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

Lot 19, Jalan Delima 1/1, Taman Perindustrian Teknologi Tinggi Subang,
47500 Subang Jaya, Selangor Darul Ehsan, Malaysia.
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CME GROUP BERHAD ANNUAL REPORT 2018

CME GROUP BERHAD
(Company No. 52235-K)

ANNUAL REPORT 2018

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NOTICE OF THE 22ND
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Second (22nd) Annual General Meeting of CME Group Berhad ("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 Tuesday, 27 November 2018, at 10.00 a.m. for the purpose of transacting the following businesses:

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the eighteen months ended 30 June 2018 and the Reports of the Directors and Auditors thereon. **Please refer to Note 2**

2. To re-elect the following Directors who retire by rotation in accordance with Article 83 of the Company's Constitution, and being eligible, offer themselves for re-election:

   (i) Y. Bhg. Dato' Khairi Bin Mohamad **Resolution 1**

   (ii) YAM Tengku Besar Tengku Kamil Ismail Bin Tengku Idris Shah **Resolution 2**

3. To approve the payment of Directors' fees of RM283,333 for the period from 1 January 2017 until 30 June 2018. **Resolution 3**

4. To approve the payment of Directors' fees up to an amount of RM180,000 from 1 July 2018 until the conclusion of the next Annual General Meeting. **Resolution 4**

5. To re-appoint Messrs. Baker Tilly Monteiro Heng, as Auditors of the Company and to hold office until the conclusion of the next Annual General Meeting, at a remuneration to be determined by the Directors. **Resolution 5**

As Special Business

To consider, and if thought fit, to pass the following resolutions:

6. **ORDINARY RESOLUTION**
   AUTHORITY TO ALLOT AND ISSUE SHARES IN GENERAL PURSUANT TO THE COMPANIES ACT 2016 **Resolution 6**

   "THAT pursuant to the Companies Act 2016 and the Constitution of the Company and subject to the approvals of the relevant regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to 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 does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are hereby also empowered to obtain approval from Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing and quotation of the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

7. **ORDINARY RESOLUTIONS**
   PROPOSED RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

   (i) "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 and he shall continue to act as an Independent Non-Executive Director, notwithstanding that he has been on the Board of the Company for cumulative term of more than twelve (12) years." **Resolution 7**

   (ii) "THAT subject to the passing of Resolution 1, Y. Bhg. Dato' Khairi Bin Mohamad be and is hereby retained as an Independent Non-Executive Director of the Company and he shall continue to act as an Independent Non-Executive Director, notwithstanding that he has been on the Board of the Company for cumulative term of more than twelve (12) years." **Resolution 8**

Notice of the 22nd Annual General Meeting (cont'd)

8. To transact any other business of the Company for which due notice shall have been given.

By Order of the Board

Cheam Tau Chern (MIA 18593)
Company Secretary

Shah Alam
31 October 2018

NOTES:

1. Proxy

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

1.2. For a proxy to be valid, the instrument appointing the proxy, duly completed, must be deposited at the Registered Office of the Company at No. 22C, Jalan Gelugor, 41050 Klang, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for the meeting or any adjournment thereof.

1.3. 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 specifies the proportion of his shareholding to be represented by each proxy.

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

1.5. 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.

1.6. For the purpose of determining a member who shall be entitled to attend this Twenty-Second (22nd) AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 59 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991 to issue a Record of Depositors as at 23 November 2018. 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.

1.7 Pursuant to Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements, all resolutions set out in the Notice of the 22nd AGM will be put to vote on a poll.

2. Audited Financial Statements for the eighteen months ended 30 June 2018

The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

Notice of the 22nd Annual General Meeting (cont'd)

3. Ordinary Resolution 6 – Authority for Directors to Allot and Issue Shares

Ordinary Resolution 6, if passed, will give powers to the Directors to issue up to a maximum of 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company at a general meeting, expire at the conclusion of the next Annual General Meeting.

The authority granted to the Directors will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

The Company raised RM2,205,500 from the issuance of 44,110,000 new shares pursuant to the Companies Act 2016 under the authority sought at the Twenty-First (21st) AGM held on 25 May 2017 and the authority will lapse at the conclusion of the Twenty-Second (22nd) AGM. Please refer to page 32 of the Annual Report 2018 for details and utilisation status of the proceeds raised. A renewal of this authority is being sought at the Twenty-Second (22nd) AGM under the proposed Resolution 6.

4. Ordinary Resolution 7 and 8 – Retention of Independent Non-Executive Directors

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

The Board, through the Nominating Committee ("NC"), has assessed the independence of Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj and is satisfied that he can continue bringing independent views to the Board and safeguarding the minority interest of the Company. The Board believes his leadership quality, and knowledge and experiences will continue to contribute positively to the proceedings of the Board and the Board Committees. The Board therefore endorsed the NC's recommendation for him to be retained as an Independent Non-Executive Director.

(ii) Y. Bhg. Dato' Khairi Bin Mohamad

The Board, through the NC, has determined that Y. Bhg. Dato' Khairi Bin Mohamad is fair and impartial in carrying out his duties to the Company. As Director, he continues to bring independent and objective judgements to Board deliberations and the decision-making process as a whole. He also possesses vast professional experience and brings the right mix of skills to the Board. The Board therefore, endorsed the NC's recommendation for him to be retained as an Independent Non-Executive Director.

Shareholders' approval for Ordinary Resolutions 7 and 8 will be sought on a two-tier voting basis.

STATEMENT ACCOMPANYING
NOTICE OF THE 22ND ANNUAL GENERAL MEETING

(PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD)

1. DIRECTORS WHO ARE STANDING FOR RE-ELECTION

The Directors who are offering themselves for re-election at the Twenty-Second (22nd) Annual General Meeting of the Company are as follows:

- Y. Bhg. Dato' Khairi Bin Mohamad, a Director retiring under Article 83 of the Company's Constitution.
- YAM Tengku Besar Tengku Kamil Ismail Bin Tengku Idris Shah, a Director retiring under Article 83 of the Company's Constitution.

2. DETAILS OF BOARD MEETINGS AND ATTENDANCE OF DIRECTORS

Details of board meetings and attendance of Directors at Board meetings held for the financial period ended 30 June 2018 are set out in the Corporate Governance Overview Statement of this Annual Report.

3. ORDINARY RESOLUTION ON AUTHORITY TO ISSUE AND ALLOT NEW ORDINARY SHARES IN CME GROUP BERHAD ("CME SHARES")

Details of the general mandate to issue and allot CME Shares pursuant to the Companies Act 2016 are set out in the Explanatory Notes of the Notice of the 22nd Annual General Meeting on page 4 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, property investment and retail business. 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

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. Cheam Tau Chern
(MIA 18593)

KEY MANAGEMENT

Mr. Wong Chee Fatt
Chief Executive Officer

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

Miss Lim Bee Hong
Financial Controller

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

NOMINATING 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

Messrs. Baker Tilly Monteiro Heng
Chartered Accountants
Baker Tilly MH Tower,
Level 10, Tower 1, Avenue 5,
Bangsar South City,
59200 Kuala Lumpur
Tel : 03-2297 1000
Fax : 03-2282 9980

REGISTERED OFFICE

No. 22C, Jalan Gelugor
41050 Klang
Selangor Darul Ehsan
Tel : 03-3342 0608
Fax : 03-3342 7653

PRINCIPAL BANKERS

Public 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 47, 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 more than 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 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.

En. Azlan Omry Bin Omar
Executive Director

En. Azlan Omry Bin Omar, aged 52, 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 Warwick 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 Nominating Committee

Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj, aged 67, 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 Nominating Committee
Chairman of Remuneration Committee
Chairman of ESOS Committee

Dato' Khairi Bin Mohamad, aged 78, 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 Nominating Committee
Member of Remuneration Committee

Miss Ong Suan Pin, aged 60, 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 15,900,000 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 68, 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 Chee Fatt 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 62,180 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 Guan Tee 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 or 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 620 shares in CME and has no interests in the securities of any subsidiary companies of CME.

Miss Lim Bee Hong
Financial Controller

Miss Lim Bee Hong obtained her Bachelor of Accountancy from University of Malaya in 1991. She is a member of Malaysian Institute of Accountants. She has over 28 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.

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 subsidiaries ("Group") for the financial period ended ("FPE") 30 June 2018. The previous financial year end ("FYE") was 31 December 2016.

FINANCIAL PERFORMANCE AND BUSINESS REVIEW

The Group's revenue for the 18-month financial period ended 30 June 2018 recorded at RM56.5 million as compared to RM24.8 million for the 12-month financial year ended 31 December 2016, mainly due to completion and delivery of fire fighting vehicles, coupled with the timing of revenue recognition for on-going projects during the FPE 30 June 2018. Loss before tax has decreased to RM13.8 million for the FPE 30 June 2018 from loss before tax of RM14.7 million for the last FYE 31 December 2016.

The revenue from the Manufacturing Segment grew from RM20.2 million (12 months for FYE 31 December 2016) to RM45.8 million, an increase of RM25.6 million during the 18 months financial period ended 30 June 2018. The revenue from the Trading Segment for 18 months has also increased to RM9.2 million or 174.7% as compared to RM3.3 million in Year 2016.

Manufacturing Segment continues to be the main core business for the group in terms of revenue, which accounted for 81% of the total revenue, followed by Trading Segment which accounted for 16.2% of the total revenue for the FPE 30 June 2018.

BUSINESS OUTLOOK AND FUTURE PROSPECT

The local and global economy will continue to be challenging in 2018/2019. However, the Group remains cautiously optimistic on the outlook of the Specialised Mobility Vehicles industry particularly in the after sales market. Fluctuations in exchange rates and commodity prices will continue to have an impact on the Group's financial performance and position. In order to maintain its market competitiveness, the Board will need to constantly review its price structure and react accordingly. The Group will continue its efforts to enhance operating efficiency programmes to mitigate as much as possible the impact of higher input costs.

The Management is leveraging on its strong track record, extensive customer networking and wider range of products in expanding and penetrating both existing and new markets, especially for both the Specialised Mobility Vehicles ("SMV") Division and Fire Suppression and Prevention ("FSP") Division, in view that both Divisions are contributing positively to the Group. While for the Retail Division, the management will continue to explore its marketing strategy to improve the performance.

The Directors will continue to exercise due care in order to preserve and enhance shareholders' values. The Board and the management will continue to access all business opportunities with prudence and leverage on its core strengths and competencies built over the years, to improve the profitability of the Group.

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 organised 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 FPE 30 June 2018.

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

FIVE-YEAR FINANCIAL HIGHLIGHTS

	Financial Year Ended 31 December ("FYE") 2013	2014	2015	2016	18-month Financial Period Ended 30 June ("FPE") 2018
FINANCIAL PERFORMANCE (RM'000)					
Revenue	30,040	21,987	22,293	24,759	**56,523**
Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA")	1,901	5,226	(11,410)	(11,655)	**(10,100)**
Profit/(Loss) Before Taxation	921	3,873	(13,667)	(14,719)	**(13,800)**
Profit/(Loss) After Taxation	634	3,048	(13,517)	(14,829)	**(14,103)**
Net Profit/(Loss) Attributed to Equity Holders	593	3,048	(13,517)	(14,829)	**(14,103)**
KEY BALANCE SHEET DATE (RM'000)					
Total Assets	69,487	115,967	122,618	132,000	**126,645**
Total Liabilities	24,746	35,347	51,138	69,990	**59,241**
Equity Attributable to owners of the Company	44,741	80,620	71,480	65,010	**67,404**
SHARE INFORMATION					
Basic Earnings Per Share (sen)	0.140	0.691	(3.064)	(3.362)	**(2.414)**
Diluted Earnings Per Share (sen)	0.140	0.691	(3.064)	(3.362)	**(2.414)**
FINANCIAL RATIOS					
Current Ratio (times)	0.931	0.563	0.534	0.370	**0.553**
Net Assets Per Share (RM)	0.101	0.183	0.162	0.147	**0.115**

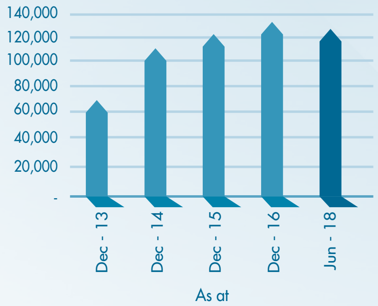
Notes:

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/period.*

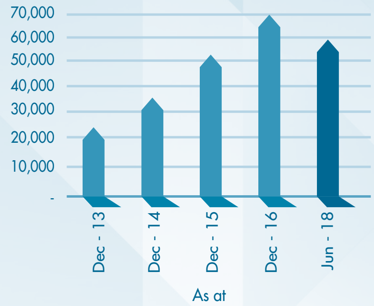
2. *The diluted earnings per ordinary share is same as the basic earnings per share because the effect of the assumed conversion of warrants outstanding will be anti-dilutive and the Company has no other dilutive potential ordinary share in issue as at the end of the reporting period.*

Five-Year Financial Highlights (cont'd)

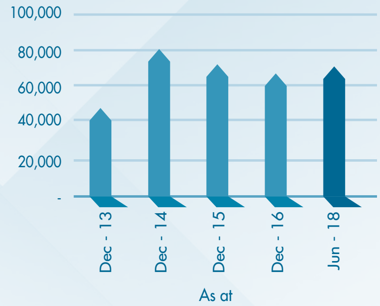
Total Assets (RM'000)



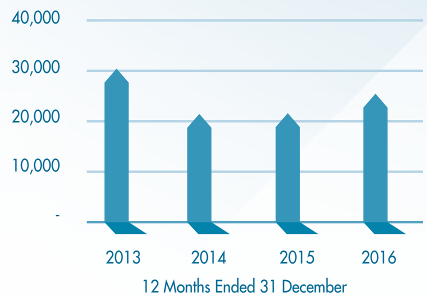
Total Liabilities (RM'000)



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

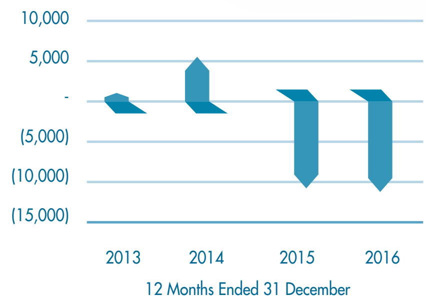


Revenue (RM'000)

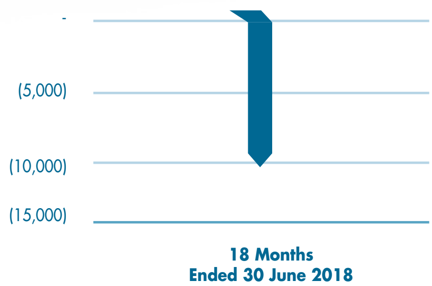


Revenue (RM'000)

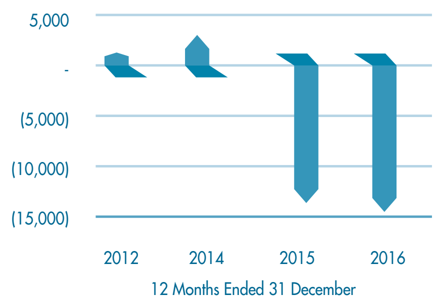
EBITDA (RM'000)



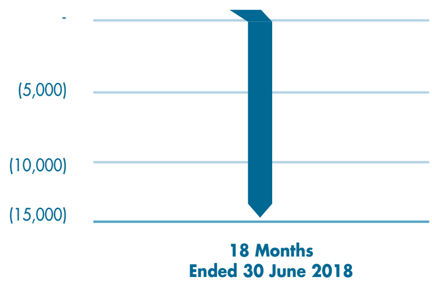
EBITDA (RM'000)



Net Profit/(Loss) (RM'000)



Net Loss (RM'000)



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

CME Group Berhad ("CME" or the "Company") and its subsidiaries ("CME Group" or "our Group") are principally 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. Our Group has become an experienced comprehensive solutions provider to the fire fighting industries with a reputation for delivering customised, value driven vehicle solutions that incorporate safety and reliability that comply with the highest standards. Examples of our products are fire fighting vehicles, specialist vehicles, airport crash tenders, hazmat vehicles, fuel transfer vehicles, riot control vehicles and fire rescue equipment.

