity of the Group is providing comprehensive solutions in relation to designing, manufacturing and sales of various types of specialised mobility vehicles, and fire fighting and safety vehicles. The Group designs and builds various types of fire fighting vehicles, specialist vehicles, airport crash tenders, hazmat vehicles, fuel transfer vehicles, riot control vehicles and fire rescue equipment.

CME of today has become an experience comprehensive solutions provider to the fire fighting industries with a reputation for delivering customized, value driven vehicle solutions that incorporate safety and reliability that comply with the highest standards such as NFPA, ICAO and CEN. The products manufactured by the Group's meet and comply with ISO 9001 certification. CME now stands proudly at the forefront of the industry in the country. The customers of CME Group are mainly from public sector and oil and gas industry.

In recent years, the Group has diversified into the property development and property investment, the diversification is intended to be part of a long term plan to move the Group forward by expanding the Group's income stream and further strengthening the Group's financial position.

CORPORATE STRUCTURE

CME GROUP BERHAD
Company No. 52235-K

100%

CME TECHNOLOGIES SDN BHD

Designing, Manufacturing and Sales of Specialised Mobility Vehicles, Fire Fighting Vehicles, Fire Engines, Specialist Vehicles, Airport Crash Tenders, Hazmat Vehicles, Aerial Access Ladder, Cranes, Fuel Transfer Vehicles including Refuellers, Riot Control Vehicles, Fire Fighting and Rescue Equipment and Fixed Installations

100%

CME EDARAN SDN BHD

Sales and Services of Specialised Mobility Vehicles, Fire Fighting Equipment, Fire Fighting Vehicles, Specialist Vehicles, Fuel Transfer Vehicles and the supply of related spare parts

100%

CME INDUSTRIES SDN BHD

Servicing Fire Fighting and Specialist Vehicles and supply of related spare parts

100%

CME PROPERTIES SDN BHD

Dormant

100%

CME PYROSHIELD SDN BHD

Sale and Servicing of Fire Fighting Gas System and other safety related products

100%

CME PROPERTIES (AUSTRALIA) PTY LTD

Property Development

100%

JERNIH IRAS SDN BHD

An investment holding company to hold the Trademark Of Modern Mum and Mom's Care.

100%

MODERN MUM RETAIL SDN BHD

(formerly known as Titi Sanjung Sdn Bhd)
Carry on the business of costumiers, robe, dress makers to include maternity wear and suppliers of general clothing, and franchises of boutiques.

100%

MOM'S CARE RETAIL SDN BHD

(formerly known as Hati Takzim Sdn Bhd)
Retailing of baby products

CORPORATE INFORMATION

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

MISS LIM BEE HONG
Executive Director

Y. BHG. DATO' KHAIRI BIN MOHAMAD
Independent Non-Executive Director

EN. AZLAN OMRY BIN OMAR
Executive Director

MISS ONG SUAN PIN
Independent Non-Executive Director

COMPANY SECRETARY

Mr. Bernard Lim Boon Siang
(MACS 01153)

KEY MANAGEMENT

Mr. Wong Chee Fatt
Chief Executive Officer

Mr. Tan Guan Tee
General Manager,
Production and Service Division

AUDIT COMMITTEE

Y. Bhg. Dato' Khairi Bin Mohamad
Chairman
Miss Ong Suan Pin
Member
YAM Tengku Besar Tengku Kamil Ismail Bin Tengku Idris Shah
Member

NOMINATION COMMITTEE

Y. Bhg. Dato' Khairi Bin Mohamad
Chairman
Miss Ong Suan Pin
Member
Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj
Member

REMUNERATION COMMITTEE

Y. Bhg. Dato' Khairi Bin Mohamad
Chairman
Miss Ong Suan Pin
Member

ESOS COMMITTEE

Y. Bhg. Dato' Khairi Bin Mohamad
Chairman
Miss Lim Bee Hong
Member
Mr. Wong Chee Fatt
Member

CORPORATE OFFICE

Lot 19, Jalan Delima 1/1
Taman Perindustrian Teknologi
Tinggi Subang
47500 Subang Jaya
Selangor Darul Ehsan
Tel : 03-5633 1188
Fax : 03-5634 3838
Website : http://www.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 : 03-7841 8000
Fax : 03-7841 8150/51

AUDITORS

Deloitte PLT
Chartered Accountants
Level 16, Menara LGB
1 Jalan Wan Kadir
Taman Tun Dr. Ismail
60000 Kuala Lumpur
Tel : 03-7610 8888
Fax : 03-7726 8986

REGISTERED OFFICE

36A, Lorong Gelugor
Off Persiaran Sultan Ibrahim
41300 Klang
Selangor Darul Ehsan
Tel : 03-3343 8148
Fax : 03-3341 4426

PRINCIPAL BANKERS

AmBank (M) Berhad
Public Bank Berhad
Malayan Banking Berhad
RHB Bank Berhad
United Overseas Bank (Malaysia) Berhad
Small Medium Enterprise Development Bank Malaysia Berhad

STOCK EXCHANGE LISTING

The Main Market of Bursa Malaysia Securities Berhad
Stock Name : CME
Stock Code : 7018
Date of listing : 3 October 1997

DIRECTORS' PROFILE

Y.M. Tunku Nizamuddin Bin Tunku Dato' Seri Shahabuddin

Executive Director

Y.M. Tunku Nizamuddin Bin Tunku Dato' Seri Shahabuddin, aged 46, Malaysian, was appointed to the Board of the Company on 6 May 2009. He holds a Bachelor of Business in Tourism Management from University of New England, Lismore, Australia and MBA in International Management from Thunderbird, The Garvin School of International Management, Arizona, USA. Tunku has over 20 years of experience in the field of advisory and consultancy in all business areas, of which more than 8 years were spent in the oil and gas industry.

He does not have any family relationship with any of the Directors and/or substantial shareholders of the Company nor has he any personal interest in any business arrangement involving CME. He has no convictions for offences over the past 10 years other than traffic offences.

He is deemed as a substantial shareholder in CME and has no interests in the securities of any subsidiary companies of CME. He also sits on the Board of several other private limited companies.

Miss Lim Bee Hong

Executive Director
Member of ESOS Committee

Miss Lim Bee Hong, aged 51, Malaysian, was appointed to the Board of the Company on 6 May 2005. Miss Lim obtained her Bachelor of Accountancy from University of Malaya in 1991 and a member of Malaysian Institute of Accountants. She has over 27 years of experience in the field of accountancy.

She does not have any family relationship with any of the Directors and/or substantial shareholders of the Company nor has she any personal interest in any business arrangement involving CME. She has no convictions for offences over the past 10 years other than traffic offences.

She holds 100,540 shares in CME and has no interests in the securities of any subsidiary companies of CME. She also sits on the Board of several other private limited companies.

En. Azlan Omry Bin Omar

Executive Director

En. Azlan Omry Bin Omar, aged 51, Malaysian, was appointed to the Board of the Company on 6 July 2000 as Independent Non-Executive Director. He has re-designated as Executive Director on 1 July 2015. He holds a Bachelor of Science degree majoring in Civil Engineering from California State University and a Master of Science degree in Manufacturing Systems Engineering from University of Warwick, England. He started his career as a civil and structural engineer in 1990 before returning to England in 1993 to work for Warwich Manufacturing Group as a Research Associate. He returned to Malaysia and joined Composites Technology Research Malaysia Sdn Bhd ("CTRM") in 1994.

He has been in the business of distribution and retail of consumer and lifestyle products between 2003 and 2014.

He does not have any family relationship with any of the Directors and/or substantial shareholders of the Company nor has he any personal interest in any business arrangement involving CME. He has no convictions for offences over the past 10 years other than traffic offences.

He does not hold any shares in CME and has no interests in the securities of any subsidiary companies of CME. He also sits on the Board of several other private limited companies.

DIRECTORS' PROFILE
(CONT'D)

Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj

Independent Non-Executive Director
Member of Nomination Committee

Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj, aged 66, Malaysian, was appointed to the Board of the Company on 19 June 2000. After completing his formal education in the 1960's, Dato' Setia Tengku was appointed as the Military Aide-de-Camp to His Royal Highness The Sultan of Selangor. He resigned from this position and entered the corporate world in 1995. Since then, he has extensive interests in civil, building construction and property development.

He does not have any family relationship with any of the Directors and/or substantial shareholders of the Company nor has he any personal interest in any business arrangement involving CME. He has no convictions for offences over the past 10 years other than traffic offences.

He does not hold any shares in CME and has no interests in the securities of any subsidiary companies of CME. He also sits on the Board of several other private limited companies.

Y. Bhg. Dato' Khairi Bin Mohamad

Independent Non-Executive Director
Chairman of Audit Committee
Chairman of Nomination Committee
Chairman of Remuneration Committee
Chairman of ESOS Committee

Dato' Khairi Bin Mohamad, aged 77, Malaysian, was appointed to the Board of the Company on 19 June 2000. After completing his formal education in 1959, he went on to obtain his Commercial Pilot Licence (CPL) and Airline Transport Pilot Licence (ATPL) in 1960 and 1968 respectively. Between 1962 to 1972, he worked for Malayan Airlines which was later renamed Malaysia-Singapore Airlines (MSA) as a First Officer and was promoted to Captain in 1968 when he obtained his ATPL. In 1972 he joined Malaysia Airlines System (MAS) and was involved in the establishment and setting up of the Airline. During his career with MAS, he has clocked a total Flying Hours of approximately 19,000 hours on multi-engine jets and he has held various senior positions in MAS namely, Senior Flight Instructor, Chief Pilot (Training) and Deputy Director of Flight Operations. He held the position as Director of Flight Operations for more than ten years until he retired. During his spell as Director of Flight Operations, he attended major courses conducted by reputable universities such as the Monash University in Australia, Harvard Business School, Asian Institute of Management and London Business School. The courses attended are Human Factors in Aviation, Senior Management Course, Air Transport Course, Civil Aviation Senior Management Programme and Senior Development Programme. He is also a member of the Harvard Business School Alumni Club of Malaysia.

He does not have any family relationship with any of the Directors and/or substantial shareholders of the Company nor has he any personal interest in any business arrangement involving CME. He has no convictions for offences over the past 10 years other than traffic offences.

He does not hold any shares in CME and has no interests in the securities of any subsidiary companies of CME. He also sits on the Board of several other private limited companies.

DIRECTORS' PROFILE (CONT'D)

Miss Ong Suan Pin

Independent Non-Executive Director
Member of Audit Committee
Member of Nomination Committee
Member of Remuneration Committee

Miss Ong Suan Pin, aged 59, Malaysian, was appointed to the Board on 24 June 2011. She is a holder of ACCA (The Association of Chartered Certified Accountants) qualification and has more than 35 years of working experience in the field of accountancy. She started her career in 1981 as a lecturer for Institute Technology of Mara before moving to join a public accounting firm, gaining experience in auditing. Presently, she is the Financial Controller for a construction group of companies.

She does not have any family relationship with any of the Directors and/or substantial shareholders of the Company nor has she any personal interest in any business arrangement involving CME. She has no convictions for offences over the past 10 years other than traffic offences.

She holds 12,400,000 shares in CME and has no interests in the securities of any subsidiary companies of CME.

YAM Tengku Besar Tengku Kamil Ismail Bin Tengku Idris Shah

Independent Non-Executive Director
Member of Audit Committee

YAM Tengku Besar Tengku Kamil Ismail Bin Tengku Idris Shah, aged 67, Malaysian, was appointed to the Board of the Company on 09 March 2015. He held the directorships in C.I Holdings Berhad, Berjaya Group Berhad and TAS Industries Sdn Bhd in the past years. Presently, he is the Chairman of Red Eagle Securities Services Sdn Bhd and Taman Positif Sdn Bhd. He is also the Council Member of Majlis Perbandaran Kuantan. He is active in sport especially badminton. He is the president of Pahang Badminton Association for the past 30 years till todate. He is also the present Vice President of Badminton Association of Malaysia.