CME continues to focus on business development activities and is continuously seek market opportunities in the domestic and foreign markets to strengthen our market share and enhance profitability. The Group's products are expected to remain competitive in the market, largely attributable to our established tracked record (i.e. 20 years of experience in automotive coachwork industry) with our capability in delivering customised, value driven vehicle solutions that incorporate safety and reliability that comply with the international standards.

PERFORMANCE

CME has changed the financial year end ("FYE") of our Company from 31 December 2017 to 30 June 2018. As such, the current audited financial statements of our Company are for the 18-month financial period ended 30 June 2018 ("FPE 30 June 2018").

The financial period under review remains challenging for the Group especially the fluctuations in exchange rates and commodity prices which will continue to have an impact on the Group's financial performance and position.

Our Group is involved in the manufacturing and sales of specialised mobility vehicles, fire fighting and safety vehicles and other safety related products. In FPE 30 June 2018, manufacturing remains the core business of our Group and accounted for 81% of our Group's revenue of RM56.5 million as compared to 81.6% of Group's revenue of RM24.8 million for the FYE 31 December 2016, followed by trading segment which accounted for 16.2% for the FPE 30 June 2018 as compared to 13.5% for the FYE 31 December 2016.

The Group reported a loss before tax of RM13.8 million for the 18-month FPE 30 June 2018 as compared to a loss before tax of RM14.7 million for the 12-month FYE 31 December 2016, mainly contributed by greater increase of revenue and other income, offset by lower portion of increment in administrative expenses, other expenses and finance cost for FPE 30 June 2018.

The Group's cash and cash equivalents increased RM2.9 million to RM4.0 million as at 30 June 2018 from RM1.1 million in the FYE 31 December 2016. Total loans and borrowings increased to RM34.4 million for the FPE 30 June 2018 as compared to RM24.1 million for the FYE 31 December 2016, mainly due to utilisation of project loan secured to finance the operating of on-going projects.

BUSINESS SEGMENTS REVIEW

Investment Holding

Our Group owns 49 units of 3-storey shop offices in Bandar Indera Mahkota, Kuantan, Pahang under the Investment Holding segment which are held to earn rental income and/or capital appreciation. This segment accounted for 2.8% and 4.9% of our Group's revenue for the 18-month FPE 30 June 2018 and 12-month FYE 31 December 2016, respectively.

The loss before tax for Investment Holding segment was RM30.7 million during 18 months for the FPE 30 June 2018 (12 months for FYE 31 December 2016: RM7.4 million). The increased in the loss before tax for the FPE 30 June 2018 was mainly attributable to higher staffs costs, administrative and other expenses and finance costs incurred for 18-month period as compared to 12-month period for comparative year, impairment loss on quasi loan to subsidiary company of RM22.2 million, fair value loss on investment properties of RM0.9 million and loss on disposal of land held for property development of RM0.6 million.

Currently, there is no plan to expand the portfolio of investment properties. As and when opportunities arise, our Group shall conduct assessment and reviews prior to making such investment decision.

Management Discussion and Analysis (cont'd)

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% or RM45.8 million of the Group's total revenue for the FPE 30 June 2018 (12 months for FYE 31 December 2016: 81.6% or RM20.2 million). The increase in revenue was mainly attributable to completion and delivery of fire fighting vehicles, coupled with the timing of revenue recognition for on-going projects during the FPE 30 June 2018.

Manufacturing segment has contributed positively to the Group's performance in 18-month FPE 30 June 2018 and recorded a profit before tax of RM2.5 million as compared to a loss before tax of RM0.4 million for 12-month FYE 31 December 2016.

The Group has secured few contracts/orders to supply fire fighting vehicles and maintenance services in following financial year and expected to contribute positively for the manufacturing segment.

Trading

Under this segment, our Group is involved in the sales and servicing of fire fighting gas system and other safety related products (which accounted for 10.6% and 9.0% of our Group's revenue for the 18-month FPE 30 June 2018 and 12-month FYE 31 December 2016, respectively), as well as sales of maternity and baby products (which accounted for 5.7% and 4.5% of our Group's revenue for the 18-month FPE 30 June 2018 and 12-month FYE 31 December 2016, respectively). The revenue for Trading segment increased RM5.9 million or 174.7% to RM9.2 million for the FPE 30 June 2018 as compared to RM3.3 million for the FYE 31 December 2016, reason being more projects secured and completed by Fire Suppression and Prevention ("FSP") Division.

The segment recorded a loss before tax of RM1.5 million for the FPE 30 June 2018 as compared to a loss before tax of RM0.2 million for the FYE 31 December 2016, mainly due to losses incurred by the retail business.

Others

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

Others segment recorded a loss before tax of RM13.6 million mainly due to impairment loss on land held for property development of RM5.9 million and further provision made for forbearance deed fee of RM2.2 million incurred by the subsidiary company, CME Properties (Australia) Pty Ltd.

PROSPECTS

Despite economic outlook remain challenging, the company is stepping up its effort to focus on its core business in designing, manufacturing and sales of specialised mobility vehicles and fire fighting and safety vehicles to local market and overseas market. The Group has taken the effort to consolidate the position of the Group through rationalising and optimising its current asset base and new ideas has been introduced to gain market share on existing products of the Group. In view of our Group's established track record in coachwork, steel body design and fabrication for fire trucks, our management believes that the positive outlook for the manufacturing of coachwork for fire trucks in Malaysia will provide opportunities to further enhance our financial performance.

FSP Division has also contributed positively to the Group for the FPE 30 June 2018. With the Company marketing strategy in broadening the customer base and products coupled with encouraging order books obtained thus far, the Board aim to streamline the operations so to generate positive results for the Company in the next financial year. Our management believes that the positive outlook for the manufacturing of coachwork for fire trucks in Malaysia will provide opportunities for our Group to grow the sales and servicing of fire fighting gas system and other safety related products to customers as well. The retail business has to-date not make any significant contribution to the Group results and management has reviewed alternative business platforms such as online business in order to increase its revenue.

Barring unforeseen circumstances, the Board and the management will continue to access all business opportunities with prudence and leverage on its core strengths and competencies built over the years, to improve the profitability of the Group.

DIVIDENDS

The Board had not proposed any dividend for the FPE 30 June 2018.

SUSTAINABILITY STATEMENT

CME Group Berhad ("CME") is pleased to present its Sustainability Statement for the financial period ended 30 June 2018. This statement is prepared in accordance with Practice Note 9 of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad.

STRUCTURE

CME does not have a Sustainability Committee at the Board of Directors level. Our sustainability strategy is developed and directed by the Chief Executive Officer and Senior Management of the Group based on guidelines provided by the Board.

SCOPE

This is the Group's first sustainability statement, as a kick-start to our sustainability reporting, this report focuses on our core business activities that were conducted during the financial period in respect of manufacturing and sales of specialised mobility vehicles, fire fighting and safety vehicles and other safety related products.

STAKEHOLDER

CME has identified the following stakeholders in the course of our core business operations. We regularly engage our key stakeholders to gain an external perspective on various aspects of our core business and work to constantly improve our sustainability practices to meet their expectations.

No.	Stakeholders	Engagement channel	Frequency of engagement	Stakeholders' concerns
1	Customers	• Meetings • Customer feedback	As needed As needed	• Customers' specific preferences and requirements • Product quality • After sales services
2	Vendors/ Contractors	• Meetings	As needed	• Prompt payment
3	Employees	• Appraisals • Trainings	Annual As needed	• Remunerations • Staff welfare • Career advancement
4	Regulators	• Statutory reporting	As required	• Compliance with legal regulations
5	Shareholders & Investors	• Annual General Meeting • Extraordinary Meeting	Annual As needed	• Profitability • Dividend

MATERIAL SUSTAINABILITY MATTERS: ECONOMIC, ENVIRONMENTAL AND SOCIAL ("EES")

The Group's senior management had identified the following EES matters which are deemed material to the Group's core business and stakeholders:

1. Economics

i. Fluctuation in foreign exchange rates

Our Group is mainly exposed to the currency of United States Dollar and British Pound Sterling through the import of components (65%-75% of our Group's total cost of sales). As such, any adverse fluctuation in foreign exchange rates against the RM will increase the costs of the products and would have an effect on our Group's production costs and profitability.

Our sales are mainly transacted in RM, any significant fluctuation in exchange rate of RM against United States Dollar and British Pound Sterling will affect the financial results of our Group.

MATERIAL SUSTAINABILITY MATTERS: ECONOMIC, ENVIRONMENTAL AND SOCIAL ("EES") (CONT'D)

1. Economics (Cont'd)

i. Fluctuation in foreign exchange rates (Cont'd)

Although we do not have any hedging policy, acknowledging the adverse fluctuation in foreign exchange rate will affect the financial results of our Group, our Division Heads including Finance team work together to sets a reasonable project forecast and purchase the relevant foreign currency as needed by the project from time to time.

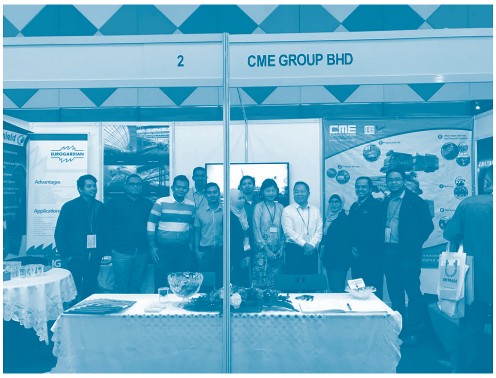
ii. Product & service responsibility

Our Group's core business are manufacturing and sales of specialised mobility vehicles, firefighting and safety vehicles and other safety related products. To achieve our business goals, our Group must develop and sell products that appeal to our customers. This is dependent on a number of factors, such as our ability to manufacture products that meet the quality, performance and price expectations of our customers, as well as the ability to develop effective sales and marketing programmes.

Further growth will depend on our Group's ability to innovate our existing products and introduce new products. Failure to keep pace with product innovation and/or to predict market demand for the products may impact on our business, financial condition and results of operations. Taking cognisance of this, our Group is constantly looking to improve our manufacturing processes and manufacturing efficiency, standards and quality of our products. Our Group has also established a strong relationship with our customers and is confident that we will maintain our competitive advantage by ensuring prompt delivery, price competitiveness of our products and consistent quality.

In the SMV division, we have more than 20 years of experience in the business of designing, manufacturing, and supply of cutting-edge specialised vehicles to various purchasers in both the public and private sector in Malaysia. With our proven track records of successful contract execution, our Company remains active in the procurement of projects.

Although we have not conducted any former customer satisfaction surveys, our project team had always welcomed feedback which would provide us with insights into customers' expectations that enabled us to develop and deliver better products and services. Knowing what customers expect from us makes it easier for us to strengthen and market our product and services.



Participation in the International Fire Conference & Exhibition Malaysia to promote our products and services.

2. Environmental

i. Environment friendly

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.

Sustainability Statement (cont'd)

MATERIAL SUSTAINABILITY MATTERS: ECONOMIC, ENVIRONMENTAL AND SOCIAL ("EES") (CONT'D)

3. Social

i. Employees

CME recognizes that our employees are a key assets and ensures a safe working environment for all its employees and promotes a balance and healthy lifestyle. In line with this objective, we committed to the following:

	Welfare	Our Commitment
a.	Health and safety	• Workplace safety is our utmost priority, we provide safety handbook to all level of employees to improve and enhance awareness amongst staff, especially those who work with the factory. • The Group, through CME Sports Club, promotes a balance and healthy lifestyle for the employees and their family. We contributed to CME Sports Club for various outdoor activities, recreational and sport activities for the benefit of its members.
b.	Employee welfare	• Equal opportunities for career advancement based on performance to all employees irrespective of gender, age or ethinicity. • Fair and competitive compensation and benefits. • Complies with local statutory requirement to contribute to the Employees' Provident Fund, social security protection and annual leave provision. • Provides medical benefits for outpatient, hospitalization and surgical insurance coverage to employees and their family members.
c.	Continuous training	• We recognized that continuous training are important to increase the competency of our employees. We provided both internal training and also send employees for external training. Among the trainings attended were: i. Induction Training on ISO 9001:2015 Quality Management Systems ii. An Overview & Analysis of MFRS/IFRS iii. Corporate Reporting in Malaysia - MFRS and Non-Financial Disclosures (Part 3) iv. Niosh Oil & Gas Safety Passport v. Niosh TNB Safety Passport vi On the upgrade of ISO 9001:2015 Quality Management Systems

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

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 period 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, Nominating 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.

Corporate Governance Overview Statement (cont'd)

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 recognises the important of formalising 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 economic, environmental and social for the period under review are disclosed in the Sustainability Statement 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.

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

1.6 Qualified and competent Company Secretary

The Company Secretary of the Group has legal qualification and qualified 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 Board's 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 Nominating Committee

The Board has established a Nominating 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 Nominating Committee is empowered by the Board and its terms and reference are:

a. The members of the Nominating 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.

Corporate Governance Overview Statement (cont'd)

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

2.1 Nominating Committee (Cont'd)

2.1.1 Terms of Reference of Nominating 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 Nominating 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 Nominating 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 have a policy on gender diversity but believes in providing equal opportunity to all candidates. The Board has one female director for the time being.

2.2.3 Annual Assessment

The Nominating 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 period, the performance evaluation indicated that the Board continue to function effectively.

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 Nominating 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 broader views, independent and balanced assessment of proposals from the management.

2.2.5 Re-election of Directors

In accordance with the Constitution of the Company (the "Constitution"), 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 period 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 and re-appointment are disclosed in the Notice of AGM in this Annual Report.

Corporate Governance Overview Statement (cont'd)

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.