He does not have any family relationship with any of the Directors and/or substantial shareholders of the Company nor has he any personal interest in any business arrangement involving CME. He has no convictions for offences over the past 10 years other than traffic offences.

He does not hold any shares in CME and has no interests in the securities of any subsidiary companies of CME. He also sits on the Board of several other private limited companies.

KEY MANAGEMENT

Mr. Wong Chee Fatt

Chief Executive Officer /Member of ESOS Committee

Mr. Wong holds a Bachelor of Engineering (Hons) in Mechanical Engineering from University of Westminster, United Kingdom and Diploma in Electrical Engineering Technician from City and Guilds of London Institute. Mr. Wong is a member of Institute of Fire Engineers (UK). Mr. Wong began his career as a Project Engineer with CME Edaran Sdn Bhd, a wholly owned subsidiary of CME in 1993, attached to the fire fighting industry division and was subsequently promoted to Project Manager in 1995. He is primarily responsible for project tendering, implementation, strategic planning and all business development aspects of the fire fighting industry business segment. Mr. Wong was appointed as the Chief Operating Office of the Group on 1 June 2012 and then been appointed as the Chief Executive Officer of the Group on 31 October 2014.

He does not have any family relationship with any of the Directors and/or substantial shareholders of the Company nor has he any personal interest in any business arrangement involving CME. He has no convictions for offences over the past 10 years other than traffic offences.

He holds 38,180 shares in CME and has no interests in the securities of any subsidiary companies of CME.

Mr. Tan Guan Tee

General Manager, Production and Service Division

Mr. Tan holds a Diploma in Mechanical Engineering from F.I.T. Mr. Tan began his career as a Technical Executive with CME Technologies Sdn Bhd, a wholly owned subsidiary of CME in 1989, attached to the Production and Service division and move up the ranks and became General Manager in 2014.

He is primarily responsible in manufacturing, product support, testing and after sales service.

He does not have any family relationship with any of the Directors and/or substantial shareholders of the Company nor has he any personal interest in any business arrangement involving CME. He has no convictions for offences over the past 10 years other than traffic offences.

He holds 520 shares in CME and has no interests in the securities of any subsidiary companies of CME.

STATEMENT BY THE BOARD OF DIRECTORS

DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors ("Board"), we are pleased to present to you the financial results and business performance of CME Group Berhad ("CME" or "Company") and its subsidiary Companies ("Group") for the financial year ended ("FYE") 31 December 2016.

FINANCIAL PERFORMANCE AND BUSINESS REVIEW

The Group's revenue for the full financial year ended 31 December 2016 rose 11.1% year-on-year to RM24.8 million from RM22.3 million mainly due to more projects were secured during the year, coupled with the timing of revenue recognition for on-going projects and projects completed during the year. Loss before tax has increased to RM14.7 million from RM13.7 million, an increase of 7.7% over the preceding year of 2015.

The revenue from the Manufacturing Segment grew from RM17.8 million to RM20.2 million, an increase of RM2.4 million during the financial year ended 31 December 2016. The revenue from the Trading Segment has also increased to RM3.3 million or 7.1% as compared to RM3.1 million in Year 2015.

Manufacturing Segment continues to be the main core business for the group in terms of revenue, which accounted for 81.6% of the total revenue.

BUSINESS OUTLOOK AND FUTURE PROSPECT

The market in 2017 is expected to remain challenging in view of the market competition and rising of global economic uncertainties. The continued escalation of production cost due to increase in various essential cost components coupled with fluctuation in exchange rates may pose challenges to the Group's operation as well as its profitability.

CME has managed to secure 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 the 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 financial year ending 31 December 2017 and following years.

Despite these challenges, the Board is mindful of the challenges ahead and will continue to explore other viable, synergistic and profitable business ventures to improve the Group's performance. The management is putting in place its many measures to build on its order book besides concentrating on our traditional core fire fighting vehicles business.

CORPORATE SOCIAL RESPONSIBILITY

The Group views corporate social responsibility as a continuing commitment for businesses to act ethically and contribute to economic and social development while improving the quality of workforce, stakeholders' value and the local community at large.

A variety of activities, such as festive celebration and sport activities were organized for promoting the wellbeing of employees. The Group continues to provide its employees with relevant training programs to help develop technical and soft skills among different level of employees.

DIVIDEND

The Board, having made due consideration, is not recommending any dividend payment for the FYE 31 December 2016.

APPRECIATION AND ACKNOWLEDGEMENT

On behalf of the Board, I sincerely wish to extend my gratitude to our valued customers, financiers/bankers, business associates/partners and shareholders for their confidence, support and loyalty without which our success will not be possible and I look forward for their continuing support in the Group. I would also like to extend my appreciation and gratitude to the relevant regulatory authorities and agencies for their continued support, co-operation and advice.

To the management and staffs, thank you for your loyalty, dedication and commitment that has driven the Group into what it is today and to greater heights in the years ahead.

Last but not least, my sincere gratitude and thanks to my fellow board members for their strong support and invaluable advice and my special thanks to our shareholders for their continuing trust and confidence in the Group.

Y. BHG. DATO' KHAIRI BIN MOHAMAD
DIRECTOR

28 APRIL 2017

FIVE-YEAR FINANCIAL HIGHLIGHTS

	Year Ended 31 December				
	2012	2013	2014	2015	2016
FINANCIAL PERFORMANCE (RM'000)					
Revenue	22,871	30,040	21,987	22,293	24,759
Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA")	1,607	1,901	5,226	(11,410)	(11,655)
Profit/(Loss) Before Taxation	379	921	3,873	(13,667)	(14,719)
Profit/(Loss) After Taxation	78	634	3,048	(13,517)	(14,829)
Net Profit/(Loss) Attributed to Equity Holders	20	593	3,048	(13,517)	(14,829)
KEY BALANCE SHEET DATE (RM'000)					
Total Assets	54,115	69,487	115,967	122,618	132,000
Total Liabilities	13,209	24,746	35,347	51,138	66,990
Equity Attributable to owners of the Company	40,906	44,741	80,620	71,480	65,010
SHARE INFORMATION					
Basic Earnings Per Share (sen)	0.005	0.140	0.691	-3.064	-3.362
Diluted Earnings Per Share (sen)	0.005	0.140	0.691	-3.064	-3.362
FINANCIAL RATIOS					
Current Ratio (times)	0.676	0.931	0.563	0.534	0.370
Net Assets Per Share (RM)	0.101	0.101	0.183	0.162	0.147

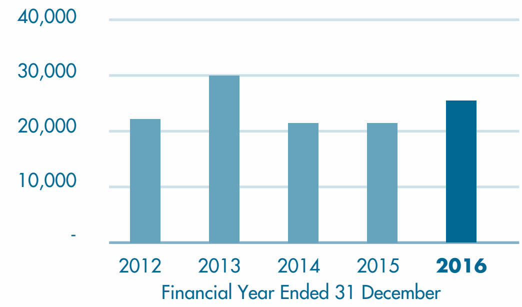
Notes:

1. *Earnings per share ("EPS") is computed by dividing the Net Profit/(Loss) Attributed to Equity Holders by the weighted average number of ordinary shares in issue during the financial year.*

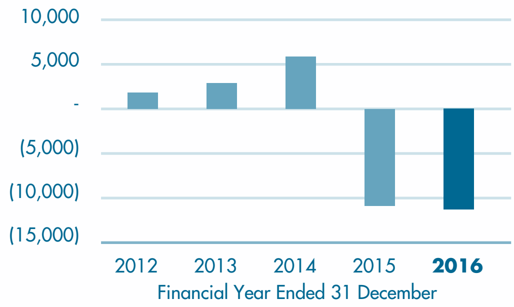
2. *The diluted earnings per ordinary share is same as the basic earnings per share because the effect of the assumed conversion of warrants outstanding will be anti-dilutive and the Company has no other dilutive potential ordinary share in issue as at the end of the reporting period.*

FIVE-YEAR FINANCIAL HIGHLIGHTS (CONT'D)

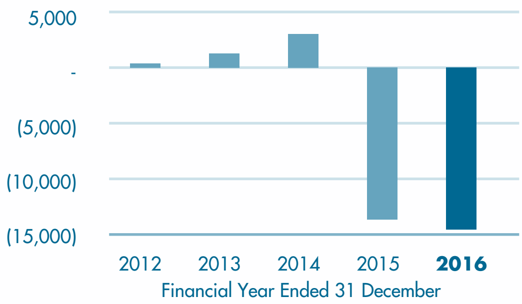
Revenue (RM'000)



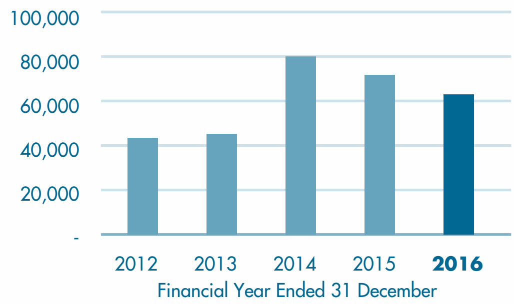
EBITDA (RM'000)



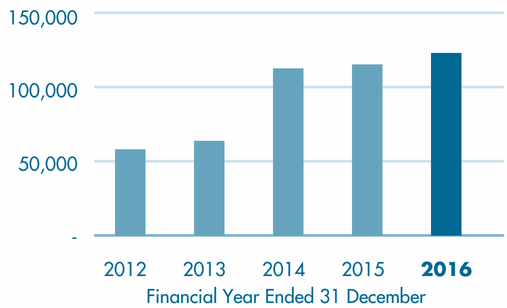
Net Profit/(Loss) Attributed to Equity Holders (RM'000)



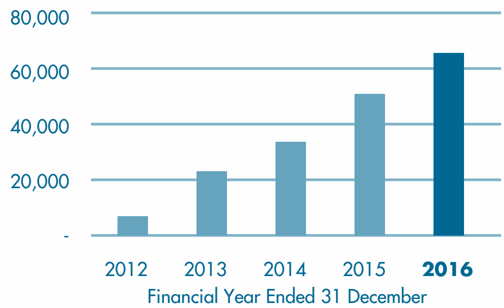
Equity Attributable to owners of the Company (RM'000)



Total Assets (RM'000)



Total Liabilities (RM'000)



MANAGEMENT DISCUSSION AND ANALYSIS

Overview

2016 was a difficult and challenging year for the Group mainly due to the uncertain economic environment, a weakening Ringgit Malaysia which has affected our imported products negatively and higher cost of doing business from many other government imposed taxes. On contrast Customers keep seeking for more competitive price and fast track and short delivery time. During the financial year under review, CME is putting in place its many measures to build on its core business to address the financial condition of the Group.

Performance

The Group is involved in providing comprehensive solutions in relation to designing, manufacturing and sales of various types of specialised mobility vehicles, and fire fighting and safety vehicles, servicing fire fighting and specialist vehicles and supply of related spare parts, sale and servicing of fire fighting gas system and other safety related products, investment holding and retail businesses.

For FY 2016, CME's revenue grew by 11.1% or RM2.5 million from RM22.3 million in FY 2015 to RM24.8 million for the current year 2016. The increased were from manufacturing and trading segments. Loss before tax increased from RM13.7 million in FY 2015 to RM14.7 million for FY 2016, an increase of RM1.0 million or 7.7%. Both favourable and unfavourable attributes which caused the variances were decrease in other expenses, offset by lower level of contribution from other gains, higher administrative expenses and finance costs incurred during the year and fair value loss on available-for-sale financial assets recognised for FY 2016.

The Group's cash and cash equivalents increased slightly to RM1.1 million as at 31 December 2016 from RM0.5 million in FY 2015. Cash flows from operating activities were RM5.0 million compared to cash flows used in operating activities of RM12.3 million in the previous financial year.

Business Segments Review

Investment Holding

Investment holding reported a total income of RM1.2 million during the financial year ended 31 December 2016, representing 4.9% of the Group's total income (previous financial year: RM1.4 million or 6.2%) whilst its loss before tax was RM7.4 million during the FY 2016, mainly due to fair value loss on available-for-sale financial assets of RM3.7 million. Increased in administrative expenses and finance costs were mainly due to higher legal fees incurred for on-going litigation and the interest on term loan acquired for working capital use during the year.

Manufacturing

Manufacturing is operated by its subsidiaries, CME Edaran Sdn Bhd and CME Technologies Sdn Bhd, which remain the core business of the Group and has accounted for 81.6% of the Group's total income (FY 2015: 79.9%). Manufacturing segment grew by 13.5% or RM2.4 million from RM17.8 million for FY 2015 to RM20.2 million for FY 2016. The revenue growth in manufacturing segment were mainly due to more projects were secured during the year, coupled with the timing of revenue recognition for on-going projects and projects completed during the year. The loss before tax has decreased to RM0.4 million as compared to loss before tax of RM1.8 million in previous financial year as the segment has achieved a better gross profit margin in FY 2016.

The Group has secured a contract from Petronas Refinery & Petrochemical Corporation Sdn Bhd to supply fire fighting vehicles and maintenance services for Petronas Refinery And Petrochemical Corporation Sdn Bhd at a value of RM48.8 million. This order is to be fulfilled in few batches over the period of five years. As at the end of December 2016, two fire fighting vehicles have been delivered within the timeframe specified.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

Trading

Revenue from trading segment increased by 7.1% or RM0.2 million from RM3.1 million for FY 2015 to RM3.3 million for FY 2016 and represent 13.5% of the Group's total revenue (FY 2015: 14.0%). The segment recorded a loss before tax of RM0.2 million for the financial year ended 31 December 2016 as compared to a profit before tax of RM0.5 million for the financial year ended 31 December 2015. Revenue growth for the FY 2016 was due to the additional revenue generated from the retail business acquired in the FY 2016.

Others

Others segment is made up of the property development division of the Group. Others segment recorded a loss before tax of RM5.6 million mainly due to impairment loss of RM4.1 million on land held for property development and provision for forbearance payment of RM1.4 million incurred by the subsidiary company, CME Properties (Australia) Pty Ltd.

Prospects

The Group will continue to derive income contribution from its existing core business, manufacturing business, whilst the contribution from trading, investment holding and retail business are opportunistic in nature. Meanwhile, the Group will continue to explore other viable, synergistic and profitable business ventures to improve the Group's performance.

Dividends

The Board had not proposed any dividend for the financial year ended 31 December 2016.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of CME GROUP BERHAD is fully committed to ensuring high standards of corporate governance being practiced throughout the Group to safeguard and promote the interests of all its stakeholders and for sustainable value creation. As such, the Board is committed to ensure that the relevant principles and recommendations stipulated in the Malaysian Code on Corporate Governance 2012 ("the Code") are applied throughout the Company and its subsidiaries.

The Board is pleased to present the following statement, which summaries the manner in which the Group has applied the principles and the extent of compliance with the best practices of the Code throughout the financial year under review.

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear Functions of the Board and Management

The Board plays an active role in directing management in an effective and responsible manner. The Directors, collectively and individually, has a legal and fiduciary duty to act in the best interest of the Company and to effectively represent and promote the interests of the shareholders and stakeholders with a view to achieve its vision towards corporate sustainability. The Board assured of a balanced and independent view at all Board deliberations.

To assist the Board in the discharge of its oversight function, the Board has established Board Committees namely an Audit Committee, Nomination Committee, Remuneration Committee and The Employees' Share Option Scheme Committee. The Board Committees operate within their own clearly defined terms of references and responsibilities as set out by the Board.

The following matters shall be reserved to the Board for determination and/or approval:-
- Corporate plans and programmes;
- Annual budgets, including major capital commitments;
- Key matters such as approval of annual and quarterly results;
- Material new ventures;
- Material acquisitions and disposal of undertakings and properties; and
- Changes to the management and control structure within the Company and its subsidiaries.

Other than as specifically reserved for the Board, the Board delegates the responsibility of implementing the Board approved strategies, business plans, policies and decisions to the Management which is led by the Group Chief Executive Officer ("CEO").

The CEO and the management assumes, amongst others, the following duties and responsibilities:-
- Putting in place its many measures to build on its core business of sales and services of Specialised Mobility Vehicles;
- Exploring new product range and opportunities within the specialised vehicle industry;
- Explore other viable and profitable business ventures to improve the Group's performance;
- Reviewing, monitor the performances of the Group's operating divisions;
- Review shared initiatives and update the operational policies; and
- Identify opportunities and risks affecting the Group's business and find ways of dealing with them.

The CEO shall attend Board Meetings by invitation. Non-Executive Directors may communicates with members of the management team at any time. The Board is assured of a balanced and independent view at all Board deliberations largely due to the presence of its Non-Executive Directors who are independent from management.

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

1.2 Board Roles and Responsibilities

The Board assumes, amongst others, the following duties and responsibilities:-

- Reviewing, monitoring and approving the overall strategies, direction and policies of the Group;
- Overseeing the conduct of the Company's business to evaluate and to ensure the business is being properly managed;
- Identifying principal risks and ensuring significant risks are appropriately managed, reviewed and addressed;
- Succession planning, including appointing and determining the compensation of where necessary replacing senior management if required and necessary;
- Considering management recommendations on key issues including acquisition, disposal, restricting and significant capital expenditure; and
- Reviews adequacy and integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

1.3 Code of Conduct and Ethics and Whistleblowing Policy

The Code of Conduct was adopted for governing the performance of work and business practices of the Group which includes obtaining authority for major transactions and ensuring compliance with laws and regulations that have significant financial implications. There are guidelines within the Group for recruitment of staff, training, performance appraisals and other relevant procedures.

The Board is alert to the possibility of potential conflicts of interest involving the Directors, its employees and the Company. In line with good corporate governance practices and with the introduction of Whistleblower Protection Act 2010, the Board recognizes the important of formalizing a Whistleblowing Policy and Procedures to provide an avenue for all employees of the Group or external party to raise concerns about any improper conduct within the Group.

The objective of the Whistleblowing Policy and Procedures is to ensure that whistleblower, through understanding the Whistleblowing Policy and Procedures, will come forward to express his or her concerns about a (suspected) malpractice, without fear of punishment or unfair treatment. The Whistleblowing Policy and Procedures is posted on the Company's website at www.cme.com.my.

1.4 Strategies that Promote Sustainability

The Board places great importance on corporate responsibility and business sustainability. The Company's activities on environment, social and governance for the year under review are disclosed in the Statement on Corporate Social Responsibility of this Annual Report.

1.5 Access to Information and Advice

The Board has full and unrestricted access to all information pertaining to the businesses and affairs of the Group. Prior to the meetings of the Board and Board Committees, all Directors are furnished with the agenda together with comprehensive board papers containing information relevant to the business of the meetings. This allows the information, clarifications, necessary, at the meetings are focused and constructive to enable the Board to effectively discharge its function. Minutes of each Board meeting are circulated to all Directors for their perusal prior to confirmation, and Directors may raise comments or seek clarifications on the minutes prior to the confirmation of the minutes.

In discharging their duties, all the Directors have full access to the advice and services of the Company Secretary and other senior management. The Directors may, if necessary, also seek external independent professional advice in the furtherance of their duties to the Group's expense.

The Directors are notified of all the Company's announcements to Bursa Malaysia. They are also notified of the restriction in dealing with the securities of the Company at least one (1) month prior to the release of the quarterly financial result announcement.

Besides Board meetings, the Board also exercises control on matters that requires its approval through the circulation of Directors' resolutions.

STATEMENT ON CORPORATE GOVERNANCE
(CONT'D)

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

1.6 Qualified and competent Company Secretary

The Company Secretary of the Group have legal qualification and qualify to act as company secretary. The Company Secretary plays an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretary ensures that deliberations at the Board meetings are recorded in the minutes. The Company Secretary also ensures that accurate and proper record of the proceedings and resolutions passed are taken and maintained in the statutory registers of the company.

1.7 Board Charter

The Board is guided by Board Charter which provides reference for directors in relation to the Boards' role, ensure the member acting on behalf of the Company are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct and that the principles and practice of good Corporate Governance are applied in all their dealings in respect and on behalf of the Company.

The Board Charter is reviewed periodically to ensure its relevance and compliance. The Board Charter can be viewed on the Company's website at www.cme.com.my.

2. STRENGTHEN COMPOSITION OF THE BOARD

2.1 Nomination Committee

The Board has established a Nomination Committee consisting of the following Independent Non-Executive Directors:

Y.Bhg. Dato' Khairi Bin Mohamad	(Chairman)
Miss Ong Suan Pin	(Member)
Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj	(Member)

The Nomination Committee is empowered by the Board and its terms and reference are:-

a. The members of the Nomination Committee shall be appointed by the Board from amongst their number, consisting of wholly or mainly Non-Executives and shall consist of not less than two (2) members.

b. The members of the Committee shall elect the Chairman from amongst their number who shall be Independent Non-Executive Director.

c. If the number of members for any reasons fall below two (2), the Committee shall, within three (3) months of that event, review and recommend for the Board's approval to appoint the appropriate Director to fill the vacancy.

d. The term of office for all members of the Committee is subject to renewal on a yearly basis.

e. The Company Secretary shall be the Secretary of the Committee.

f. Directors do not participate in decisions on their own nomination.

STATEMENT ON CORPORATE GOVERNANCE
(CONT'D)

2. STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)

2.1 Nomination Committee (Cont'd)

2.1.1 Terms of Reference of Nomination Committee

a. To propose new nominees for the Board and its subsidiaries whether to be filled by Board members, shareholders or executives.

b. The Committee shall also consider candidates for directorships proposed by the Chief Executive Officer and within the bounds of practicality by any other senior executive or any director or shareholder.

c. To make recommendations to the Board of Directors to fill seats on Board Committees.

d. To assist the Board annually in reviewing the required mix of skills of experience and other qualities, including core competencies, which Non-Executive Directors should bring to the Board.

e. To annually carry out the process to be implemented by the Board for assessing the effectiveness of the Board as a whole, the Committees of the Board and for assessing the contribution of each individual Director.

f. To review management's proposals for the appointment, dismissal, transfer and promotions of all executives.

Meetings are to be held as and when necessary. The quorum for each meeting shall be two (2). The Committee will decide its own procedures and other administrative arrangements. Minutes of each meeting shall be kept by the Company Secretary as evidence that the Committee has discharged its functions. The Chairman of the Committee will report to the Board after each Nomination Committee meeting.

2.2 Develop, maintain and review criteria for recruitment and annual assessment of Directors

2.2.1 Appointment to the Board

The appointment of Directors is undertaken by the Board as a whole upon recommendation by the Nomination Committee with due consideration given to the mix of expertise and experience required for an effective Board.

2.2.2 Gender Diversity Policy

Currently, the Company does not ha a policy on gender diversity but believes in providing equal opportunity to all candidates. The Board has two female directors for the time being.

2.2.3 Annual Assessment

The Nomination Committee will carries out annual evaluation on the effectiveness of the Board and the Board Committees as a whole. The evaluation will be done at least once a year for assessing the effectiveness of the Board. During the year, the performance evaluation indicated that the Board continue to function effectively.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

2. STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)

2.2 Develop, maintain and review criteria for recruitment and annual assessment of Directors (Cont'd)

2.2.4 Assessment of Independent Directors

Pursuant to the Malaysian Code of Corporate Governance 2012, the tenure of an Independent Director should not exceed a cumulative term of nine years unless an approval is sought from the Company's shareholders at the Annual General Meeting to retain the said director as an Independent Director.