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 period disclosed by category are as follows:

Directors	Fee (RM)	Salary (RM)	Statutory Contribution (RM)	Incentive (RM)	Total (RM)
From the Company *Executive Directors*					
Y.M. Tunku Nizamuddin Bin Tunku Dato' Seri Shahabuddin	30,000	-	-	-	30,000
En. Azlan Omry Bin Omar	30,000	178,500	22,056	5,250	235,806
Miss Lim Bee Hong*	13,333	144,400	17,328	-	175,061
Non-Executive Directors					
Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj	30,000	-	-	-	30,000
Y. Bhg. Dato' Khairi Bin Mohamad	60,000	-	-	-	60,000
Miss Ong Suan Pin	60,000	-	-	-	60,000
YAM Tengku Besar Tengku Kamil Ismail Bin Tengku Idris Shah	60,000	-	-	-	60,000
From the Group *Executive Directors*					
Y.M. Tunku Nizamuddin Bin Tunku Dato' Seri Shahabuddin	30,000	-	-	-	30,000
En. Azlan Omry Bin Omar	30,000	378,000	46,632	10,500	465,132
Miss Lim Bee Hong*	21,733	256,400	31,248	4,000	313,381
Non-Executive Directors					
Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj	30,000	-	-	-	30,000
Y. Bhg. Dato' Khairi Bin Mohamad	60,000	-	-	-	60,000
Miss Ong Suan Pin	60,000	-	-	-	60,000
YAM Tengku Besar Tengku Kamil Ismail Bin Tengku Idris Shah	60,000	-	-	-	60,000

* *Resigned as Executive Director from the Company on 30 August 2017.*

The Company respects the confidentiality of the remuneration of the Senior Management in view of the competitive nature of human resource market. Thus, the Company does not have the intention to adopt the recommendation to disclose the details of each member of senior management in bands of RM50,000 on a named basis.

However, the Company would endeavor to ensure that the remuneration package of the employees are in line with the industry practices and the annual increments and bonuses pay-out are based on individual performance.

Corporate Governance Overview Statement (cont'd)

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.

3.2 Tenure of Independent Directors

In compliance with the recommendation of the Code, the Nominating 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 Nominating 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. REINFORCE INDEPENDENCE (CONT'D)

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 six (6) members as follows:

- Four (4) Independent Non-Executive Directors
- Two (2) 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.

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 period, the Board met seven (7) 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 period are set out below.

Name	Meetings Attended
Y.M. Tunku Nizamuddin Bin Tunku Dato' Seri Shahabuddin	7/7
En. Azlan Omry Bin Omar	7/7
Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj	5/7
Y. Bhg. Dato' Khairi Bin Mohamad	7/7
Miss Ong Suan Pin	7/7
YAM Tengku Besar Tengku Kamil Ismail Bin Tengku Idris Shah	4/7
Miss Lim Bee Hong*	3/3

* *Resigned on 30th August 2017.*

Corporate Governance Overview Statement (cont'd)

4. FOSTER COMMITMENT (CONT'D)

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 period, 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 period under review, the Director attended the following training programme:

Name	Programme
En. Azlan Omry Bin Omar	Induction Training on ISO 9001: 2015 Quality Management System

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 the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 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.

5.2 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 period under review, the External Auditors confirmed that they are and have been independent throughout the audit engagement.

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 38 and 40 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, Key Management and 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 website at www.cme.com.my or through the Bursa Malaysia website at www.bursamalaysia.com. CME website 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 22 October 2018.

Corporate Governance Overview Statement (cont'd)

ADDITIONAL COMPLIANCE INFORMATION

The following information provided is in respect of the FPE 30 June 2018.

1. Utilisation of Proceeds

The Company issued 44,110,000 ordinary shares at an issue price of RM0.05 per ordinary share under the Private Placement exercise which was completed on 19 June 2017. As at 30 June 2018, all the proceeds raised have been fully utilised. Details of the utilisation are as follow:

Proposed utilisation of proceeds	Proceeds raised (RM'000)	Actual utilisation as at 30/06/2018 (RM'000)	Variation[(1)] (RM'000)	Time frame for utilisation
Working Capital	1,126	1,124	(2)	Fully Utilised
Repayment of bank borrowings	1,000	1,000	-	Fully Utilised
Estimated expenses in relation to the Proposed Private Placement	80	82[(1)]	2	Fully Utilised
	2,206	**2,206**	**-**	

Note:

[(1)] *The actual expenses for the corporate exercise in relation to the Private Placement was higher than the estimated expenses for the said exercise, hence the amount has been adjusted from the working capital of the Group.*

The Company had on 14 May 2018 issued 99,026,435 Rights Shares at an issue price of RM0.085 per Rights Shares together with 123,783,023 Warrants under the Rights Issue of Shares with Warrants exercise which was completed on 14 May 2018. As at 30 June 2018, the proceeds from the issuance are expected to be utilised in the following manner:

Proposed utilisation of proceeds	Proceeds raised (RM'000)	Actual utilisation as at 30/06/2018 (RM'000)	Time frame for utilisation
Repayment of borrowings	4,300	4,300	Within 24 months
Working Capital	3,507	1,241	Within 24 months
Estimated expenses in relation to the Rights Issue of Shares with Warrants	610	610	Within 6 weeks
	8,417	**6,151**	

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

2. Audit and Non-Audit Fees

During the financial period, the amounts of audit and non-audit fees paid and payable by the Company and the Group to the External Auditors are as follows:

	Company (RM'000)	Group (RM'000)
Audit Fees	36	144
Non-Audit Fees	50	50

3. Material Contracts

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

4. 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 period under review.

AUDIT COMMITTEE REPORT

CONSTITUTION

The terms of reference of the Audit Committee are set out in pages 36 and 37 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 six (6) times during the FPE 30 June 2018. Details of the attendance of each member at the Audit Committee Meeting held during the period are as follows:

Name	No. of Meeting Attended
Y. Bhg. Dato Khairi Bin Mohamad	6/6
Miss Ong Suan Pin	6/6
YAM Tengku Besar Tengku Kamil Ismail Bin Tengku Idris Shah	3/6

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial period, 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 2016 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 eighteen-month's financial results, the Group External Auditors, Messrs Baker Tilly Monteiro Heng was invited to discuss the Group's financial statements for the FPE 30 June 2018. 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.

3. Internal Audit

(a) Reviewed and approved the internal audit plan for the period 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 period 2018 amounted to RM21,000.00.

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 period, 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.

(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.

Audit Committee Report (cont'd)

INTERNAL AUDIT FUNCTION (CONT'D)

(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 period-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 on 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 period 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 outsourced 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.

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

Statement on Risk Management and Internal Control (cont'd)

RISK MANAGEMENT (CONT'D)

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, Financial Controller ("FC") 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 FPE 30 June 2018, 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;
vi. CME Pyroshield Sdn Bhd;
vii. Jernih Iras Sdn Bhd;
viii. Modern Mum Retail Sdn Bhd; and
ix. Mom's Care Retail Sdn Bhd.

The area of reviews include the 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 purpose of review is to determine whether there are significant areas of non-compliance with controls and procedures as indicated in the policies and procedures of the Group that may be detrimental to the Group's financial position.

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;

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

Statement on Risk Management and Internal Control (cont'd)

INTERNAL CONTROL SYSTEM (CON'TD)

4. Training and development are 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 Internal Control and Risk Management. Their limited assurance review was performed in accordance with ISAE 3000 (Revised), Assurance Engagements other than Audit or Reviews of Historical Financial Information and AAPG 3, Guidance for Auditors on Engagement to Report to the Statement on Risk Management and Internal Control Included in the Annual Report issued by the Malaysian Institute of Accountants. AAPG 3 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 period 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 22 October 2018.

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors are responsible to ensure that financial statements are drawn up in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018 and of the results and the cash flows of the Group and of the Company for the period then ended.

In preparing these financial statements for the period ended 30 June 2018, 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 2016. 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.

FINANCIAL statements

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of **CME Group Berhad** ("the Company") and its subsidiaries ("the Group") for the financial period ended 30 June 2018.

CHANGE OF FINANCIAL YEAR END

On 25 September 2017, the Company changed its financial year end from 31 December to 30 June with effect from the current financial period ended 30 June 2018. Accordingly, the financial statements for the current financial period covered a period of 18 months from 1 January 2017 to 30 June 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 9 to the financial statements.

There has been no significant changes in the nature of these activities during the financial period.

RESULTS

	Group RM'000	Company RM'000
Loss for the financial period	(14,103)	(30,555)
Attributable to:		
Owners of the Company	(14,103)	(30,555)

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

The directors do no recommend the payment of any dividends in respect of the financial period ended 30 June 2018.

RESERVES OR PROVISIONS

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

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that 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 all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

Directors' Report (cont'd)

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial period which secures the liabilities of any other person; and

(ii) any contingent liabilities in respect of the Group and of the Company which has arisen since the end of the financial period.

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

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinions of the directors,

(i) the results of the operations of the Group and of the Company for the financial period were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) no items, transactions or event of a material and unusual nature has arisen in the interval between the end of the financial period and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial period in which this report is made.

Directors' Report (cont'd)

ISSUE OF SHARES AND DEBENTURES

During the financial period, the Company:

(i) issued 44,110,000 new ordinary shares at a price of RM0.05 per ordinary share by way of private placement for working capital purpose; and

(ii) issued 99,026,435 new ordinary shares at a price of RM0.085 per ordinary share ("right share") by way of right issue on the basis of two (2) right shares for every three (3) existing ordinary shares held in the Company on 27 March 2018, together with 123,783,023 warrants on the basis of five (5) warrants for every four (4) right shares.

The new ordinary shares issued during the financial period rank pari passu in all respect with the existing ordinary shares of the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up the unissued shares of the Company during the financial period.

DIRECTORS

The directors in office during the financial period and during the period from the end of the financial period to the date of this report are:

YAD Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj
YBHG Dato' Khairi Bin Mohamad *
Azlan Omry Bin Omar *
YM Tunku Nizamuddin Bin Tunku Dato' Seri Shahabuddin *
Ong Suan Pin
YAM Tengku Besar Tengku Kamil Ismail Bin Tengku Idris Shah
Lim Bee Hong * (Resigned on 30 August 2017)

* Directors of the Company and certain subsidiaries

Other than as stated above, the names of the directors of the subsidiaries of the Company in office during the financial period and during the period from the end of the financial period to the date of the report are:

Nicola Lim Lian Li
Datuk Abdul Rashid Bin Asari
Sean Lian Siong Lim
Soo Kok Lim (Resigned on 20 September 2017)
Chee Fatt Wong (Resigned on 20 September 2017)

Directors' Report (cont'd)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial period in shares in the Company and its related corporations during the financial period ended 30 June 2018 were as follows:

	Number of ordinary shares			
	At 1.1.2017	Bought	Sold	At 30.6.2018
Direct interest:				
Ong Suan Pin	12,400,000	3,500,000	–	15,900,000
Indirect interest:				
YM Tunku Nizamuddin Bin Tunku Dato' Seri Shahabuddin *	80,573,640	–	(80,573,640)	–

* Shares held through a company in which the director has substantial financial interest.

Other than as stated above, none of the other directors in office at the end of the financial period had any interests in shares of the Company and its related corporations during the financial period.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors shown in Note 26 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during, nor at the end of the financial period, was the Company a party to any arrangement where the object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial period, there were no indemnity given to or insurance effected for any director or officer of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 9 to the financial statements.

SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE FINANCIAL PERIOD

The details of significant events during and subsequent to the financial period are disclosed in Note 34 to the financial statements.

AUDITORS' REMUNERATION

The details of auditors' remuneration are disclosed in Note 26 to the financial statements.

INDEMNITY TO AUDITORS

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

AZLAN OMRY BIN OMAR
Director

YM TUNKU NIZAMUDDIN BIN TUNKU DATO' SERI SHAHABUDDIN
Director

Petaling Jaya
Date: 22 October 2018

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 as at 30 June 2018 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 52 to 121.

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 at 30 June 2018, and of their financial performance and cash flows for the financial period then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the *By-Laws* (*on Professional Ethics, Conduct and Practice*) of 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 By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.7 to the financial statements, which disclosed that the Group and the Company incurred net losses of RM14,103,000 and RM30,555,000 respectively during the financial period ended 30 June 2018 and, as of that date, the Group's and the Company's current liabilities exceeded their current assets by RM24,500,000 and RM30,389,000 respectively, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial period. These matters were 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 these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern Section, we have determined the matters below to be the key audit matters to be communicated to our report.

Group

Revenue recognition for contract revenue (Note 4.1 and 24 to the financial statements)

The amount of revenue recognised by the Group for contract revenue is affected by a variety of uncertainties that depend on the outcome of future events. The recognition of revenue and expenses which based on stage of completion method requires significant management judgement, in particular with regard to estimating total cost for each project and the stage of completion for each project.

Our response:

Our audit procedures included, among others:

- understanding the controls over the Group's process in recording project costs, preparing project budget and calculating the stage of completion;
- discussing the progress of the projects and the expected outcomes with the project manager to obtain an understanding of the basis on which the estimates are made; and
- reviewing the mathematical computation of the recognised revenue and expenses during the financial period.

Key Audit Matters (Cont'd)

Group (Cont'd)

Property, plant and equipment, land held for property development and investment properties (Note 4.2, 4.3, 5, 6 and 7 to the financial statements)

The directors estimated the fair value of the freehold land and building and investment properties and the recoverable amount of the land held based on the valuation performed by an external independent valuers.

The Group recognised a revaluation surplus on freehold land and building of RM8,973,000, a fair value loss on investment properties of RM858,000 and an impairment loss on land held for property development of RM5,914,000 respectively during the financial period. The carrying amount of the land held for property development is assessed based on recoverable amount.

We focused on this area because these adjustments requires significant judgement in determining the appropriate valuation methods and the key assumptions used in the valuations.

Our response:

Our audit procedures included, among others:

- assessing the competency and objectivity of the external valuers which included consideration of their qualifications and experience;
- understanding the scope and purpose of the valuation by reading the terms of reference;
- reading the valuation reports and discussed with external valuers on their valuation approach and the significant judgements they made; and
- assessing the valuation approach used and appropriateness of the key assumptions based on our knowledge of the property industry.

Company

We have determined that there are no key audit matters to communicate in our report which arose from the audit of the financial statements of the Company.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND 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 the other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditors' Report (cont'd)

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 the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company 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 intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

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 judgement and maintain professional scepticism 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's 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 the directors' 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. 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.

Independent Auditors' Report (cont'd)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

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 for the current financial period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 9 to the financial statements.

OTHER MATTERS

1. The financial statements of the Group and of the Company for the financial year ended 31 December 2016 were audited by another firm of chartered accountants whose report dated 28 April 2017 expressed an unmodified opinion on those financial statements.