The Board through the Nomination Committee assessed the independence of Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years and the Board has recommended them to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:-

i) They fulfill the criteria under the definition on Independent Director as defined in the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia;
ii) They are able to bring independent and objective judgment to the Board;
iii) They have been with the Company for more than nine (9) years with incumbent knowledge of the Company and the Group's activities and corporate history which enable them to participate actively and contribute positively during deliberations or discussions at Board meetings;
iv) They have contributed sufficient time and effort and attended the Committee and Board Meetings for an informed and balanced decision making;
v) They do not have any conflict of interest with the Company and have not been entering/ are not expected to enter into contract(s) especially material contract(s) with the Company and/or its subsidiary companies; and
vi) They have performed their duties diligently and in the best interest of the Company and provide a broader views, independent and balanced assessment of proposals from the management.

2.2.5 Re-election of Directors

In accordance with the Company's Articles of Association (the "Articles"), at each Annual General Meeting ("AGM"), one-third (1/3) of the Directors for the time being, or if their number is not three (3) or multiple of three (3), then the number nearest to one-third (1/3), shall retire from office by rotation and all Directors shall retire from office at least once every three years but shall be eligible to offer themselves for re-election. Directors who are appointed by the Board during the financial year are subject to re-election by the shareholders at the next AGM to be held following their appointments.

The Company Secretary ensure that all appointments are properly made, that all information is obtained from the Directors, both for the Company's own records and for the purposes of meeting statutory obligations, as well as obligations arising from the Listing Requirements or other regulatory requirements.

The names and details of Directors seeking re-election are disclosed in the Notice of AGM in this Annual Report.

2. STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)

2.3 Remuneration Committee

The Board has established a Remuneration Committee consisting of the following Directors:

Y.Bhg. Dato' Khairi Bin Mohamad	(Chairman)
Miss Ong Suan Pin	(Member)

a. The members of the Remuneration Committee shall be appointed by the Board from amongst their number, consisting wholly or mainly of Non-Executive Directors and shall consist of not less than two (2) members.

b. The members of the Committee shall elect the Chairman from amongst their number who shall be Independent Non-Executive Directors.

c. If the number of members for any reasons fall below two (2), the Board shall, within three (3) months of that event, appoint such numbers of new members as may be required to make up the minimum number of two (2) members.

d. The term of office for all members of the Committee is subject to renewal on a yearly basis.

e. The Company Secretary shall be the Secretary of the Committee.

f. Directors do not participate in decisions on their own remuneration packages.

2.3.1 Remuneration Policy

The responsibilities of Remuneration Committee are set out in the Term of Reference as below:

a. To review and recommend to the Board the remuneration of each of the Executive and Non-Executive Directors in all its forms, drawing from outside advice as necessary.

b. To recommend to the Board after reviewing the management's proposals on:-

- Overall annual salary increment frameworks/policy.
- Annual bonus limits/guidelines and incentive scheme.
- Fees and basic salary levels.
- Remuneration, benefits in kinds and other terms and conditions of employment, which have to be introduced as part of the group's overall human resource development plan. This would include matters such as pegging the Group salaries in line with industry standards and major changes in benefits package.

2.3.2 Remuneration Procedures

Directors' remuneration is decided and reviewed in line with the objective of attracting and retaining directors of the calibre, expertise and experience needed to lead the Group successfully. Remuneration for the Executive Directors is aligned to individual and corporate performance. Non-Executive Directors are paid fees for the responsibility they shoulder.

The Remuneration Committee recommends to the Board for approval the remuneration of the Executive Directors in accordance with the remuneration policy established. The Board as a whole determines the remuneration of the Non-Executive Directors. Each individual Director abstains from the Board decision on his own remuneration. The fees of the Directors are subject to the approval of the shareholders at the AGM.

STATEMENT ON CORPORATE GOVERNANCE
(CONT'D)

2. STRENGTHEN COMPOSITION OF THE BOARD (CONT'D)

2.3 Remuneration Committee (Cont'd)

2.3.3 Disclosure of Directors' Remuneration

The details of Directors' remuneration during the financial year disclosed by category are as follows:-

The Group

Category	Fees (RM'000)	Other Emoluments (RM'000)	Total (RM'000)
Executive Directors	85	683	768
Non-Executive Directors	140	–	140
Total	225	683	908

The Company

Category	Fees (RM'000)	Other Emoluments (RM'000)	Total (RM'000)
Executive Directors	60	441	501
Non-Executive Directors	140	–	140
Total	200	441	641

Range of Remuneration inclusive Attendance Allowance (RM)	Executive Director	Non-Executive Director
Below RM 50,000		
RM 50,001 – RM100,000		
RM100,001 – RM150,000	1	
RM150,001 and above	1	
FEES		
RM 5,001 – RM20,000	3	1
RM20,001 – RM40,000		3

3. REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independent Directors

The Board shall assess the independence of the Independent Directors annually, taking into account the individual Director's ability to exercise independent judgment at all times and to contribute to the effective functioning of the Board.

The Independent Directors are not employees and they do not participate in the day-to-day management as well as the daily business of the Company. All four Non-Executive Directors are independent directors and are able to express their views without any constraint. This strengthens the Board which benefits from the independent views expressed before any decisions are taken. They bring an external perspective, constructively challenge and help develop proposals on strategy, scrutinize the performance of Management in meeting approved goals and objectives, and monitor risk profile of the Company's business and the reporting of monthly business performance.

The Board has assessed the independence of the Independent Directors and is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interest of the Company.

3. REINFORCE INDEPENDENCE (CONT'D)

3.2 Tenure of Independent Directors

In compliance with the recommendation of the Code, the Nomination Committee has reviewed and assessed the Independent Director who has served a tenure of more than nine (9) years each in that capacity of the Company. Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj and Y. Bhg. Dato' Khairi Bin Mohamad, who were appointed as Independent Non-Executive Directors on 19 June 2000, have exercised their objectives and independent judgments on all board deliberations and have not compromised their long relationship with other Board members. The Nomination Committee has recommended to the Board to seek shareholders' approval for Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj and Y. Bhg. Dato' Khairi Bin Mohamad to be retained and re-appointed as Independent Non-Executive Directors of the Company at the forthcoming AGM.

3.3 Separation of positions of the Chairman and CEO

The roles and responsibilities of the Chairman and the CEO are distinct and separate; the Chairman being Non-Executive is not involved in the management and day-to-day operations of the Group. The Chairman position has been vacated and the Board will continue to assess the need to fill up the position from time to time.

The CEO has overall responsibilities for the day-to-day management of the business and is responsible for Group strategies, organisational effectiveness and implementation of Board policies and decisions.

Generally, the Executive Directors are responsible for developing, coordinating and implementing business and corporate policies and strategies for the Group. They are accountable to the Board for the profitability, operations and development of the Group, consistent with the primary objective of protecting and enhancing long term stakeholders' value and the financial performance of the Group whilst taking into account the interests of other stakeholders.

The Non-Executive Directors who possess the experience and business acumen contribute effectively to the Board's deliberation and decision making process. The Independent Directors are independent of management and are free from any business or other relationships that could materially interfere with the exercise of independent judgment. They provide independent and balanced assessment and unbiased views and advice to the Board's deliberation and decision-making process, so as to safeguard the interests of the Group and its stakeholders whilst ensuring high standards of conduct and integrity are maintained.

3.4 Composition of the Board

The Board acknowledges the importance of age, nationality, professional background and gender diversity and recognises the benefits that such diversity can bring. The Company is led and managed by a well-balanced Board which consists of members with wide range of business, financial, legal experience and industry specific knowledge which is vital for the successful direction of the Group.

The Board is made up of seven (7) members as follows:
• Four (4) Independent Non-Executive Directors
• Three (3) Executive Directors

The Board composition provides an effective check and balance in the functioning of the Board, and is in compliance with Listing Requirements of Bursa Malaysia which require one-third (1/3) of the Board to be independent directors.

A brief profile of each Director is presented on pages 9 to 11 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE
(CONT'D)

4. FOSTER COMMITMENT

4.1 Time Commitment

The Board meets at least four (4) times a year, with additional meetings for particular matters convened as and when necessary. Meetings were scheduled at the start of the year to enable Board members to plan their appointment schedule. During the financial year, the Board met four (4) times and all Directors have complied with the requirement in respect of board meeting attendance as provided in the Listing Requirements of Bursa Malaysia. At these meetings, all members of the Board are encouraged to conduct full deliberation on issues brought up. Senior management and external advisors are invited to attend the Board meetings to brief and advice on relevant agenda items to enable the Board to arrive at a considered decision. At these meetings, the Company Secretary are responsible for ensuring that all relevant procedures are complied with and that accurate and proper records of the proceedings of Board meetings and resolutions passed are recorded and kept in the statutory register at the registered office of CME.

The details of the attendance of each Director at Board Meetings held during the financial year are set out below.

Name	Meetings Attended
Y.M. Tunku Nizamuddin Bin Tunku Dato' Seri Shahabuddin	3/4
Miss Lim Bee Hong	4/4
En. Azlan Omry Bin Omar	3/4
Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj	2/4
Y. Bhg. Dato' Khairi Bin Mohamad	4/4
Miss Ong Suan Pin	3/4
YAM Tengku Besar Tengku Kamil Ismail Bin Tengku Idris Shah	2/4

4.2 Directors' Training

The Company is cognizant of the importance of continuous training for Directors to further enhance their knowledge and expertise and to keep abreast with latest developments in regulatory requirements and business practices.

All Directors have attended the Mandatory Accreditation Programme prescribed by the Listing Requirements of Bursa Malaysia. During the financial year, Directors have attended various accredited training programmes/ courses and seminars to further broaden their skills, knowledge and perspectives to keep them abreast with new and relevant developments pertaining to changes in legislation, regulations and the market place.

The Board encourages its Directors to attend talks, seminars, workshops and conferences to update and enhance their skills and knowledge to enable them to carry out their roles effectively as Directors in discharging their responsibilities towards corporate governance, operational and regulatory issues.

During the financial year under review, the Directors attended the following training programs:-

Name	Programme
Miss Lim Bee Hong	New Auditor Reporting : Why it Matters to you
En. Azlan Omry Bin Omar	New Auditor Reporting : Why it Matters to you

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with applicable financial reporting standards

5.1.1 Financial Reporting

The Board is responsible for ensuring that financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Report Standards and the provisions of the Companies Act, 1965 in Malaysia. In presenting the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates to present a true and fair assessment of the Company's position and prospects. The annual audited financial statements and quarterly announcement of results were reviewed by Audit Committee and approved by the Board prior to release to Bursa Malaysia.

5.1.2 Directors' Responsibility Statement for preparing the Financial Statement

The Board of Directors is required under paragraph 15.26(a) of the Listing Requirements of Bursa Malaysia, to issue a statement on its responsibility in the preparation of the annual audited financial statements.

The Directors are responsible to ensure that financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Report Standards an 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 of the Company as at 31 December 2016 and of the results and the cash flows of the Group and of the Company for the year then ended.

In preparing these financial statements for the year ended 31 December 2016, the Directors have:

- adopted suitable accounting policies and then applied them consistently;
- made estimates and judgments that are reasonable and prudent;
- ensured that applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1965. The Directors are also responsible for the assets of the Company and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

5.2 Assessment of suitability and independence of External Auditors

The Company's external auditors continue to report to the Company on their findings which are reported in the Company's financial reports with respect to each year of audit on the statutory financial statements. The Audit Committee and the Board have established formal and transparent arrangements to maintain appropriate relationships with the Company's external auditors from whom professional advice on financial reporting is sought.

The Board has established a formal and transparent relationship with the auditors. The Audit Committee recommends the appointment of the external auditors. The appointment of the external auditors is subject to the approval of shareholders in general meetings whilst their remuneration is determined by the Board. From time to time, the auditors highlight to the Audit Committee and the Board on matters that require the Board's attention and the Audit Committee Members meet with the External Auditors at least twice a year without the presence of the Executive Director and Management.

For the financial year under review, the External Auditors confirmed that they are and have been independent throughout the audit engagement.

STATEMENT ON CORPORATE GOVERNANCE
(CONT'D)

6. RECOGNISE AND MANAGE RISK

The Board is responsible for the Group's system of internal control and risk management and for reviewing its adequacy and integrity. While acknowledging their responsibility for the system of internal control, the Board is aware that the Group's system is designed to manage rather than eliminate risks and therefore cannot provide absolute assurance against material misstatements, fraud and loss.

The Statement on Risk Management and Internal Control set out on pages 35 to 37 of this Annual Report provides an overview of the state of risk management and internal controls of the Group and of the Company.

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policies

The Board has in place a Corporate Disclosure Policy in line with the Main Market Listing Requirements of Bursa Securities to enable comprehensive, accurate and timely disclosures relating to the Company and its subsidiaries to be made to the regulators, shareholders and investors.

The Board has delegated the authority to the Executive Director to approve all announcements for release to Bursa Securities. The Executive Director work closely with the Board, the Key Management and the Company Secretary who are privy to the information to maintain strict confidentiality of the information.

Apart from the provisions relating to the 'closed period' for dealing in the company's shares, the directors and key management privy to price sensitive information are prohibited from dealing in the shares of the company until such information is publicly available.

7.2 Leverage on Information Technology for Effective Dissemination of Information

Shareholders and investors can obtain pertinent information on the Group's various activities by accessing its web-site at www.cme.com.my or through the Bursa Malaysia website at www.bursamalaysia.com. CME web-site has a dedicated online investor relation portal providing information about the Group including financials, Annual Report, announcements and media releases.

8. STRENGHTEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

The Board recognises the important of establishing a direct line of communication with shareholders and investors through timely dissemination of information on the Group's performance and major development via appropriate channels of communication.

Platforms for dissemination of information include the AGM and Extraordinary General meetings ("EGM"), if any, distribution of Annual Reports and relevant circulars and prospectuses. Information on the financial performance of the Group is communicated to the public via the announcement of its financial results to Bursa Securities on a quarterly basis.

The AGM is the principal forum for dialogue and interaction among shareholders, the Board and Management. At each AGM, the Board encourages shareholders to participate in the proceedings and ask questions about the resolutions being proposed and corporate developments as well as receiving constructive feedback from shareholders. Shareholders who are unable to attend are allowed to appoint proxy/proxies to attend and vote on their behalf.

The Chairman will ensure that the Shareholders are informed of their rights to demand for poll voting at the commencement of each general meeting.

This statement was approved by the Board of Directors on 28 April 2017.

ADDITIONAL COMPLIANCE INFORMATION

The following information provided is in respect of the FYE 31 December 2016.

1. **Utilisation of Proceeds**

   There were no proceeds raised from any proposal during the financial year under review.

2. **Share Buy-Backs**

   During the financial year under review, the Company did not enter into any share buyback transactions.

3. **Options, Warrants or Convertible Securities**

   There were no exercises of options, warrants or convertible securities during the financial year under review.

4. **Depository Receipt Programme**

   During the financial year under review, the Company did not sponsor any depository receipt programme.

5. **Sanctions and/or Penalties**

   There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the FYE 31 December 2016.

6. **Non-Audit Fees**

   The total amount of non-audit fees incurred for services rendered to the Company and its subsidiaries for the FYE ended 31 December 2016 by the Company's external auditors and a firm or corporation affiliated to them amounted to RMNil.

7. **Variation in Profit Estimate, Forecast or Projections**

   There were no variations of 10% or more between the audited results and the unaudited results previously announced for the FYE 31 December 2016. There were no profit estimate, forecast or projection been announced by the Company during the year.

8. **Profit Guarantee**

   No profit guarantee was given by the Company and or its subsidiaries in respect of the financial year.

9. **Material Contracts**

   There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interest.

10. **Revaluation Policy on Landed Properties**

    There were no revaluation policies on landed properties adopted by the Group during the financial year under review.

11. **Recurrent related party transactions of a revenue or trading nature**

    There were no recurrent transactions with related parties undertaken by the Group during the financial year under review.

STATEMENT ON CORPORATE SOCIAL RESPONSIBILITY

The Board of Directors of CME acknowledges the significance of Corporate Social Responsibility ("CSR") and views CSR as an extension to the Group's efforts in promoting a strong corporate governance culture. Hence, the Group continues to focus on creating sustainable developments and is committed to ensuring its actions benefit its community, workplace and environment.

1) The Community

As a caring corporate citizen, the Group continues to extend assistance and contribution to the non-profitable and charitable institutions. During the financial year 2016, the Company has support and contributed toward a donation campaign of a primary school to improve the buildings and facilities of the school.

2) The Workplace

As part of the continuous effort to promote human capital development, the Group sponsored the participation of our staff in proper training programmes and seminars, both internally and externally. The training aim to enhance their knowledge and skills to keep them up to date with new relevant developments in furtherance of their duties effectively.

We believe that employees' involvement is vital to the success of the Group and we strive to motivate, develop and retain the best employees and to ensure them to excel and thrive at all times. In fulfilling our corporate responsibilities to employees, the Group ensure that all employees are covered with insurance on life and medical as well as the hospitalization benefits. Our employees are hearts of the Company and we have long maintained a safe and healthy working environment for all employees and continuously inculcate safety and health consciousness in them.

In a bid to form a close-knit CME family, we also organised fun-filled events in conjunction with the major festive occasions throughout the year such as Staff Annual Dinner, Hari Raya Open Day and Recreation activities. These events have become a much anticipated platform for CME employees to gather under one roof in the spirit of camaraderie and unity.

3) Environmental

We recognize the needs and important of environment protection. As a responsible corporate citizen, the Group has initiated various measures to promote a "greener" mindset among our employees and stakeholders. Employees are encouraged to cut down wastage on energy, water and paper consumption.

AUDIT COMMITTEE REPORT

CONSTITUTION

The terms of reference of the Audit Committee are set out in pages 33 and 34 of the Annual Report.

COMPOSITION

The Audit Committee comprises three (3) members of the Board with three (3) Independent Non-Executive Directors.

MEMBERSHIP

Members of the Board who serve on the Audit Committee are as follows:-

Name	Membership status
Y. Bhg. Dato Khairi Bin Mohamad	Chairman, Independent Non-Executive Director
Miss Ong Suan Pin	Independent Non-Executive Director
YAM Tengku Besar Tengku Kamil Ismail Bin Tengku Idris Shah	Independent Non-Executive Director

MEETINGS

The Committee met four (4) times during the FYE 31 December 2016. Details of the attendance of each member at the Audit Committee Meeting held during the year are as follows:-

Name	No. of Meeting Attended
Y. Bhg. Dato Khairi Bin Mohamad	4/4
Miss Ong Suan Pin	3/4
YAM Tengku Besar Tengku Kamil Ismail Bin Tengku Idris Shah	2/4

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year, the Audit Committee conducted its activities in line with its terms of reference which include the followings:-

1. Financial Results

(a) Reviewed the unaudited quarterly financial results and announcements before recommending to the Board for consideration and approval and the release of the Group's results to Bursa Malaysia.

(b) Reviewed the annual audited financial statements before recommending to the Board for consideration and approval. The review was to ensure that the financial reporting and disclosures were in compliance with:-

- Main Market Listing Requirements of Bursa Malaysia;
- Provisions of Companies Act, 1965 and other legal and regulatory requirements; and
- Applicable approved accounting standards of Malaysian Accounting Standards Board.

AUDIT COMMITTEE REPORT
(CONT'D)

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (CONT'D)

2. External Audit

(a) Reviewed and approved the external auditors' audit plan and scope of work for the annual audit.

(b) Reviewed the results from the external audit and highlighted the issues and reservations arising from the audit to the Committee.

(c) Recommended to the Board the re-appointment and remuneration of the external auditors.

(d) Reviewed with the external auditors the impact of new or proposed changes in accounting standards and regulatory requirements and the extent of compliance.

(e) During the review of CME's twelve-month's financial results, the Group External Auditors, Messrs Deloitte PLT was invited to discuss the Group's financial statements for the FYE31 December 2016. The Management's response to all pertinent issues and findings had been raised and noted by the External Auditors during their examination of the Group's financial statement; together with recommendations in respect of the findings.

(f) Held one (1) meeting with internal auditors during the financial year without the presence of the Executive Directors and employees of the Company.

3. Internal Audit

(a) Reviewed and approved the internal audit plan for the year prepared by the internal auditors to ensure adequate scope and coverage on the activities of the Group taking into consideration the assessment of the key risks areas.

(b) Reviewed the performance, adequacy, resources and competency of the internal auditors.

(c) Reviewed the internal audit reports, audit recommendations made and Management's response to these recommendations and actions taken to improve system of internal control and procedures.

INTERNAL AUDIT FUNCTION

The Internal Audit Function ("IAF") of the Group is outsourced. The cost incurred for the outsourced of internal audit function in respect of the financial year 2016 amounted to RM18,000.00.

The IAF's primary role is to provide assurance to the Audit Committee on the adequacy and effectiveness of the risk, control and governance framework of the Group.

The IAF reports directly to the Audit Committee who reviews and approves the annual internal audit plan.

During the financial year, the activities carried out were as follows:-

(a) Conducted internal audit reviews in accordance with the approved internal audit plan and reported to the Audit Committee on the findings and the actions taken by Management to address the matters highlighted.

AUDIT COMMITTEE REPORT (CONT'D)

INTERNAL AUDIT FUNCTION (CONT'D)

(b) Reviewed the adequacy and effectiveness of the system of controls to ensure there is a systematic methodology in identifying, assessing and mitigating risk areas in regard to:

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations;
- Safeguarding of assets; and
- Compliance with laws, regulations and contractual obligations within the Group's governance, operations and information systems.

(c) Reviewed and appraised the soundness, adequacy and application of controls in the area of adherence, efficiency and effectiveness.

(d) Identified opportunities to improve the operations and processes of the Group and recommend improvements to existing system of internal controls.

TERMS OF REFERENCE

The Audit Committee is guided by terms of reference, of which the salient points are as follows:-

1. Objectives of the Audit Committee

The Audit Committee shall assist the Board:

(a) in complying with specified accounting standards and the necessary disclosure as required by Bursa Malaysia, relevant accounting standards bodies, and any other laws and regulations as amended from time to time;

(b) in presenting a balanced and understandable assessment of the Company's position and prospects;

(c) in establishing a formal and transparent arrangement for maintaining an appropriate relationship with the Company's auditors;

(d) in maintaining a sound system of internal controls to safeguard shareholders' investment and the Company's assets; and

(e) ensure the independence of the external and internal audit functions.

2. Composition of the Audit Committee

(a) The Audit Committee shall comprise a minimum of three (3) members, of which a majority must be independent directors.

(b) All members of the Audit Committee shall be non-executive directors.

(c) At least one (1) member of the Audit Committee shall be a member of the Malaysian Institute of Accountants or a person who fulfils the requirements of the Listing Requirements.

(d) The Chairman of the Audit Committee shall be an Independent Director.

(e) All members of the Audit Committee shall hold office only for so long as they serve as Directors of the Company.