2. This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

Ong Teng Yan
No. 03076/07/2019 J
Chartered Accountant

Kuala Lumpur
Date: 22 October 2018

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	Group 30.6.2018 RM'000	Group 31.12.2016 RM'000	Company 30.6.2018 RM'000	Company 31.12.2016 RM'000 (Restated)	Company 1.1.2016 RM'000 (Restated)
ASSETS						
Non-current assets						
Property, plant and equipment	5	27,742	19,013	14	34	44
Land held for property development	6	21,787	37,457	–	7,667	7,667
Investment properties	7	46,237	51,260	46,237	51,260	41,110
Intangible assets	8	–	–	–	–	–
Investment in subsidiaries	9	–	–	37,515	42,316	41,268
Other investment	10	623	1,491	623	1,491	8,197
Total non-current assets		96,389	109,221	84,389	102,768	98,286
Current assets						
Inventories	11	931	909	–	–	–
Amount due from contract customers	12	17,316	721	–	–	–
Trade and other receivables	13	7,526	19,511	3,950	4,847	8,451
Amount due from subsidiaries	14	–	–	20,662	25,055	22,839
Tax recoverable		458	518	–	–	–
Cash and bank balances	15	4,025	1,120	82	76	82
		30,256	22,779	24,694	29,978	31,372
Assets classified as held for sale	16	–	–	–	–	7,335
Total current assets		30,256	22,779	24,694	29,978	38,707
TOTAL ASSETS		126,645	132,000	109,083	132,746	136,993

Statements of Financial Position (cont'd)

	Note	Group 30.6.2018 RM'000	Group 31.12.2016 RM'000	Company 30.6.2018 RM'000	Company 31.12.2016 RM'000 (Restated)	Company 1.1.2016 RM'000 (Restated)
EQUITY AND LIABILITIES						
Equity attributable to owners of the Company						
Share capital	17	49,459	44,110	49,459	44,110	44,110
ICULS	18	31,370	31,370	31,370	31,370	31,370
Reserves	19	(13,425)	(10,470)	(27,979)	(2,697)	7,764
TOTAL EQUITY		67,404	65,010	52,850	72,783	83,244
Non-current liabilities						
Loans and borrowings	20	1,843	2,402	–	–	–
Other payables	22	440	1,779	440	1,779	–
Deferred tax liabilities	23	2,202	1,238	710	817	832
Total non-current liabilities		4,485	5,419	1,150	2,596	832
Current liabilities						
Loans and borrowings	20	32,575	21,648	3,759	7,930	7,520
Amount due to contract customers	12	117	6,780	–	–	–
Provisions	21	867	12,283	–	–	–
Trade and other payables	22	21,038	20,815	18,289	13,606	12,763
Amount due to subsidiaries	14	–	–	33,035	35,813	32,616
Tax payables		159	45	–	18	18
Total current liabilities		54,756	61,571	55,083	57,367	52,917
TOTAL LIABILITIES		59,241	66,990	56,233	59,963	53,749
TOTAL EQUITY AND LIABILITIES		126,645	132,000	109,083	132,746	136,993

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF **COMPREHENSIVE INCOME**
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	Note	Group 1.1.2017 to 30.6.2018 (18 months) RM'000	Group 1.1.2016 to 31.12.2016 (12 months) RM'000	Company 1.1.2017 to 30.6.2018 (18 months) RM'000	Company 1.1.2016 to 31.12.2016 (12 months) RM'000
Revenue	24	56,523	24,759	1,571	1,219
Cost of sales		(44,733)	(19,727)	(1,023)	(877)
Gross profit		11,790	5,032	548	342
Other income		1,215	614	2,138	411
Administrative expenses		(10,369)	(6,435)	(3,111)	(2,766)
Other expenses		(13,665)	(11,453)	(28,516)	(3,748)
Operating loss		(11,029)	(12,242)	(28,941)	(5,761)
Finance costs	25	(2,771)	(2,477)	(1,739)	(1,677)
Loss before taxation	26	(13,800)	(14,719)	(30,680)	(7,438)
Income tax expense	27	(303)	(110)	125	15
Loss for the financial period/year		(14,103)	(14,829)	(30,555)	(7,423)
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Revaluation surplus on freehold and and building		8,973	10,721	–	–
Items that may be reclassified subsequently to profit or loss					
Fair value loss on available-for-sale financial asset		–	(3,038)	–	(3,038)
Exchange differences on translating foreign operation		(3,098)	676	–	–
Other comprehensive income/ (loss) for the financial period/year		5,875	8,359	–	(3,038)
Total comprehensive income/ (loss) for the financial period/year		(8,228)	(6,470)	(30,555)	(10,461)
Loss attributable to:					
Owners of the Company		(14,103)	(14,829)	(30,555)	(7,423)
Total comprehensive loss attributable to:					
Owners of the Company		(8,228)	(6,470)	(30,555)	(10,461)
Loss per share attributable to owners of the Company (sen):					
Basic	28	(2.41)	(3.36)		
Diluted	28	(2.41)	(3.36)		

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF **CHANGES IN EQUITY**
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

Group	Share Capital RM'000	ICULS RM'000	Fair Value Reserve RM'000	Revaluation Reserve RM'000	Foreign Currency Translation Reserve RM'000	Warrant Reserve RM'000	Accumulated Losses RM'000	Total Equity RM'000
At 1 January 2016	44,110	31,370	3,038	–	3,061	–	(10,099)	71,480
Loss for the financial year	–	–	–	–	–	–	(14,829)	(14,829)
Other comprehensive (loss)/income for the financial year	–	–	(3,038)	10,721	676	–	–	8,359
Total comprehensive (loss)/ income for the financial year	–	–	(3,038)	10,721	676	–	(14,829)	(6,470)
At 31 December 2016	44,110	31,370	–	10,721	3,737	–	(24,928)	65,010
Loss for the financial period	–	–	–	–	–	–	(14,103)	(14,103)
Other comprehensive income/ (loss) for the financial period	–	–	–	8,973	(3,098)	–	–	5,875
Total comprehensive income/ (loss) for the financial period	–	–	–	8,973	(3,098)	–	(14,103)	(8,228)
Transactions with owners:								
Issue of ordinary shares	2,205	–	–	–	–	–	–	2,205
Issue of right shares	3,144	–	–	–	–	5,273	–	8,417
Total transactions with owners	5,349	–	–	–	–	5,273	–	10,622
At 30 June 2018	49,459	31,370	–	19,694	639	5,273	(39,031)	67,404

Statements of Changes In Equity (cont'd)

Company	Share Capital RM'000	ICULS RM'000	Fair Value Reserve RM'000	Warrant Reserve RM'000	Retained Earnings/ (Accumulated Losses) RM'000	Total Equity RM'000
At 1 January 2016	44,110	31,370	3,038	–	4,726	83,244
Loss for the financial year	–	–	–	–	(7,423)	(7,423)
Other comprehensive loss for the financial year	–	–	(3,038)	–	–	(3,038)
Total comprehensive loss for the financial year	–	–	(3,038)	–	(7,423)	(10,461)
At 31 December 2016	44,110	31,370	–	–	(2,697)	72,783
Total comprehensive loss for the financial period	–	–	–	–	(30,555)	(30,555)
Transactions with owner:						
Issue of ordinary shares	2,205	–	–	–	–	2,205
Issue of right shares	3,144	–	–	5,273	–	8,417
Total transactions with owner	5,349	–	–	5,273	–	10,622
At 30 June 2018	49,459	31,370	–	5,273	(33,252)	52,850

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	Group		Company	
	1.1.2017 to 30.6.2018 (18 months) RM'000	1.1.2016 to 31.12.2016 (12 months) RM'000	1.1.2017 to 30.6.2018 (18 months) RM'000	1.1.2016 to 31.12.2016 (12 months) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before taxation	(13,800)	(14,719)	(30,680)	(7,438)
Adjustments for:				
Depreciation of property, plant and equipment	929	587	31	22
Finance costs	2,771	2,477	1,739	1,677
Finance income	(94)	–	(94)	–
Fair value loss/(gain) on investment properties	858	(15)	858	(15)
Gain on disposal of assets held for sale	–	(60)	–	(60)
Gain on disposal of property, plant and equipment	(67)	–	–	–
Inventories written down	111	20	–	–
Inventories written off	16	–	–	–
Impairment loss on land held for property development	5,914	4,103	–	–
Impairment loss on available-for-sale financial asset	868	3,668	868	3,668
Impairment loss on trade and other receivables	354	101	354	17
Impairment loss on investment in subsidiaries	–	–	21,073	–
Impairment loss on amount due from subsidiaries	–	–	3,003	–
Impairment of goodwill	–	121	–	121
Loss on disposal of land held for property development	583	–	583	–
Loss on debt settlement agreement	201	–	201	–
Property, plant and equipment written off	455	–	–	–
Provisions for:				
- forbearance payment	2,179	1,372	–	–
- warranties and free services	180	870	–	–
- liquidated ascertained damages	783	–	–	–
Reversal of provision for warranties and free services	(182)	–	–	–
Reversal of impairment loss on trade and other receivables	(382)	–	(359)	–
Trade and other receivables written off	606	–	26	–
Unrealised gain on foreign exchange	–	(88)	–	–
Operating profit/(loss) before changes in working capital carried forward	2,283	(1,563)	(2,397)	(2,008)

Statements of Cash Flows (cont'd)

	Note	Group 1.1.2017 to 30.6.2018 (18 months) RM'000	Group 1.1.2016 to 31.12.2016 (12 months) RM'000	Company 1.1.2017 to 30.6.2018 (18 months) RM'000	Company 1.1.2016 to 31.12.2016 (12 months) RM'000
Operating profit/(loss) before changes in working capital brought forward		2,283	(1,563)	(2,397)	(2,008)
Changes in working capital:					
Inventories		(149)	62	–	–
Contract customers		(23,258)	10,552	–	–
Receivables		11,407	(7,387)	876	3,587
Payables		1,609	4,144	6,069	(763)
Subsidiaries		–	–	(1,388)	1,722
Net cash flows (used in)/ generated from operations		(8,108)	5,808	3,160	2,538
Interest received		94	–	94	–
Income tax paid		(254)	(88)	–	–
Income tax refunded		132	82	–	–
Warranties and free services paid		(207)	(803)	–	–
Net cash (used in)/generated from operating activities		(8,343)	4,999	3,254	2,538
CASH FLOWS FROM INVESTING ACTIVITIES					
Advances to a subsidiary		–	–	(16,272)	–
Consideration paid on acquisition of busines units		–	(1,510)	–	(1,510)
Proceeds from disposal of investment properties		3,964	–	3,964	–
Increase in investment in subsidiaries		–	–	–	(400)
Purchase of a investment property		–	(3,700)	–	(3,700)
Purchase of property, plant and equipment	(a)	(43)	(255)	(11)	(12)
Proceeds from disposal of assets held for sale		–	960	–	960
Proceeds from disposal of land held for property development		7,084	–	7,084	–
Proceeds from disposal of property, plant and equipment		67	–	–	–
Net cash generated from/ (used in) investing activities		11,072	(4,505)	(5,235)	(4,662)

Statements of Cash Flows (cont'd)

	Note	Group 1.1.2017 to 30.6.2018 (18 months) RM'000	Group 1.1.2016 to 31.12.2016 (12 months) RM'000	Company 1.1.2017 to 30.6.2018 (18 months) RM'000	Company 1.1.2016 to 31.12.2016 (12 months) RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
(Decrease)/Increase in amount owing to third parties		(2,725)	3,385	(2,725)	3,385
Finance costs paid		(2,771)	(2,477)	(1,739)	(1,677)
Placement of cash collateral		(3,631)	–	–	–
(Repayment)/Drawdown of bankers' acceptances/trust receipts		(1,851)	825	–	–
Drawdown/(Repayment) of term loans and project loan		21,171	(362)	–	–
Repayment of finance lease liabilities		(278)	(144)	–	–
Proceeds from issuance of ordinary shares		10,622	–	10,622	–
Fobearance paid		(14,169)	–	–	–
Net cash generated from financing activities		6,368	1,227	6,158	1,708
NET CHANGE IN CASH AND CASH EQUIVALENTS		9,097	1,721	4,177	(416)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD/YEAR		(17,445)	(19,224)	(7,854)	(7,438)
Effect of the exchange rate changes on cash and cash equivalents		(1,009)	58	–	–
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD/YEAR		(9,357)	(17,445)	(3,677)	(7,854)

ANALYSIS OF CASH AND CASH EQUIVALENTS:

	Note	Group 1.1.2017 to 30.6.2018 RM'000	Group 1.1.2016 to 31.12.2016 RM'000	Company 1.1.2017 to 30.6.2018 RM'000	Company 1.1.2016 to 31.12.2016 RM'000
Cash and bank balances	15	4,025	1,120	82	76
Bank overdraft	20	(9,751)	(18,565)	(3,759)	(7,930)
		(5,726)	(17,445)	(3,677)	(7,854)
Less: Cash collateral	15	(3,631)	–	–	–
		(9,357)	(17,445)	(3,677)	(7,854)

Statements of Cash Flows (cont'd)

(a) Purchase of property, plant and equipment:

	Group		Company	
	1.1.2017 to 30.6.2018 (18 months) RM'000	1.1.2016 to 31.12.2016 (12 months) RM'000	1.1.2017 to 30.6.2018 (18 months) RM'000	1.1.2016 to 31.12.2016 (12 months) RM'000
Purchase of property, plant and equipment	183	465	11	12
Financed by way of finance lease arrangement	(140)	(210)	–	–
Cash payments on purchase of property, plant and equipment	43	255	11	12

(b) Reconciliation of liabilities arising from financing activities:

	At 1 January 2017 RM'000	Cash flows RM'000	Additions RM'000	At 30 June 2018 RM'000
Group				
Term loans and project loan	2,051	–	–	2,051
Finance lease liabilities	767	(278)	140	629
Bankers' acceptance and trust receipt	2,667	(1,851)	–	816
	5,485	(2,129)	140	3,496

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The Company's registered office is located at No. 22C, Jalan Gelugor, 41050 Klang, Selangor Darul Ehsan. The Company's principal place of business is located at Lot 19, Jalan Delima 1/1, Taman Perindustrian Teknologi Tinggi Subang, 47500 Subang Jaya, Selangor Darul Ehsan.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 9 to the financial statements.

There have been no significant changes in the nature of these activities during the financial period.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 October 2018.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

2.2 Adoption of amendments/improvements to MFRSs

The Group and the Company have adopted the following amendments/improvements to MFRSs that are mandatory for the current financial period:

Amendments/Improvements to MFRSs	
MFRS 12	Disclosure of Interests in Other Entities
MFRS 107	Statement of Cash Flows
MFRS 112	Income Taxes

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies, except for those as discussed below:

Amendments to MFRS 107 Statement of Cash Flows

Amendments to MFRS 107 require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

The Group and the Company have applied the amendments prospectively and accordingly, have disclosed the reconciliation in the statements of cash flows.