AUDIT COMMITTEE REPORT
(CONT'D)

TERMS OF REFERENCE (CONT'D)

3. Duties and Responsibilities of the Audit Committee

(a) To nominate and recommend the appointment of the external auditors and considers the adequacy of experience, resources, audit fee and any issues regarding their re-appointment, resignation or dismissal;

(b) To discuss with the external auditors before the audit commences the nature and scope of the audit;

(c) To discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);

(d) To review with external auditors, their audit report;

(e) To perform the following in respect of the IAF:

(i) reviews and reports to the Board on :-

- the adequacy of the scope, authority, functions, resources and competency of the IAF;
- the internal audit programme, processes and the results of the internal audit programme, process or investigations undertaken and whether or not the management takes appropriate action on the recommendation of the IAF;

(ii) discuss and review the major findings of internal audit investigations and Management's response and where necessary, ensures that appropriate actions taken on the recommendations of the IAF;

(iii) reviews any appraisal or assessment of the performance of members of the IAF;

(iv) ensures the independence of the IAF and that it reports directly to the Audit Committee;

(f) To review with the management and the external auditors the quarterly and year-end financial statements before their submission to the Board, focusing particularly on any changes in accounting policies and practices, significant adjustments arising from the audit, the going concern assumptions, and compliance with accounting standards and other statutory requirements;

(g) To review and report to the Board on any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;

(h) To report to the Board of Directors if there is any breach of Listing Requirements and recommends corrective measures;

(i) To promptly report to Bursa Malaysia where a matter reported by the Audit Committee to the Board has not been satisfactorily resolved resulting in a breach of Listing Requirements; and

(j) To consider other issues as defined by the Board.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Statement of Risk Management and Internal Control is made in accordance with paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia which requires Malaysian Public Listed Companies to outline the nature and scope of risk management and internal control, as a Group, in their Annual Report. The Board is pleased to provide the following statement which outlines the nature and scope of internal control of the Company.

BOARD RESPONSIBILITY

The Board of Directors of CME Group Berhad is responsible for the adequacy and effectiveness of the Group's Risk Management and Internal Control System. The Board is committed to maintain a sound system of internal control and risk management for the Group and is responsible for the establishment of an appropriate control environment, risk management framework, processes and structures, and continually reviewing its adequacy and integrity so as to safeguard shareholders' investment and the assets of the Group.

The Board and Management have implemented a sound system designed to identify and manage risks faced by the Group in pursuit of its business objective including updating the systems in line with changes to business environment, operating conditions and compliance with relevant laws, both local and foreign, all other regulations, policies and procedures. As any system of internal control has inherent limitations, such systems are designed to manage rather than eliminate the risk that may restrict or prevent the achievement of the Group's business objectives. This internal control system, by its nature, can only provide reasonable but not absolute assurance against material misstatement or losses, fraud or breaches of laws or regulations. The Board has received assurance from the CEO that the Company's risk management and internal control systems are operating adequately and effectively in all material aspects.

RISK MANAGEMENT

The Group's overall risk management objective is to ensure that the Group creates value for its shareholders whilst minimising potential adverse effects on its performance and positions.

The Group has in place processes for the identification, evaluation, reporting, treatment, monitoring and review of the major strategic, business and operation risks within the Group. The risk management structure and control mechanism for financial, operational, environmental and compliance matters with Board's participation, is put in place and embedded throughout the Group during the financial year under review and up to the date of approval of this Statement, so as to manage the significant risks that may affect the Group's business objectives on a continuous basis and they also allow any new significant risk identified being subsequently evaluated and managed. The Board shall continue to evaluate the existing risk management practices, and where appropriate and necessary, revise such practices accordingly.

ERM framework

The Board regards risk management as an integral part of the Group's business operations and has oversight over this critical area through the Audit Committee. The Audit Committee, supported by the IA department, provides an independent assessment of the effectiveness of the Group's ERM framework and reports to the Board. The Group's ERM framework is consistent with the ERM framework and involves systematically identifying, analysing, measuring, monitoring and reporting on the risks that may affect the achievement of its business objectives. This framework helps to reduce the uncertainties surrounding the Group's internal and external environment, thus allowing it to maximise opportunities and minimise adverse incidences that may arise. The major risks to which the Group is exposed are strategic, operational, regulatory, financial, market, technological, products and reputational risks.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(CONT'D)

GROUP'S ERM FRAMEWORK

The ERM process is based on the following principles:

- Consider and manage risks enterprise-wide;
- Integrate risk management into business activities;
- Manage risk in accordance with the Risk Management framework;
- Tailor responses to business circumstances; and
- Communicate risks and responses to Management

All identified risks are displayed on a 1-to-3 risk matrix based on their risk ranking to assist Management in prioritising their efforts and appropriately managing the different classes of risks. The Board and Management drive a proactive risk management culture and regular risk awareness and coaching sessions are held to ensure that the Group's employees have a good understanding and application of risk management principles. There is no dedicated ERM department, however, the Financial Controller and Chief Executive Officer ("CEO") work closely with the Group's operational managers to continuously strengthen the risk management initiatives within the Group so that it responds effectively to the constantly changing business environment and is thus able to protect and enhance shareholder value.

The Board recognises the importance of effective ERM in enhancing shareholder value while upholding a high standard of corporate governance. Combining a strong and sustained commitment from the Board and Senior Management with a clear direction and oversight from all levels of leadership, the Group embraces a holistic risk management approach to achieve its business targets with minimal surprises.

INTERNAL CONTROL SYSTEM

As more fully described in the Audit Committee Report, an independent internal audit function has been establishment which provides assurance to the Audit Committee on the adequacy and integrity of the Group's internal controls, the Group in its efforts to provide adequate and effective internal control system had appointed T. H. Kuan & Co, ("TH Kuan"), an independent consulting firm to review the adequacy and integrity of its system of internal control. The internal auditor reviews and addresses critical business processes, identified risks and internal control gaps, assessed the effectiveness and adequacy of the existing state of internal control of the Group and recommended possible improvements to internal control process. This is to provide reasonable assurance that such systems continue to operate satisfactorily and effectively within the Group.

For the FYE 31December 2016, the following subsidiaries of the Group were audited by TH Kuan:

i. CME Group Berhad;
ii. CME Edaran Sdn Bhd;
iii. CME Industries Sdn Bhd;
iv. CME Properties Sdn Bhd;
v. CME Technology Sdn Bhd; and
vi. CME Pyroshield Sdn Bhd

The area of reviews include the following sales and order management, credit control, procurement and payment. The findings of the internal audit reviews together with Management's responses are circulated to the Audit Committee and Board by TH Kuan.

The Key Elements of The Group's Internal Control System Include:

1. The roles and responsible are clearly defined with a clear organisation structure, line of accountability and delegated authority to facilitate the Group's daily operations consistently in line with its corporate objectives, strategies, budget, policies and business directions as approved by the Board;

2. Policy guidelines and authority limits are imposed on Executive Directors and Management within the Group in respect of the day to day banking and financing operations, investments, acquisition and disposal of assets. The limits are reviewed and updated regularly to reflect business, operational and structural changes. There are guidelines within the Group for recruitment of staff, training, performance appraisals and other relevant procedures;

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

INTERNAL CONTROL SYSTEM (CONT'D)

The Key Elements of The Group's Internal Control System Include: (Cont'd)

3. Quarterly Board meetings and monthly management meetings are held where information is provided to the Board and management covering financial performances and operations;

4. Training and development is provided as and when required by employees with the objective of enhancing their knowledge and competency; and

5. Management accounts and reports are prepared regularly for monitoring of actual performance.

Audits on quality accreditations of the Group by internal auditors and accreditation bodies to ensure compliance with certification and regulatory requirements were conducted. The Group has in place internal control systems at each level of responsibility supported by commitment of management. The Board believes that a sound internal control system reduces, though it cannot eliminate, the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Review of the Statement by External Auditors

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with ISAE 3000, Assurance Engagements other than Audit or Reviews of Historical Financial Information and Recommended Practice Guide ("RPG") 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

Based on their procedures performed, the External Auditors have reported to the Board that nothing has come to their attention that caused them to believe that the Statement is not prepared, in all material aspects, in accordance with the disclosures required by Paragraph 41 and 42 of the Guidelines to be set out, nor is it factually inaccurate.

CONCLUSION

The Board is of the view that the risk management and internal control systems of the Group are satisfactory and have not resulted in material losses or contingencies to the Group for the financial year under review.

The Board has an ongoing commitment to ensure continuous improvement in the effectiveness and integrity of the Group's system of risk management and internal control.

This statement is made in accordance with the resolution of the Board of Directors dated 28 April 2017.

FINANCIAL STATEMENTS

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	(110)	15
Loss for the year	(14,829)	(7,423)
Attributable to:		
Equity holders of the Company	(14,829)	(7,423)

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.

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.

DIRECTORS' REPORT
(CONT'D)

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.

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.

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

		Number of ordinary shares of RM0.10 each			
	Held through	**Balance as of 1.1.2016**	**Bought**	**Sold**	**Balance as of 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' REPORT
(CONT'D)

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.

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 April 2017

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 47 to 101.

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.

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.

INDEPENDENT AUDITORS' REPORT
(CONT'D)

Key audit matter	*How the matter was addressed in the audit*
Revenue recognition 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. 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.	We tested the controls surrounding revenue recognition. We evaluated management key judgements inherent in the budgeted contract costs to complete by tested the estimation and provisions included in the budget. We performed retrospective review by comparing the actual costs incurred of completed projects to initial budgeted contract costs of the same projects. We obtained the budgeted contract costs for on-going projects and compared the details in the budget to suppliers' quotations. 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. We recomputed the percentage of completion of the contracts based on actual costs incurred and compared to management computation.

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.

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.

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.

INDEPENDENT AUDITORS' REPORT
(CONT'D)

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 102 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.

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

STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 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:					
Items that may be reclassified subsequently to profit or loss:					
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 during the year	14	(3,038)	1,354	(3,038)	1,354
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.

STATEMENTS OF FINANCIAL POSITION

AS OF 31 DECEMBER 2016

	Note	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 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

STATEMENTS OF FINANCIAL POSITION
(CONT'D)

	Note	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 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.

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 / 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

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

STATEMENTS OF CHANGES IN EQUITY
(CONT'D)

The Company	Issued capital RM'000	ICULS RM'000	(Accumulated losses)/ Distributable reserve - Retained earnings RM'000	Non-distributable reserve - Fair value reserve RM'000	Total equity RM'000
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.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 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
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)

STATEMENTS OF CASH FLOWS
(CONT'D)

	Note	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
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)
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.

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 21 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.

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.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONT'D)

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

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.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (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.

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONT'D)

MFRS 15 Revenue from Contracts with Customers (Cont'd)

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*.

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.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 losses 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Business Combinations (Cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Business Combinations (Cont'd)

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.

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.

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 todate 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

<u>The Group as lessor</u>

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leasing (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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, Plant and Equipment (Cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (Cont'd)

(ii) Impairment of Financial Assets (Cont'd)

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.

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
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial liabilities and equity instruments issued by the Group and the Company (Cont'd)

(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 review 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.

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.

  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.

5. REVENUE

Analysis of revenue of the Group and of the Company is as follows:

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 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	–	–	–
	24,759	22,293	1,219	1,372

Operating costs applicable to revenue, classified by nature are as follows:

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 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
	29,844	37,831	3,723	4,445

5. REVENUE (CONT'D)

The remuneration of the directors, who are also the key management personnel, is as follows:

	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 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 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 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

Compensation of key management personnel

The remuneration of key management personnel during the financial year is as follows:

	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
Short-term employee benefits	408	394	277	264
Contributions to EPF	49	47	33	32
	457	441	310	296

7. LOSS BEFORE TAX

Loss before tax of the Group and of the Company is arrived at:

	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 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
And crediting:				
Unrealised gain on foreign exchange	88	74	–	–
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 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
Estimated current tax credit:				
- Current year	31	57	–	–
- Overprovision in prior years	(35)	–	–	–
	(4)	57	–	–
Deferred tax expense (Note 15)				
- Current year	114	(207)	(15)	(58)
	110	(150)	(15)	(58)

8. INCOME TAX EXPENSE/(CREDIT) (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 Gain 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.

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, unusued 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 RM'000	2015 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
	11,010	11,280

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 RM'000	2015 RM'000
Loss for the year attributable to ordinary shareholders of the Company	(14,829)	(13,517)
Number of ordinary shares in issue ('000)	441,100	441,100
Basic loss per ordinary share (sen)	(3.362)	(3.064)

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.

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
Acquistion 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

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

10. PROPERTY, PLANT AND EQUIPMENT (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

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 RM'000	The Group 2015 RM'000
At cost:		
Computers, furniture and fittings, and air-conditioners	494	423
Motor vehicles	1,139	505
	1,633	928

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.

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Company	Computers, furniture and fittings, office and workshop equipments 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

Included in property, plant and equipment of the Group are the following assets acquired under hire-purchase arrangements:

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Net book value:				
Motor vehicles	671	521	–	–

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

11. LAND HELD FOR PROPERTY DEVELOPMENT

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 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.

   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 RM'000	2015 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	51,260	41,110
Fair value	51,260	41,110

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-story property from an appointed advisor of the Group and the Company.

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 RM	Level 2 RM	Level 3 RM	Fair Value as of 31.12.2016 RM
Shop offices	–	–	51,260	51,260

2015	Level 1 RM	Level 2 RM	Level 3 RM	Fair Value 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12. INVESTMENT PROPERTIES (CONT'D)

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-story 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)

13. INVESTMENT IN SUBSIDIARIES

	The Company 2016 RM'000	2015 RM'000
Unquoted shares, at cost	10,338	9,938
Less: Accumulated impairment loss	(1,881)	(1,881)
At end of the year	8,457	8,057

The subsidiaries of the Company are as follows:

Companies	Proportion of ownership interest and voting power held by the Group 2016 %	2015 %	Principal Activities
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

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

Companies	Proportion of ownership interest and voting power held by the Group 2016 %	2015 %	Principal Activities
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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

(b) Acquisition of business units (Cont'd)

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	1,389	1,389
Goodwill arising from the acquisition of the business units:		
Total consideration paid	1,510	1,510
Net assets acquired	(1,389)	(1,389)
Goodwill	121	121

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 RM'000	2015 RM'000
At fair value		
At the 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	(3,038)	1,354
At end of the year	1,491	8,197

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.

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 RM'000	2015 RM'000	2016 RM'000	2015 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 RM'000	2015 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 RM'000	2015 RM'000	2016 RM'000	2015 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
Transferred to other comprehensive income (Note 8):				
Property, plant and equipment	(564)	–	–	–
	(406)	58	15	58
At end of year	(1,238)	(832)	(817)	(832)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

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 RM'000	2015 RM'000	2016 RM'000	2015 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	(1,238)	(832)	(817)	(832)

16. INVENTORIES

	The Group	
	2016 RM'000	2015 RM'000
At cost:		
Trading merchandise	929	619
Less: Allowance for slow moving inventories (Note 7)	(20)	–
	909	619

17. AMOUNT DUE (TO)/FROM CONTRACT CUSTOMERS

	The Group	
	2016 RM'000	2015 RM'000
Amount due from contract customers	721	4,576
Amount due to contract customers	(6,780)	(83)
	(6,059)	4,493
Represented by:		
Contract costs incurred plus recognised profits	21,386	23,562
Less: Progress billings	(27,445)	(19,069)
Net amount (due to)/from contract customers	(6,059)	4,493

18. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade receivables	19,744	8,786	6,358	6,444
Less: Impairment loss	(6,738)	(6,637)	(6,301)	(6,284)
Net	13,006	2,149	57	160

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.

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 RM'000	2015 RM'000	2016 RM'000	2015 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
	19,744	8,786	6,358	6,444

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 RM'000	2015 RM'000	2016 RM'000	2015 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	6,738	6,637	6,301	6,284

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.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

18. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONT'D)

The currency exposure profile of trade receivables is as follows:

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	19,436	8,476	6,358	6,444
United States Dollar	308	310	–	–
	19,744	8,786	6,358	6,444

Other receivables, deposits and prepaid expenses consist of:

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Refundable deposits	3,921	7,569	3,456	7,213
Other receivables	2,037	1,748	853	923
GST receivables	88	306	21	–
Prepaid expenses	459	155	460	155
	6,505	9,778	4,790	8,291

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-story 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 RM'000	2015 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*	(900)	(4,560)
	–	7,335

* 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).

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 '000	2015 '000	2016 RM'000	2015 RM'000
Authorised:				
Ordinary shares of RM0.10 each	10,000,000	10,000,000	1,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of RM0.10 each	441,100	441,100	44,110	44,110

21. RESERVES

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-distributable:				
Foreign currency translation reserve	3,737	3,061	–	–
Revaluation reserve	10,721	–	–	–
Fair value reserve	–	3,038	–	3,038
	14,458	6,099	–	3,038
Distributable:				
(Accumulated losses)/Retained earnings	(24,928)	(10,099)	(2,697)	4,726
	(10,470)	(4,000)	(2,697)	7,764

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).

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

22. HIRE-PURCHASE PAYABLES

	The Group 2016 RM'000	The Group 2015 RM'000
Total outstanding	852	801
Less: Interest-in-suspense	(85)	(100)
Total principal outstanding	767	701
Less: Portion due within one year (included under current liabilities)	(168)	(133)
Non-current portion	599	568

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 RM'000	The Group 2015 RM'000
Financial years ending:		
2017	–	151
2018	168	163
2019 and thereafter	431	254
	599	568

23. LONG-TERM LOANS

	The Group 2016 RM'000	The Group 2015 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	1,803	2,074

The non-current portion of the long-term loans is repayable as follows:

	The Group 2016 RM'000	The Group 2015 RM'000
Financial years ending:		
2017	–	271
2018	267	267
2019 and thereafter	1,536	1,536
	1,803	2,074

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 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	13,450	9,625	8,705	8,635
US Dollar	172	10	–	–
Sterling Pound	100	52	–	–
Euro	5	–	–	–
	13,727	9,687	8,705	8,635

(b) Other payables, accrued expenses and provisions consist of:

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 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
	19,371	15,810	4,901	4,128

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 RM'000	2015 RM'000
Total principal outstanding	3,385	–
Less: Portion due within one year (included under current liabilities)	(1,606)	–
Non-current portion	1,779	–

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.

24. TRADE PAYABLES, OTHER PAYABLES, ACCRUED EXPENSES AND PROVISIONS (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	–	–
	3,020	853	1,667	304

(c) Provisions:

	The Group				
	Forbearance Payment RM'000	Warranty RM'000	Free Service RM'000	Others RM'000	Total 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	11,990	146	78	69	12,283

25. BANK BORROWINGS

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 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	–	–
	21,480	21,879	7,930	7,520

25. BANK BORROWINGS (CONT'D)

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.

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.

27. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (Cont'd)

(i) Interest rate risk (Cont'd)

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.

(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.

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.

27. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (Cont'd)

(iv) Liquidity risk (Cont'd)

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.

		The Group			
	Weighted average effective interest %	Less than 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total 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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (Cont'd)

(iv) Liquidity risk (Cont'd)

	Weighted average effective interest %	The Group: Less than 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total 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

27. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (Cont'd)

(iv) Liquidity risk (Cont'd)

		The Company			
	Weighted average effective interest %	Less than 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total 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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (Cont'd)

(iv) Liquidity risk (Cont'd)

	Weighted average effective interest %	The Company Less than 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total 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

(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.

27. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (Cont'd)

(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.

	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)	
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

27. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (Cont'd)

(vii) Categories of financial instruments (Cont'd)

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 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
	46,136	39,253	59,092	52,869

(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.

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 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
The Group				
Financial Liabilities				
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)	2,051	2,413	2,077	2,429
The Company				
Financial Liability				
Amount owing to third parties (Note 24)	3,385	–	4,453	–

27. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (Cont'd)

(viii) Fair Values of Financial Assets and Financial Liabilities (Cont'd)

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.

<u>Fair value measurements recognised in the statements of financial position</u>

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
- 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 asset (Note 14)	1,491	–	–	1,491
31 December 2015				
Other financial asset (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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. SEGMENTAL REPORTING (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	1,219	28,210	6,093	–	(10,763)	24,759
Results						
Segment results	2,148	432	(106)	(5,586)	(1,137)	(4,249)
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	(1,677)	(789)	(11)	–	–	(2,477)
Loss before tax	(7,438)	(357)	(201)	(5,586)	(1,137)	(14,719)
Income tax credit/(expense)	15	–	(182)	–	57	(110)
Loss for the year	(7,423)	(357)	(383)	(5,586)	(1,080)	(14,829)
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

28. SEGMENTAL REPORTING (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)
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

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).

(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.

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.

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 RM'000	2015 RM'000	2016 RM'000	2015 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	(24,928)	(10,099)	(2,697)	4,726

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.

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,

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AZLAN OMRY BIN OMAR

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LIM BEE HONG

Petaling Jaya,
28 April 2017

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,

NG SAY HUNG
NO: B185
COMMISSIONER FOR OATHS
Malaysia

LIST OF PROPERTIES

Owned by:
CME GROUP BERHAD

Location	Land Area Built up	Date of Purchase/ Revaluation	Tenure/ (Approximate Age of Building) Years	Description of Property (Exisiting Use)	Net Book Value As At 31 December RM
44 units of 3 storey Shoplot office :- H.S. (M) 22733 No. PT 23011 to H.S. (M) 22739 No. PT 23017 H.S. (M) 22741 No. PT 23019 to H.S. (M) 22747 No. PT 23025 H.S. (M) 22759 No. PT 23037 to H.S. (M) 22773 No. PT 23051 H.S. (M) 22779 No. PT 23057 to H.S. (M) 22788 No. PT 23066 H.S. (M) 22805 No. PT 23083 to H.S. (M) 22809 No. PT 23087	18,389 sq.m	February 2017	Leasehold 99 years expiring 25 April 2090	3 Storey	38.395 million
10 units of 3 storey Shoplot office :- H.S. (M) 22778 No. PT 23056 H.S. (M) 22790 No. PT 23068 H.S. (M) 22792 No. PT 23070 to H.S. (M) 22794 No. PT 23072 H.S. (M) 22796 No. PT 23074 to H.S. (M) 22799 No. PT 23077 H.S. (M) 22803 No. PT 23081	4,097 sq.m	February 2017	Leasehold 99 years expiring 25 April 2090	3 Storey	9.165 million
Leasehold land :- PM1779, Lot 35895 All in Mukim of Kuala Kuantan Tempat Bandar Indera Mahkota State of Pahang	5,936 sq.m	29 February 2016	Leasehold 99 years expiring 25 April 2090	Property Development	9.580 million
Leasehold property :- H.S. (D) 98215 No. PT 30401 Mukim Sungai Buloh, District of Petaling, State of Selangor	563 sq.m	21 September 2015	Leasehold 99 years expiring 25 October 2090	2 storey semi-detached house	3.700 million

LIST OF PROPERTIES (CONT'D)

Owned by:-
CME INDUSTRIES SDN BHD

Location	Land Area Built up	Date of Purchase/ Revaluation	Tenure/ (Approximate Age of Building) Years	Description of Property (Exisiting Use)	Net Book Value As At 31 December RM
12161, Mukim of Damansara District of Petaling State of Selangor Darul Ehsan	7,307.20 sq.m	18 May 2016	Freehold 26 years	3 Storey Office cum Factory Building	17.441 million