Notes to the Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of MFRSs	1 January 2018
MFRS 2	Share-based Payment	1 January 2018/ 1 January 2020*
MFRS 3	Business Combinations	1 January 2019/ 1 January 2020*
MFRS 4	Insurance Contracts	1 January 2018
MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020*
MFRS 9	Financial Instruments	1 January 2019
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 14	Regulatory Deferral Accounts	1 January 2020*
MFRS 101	Presentation of Financial Statements	1 January 2020*
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020*
MFRS 112	Income Taxes	1 January 2019
MFRS 119	Employee Benefits	1 January 2019
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2018/ 1 January 2019/ Deferred
MFRS 134	Interim Financial Reporting	1 January 2020*
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020*
MFRS 138	Intangible Assets	1 January 2020*
MFRS 140	Investment Property	1 January 2018
New IC Int		
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IC Int		
IC Int 12	Service Concession Arrangements	1 January 2020*
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020*
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020*
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2020*
IC Int 132	Intangible Assets – Web Site Costs	1 January 2020*

* *Amendments to References to the Conceptual Framework in MFRS Standards*

2.3.1 The Group and the Company plan to adopt the above applicable new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int are summarised below.

2. BASIS OF PREPARATION (CONT'D)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (Cont'd)

MFRS 9 Financial Instruments

Key requirements of MFRS 9:

- MFRS 9 introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

  In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.

- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises 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. An entity recognises revenue in accordance with the core principle by applying the following steps:

(i) identify the contracts with a customer;
(ii) identify the performance obligation in the contract;
(iii) determine the transaction price;
(iv) allocate the transaction price to the performance obligations in the contract;
(v) recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

Notes to the Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (Cont'd)

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

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 131	Revenue – Barter Transactions Involving Advertising Services

MFRS 16 Leases

Currently under MFRS 117 Leases, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

Amendments to MFRS 3 Business Combinations and MFRS 11 Joint Arrangements

Amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. Amendments to MFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

Amendments to MFRS 9 Financial Instruments

Amendments to MFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

The amendments also clarify that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity.

2. BASIS OF PREPARATION (CONT'D)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (Cont'd)

Amendments to MFRS 119 Employee Benefits

Amendments to MFRS 119 require an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).

Amendments to MFRS 123 Borrowing Costs

Amendments to MFRS 123 clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

Amendments to MFRS 140 Investment Property

Amendments to MFRS 140 clarify that to transfer to, or from, investment properties there must be evidence of a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition of investment property. A change in intention, in isolation, does not provide evidence of a change in use.

The amendments also clarify that the list of circumstances that evidence a change in use is not exhaustive.

IC Int 22 Foreign Currency Transactions and Advance Consideration

IC Int 22 clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

IC Int 23 Uncertainty over Income Tax Treatments

IC Int clarifies that where there is uncertainty over income tax treatments, an entity shall:

(i) assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.
(ii) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

Amendments to References to the Conceptual Framework in MFRS Standards

The Malaysian Accounting Standards Board has issued a *revised Conceptual Framework for Financial Reporting* and amendments to fourteen Standards under the Malaysian Financial Reporting Standards Framework on 30 April 2018.

The revised Conceptual Framework comprises a comprehensive set of concepts of financial reporting. It is built on the previous version of the Conceptual Framework issued in 2011. The changes to the chapters on the objective of financial reporting and qualitative characteristics of useful financial information are limited, but with improved wordings to give more prominence to the importance of providing information need to assess management's stewardship of the entity's economic resources.

Other improvements of the revised Conceptual Framework include a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance – in particular the definition of a liability – and clarifications in important areas, such as the role of prudence and measurement uncertainty in financial reporting.

Notes to the Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (Cont'd)

Amendments to References to the Conceptual Framework in MFRS Standards (Cont'd)

The amendments to the fourteen Standards are to update the references and quotations in these Standards which include MFRS 2, MFRS 3, MFRS 6, MFRS 14, MFRS 101, MFRS 108, MFRS 134, MFRS 137, MFRS 138, IC Int 12, IC Int 19, IC Int 20, IC Int 22 and IC Int 132.

The Group is currently performing a detailed analysis to determine the election of the practical expedients and to quantify the financial effects arising from the adoption of the new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int.

2.4 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency, and has been rounded to the nearest thousand, unless otherwise stated.

2.5 Basis of measurement

The financial statements of the Group and of the Company have been prepared under the historical cost basis, except as otherwise disclosed in Note 3 to the financial statements.

2.6 Use of estimates and judgement

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group's and the Company's financial statements are disclosed in Note 4 to the financial statements.

2.7 Fundamental accounting principle

The financial statement of the Group and the Company have been prepared on the assumption that the Group and the Company will continue as a going concern. The application of the going concern basis is based on the assumption that the Group and the Company will be able to realise their assets and liquidate their liabilities in the normal course of business.

During the financial period ended 30 June 2018, the Group and the Company incurred net losses of RM14,103,000 and RM30,555,000 respectively and, as of that date, the Group's and the Company's current liabilities exceeded its current assets by RM24,500,000 and RM30,389,000 respectively. These events or conditions indicate that a material uncertainty exists that may cast significant doubt of the Group's and the Company's ability to continue as a going concern.

2. BASIS OF PREPARATION (CONT'D)

2.7 Fundamental accounting principle (Cont'd)

The Group and the Company have implemented certain measures which are currently in progress, amongst which,

- Monitor and manage the progress of its existing manufacturing activities which are expected to be completed within the projected timeline;
- Actively participating in open tenders to increase the opportunities of securing new projects;
- Obtain financial support from the financial institutions for financing the on-going and upcoming projects;
- Explore alternative platform for the retail business such as online business to increase the sales from the trading segment; and
- Teaming Agreements with Shanghai Shenlong Bus Co., Ltd, in order to tap into Shenlong's expertise in the research, development, manufacturing and sales of buses to venture into the Malaysian market for the supply of electric buses and other vehicles.

In addition, the Group and the Company have shareholders' equity of RM67,404,000 and RM52,850,000 respectively as at 30 June 2018. Based on the above measures, the directors of the Company are in the opinion that the financial position of the Group would be further strengthened to address any significant doubt on the Group's and the Company's ability in their use of going concern assumption, and accordingly, realise their assets and discharge their liabilities in the normal course of business.

In the event that these are not forthcoming, the Group and the Company may be unable to realise their assets and discharge their liabilities in the normal course of business. Accordingly, the financial statements of the Group and the Company may require adjustments relating to the recoverability and classification of recorded assets and liabilities that may be necessary should the Group and the Company be unable to continue as a going concern.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial periods/years presented in the financial statements of the Group and of the Company.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

(i) Subsidiaries and business combination

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combination from the acquisition date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (Cont'd)

(i) Subsidiaries and business combination (Cont'd)

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities assumed at the acquisition date.

The accounting policy for goodwill is set out in Note 3.6(i) to the financial statements.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, 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 or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, a joint venture, an available-for-sale financial asset or a held for trading financial asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (Cont'd)

(i) Subsidiaries and business combination (Cont'd)

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(ii) Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries is measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.13(ii) to the financial statements.

Contributions to subsidiaries are amounts for which the settlement is neither planned nor is likely to occur in the foreseeable future, in substance, considered as part of the Company's investment in the subsidiaries.

3.3 Foreign currency transactions and operations

(i) Translation of foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of the Group entities using the exchange rates prevailing at the transaction dates.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary items that are designated as hedging instruments in either a cash flow hedge or a hedge of the Group's net investment of a foreign operation. When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal, at which time, the cumulative amount is reclassified to profit or loss.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Foreign currency transactions and operations (Cont'd)

(i) Translation of foreign currency transactions (Cont'd)

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

(ii) Translation of foreign operations

The assets and liabilities of foreign operations denominated in the functional currency different from the presentation currency, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

Exchange differences arising on the translation are recognised in other comprehensive income. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of such that control, significant influence is lost, the cumulative amount in foreign exchange translation reserves related to that foreign operation is reclassified to profit or loss. For a partial disposal not involving loss of control of a subsidiary that includes a foreign operation, the proportionate share of cumulative amount in foreign exchange translation reserve is reattributed to non-controlling interests.

3.4 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 contract provisions of the financial instrument.

Financial instruments are recognised initially at fair value, except for financial instruments not measured at fair value through profit or loss, they are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

(i) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(a) Financial assets

<u>Financial assets at fair value through profit or loss</u>

Financial assets are classified as financial assets at fair value through profit or loss when the financial assets are either held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or are designated into this category upon initial recognition.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (Cont'd)

(i) Subsequent measurement (Cont'd)

(a) Financial assets (Cont'd)

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(i) to the financial statements. Gains and losses are recognised in profit or loss through the amortisation process.

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity that are quoted in an active market and the Group have the positive intention and ability to hold the investment to maturity is classified as held-to-maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(i) to the financial statements. Gains and losses are recognised in profit or loss through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets comprise investment in equity and debt securities that are designated as available for sale or are not classified in any of the three preceding categories.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair values hedges which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

(b) Financial liabilities

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (Cont'd)

(i) Subsequent measurement (Cont'd)

(b) Financial liabilities (Cont'd)

Financial liabilities at fair value through profit or loss (Cont'd)

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process.

(ii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company themselves purchase or sell an asset). Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date; and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(iv) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (Cont'd)

(v) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.5 Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment (other than freehold land and building) are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(ii) to the financial statements.

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

(iii) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated.

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

Building	2%
Computers, furniture and fittings, office and workshop equipment and air conditioners	10% - 30%
Motor vehicles	20%

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

(iv) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Property, plant and equipment (Cont'd)

(v) Revaluation of assets

Freehold land and buildings are measured at fair value, based on valuations by external independent valuers, less accumulated depreciation on buildings and any accumulated impairment losses recognised after the date of revaluation. Valuations are performed with sufficient regularity to ensure that the fair value of the freehold land and buildings does not differ materially from the carrying amount. Any accumulated depreciation as at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

A revaluation surplus is recognised in other comprehensive income and credited to the revaluation reserve. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

The revaluation reserve is transferred in full directly to retained earnings when the asset is derecognised.

3.6 Intangible assets

(i) Goodwill

Goodwill arising from business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initially recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(ii) to the financial statement.

(ii) Trademark

Trademark acquired is initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(ii) to the financial statements.

3.7 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

(i) Lessee accounting

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Leases (Cont'd)

(i) Lessee accounting (Cont'd)

The capitalised leased asset is classified by nature as property, plant and equipment or investment property.

For operating leases, the Group does not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

(ii) Lessor accounting

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

3.8 Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair values of investment properties are recognised in profit or loss for the period in which they arise.

Cost includes purchase price and any directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property.

An investment property is derecognised on their disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gains and losses arising from derecognition of the asset is recognised in the profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property carried at fair value to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, any difference arising on the date of change in use between the carrying amount of the item immediately prior to the transfer and its fair value is recognised directly in equity as a revaluation of investment properties.

3.9 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, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(ii) to the financial statements.

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. Land held for property development will be reclassified to inventories when significant development work has been undertaken and is expected to be completed within the normal operating cycle.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on weighted average cost method and includes expenditure incurred in acquiring the inventories and bringing to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

3.11 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and bank balances which are subject to an insignificant risk of changes in value. Cash and cash equivalents are presented net of bank overdrafts.

3.12 Contract work-in-progress

When the outcome of a contract work can be estimated reliably, revenue and cost 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.

Construction work-in-progress is presented as part of contract assets as amount due from contract customers in the statements of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceeded costs incurred plus recognised profits, then the difference is presented as amount due to contract customers which is part of the contract liabilities in the statements of financial position.

3.13 Impairment of assets

(i) Impairment and uncollectibility of financial assets

At each reporting date, all financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Impairment of assets (Cont'd)

(i) Impairment and uncollectibility of financial assets (Cont'd)

Loans and receivables and held-to-maturity investments

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If no objective evidence for impairment exists for an individually assessed financial asset, whether significant or not, the Group and the Company may include the financial asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for impairment for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

The amount of impairment loss is measured as the difference between the financial 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 through the use of an allowance account and the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment that was recognised, the previously recognised impairment loss is then reversed by adjusting an allowance account to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company. If a write-off is later recovered, the recovery is credited to the profit or loss.

Available-for-sale financial assets

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment. The Group and the Company use their judgement to determine what is considered as significant or prolonged decline, evaluating past volatility experiences and current market conditions.

Where there is objective evidence that the asset is impaired, the decline in the fair value of an available-for-sale financial asset together with the cumulative loss recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of cumulative loss that is reclassified from equity to profit or loss shall be the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss.

Impairment losses on available-for-sale equity investments are not reversed through profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss, is recognised in other comprehensive income.

For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to a loss event occurring after the recognition of the impairment loss in profit or loss.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Impairment of assets (Cont'd)

(ii) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories, amount due from customers for contract work and investment properties measured at fair value) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs").

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its 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 or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceed its recoverable amount, the carrying amount of asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.14 Share capital

Ordinary shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.15 Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group.

(ii) Defined contribution plans

As required by law, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

3.17 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of discounts, rebates, returns and taxes:

(i) Sales of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Rendering of services

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

(iii) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method. The stage of completion method is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

(iv) Rental income

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

(v) Interest income

Interest income is recognised using the effective interest method.

3.18 Borrowing costs

Borrowing costs are interests and other costs that the Group and the Company incur in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Borrowing costs (Cont'd)

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The Group and the Company begin capitalising borrowing costs when the Group and the Company have incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3.19 Income taxes

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

(i) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

(ii) Deferred tax

Deferred tax is recognised 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 statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets 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 the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

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 and tax laws that have been enacted or substantively enacted at the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Income taxes (Cont'd)

(ii) Deferred tax (Cont'd)

Where investment properties are carried at fair value in accordance with the accounting policy as disclosed in Note 3.8 to the financial statements, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within the business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

(iii) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST") except:

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.20 Earnings Per Share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise full conversion of the ICULS and warrants.

3.21 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision maker that makes strategic decisions.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.22 Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as 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. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in fair value hierarchy based on the input used in the valuation technique as follows:

Level 1	:	Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2	:	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	:	Unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3.23 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the statements of financial position.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following:

4.1 Contract revenue and expenses

The Group recognised contract revenue and expenses in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Significant judgement is used in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, as well as the recoverability of the contracts. In making judgements, the Group evaluates based on the past experience.

The carrying amounts of amount due from/(to) contract customers are disclosed in Note 12 to the financial statements.

4.2 Fair value of freehold land and building and investment properties

The Group and the Company carry their freehold land and building and investment properties at fair value. Changes in fair values of freehold land and building are recognised in other comprehensive income while the changes in fair values of investment properties are recognised in profit or loss.

The Group and the Company engaged external valuers to determine the fair values. The valuation methods adopted by the valuers include sales comparison method and investment method. Sales comparison method being comparison of current prices in an active market for similar properties in the same location and where necessary, adjusting for location, shape, size, level, terrain, surrounding development, building design and renovation work and other differences. Investment method being the estimated net income and other benefits that are the subject property can generate over the life of the property capitalised at market derived yields to arrive at its indicative capital value. Judgement is made in determining the appropriate valuation methods and the key assumptions used in the valuations. Any changes in these assumptions will have an impact on the carrying amounts of the properties.

The carrying amounts of the freehold land and building and investment properties are disclosed in Note 5 and 7 to the financial statements respectively.

4.3 Impairment of land held for development

The Group assess impairment of land held for development whenever the events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable ie.the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at higher of the fair value less cost of disposal for the asset and its value-in-use. The Group has engaged independent external valuers to determine the fair value. The valuation methods adopted by the valuer include sales comparison method, being comparison of current prices in an active market for similar properties in the same location and condition and where necessary, adjusting for location, accessibility, visibility, time, terrain, size, present market trends and other differences. Judgement is made in determining the appropriate valuation methods and the key assumptions used in the valuations. Any changes in these assumptions will have an impact on the carrying amounts of the asset.

The carrying amount of the land held for property development is disclosed in Note 6 to the financial statements.

Notes to the Financial Statements (cont'd)

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Building RM'000	Computers, furniture and fittings, office and workshop equipment and air conditioners RM'000	Motor vehicles RM'000	Total RM'000
Group					
30 June 2018					
Cost/Valuation					
At 1 January 2017	11,500	6,133	1,830	2,046	21,509
Additions	–	–	25	158	183
Revaluation surplus	9,110	820	–	–	9,930
Transfer/reclassification from accumulated depreciation	–	(473)	–	–	(473)
Reclassification	–	(89)	89	–	–
Disposal	–	–	–	(238)	(238)
Written off	–	–	(557)	–	(557)
At 30 June 2018	20,610	6,391	1,387	1,966	30,354
Accumulated depreciation					
At 1 January 2017	–	192	931	1,373	2,496
Depreciation charge for the financial period	–	300	305	324	929
Transfer/reclassification from accumulated depreciation	–	(473)	–	–	(473)
Disposal	–	–	–	(238)	(238)
Written off	–	–	(102)	–	(102)
At 30 June 2018	–	19	1,134	1,459	2,612
Carrying amount					
At 30 June 2018	20,610	6,372	253	507	27,742

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

	Freehold land RM'000	Building RM'000	Computers, furniture and fittings, office and workshop equipment and air conditioners RM'000	Motor vehicles RM'000	Total RM'000
Group					
31 December 2016					
Cost/Valuation					
At 1 January 2016	1,820	7,393	905	1,678	11,796
Additions	–	–	97	368	465
Acquisition of business units	–	–	828	–	828
Revaluation surplus	9,680	1,605	–	–	11,285
Transfer from accumulated depreciation	–	(2,865)	–	–	(2,865)
At 31 December 2016	11,500	6,133	1,830	2,046	21,509
Accumulated depreciation					
At 1 January 2016	–	2,872	748	1,154	4,774
Depreciation charge for the financial year	–	185	183	219	587
Transfer to cost	–	(2,865)	–	–	(2,865)
At 31 December 2016	-	192	931	1,373	2,496
Carrying amount					
At 31 December 2016	11,500	5,941	899	673	19,013
At 1 January 2016	1,820	4,521	157	524	7,022

Notes to the Financial Statements (cont'd)

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

	Computers, furniture and fittings, office and workshop equipment and air conditioners RM'000
Company	
30 June 2018	
Cost	
At 1 January 2017	101
Additions	11
At 30 June 2018	112
Accumulated depreciation	
At 1 January 2017	67
Depreciation charge for the financial period	31
At 30 June 2018	98
Carrying amount	
At 30 June 2018	14
31 December 2016	
Cost	
At 1 January 2017	89
Additions	12
Acquisition of business units	828
Transfer to subsidiaries	(828)
At 31 December 2016	101
Accumulated depreciation	
As at 1 January 2017	45
Depreciation charge for the financial year	22
As at 31 December 2016	67
Carrying amount	
At 31 December 2016	34
At 1 January 2016	44

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

(i) Assets under finance leases

The carrying amount of assets under finance lease arrangements are as follows:

	Group	
	30.6.2018 RM'000	31.12.2016 RM'000
Motor vehicles	506	671

(ii) Assets pledged as security

The freehold land and building of the Group with carrying amount of RM26,982,000 (31.12.2016: RM17,441,000) have been charged to a local bank for credit facilities granted to a subsidiary as disclosed in Note 20 to the financial statements.

(iii) Revaluation of freehold land and building

Had the revalued assets been carried at cost less accumulated depreciation, the carrying amount would have been as follows:

	Cost RM'000	Accumulated Depreciation RM'000	Carrying Amount RM'000
Group			
30 June 2018			
Freehold land	1,820	–	1,820
Building	7,261	(3,192)	4,069
	9,081	(3,192)	5,889
31 December 2016			
Freehold land	1,820	–	1,820
Building	7,261	(2,974)	4,287
	9,081	(2,974)	6,107

(iv) Fair value information

Fair value of the freehold land and building are categorised as follows:

	Level 2 RM'000
Group	
30 June 2018	
Freehold land	20,610
Building	6,372
	26,982
31 December 2016	
Freehold land	11,500
Building	5,941
	17,441

Notes to the Financial Statements (cont'd)

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

(iv) Fair value information (Cont'd)

The fair value of the freehold land and building has been determined based on the valuation report dated 8 June 2018 carried out by external independent valuers, TZP Property Consultancy, a member of the Institute of Valuers in Malaysia. The valuation method used was comparison method that makes reference to recent transactions and sales evidence involving other similar properties in the vicinity or other comparable localities.

The significant input into this valuation approach is price per square feet of comparable properties.

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Fair value hierarchy

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical freehold land and building that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the freehold land and building, either directly or indirectly.

Level 3 fair value

Level 3 fair value is estimated using unobservable input for the freehold land and building.

Transfer between levels of fair value hierarchy

There is no transfer between levels of fair values hierarchy during the financial period.

6. LAND HELD FOR PROPERTY DEVELOPMENT

	Group		Company	
	30.6.2018 RM'000	31.12.2016 RM'000	30.6.2018 RM'000	31.12.2016 RM'000
At cost:				
At 1 January	37,457	40,532	7,667	7,667
Disposal	(7,667)	–	(7,667)	–
Impairment loss (Note 26)	(5,914)	(4,103)	–	–
Exchange differences	(2,089)	1,028	–	–
At 30 June 2018/ 31 December 2016	21,787	37,457	–	7,667

The recoverable amount of the land held for property development of the Group amounting to AUD7,300,000 (approximately RM21,787,000) is determined by external independent property valuers, TZP Property Consultancy, a member of the Institute of Valuers in Malaysia, using direct comparison method of valuation. The Group had recognised an impairment loss of RM5,914,000 in profit or loss during the financial period.

7. INVESTMENT PROPERTIES

	Group and Company	
	30.6.2018 RM'000	31.12.2016 RM'000
At fair value:		
At 1 January	51,260	41,110
Addition	–	3,700
Reclassified from asset held for sale	–	6,435
Fair value (loss)/gain recognised in profit or loss	(858)	15
Debt settlement	(4,165)	–
At 30 June 2018/31 December 2016	46,237	51,260

Investment properties of the Group and the Company with carrying amount of RM24,523,000 (31.12.2016: RM26,240,000) have been pledged as securities for banking facilities granted to the Group and the Company as mentioned in Note 20 to the financial statements.

As at the reporting date, the title of an investment property with carrying amount of RM3,700,000 (31.12.2016: RM3,700,000) has yet to be transferred to the Company's name.

The following are recognised in profit or loss in respect of investment properties:

	Group and Company	
	30.6.2018 RM'000	31.12.2016 RM'000
Rental income	1,571	1,219
Direct operating expenses:		
- income generating investment properties	1,023	877

Fair value information

Fair value of investment properties are categorised as below:

	Level 2 RM'000
Group and Company	
30 June 2018	
Shop offices	46,237
31 December 2016	
Shop offices	51,260

The fair values of the investment properties have been determined based on valuation report dated 25 July 2018 using comparison and investment method of valuation. The valuation is carried out by external independent property valuers, TZP Property Consultancy, a member of the Institute of Valuers in Malaysia. The most significant input into this valuation approach is price per square feet of comparable properties.

Notes to the Financial Statements (cont'd)

7. INVESTMENT PROPERTIES (CONT'D)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Fair value hierarchy

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical investment properties that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment properties, either directly or indirectly.

Level 3 fair value

Level 3 fair value is estimated using unobservable input for the investment properties.

Transfer between levels of fair value hierarchy

There is no transfer between levels of fair values hierarchy during the financial period.

8. INTANGIBLE ASSETS

	Goodwill RM'000	Trademarks RM'000	Total RM'000
Group			
Cost			
At 1 January 2016	–	–	–
Acquisition of business units	121	450	571
At 30 June 2018/31 December 2016	121	450	571
Accumulated impairment losses			
At 1 January 2016	–	–	–
Impairment loss	121	450	571
At 30 June 2018/31 December 2016	121	450	571
Carrying amounts			
At 30 June 2018/31 December 2016	–	–	–

9. INVESTMENT IN SUBSIDIARIES

	Company 30.6.2018 RM'000	31.12.2016 RM'000 (Restated)	1.1.2016 RM'000 (Restated)
Unquoted shares, at cost	10,338	10,338	9,938
Quasi loans (Note 35)	50,131	33,859	33,211
Less: Impairment losses	(22,954)	(1,881)	(1,881)
	37,515	42,316	41,268

Quasi loans represent amount owing by a subsidiary which is non-trade in nature, unsecured and non-interest bearing. The settlement of the amount is neither planned nor likely to occur in the foreseeable future as it is the intention of the Company to treat these amounts as long-term source of capital to the subsidiary. As this amount is, in substance, a part of the Company's net investment in the subsidiary, it is stated at cost less accumulated impairment loss, if any.

Details of the subsidiaries are as follows:

Name of entities	Principal place of business/ Country of incorporation	Effective ownership interest/Voting rights 30.6.2018 %	31.12.2016 %	Principal activities
CME Industries Sdn. Bhd.	Malaysia	100	100	Servicing of fire fighting and specialist vehicles and sale of related spare parts
CME Edaran Sdn. Bhd.	Malaysia	100	100	Sale and servicing of fire fighting equipment and specialist vehicles and sale of related spare parts
CME Technologies Sdn. Bhd.	Malaysia	100	100	Manufacturing and sale of fire fighting equipment and fire engines
CME Properties Sdn. Bhd.	Malaysia	100	100	Dormant
CME Pyroshield Sdn. Bhd.	Malaysia	100	100	Trading of pyroshield gas and accessories
CME Properties (Australia) Pty. Ltd.*	Australia	100	100	Property development
Jernih Iras Sdn. Bhd.	Malaysia	100	100	Dormant
Mom's Care Retail Sdn. Bhd.	Malaysia	100	100	Trading of mother and baby products
Modern Mum Retail Sdn. Bhd.	Malaysia	100	100	Trading of maternity wear

* Audited by auditors other than Baker Tilly Monteiro Heng.

Notes to the Financial Statements (cont'd)

10. OTHER INVESTMENT

	Group and Company	
	30.6.2018 RM'000	31.12.2016 RM'000
Available-for-sale financial asset		
At fair value:		
At 1 January	1,491	8,197
Impairment loss recognised in profit or loss	(868)	(3,668)
Fair value loss recognised in other comprehensive income	–	(3,038)
At 30 June 2018/ 31 December 2016	623	1,491

Available-for-sale financial asset represent investment 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 significant or prolonged decline in the fair value of the available-for-sale financial assets below it cost, hence impairment loss is recognised into profit or loss.

11. INVENTORIES

	Group	
	30.6.2018 RM'000	31.12.2016 RM'000
At lower of cost and net realisable value		
Trading merchandise	931	909

The cost of inventories of the Group recognised as an expense in cost of sales during the financial period was RM5,994,000 (31.12.2016: RM2,999,000).

During the financial period, the write down of inventories to their net realisable values for the Group amounted to RM111,000 (31.12.2016: RM20,000).

12. AMOUNT DUE FROM/(TO) CONTRACT CUSTOMERS

	Group	
	30.6.2018 RM'000	31.12.2016 RM'000
Aggregrate of costs incurred to date	38,737	18,708
Attributable profits	7,726	2,678
	46,463	21,386
Less: Progress billings	(29,264)	(27,445)
	17,199	(6,059)
Represented by:		
Amount due from contract customers	17,316	721
Amount due to contract customers	(117)	(6,780)
	17,199	(6,059)
Contract costs recognised as contract expenses during the financial period/year	35,409	13,734
Contract revenue recognised as contract revenue during the financial period/year	42,731	16,532

13. TRADE AND OTHER RECEIVABLES

	Note	Group 30.6.2018 RM'000	Group 31.12.2016 RM'000	Company 30.6.2018 RM'000	Company 31.12.2016 RM'000
Current:					
Trade					
Trade receivables		7,842	19,744	5,896	6,358
Less: Impairment losses		(5,765)	(6,738)	(5,764)	(6,301)
	(i)	2,077	13,006	132	57
Non-trade					
Other receivables		1,339	2,037	534	853
Less: Impairment loss		(225)	–	(225)	–
		1,114	2,037	309	853
GST receivable		671	88	7	21
Deposits		3,664	3,921	3,502	3,456
Prepayments		–	459	–	460
		5,449	6,505	3,818	4,790
Total trade and other receivables		7,526	19,511	3,950	4,847

(i) Trade receivables

Trade receivables 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 (31.12.2016: 30 days to 90 days) from date of invoice. Other credit term are assessed and approved on a case by case basis.

Ageing analysis of trade receivables

The ageing analysis of the Group's and the Company's trade receivables are as follows:

	Group 30.6.2018 RM'000	Group 31.12.2016 RM'000	Company 30.6.2018 RM'000	Company 31.12.2016 RM'000
Neither past due nor impaired	994	11,951	38	–
1 - 30 days past due not impaired	37	632	19	57
31 - 60 days past due not impaired	116	248	17	–
61 - 90 days past due not impaired	94	92	20	–
More than 90 days past due not impaired	836	83	38	–
	1,083	1,055	94	57
Impaired	5,765	6,738	5,764	6,301
	7,842	19,744	5,896	6,358

13. TRADE AND OTHER RECEIVABLES (CONT'D)

(i) Trade receivables (Cont'd)

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 RM1,083,000 (31.12.2016: RM1,055,000) and RM94,000 (31.12.2016: RM57,000) respectively that are past due but not impaired at the end of financial period. The Group and the Company have not made any allowances for impairment for these receivables as there has not been a significant change in the credit quality of these receivables and the amounts are still considered as recoverable.

Receivables that are impaired

The Group's and the Company's trade receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of trade receivables are as follows:

	Group		Company	
	30.6.2018 RM'000	31.12.2016 RM'000	30.6.2018 RM'000	31.12.2016 RM'000
At 1 January	6,738	6,637	6,301	6,284
Charge for the financial period/year	129	101	129	17
Reversal of impairment loss	(382)	–	(359)	–
Written off	(720)	–	(307)	–
At 30 June 2018/31 December 2016	5,765	6,738	5,764	6,301

Trade receivables that are individually determined to be impaired at the reporting date relate to receivables that are in significant financial difficulties and have defaulted on payments.

14. AMOUNT DUE FROM/(TO) SUBSIDIARIES

	Company		
	30.6.2018 RM'000	31.12.2016 RM'000 (Restated)	1.1.2016 RM'000 (Restated)
Non-trade			
30 June 2018			
Amount due from subsidiaries (Note 35)	23,665	25,055	22,839
Less: Impairment loss (Note 26)	(3,003)	–	–
	20,662	25,055	22,839
Non-trade			
Amount due from subsidiaries	33,035	35,813	32,616

The non-trade amounts due from subsidiaries are unsecured, non-interest bearing, repayable on demand and are expected to be settled in cash.