Owned by:-
CME PROPERTIES (AUSTRALIA) PTY LTD

Location	Land Area Built up	Date of Purchase/ Revaluation	Tenure/ (Approximate Age of Building) Years	Description of Property (Exisiting Use)	Net Book Value As At 31 December RM
20 Henson Street, Local Government Area of City of Mandurah, Australia	11,786 sq.m	27 April 2015	Freehold	Property Development	22.244 million
170 Mandurah Terrace, Local Government Area of City of Mandurah, Australia	3,998 sq.m	27 April 2015	Freehold	Property Development	7.546 million

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2017

Authorised Share Capital	:	RM 1,000,000,000
Issued and Fully Paid Up	:	RM 44,110,000
Class of Shares	:	Ordinary Shares

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	216	9.54	16,879	0.00
100 - 1,000	276	12.19	207,554	0.05
1,001 - 10,000	304	13.43	1,682,728	0.38
10,001 - 100,000	1,110	49.03	47,956,459	10.87
100,001 to less than 5% of issued shares	357	15.77	310,662,740	70.43
5% and above of issued shares	1	0.04	80,573,640	18.27
Total	**2,264**	**100.00**	**441,100,000**	**100.00**

DIRECTORS' SHAREHOLDINGS

		No. of Shares		No. of Shares	
No.	Name of Directors	Direct Interest	%	Deemed Interest	%
1	Y.M. Tunku Nizamuddin bin Tunku Dato' Seri Shahabuddin	0	0.00	80,573,640	–
2	Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj	0	0.00	–	–
3	YAM Tengku Besar Tengku Kamil Ismail bin Tengku Idris Shah	0	0.00	–	–
4	Miss Lim Bee Hong	100,540	0.02	–	–
5	Y.BHG. Dato' Khairi bin Mohamad	0	0.00	–	–
6	En. Azlan Omry bin Omar	0	0.00	–	–
7	Miss Ong Suan Pin	12,400,000	2.81	–	–

SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholders	No. of Shares	%
1	Ikram Mulia Holdings Sdn Bhd	80,573,640	18.27

ANALYSIS OF SHAREHOLDINGS
(CONT'D)

THIRTY (30) LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1	IKRAM MULIA HOLDINGS SDN. BHD.	80,573,640	18.27
2	GOH LILY	20,972,600	4.75
3	REZA BIN SHARIFFUDIN	19,409,280	4.40
4	DATO' TAN EE SENG	17,046,300	3.86
5	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN LIAN HONG	13,566,400	3.08
6	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN LIAN HONG (8092237)	13,123,700	2.98
7	KAF NOMINEES (TEMPATAN) SDN.BHD. ONG SUAN PIN	12,400,000	2.81
8	RAMLI BIN ABDULLAH	9,667,700	2.19
9	JEWEL VIEW SDN BHD	9,120,000	2.07
10	KAF NOMINEES (TEMPATAN) SDN.BHD. PLEDGED SECURITIES ACCOUNT FOR LIEW KUO YAW (LI3132)	8,050,000	1.82
11	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN HONG HONG	5,516,000	1.25
12	RAMLI BIN ABDULLAH	5,125,700	1.16
13	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KIAN HONG (8098699)	5,000,000	1.13
14	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG GEOK WAH (B BRKLANG-CL)	5,000,000	1.13
15	NG MUI KIT	4,065,400	0.92
16	HEW CHIN KWAI	4,050,000	0.92
17	LEE CHEE MING	4,000,000	0.91
18	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG SEOW PANG	4,000,000	0.91
19	TAN HOCK CHYE	3,700,000	0.84
20	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD RAVINDRAN A/L SINNAYYA	3,601,000	0.82
21	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PANG KIM HAU	3,000,000	0.68
22	LOONG FONG LIN	2,435,100	0.55
23	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KIAN HONG	2,260,000	0.51
24	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KIAN HONG	2,138,500	0.48
25	YEOW EWE CHUAN	2,120,000	0.48
26	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TAN KIAN HONG (MY1779)	1,983,500	0.45
27	LIM SHEW POH	1,964,000	0.45
28	CHEW LENG SOON	1,830,000	0.41
29	HLIB NOMINEES (TEMPATAN) SDN BHD HONG LEONG BANK BHD FOR CHOO CHIN HOONG	1,800,000	0.41
30	RHB NOMINEES (TEMPATAN) SDN BHD AMARA INVESTMENT MANAGEMENT SDN BHD FOR LIM SOO KA	1,693,000	0.38
	TOTAL	**269,211,820**	**61.03**

ANALYSIS OF ICULS HOLDINGS

AS AT 31 MARCH 2017

Number of Ten (10) - Years Zero Coupon Irredeemable Covertible Unsecured Loan Stock:
784,250,715 at 100% of its nominal value of RM0.04 each ("ICULS")

DISTRIBUTION OF ICULS HOLDINGS

Size of ICULS Holdings	No. of ICULS Holders	% of ICULS Holders	No. of ICULS Held	% of Issued ICULS Capital
Less than 100	1	0.51	1	0.00
100 - 1,000	8	4.06	2,299	0.00
1,001 - 10,000	22	11.17	118,700	0.02
10,001 - 100,000	107	54.31	5,706,515	0.73
100,001 to less than 5% of issued ICULS	57	28.93	28,423,200	3.62
5% and above of issued ICULS	2	1.02	750,000,000	95.63
Total	**197**	**100.00**	**784,250,715**	**100.00**

DIRECTORS' ICULS HOLDINGS

		No. of ICULS		No. of ICULS	
No.	Name of Directors	Direct Interest	%	Deemed Interest	%
1	Y.M. Tunku Nizamuddin bin Tunku Dato' Seri Shahabuddin	0	0.00	–	–
2	Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj	0	0.00	–	–
3	YAM Tengku Besar Tengku Kamil Ismail bin Tengku Idris Shah	0	0.00	–	–
4	Miss Lim Bee Hong	201,080	0.03	–	–
5	Y.BHG. Dato' Khairi bin Mohamad	0	0.00	–	–
6	En. Azlan Omry bin Omar	0	0.00	–	–
7	Miss Ong Suan Pin	0	0.00	–	–

SUBSTANTIAL ICULS HOLDERS

No.	Name of Substantial ICULS Holders	No. of ICULS	%
1	**Luteum Pty Ltd** Registered with: - RHB Nominees (Asing) Sdn Bhd	560,025,000	71.41
2	**Grand Holdings Pty Ltd** Registered with: - RHB Nominees (Asing) Sdn Bhd	189,975,000	24.22

ANALYSIS OF ICULS HOLDINGS (CONT'D)

THIRTY (30) LARGEST ICULS HOLDERS

No.	Name of ICULS Holders	No. of ICULS	%
1	RHB NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LUTEUM PTY LTD	560,025,000	71.41
2	RHB NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GRAND HOLDINGS PTY LTD	189,975,000	24.22
3	RAMLI BIN ABDULLAH	8,428,500	1.07
4	LIEW KUO YAW	3,456,200	0.44
5	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN LI PING (E-SLY/TMW)	1,400,000	0.18
6	NEO KET SHONG @ NEO YEE CHOON	1,000,000	0.13
7	LEE CHEE KEONG	800,000	0.10
8	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR KOK POW PENG @ KOK POH PING (PB)	600,000	0.08
9	RAMLI BIN ABDULLAH	503,000	0.06
10	EU MUI @ EE SOO MEI	500,000	0.06
11	TAN AH KOW @ TAN CHEE LIN	500,000	0.06
12	GAN AH KUAN	450,000	0.06
13	CHAN WAN TECK	400,000	0.05
14	CHIM LUANG ENG	400,000	0.05
15	LEW HUEY FANG	400,000	0.05
16	LIAU LEW EI	400,000	0.05
17	LOH SIN MIN	400,000	0.05
18	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SOH TECK CHIN	400,000	0.05
19	TAN MING SHENG	400,000	0.05
20	TAN YIK SIN	400,000	0.05
21	TEO AH CHIEW	400,000	0.05
22	SIM KAH HOON	391,600	0.05
23	CHIM LUANG ENG	320,000	0.04
24	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AHMAD HASBI BIN MOHAMED @ ISMAIL	265,000	0.03
25	OOI CHIN AIK	225,000	0.03
26	GAN TIAN SOO @ GAN AH KAN	220,000	0.03
27	LIM BEE HONG	201,080	0.03
28	BONG HUA	200,000	0.03
29	CHEONG HUEY LING	200,000	0.03
30	CHEONG KAW HA	200,000	0.03
	TOTAL	**773,460,380**	**98.62**

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Proxy Form

Number of shares held [ ]

CME GROUP BERHAD
(Incorporated in Malaysia) • Company No. 52235-K

I/We, ... NRIC No. ....
(PLEASE USE BLOCK LETTERS)

of ....

being a Member/Members of the CME Group Berhad, hereby appoint ....

.... NRIC No. ....
(PLEASE USE BLOCK LETTERS)

of ....

* and/or failing him/her, ... NRIC No. ....
(PLEASE USE BLOCK LETTERS)

of ....

As my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company, to be held at Delima Room, Lobby Floor, Empress Hotel, Jalan ST 1C/7, Medan 88, Bandar Baru Salak Tinggi, 43900 Sepang, Selangor Darul Ehsan on Thursday, 25 May 2017 at 10.00 a.m. or any adjournment thereof.

The proportion of *my/our holding to be represented by *my/our proxies are as follows:-
(The next paragraph should be completed only when two proxies are appointed)

* First Proxy (1) .... % * Second Proxy (2) ....%

I/We direct my/our proxy to vote for against the Resolutions to be proposed at the Meeting as hereinunder indicated

No.	RESOLUTIONS	FOR	AGAINST
1.	To re-elect Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj as Director		
2.	To re-elect Miss Ong Suan Pin as Director		
3.	To approve the payment of Directors' fees of RM225,000 for the financial year ending 31 December 2016		
4.	To re-appoint Messrs Deloitte PLT as Auditors of the Company		
5.	Authority to issue shares pursuant to Section 75 and Section 76 of the Companies Act, 2016		
6.	Retention of Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj as Independent Director		
7.	Retention of Y. Bhg. Dato' Khairi Bin Mohamad as Independent Director		

(Please indicate with an 'X' in the appropriate box against each resolution how you wish your proxy to vote. If this form of proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit).

Date this................day of 2017

....
Signature(s) of Member(s)

Notes:

1. *A proxy need not be a member of the Company.*
2. *For a proxy to be valid, this form, duly completed must be deposited at the Registered Office of the Company at 36A, Lorong Gelugor, Off Persiaran Sultan Ibrahim, 41300 Klang, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for the meeting or any adjournment thereof.*
3. *A member shall be entitled to appoint one (1) or more proxies to attend and vote instead of him at the same meeting and where a member appoints two (2) or more proxies to vote at the same meeting, such appointment shall be invalid unless he specify the proportion of his shareholding to be represented by each proxy.*
4. *Where a member is an exempt authorised nominee which holds ordinary shares of the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies it may appoint in respect of each omnibus account it holds.*
5. *In the case of a corporate member, this form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.*
6. *For the purpose of determining a member who shall be entitled to attend this Twenty First (21st) AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 59 of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991 to issue a Record of Depositors as at 19 May 2017. Only a depositor whose name appears on such Record of Depositors shall be entitled to attend the said meeting or appoint proxies to attend and vote on his/her behalf.*

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Stamp

THE COMPANY SECRETARY
CME GROUP BERHAD (52235-K)
36A, Lorong Gelugor
Off Persiaran Sultan Ibrahim
41300 Klang
Selangor Darul Ehsan
Malaysia

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CME GROUP BERHAD

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

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Tel: 03-5633 1188 Fax: 03-5634 3838