14. AMOUNT DUE FROM/(TO) SUBSIDIARIES (CONT'D)

The non-trade amounts due to subsidiaries are unsecured, non-interest bearing, repayable upon demand and is expected to be settled in cash except for an amount due a subsidiary of RM4,211,000 (31.12.2016: RM4,526,000) which bears interest at rate range from 7.01% to 9% (31.12.2016: 6.19% to 8.75%) per annum.

15. CASH AND BANK BALANCES

	Group		Company	
	30.6.2018 RM'000	31.12.2016 RM'000	30.6.2018 RM'000	31.12.2016 RM'000
Cash and bank balances	4,025	1,120	82	76

Included in the cash and bank balances of the Group is an amount of RM3,631,000 charged to a licensed bank as cash collateral for banking facilities granted to a subsidiary as disclosed in Note 20 to the financial statement and therefore, restricted from use in other operations.

16. ASSETS CLASSIFIED AS HELD-FOR-SALE

	Group and Company	
	30.6.2018 RM'000	31.12.2016 RM'000
At 1 January	–	7,335
Reclassified to investment properties	–	(6,435)
Disposals	–	(900)
	–	–

During the previous financial year, the offer to purchase entered by the Company with a buyer to dispose off certain properties amounting to RM6,435,000 had been terminated and the properties had been reclassified to investment properties. The deposit received from the buyer amounting to RM2,800,000 in previous financial years had been converted to other payable which bear interest at rate of 18% per annum.

17. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	30.6.2018 Units('000)	31.12.2016 Units('000)	30.6.2018 RM'000	31.12.2016 RM'000
Authorised:				
At 30 June 2018/31 December 2016	–	10,000,000	–	1,000,000
Issued and fully paid:				
At 1 January	441,100	441,100	44,110	44,110
Issued during the financial period/year by way of:				
- Private placement	44,110	–	2,205	–
- Right issue	99,026	–	3,144	–
At 30 June 2018/ 31 December 2016	584,236	441,100	49,459	44,110

Notes to the Financial Statements (cont'd)

17. SHARE CAPITAL (CONT'D)

The new Companies Act 2016 (the ''Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. There is no impact on the number of ordinary shares in issue or the relative entitlement range from any of the members as a result of this transition.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

During the financial period, the Company:

(i) issued 44,110,000 new ordinary shares at a price of RM0.05 per ordinary share by way of private placement for working capital purpose; and

(ii) issued 99,026,435 new ordinary shares at a price of RM0.085 per ordinary share ("right share") by way of right issue on the basis of two (2) right shares for every three (3) existing ordinary shares held in the Company on 27 March 2018, together with 123,783,023 warrants on the basis of five (5) warrants for every four (4) right shares.

The new ordinary shares issued during the financial period rank pari-passu in all respects with the existing ordinary shares of the Company.

18. ICULS

On 28 November 2014, the Company issued 784,250,715 ICULS.

The ICULS are constituted by a Trust Deed Dated 15 October 2014 as varied in the Supplemental Trust Deed dated 13 March 2018. The ICULS at the nominal amount of RM0.04 each issued by the Company have a tenure of ten (10) years from the date of issue and are not redeemable in cash. Unless converted, all outstanding ICULS will be mandatorily converted by the Company into new ordinary shares of the Company ("CME Shares") at the conversion price applicable on the maturity date (i.e. 27 November 2024).

The ICULS may be converted into new CME Shares by:

(i) surrendering the ICULS with an aggregate nominal value equivalent to RM0.10 for every one (1) new CME Share (subject to adjustments in accordance with the provisions of the Trust Deed) ("Conversion Price"); or

(ii) surrendering one (1) ICULS together with the necessary cash payment constituting the difference between the Conversion Price and the nominal value of the ICULS surrendered, for one (1) new CME Share. For avoidance of doubt, for every one (1) ICULS surrendered together with the required cash payment, the holder will only be entitled to subscribe for one (1) new CME Share.

The new CME Shares to be issued upon conversion of the ICULS will, upon allotment and issuance, rank pari passu in all respects with the then existing CME Shares save that they will not be entitled for any dividends, rights, allotments, and/or other distributions, the entitlement date of which is before the date of allotment of the new CME Shares pursuant to the conversion of the ICULS.

The interest on the ICULS is at zero coupon rate per annum on the nominal value of the outstanding ICULS.

19. RESERVES

	Group		Company	
	30.6.2018 RM'000	31.12.2016 RM'000	30.6.2018 RM'000	31.12.2016 RM'000
Foreign currency translation reserve	639	3,737	–	–
Revaluation reserve	19,694	10,721	–	–
Warrant reserve	5,273	–	5,273	–
	25,606	14,458	5,273	–
Accumulated losses	(39,031)	(24,928)	(33,252)	(2,697)
	(13,425)	(10,470)	(27,979)	(2,697)

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of a foreign operation whose functional currency is different from that of the Group's presentation currency as well as the foreign currency differences arising from monetary items which form part of the Group's net investment in foreign operation, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation or another currency.

Revaluation reserve

Revaluation reserve represents the surplus on the revaluation of freehold land and building of the Group.

Warrant reserve

On 14 May 2018, the Company issued 123,783,023 free warrants to all subscribers of the rights issue on the basis of five (5) free warrants for every four (4) right shares subscribed. The warrants were listed on the Main Market of Bursa Malaysia Securities Berhad on 14 May 2018. The warrants are constituted under a Deed Poll executed on 13 March 2018.

The salient features of the warrants are as follows:

(i) Each warrant entitles the registered holder the right at any time during the exercise period of 10 years from 14 May 2018 to 13 May 2028 to subscribe in cash for one new ordinary share of the Company at an exercise price of RM0.01 each (subject to adjustments in accordance with the provisions of the Deed Poll);

(ii) Upon the expiry of the exercise period, warrants which have not been exercised will lapse and cease to be valid for any purposes; and

(iii) The holders of the warrants are not entitled to any voting right or participation in any dividends, rights, allotment and/or other forms of distribution other than on winding-up, compromise or arrangement of the Company unless and until the holders of the warrants become a shareholder of the Company by exercising his warrants into new shares.

The movement of warrants during the financial period are as follows:

	At 1.1.2017 RM'000	Addition RM'000	Exercised RM'000	At 30.6.2018 RM'000
Warrant reserve	–	5,273	–	5,273

Notes to the Financial Statements (cont'd)

19. RESERVES

Warrant reserve (Cont'd)

The fair value of the warrants is RM0.0426 each estimated using the Trinomial option model, taking into account the terms and conditions upon which the warrants are issued. The fair value of the warrants measured at issuance date and the assumptions are as follows:

Valuation model	Trinomial
Exercise type	American
Tenure	10 years
Risk-free rate	4.18%
Conversion price	RM0.01
Volatility rate	97.57%
Period of volatility assessment	Past 10 years up to and including 14 May 2018

20. LOANS AND BORROWINGS

	Note	Group 30.6.2018 RM'000	Group 31.12.2016 RM'000	Company 30.6.2018 RM'000	Company 31.12.2016 RM'000
Non-current :					
Finance lease liabilities	(i)	432	599	–	–
Term loans and project loan	(ii)	1,411	1,803	–	–
		1,843	2,402	–	–
Current:					
Finance lease liabilities	(i)	197	168	–	–
Term loans and project loan	(ii)	21,811	248	–	–
Bank overdrafts	(iii)	9,751	18,565	3,759	7,930
Bankers' acceptance and trust receipts	(iv)	816	2,667	–	–
		32,575	21,648	3,759	7,930
Total loans and borrowings		34,418	24,050	3,759	7,930

(i) Finance lease liabilities

Future minimum lease payments under finance leases together with present value of net minimum lease payments are as follows:

	Group 30.6.2018 RM'000	Group 31.12.2016 RM'000
Minimum lease payment:		
- not later than one year	223	200
- later than one year and not later than five years	459	591
- later than five years	12	61
	694	852
Less: Future finance charges	(65)	(85)
Present value of minimum lease payments	629	767

20. LOANS AND BORROWINGS (CONT'D)

(i) Finance lease liabilities (Cont'd)

Future minimum lease payments under finance leases together with present value of net minimum lease payments are as follows: (Cont'd)

	Group	
	30.6.2018 RM'000	31.12.2016 RM'000
Represented by:		
Current		
- not later than one year	197	168
Non-current		
- later than one year and not later than five years	421	539
- later than five years	11	60
	629	767

The weighted average effective interest rate of the finance lease liabilities of the Group is 4.82% (31.12.2016: 4.83%).

The finance lease liabilities are secured on the rights of the assets under finance lease as disclosed in Note 5(i) to the financial statements.

(ii) Term loans and project loan

The term loans and project loan of the Group bear interest at rate range from 8.35% to 9% (31.12.2016: 6.95% to 8.75%) per annum and are secured by way of:

(a) corporate guarantee by the Company;
(b) specific Deed of Assignment of a particular project proceeds and charge over the project account to be executed between the subsidiary and the bank; and
(b) cash collateral as disclosed in Note 15 to the financial statements.

(iii) Bank overdrafts

The bank overdrafts of the Group and the Company bear interest at rate range from 7.96% to 8.45% and 7.96% (31.12.2016: 7.85% to 8.15% and 7.85%) per annum respectively and are secured by way of:

(a) corporate guarantee by the Company;
(b) legal charge over the investment properties of the Company disclosed in Note 7 to the financial statements; and
(c) legal charge over the freehold land and building of a subsidiary as disclosed in Note 5(ii) to the financial statement.

(iv) Bankers' acceptance and trust receipts

Bankers' acceptance and trust receipts of the Group bear interest at rate of 4.09% (31.12.2016: 7.97%) per annum and are secured by way of:

(a) corporate guarantee by the Company; and
(b) legal charge over the freehold land and building of a subsidiary as disclosed in Note 5(ii) to the financial statements.

Notes to the Financial Statements (cont'd)

21. PROVISIONS

	Forbearance Payment RM'000	Warranties RM'000	Free Services RM'000	Liquidated Ascertained Damages RM'000	Others RM'000	Total RM'000
Group						
At 1 January 2016	10,618	105	52	–	35	10,810
Recognised in profit or loss	1,372	844	26	–	34	2,276
Utilised during the the financial year	–	(803)	–	–	–	(803)
At 31 December 2016	11,990	146	78	–	69	12,283
Recognised in profit or loss	2,179	90	90	783	–	3,142
Repayment/Utilised during the financial period	(14,169)	(138)	–	–	(69)	(14,376)
Reversal during the financial period	–	(25)	(157)	–	–	(182)
At 30 June 2018	–	73	11	783	–	867

(i) Forbearance payment

On 31 January 2017, CME Properties (Australia) Pty Ltd ("CMEPA") entered into a revised Deed of Forbearance with a financial institution in Australia ("FIA"), for a settlement sum of AUD3,702,945 (approximately RM11,990,000).

During the financial period, FIA had charged interest expenses and legal costs to CMEPA for a sum of AUD644,015 (approximately RM2,005,000). The Company had made payment of total AUD2,860,000 (approximately RM9,200,000) to the FIA.

On 29 August 2017, the Company and CMEPA entered into a Deed of Settlement with the FIA, whereby all parties agreed to finalise and settle all proceedings and matters at settlement sum of AUD1,548,659 (approximately RM4,969,000), inclusive of legal costs of AUD56,089 (approximately RM174,000). The Company had made full payment during the financial period.

(ii) Warranties and free services

The provision for warranties and free services represent the present value of the directors' best estimates of future economic obligation that will be required under the Company's obligation for warranties and services at the reporting date. The provision is recognised based on estimation made from warranty and services costs experienced over the years.

(iii) Liquidated Ascertained Damages

The provision for liquidated ascertained damages ("LAD") represents the possible penalties that may arise from the late delivery of contract deliverables. The provision is recognised for expected LAD claims based on directors' best estimation.

22. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	30.6.2018 RM'000	31.12.2016 RM'000	30.6.2018 RM'000	31.12.2016 RM'000
Non-current:					
Non-trade					
Other payables	(ii)	440	1,779	440	1,779
Current:					
Trade					
Trade payables	(i)	9,849	13,727	8,707	8,705
Non-trade					
Other payables	(ii)	8,683	4,626	8,191	3,273
GST payable		321	508	–	36
Accruals		1,252	1,140	591	779
Deposits		933	814	800	813
		11,189	7,088	9,582	4,901
		21,038	20,815	18,289	13,606
Total trade and other payables		21,478	22,594	18,729	15,385

(i) Trade payables

Trade payables are non-interest bearing and are normally settled on 30 to 60 (31.12.2016: 30 to 60) days terms.

(ii) Other payables

Included in other payables consist of advances from third parties amounted to RM7,469,000 of which RM660,000 (31.12.2016: RM3,385,000) bear interest at rate of 18% (31.12.2016: 18%) per annum.

On 17 April 2017, the Company had entered into a Settlement Agreement with certain third parties to repay the amount outstanding by way of transfer of investment properties amounting to RM4,165,000, resulting in loss on debt settlement agreement of RM201,000 recognised in profit or loss during the financial period.

Notes to the Financial Statements (cont'd)

23. DEFERRED TAX LIABILITIES

Deferred tax liabilities relate to the following:

	Group 30.6.2018 RM'000	Group 31.12.2016 RM'000	Company 30.6.2018 RM'000	Company 31.12.2016 RM'000
At 1 January	1,238	832	817	832
Recognised in profit or loss (Note 27):				
- Property, plant and equipment	(52)	–	–	(15)
- Investment properties	(107)	(15)	(107)	–
- Unused tax losses	166	(166)	–	–
- Others	–	23	–	–
	7	(158)	(107)	(15)
Recognised in other comprehensive income:				
- Property, plant and equipment	957	564	–	–
At 30 June 2018/ 31 December 2016	2,202	1,238	710	817

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group 30.6.2018 RM'000	Group 31.12.2016 RM'000	Company 30.6.2018 RM'000	Company 31.12.2016 RM'000
Unused tax losses	9,976	11,867	–	–
Unabsorbed capital allowance	39	98	–	–
Other temporary differences	(1,106)	(1,706)	–	–
	8,909	10,259	–	–
Potential deferred tax assets not recognised at 24%	2,138	2,462	–	–

24. REVENUE

	Group 1.1.2017 to 30.6.2018 (18 months) RM'000	Group 1.1.2016 to 31.12.2016 (12 months) RM'000	Company 1.1.2017 to 30.6.2018 (18 months) RM'000	Company 1.1.2016 to 31.12.2016 (12 months) RM'000
Contract revenue	42,731	16,532	–	–
Servicing of equipment	2,481	2,255	–	–
Sale of accessories and equipment	6,538	3,634	–	–
Rental income	1,571	1,219	1,571	1,219
Sale of other goods	3,202	1,119	–	–
	56,523	24,759	1,571	1,219

25. FINANCE COSTS

	Group 1.1.2017 to 30.6.2018 (18 months) RM'000	Group 1.1.2016 to 31.12.2016 (12 months) RM'000	Company 1.1.2017 to 30.6.2018 (18 months) RM'000	Company 1.1.2016 to 31.12.2016 (12 months) RM'000
Interest expense on:				
- Finance lease liabilities	45	36	–	–
- Term loans and project loan	286	9	–	–
- Bank overdrafts	1,770	1,346	684	614
- Bankers' acceptances and trust receipts	139	21	–	–
- Other payables	531	722	531	722
- Other borrowings	–	343	524	341
	2,771	2,477	1,739	1,677

26. LOSS BEFORE TAXATION

Other than as disclosed elsewhere in the financial statements, the loss before taxation of the Group and the Company have been arrived at:

	Group 1.1.2017 to 30.6.2018 (18 months) RM'000	Group 1.1.2016 to 31.12.2016 (12 months) RM'000	Company 1.1.2017 to 30.6.2018 (18 months) RM'000	Company 1.1.2016 to 31.12.2016 (12 months) RM'000
After charging:				
Auditors' remuneration:				
- current year	144	126	36	32
- under provision in prior year	13	–	18	–
Depreciation of property, plant and equipment	929	587	31	22
Directors' remuneration (Note 29):				
- fees	292	225	283	200
- other emoluments	797	615	188	394
- defined contribution plan	85	68	22	47
Fair value loss on investment properties	858	–	858	–
Inventories written down	111	20	–	–
Inventories written off	16	–	–	–
Impairment loss on available-for-sale financial asset	868	3,668	868	3,668
Impairment loss on land held for property development	5,914	4,103	–	–
Impairment loss on investment in subsidiaries	–	–	21,073	–
Impairment loss on amount due from subsidiaries	–	–	3,003	–
Impairment loss on trademark	–	450	–	–
Impairment of goodwill	–	121	–	121
Impairment loss on trade and other receivables	354	101	354	17

Notes to the Financial Statements (cont'd)

26. LOSS BEFORE TAXATION (CONT'D)

Other than as disclosed elsewhere in the financial statements, the loss before taxation of the Group and the Company have been arrived at: (Cont'd)

	Group		Company	
	1.1.2017 to 30.6.2018 (18 months) RM'000	1.1.2016 to 31.12.2016 (12 months) RM'000	1.1.2017 to 30.6.2018 (18 months) RM'000	1.1.2016 to 31.12.2016 (12 months) RM'000
After charging: (Cont'd)				
Loss on disposal of land held for property development	583	–	583	–
Loss on debt settlement agreement	201	–	201	–
Property, plant and equipment written off	455	–	–	–
Provision for:				
- forbearance payment	2,179	1,372	–	–
- warranties and free services	180	870	–	–
- liquidated ascertained damages	783	–	–	–
Trade and other receivables written off	606	–	26	–
Staff costs:				
- salaries and other staffs benefits	4,458	3,317	1,297	1,614
- defined contribution plan	574	437	158	152
And crediting:				
Interest income	94	–	94	–
Fair value gain on investment properties	–	15	–	15
Gain on disposal of property, plant and equipment	67	–	–	–
Gain on disposal of assets held for sale	–	60	–	60
Gain on foreign exchange:				
- realised	391	38	–	–
- unrealised	–	88	–	–
Reversal of impairment loss on trade and other receivables	382	–	359	–

27. INCOME TAX EXPENSE

	Group		Company	
	1.1.2017 to 30.6.2018 (18 months) RM'000	**1.1.2016 to 31.12.2016 (12 months) RM'000**	**1.1.2017 to 30.6.2018 (18 months) RM'000**	**1.1.2016 to 31.12.2016 (12 months) RM'000**
Income tax expense:				
- current year	313	31	–	–
- prior years	(17)	(35)	(18)	–
	296	(4)	(18)	–
Deferred taxation (Note 23):				
- current year	(136)	114	(107)	(15)
- prior years	143	–	–	–
	7	114	(107)	(15)
	303	110	(125)	(15)

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (31.12.2016: 24%) of the estimated assessable profit for the financial period. The corporate tax rate applicable to the subsidiary of the Group in Australia is 30% (31.12.2016: 30%).

A reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	1.1.2017 to 30.6.2018 (18 months) RM'000	**1.1.2016 to 31.12.2016 (12 months) RM'000**	**1.1.2017 to 30.6.2018 (18 months) RM'000**	**1.1.2016 to 31.12.2016 (12 months) RM'000**
Loss before taxation	(13,800)	(14,719)	(30,680)	(7,438)
Tax at Malaysia statutory income tax rate of 24% (31.12.2016: 24%)	(3,312)	(3,533)	(7,363)	(1,785)
Different tax rate in foreign jurisdiction	(814)	(307)	–	–
Adjustments:				
- Non-deductible expenses	5,178	3,885	7,769	1,770
- Non-taxable income	(522)	–	(513)	–
- Deferred tax asset not recognised`	(324)	65	–	–
- Crystallisation of deferred tax liabilities arising from revaluation	(29)	–	–	–
- Prior years	126	–	(18)	–
	303	110	(125)	(15)

Notes to the Financial Statements (cont'd)

28. LOSS PER SHARE

Basic Loss Per Ordinary Share

Basic loss per share is calculated by dividing the loss for the financial period/year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial period/year, as follows:

	Group	
	30.6.2018 RM'000	31.12.2016 RM'000
Loss attributable to owners of the Company	(14,103)	(14,829)
Weighted average number of ordinary shares for basic loss per share ('000)	584,236	441,100
Basic loss per ordinary share (sen)	(2.41)	(3.36)

Diluted Loss Per Ordinary Share

The basic and diluted loss per ordinary share are equal due to the ICULS and warrants are anti-dilutive in nature and have not been considered in the computation of diluted loss per ordinary share.

29. RELATED PARTIES

(i) Identity of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:

(a) subsidiaries;

(b) related companies in which directors have substantial financial interest; and

(c) key management personnel of the Group's, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

(ii) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statement are as follows:

	Company	
	1.1.2017 to 30.6.2018 (18 months) RM'000	1.1.2016 to 31.12.2016 (12 months) RM'000
Subsidiary		
- Interest expenses	524	340

29. RELATED PARTIES (CONT'D)

(iii) Compensation of key management personnel

	Group		Company	
	1.1.2017 to 30.6.2018 (18 months) RM'000	1.1.2016 to 31.12.2016 (12 months) RM'000	1.1.2017 to 30.6.2018 (18 months) RM'000	1.1.2016 to 31.12.2016 (12 months) RM'000
Directors' remuneration (Note 26)	1,174	908	493	641
Other key management personnel				
- short term employee benefits	786	408	312	277
- defined contribution plan	94	49	37	33
	2,054	1,365	842	951

30. OPERATING LEASE COMMITMENT

Operating lease commitments - as lessee

The Group leases number of premises under operating leases for average lease term between two to three years, with option to renew the lease at the end of the lease term.

Future minimum rental payable under the non-cancellable operating lease at the reporting date is as follows:

	Group	
	30.6.2018 RM'000	31.12.2016 RM'000
- Not later than one year	151	1,026
- More than one year and not later than five years	-	1,068
	151	2,094

31. FINANCIAL INSTRUMENTS

(i) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

(a) Loans and receivables ("L&R");
(b) Available-for-sale financial assets ("AFS"); and
(c) Other financial liabilities ("FL").

Notes to the Financial Statements (cont'd)

31. FINANCIAL INSTRUMENTS (CONT'D)

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

	Carrying Amount RM'000	L&R/ FL RM'000	AFS RM'000
Group			
30 June 2018			
Financial assets			
Other investment	623	–	623
Amount due from contract customers	17,316	17,316	–
Trade and other receivables*	6,855	6,855	–
Cash and bank balances	4,025	4,025	–
	28,819	28,196	623
Financial liabilities			
Amount due to contract customers	(117)	(117)	–
Trade and other payables^	(21,157)	(21,157)	–
Loans and borrowings	(34,418)	(34,418)	–
	(55,692)	(55,692)	–
31 December 2016			
Financial assets			
Other investment	1,491	–	1,491
Amount due from contract customers	721	721	–
Trade and other receivables*	18,964	18,964	–
Cash and bank balances	1,120	1,120	–
	22,296	20,805	1,491
Financial liabilities			
Amount due to contract customers	(6,780)	(6,780)	–
Trade and other payables^	(22,086)	(22,086)	–
Loans and borrowings	(24,050)	(24,050)	–
	(52,916)	(52,916)	–
Company			
30 June 2018			
Financial assets			
Other investment	623	–	623
Trade and other receivables*	3,943	3,943	–
Amount due from subsidiaries	20,662	20,662	–
Cash and bank balances	82	82	–
	25,310	24,687	623
Financial liabilities			
Trade and other payables	(18,729)	(18,729)	–
Amount due to subsidiaries	(33,035)	(33,035)	–
Loans and borrowings	(3,759)	(3,759)	–
	(55,523)	(55,523)	–

31. FINANCIAL INSTRUMENTS (CONT'D)

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

	Carrying Amount RM'000	L&R/ FL RM'000	AFS RM'000
Company			
31 December 2016			
Financial assets			
Other investment	1,491	–	1,491
Trade and other receivables*	4,366	4,366	–
Amount due from subsidiaries	25,055	25,055	–
Cash and bank balances	76	76	–
	30,988	29,497	1,491
Financial liabilities			
Trade and other payables^	(15,349)	(15,349)	–
Amount due to subsidiaries	(35,813)	(35,813)	–
Loans and borrowings	(7,930)	(7,930)	–
	(59,092)	(59,092)	–

* Exclude prepayment and GST receivable
^ Exclude GST payable

(ii) Financial risk management

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk, interest rate risk and market price risk. The Group and the Company have adopted a financial risk management framework whose principal objective is to minimise the Group's and the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and the Company.

(a) Credit risk

Trade and other receivables

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

As at the reporting date, the maximum exposure to credit risk arising from trade and other receivables is represented by their carrying amounts in the statements of financial position.

The carrying amount of trade and other receivables are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group and the Company consider any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group and the Company have adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Notes to the Financial Statements (cont'd)

31. FINANCIAL INSTRUMENTS (CONT'D)

(ii) Financial risk management (Cont'd)

(a) Credit risk (Cont'd)

Trade and other receivables (Cont'd)

The Group and Company use ageing analysis to monitor the credit quality of the trade receivables. The ageing of trade receivables as at the end of the financial period/year is disclosed in Note 13 to the financial statements.

Intercompany balances

The Company monitors the result of the subsidiaries in determining the recoverability of these intercompany balances.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of the financial position.

Other financial assets

For other financial assets, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other financial assets is represented by the carrying amount of the financial assets recognised in the statements of financial position.

Financial guarantee

The Company is exposed to credit risk in relation to financial guarantees given to banks in respect of loans granted to a subsidiary. The Company monitors the results of the subsidiary for its repayment on an on-going basis. The maximum exposure to credit risk amount to RM30,030,000 (31.12.2016: RM15,353,000) representing the maximum amount the Company could pay if the guarantee is called on.

As at the end of the reporting period, there was no indication that the subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arise primarily trade and other payables, loans and borrowings.

The Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that they will have sufficient liquidity to meet their liabilities when they fall due.

31. FINANCIAL INSTRUMENTS (CONT'D)

(ii) Financial risk management (Cont'd)

(b) Liquidity risk (Cont'd)

Maturity analysis

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date based on contractual undiscounted repayment obligation are as follows:

	Carring amount RM'000	On demand or within 1 year RM'000	Between 1 and 5 years RM'000	More than 5 years RM'000	Total RM'000
		Contractual cash flows			
Group					
30 June 2018					
Financial liabilities					
Loans and borrowings	34,418	32,757	2,129	12	34,898
Trade and other payables*	21,157	21,762	853	–	22,615
	55,575	54,519	2,982	12	57,513
31 December 2016					
Loans and borrowings	24,050	21,871	2,656	269	24,796
Trade and other payables*	22,086	33,427	3,162	–	36,589
	46,136	55,298	5,818	269	61,385
Company					
30 June 2018					
Loans and borrowings	3,759	3,759	–	–	3,759
Trade and other payables*	18,729	18,487	853	–	19,340
Amount due from subsidiaries	33,035	33,035	–	–	33,035
	55,523	55,281	853	–	56,134
31 December 2016					
Loans and borrowings	7,930	7,930	–	–	7,930
Trade and other payables*	15,349	14,408	3,162	–	17,570
Amount due from subsidiaries	35,813	35,813	–	–	35,813
	59,092	58,151	3,162	–	61,313

* Exclude GST payable

Notes to the Financial Statements (cont'd)

31. FINANCIAL INSTRUMENTS (CONT'D)

(ii) Financial risk management (Cont'd)

(c) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's and the Company's financial instruments as a result of changes in market interest rates. The Group's and Company's exposure to interest rate risk arises primarily from its loans and borrowings with floating interest rates. The Group and Company manage the net exposure to interest rate risks by monitoring the exposure to such risks on an ongoing basis. The Group and the Company do not use derivative financial instruments to hedge its risk.

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the reporting period is as follows:

	30.6.2018 RM'000	31.12.2016 RM'000
Group		
Fixed rate instruments		
Financial liabilities	2,105	6,819
Floating rate instrument		
Financial liabilities	32,973	20,616
Company		
Fixed rate instruments		
Financial liabilities	660	3,385
Floating rate instrument		
Financial liabilities	7,971	12,456

Sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial liabilities at fair value through profit or loss. Therefore, a change in interest rates as at the reporting period would not affect the profit or loss.

Sensitivity analysis for floating rate instruments

At the reporting date, if the interest rate had been 100 basis points higher/lower, with all other variables held constant, the Group's and the Company's profit/(loss) net of tax would have increased/(decreased) by RM251,000 and RM61,000 (31.12.2016: RM157,000 and RM95,000) respectively as a result of exposure to floating rate financial asset and liabilities.

31. FINANCIAL INSTRUMENTS (CONT'D)

(ii) Financial risk management (Cont'd)

(d) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as result of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when sales and purchases that are denominated in foreign currency) and the Group's net investment in foreign subsidiary. The currencies giving rise to this risk are primarily United States Dollar ("USD"), British Pound ("GBP") and European Euro ("EURO").

The Group's financial liabilities that are not denominated in their functional currencies are as follows:

	Group	
	30.6.2018 RM'000	**31.12.2016 RM'000**
Financial liabilities not held in functional currency:		
Trade payables		
USD	337	59
GBP	22	2
EURO	47	–
	406	61

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit after tax to a reasonably possible change in the USD, GBP and EURO, with all other variables held constant.

		Group	
		30.6.2018 RM'000	**31.12.2016 RM'000**
	Change in rate	**Effect on profit or loss**	
USD	+ 10%	26	5
	- 10%	(26)	(5)
GBP	+ 10%	1	1
	- 10%	(1)	(1)
EURO	+ 10%	4	–
	- 10%	(4)	–

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group and the Company are exposed to market price risk arising from their investment in quoted equity shares in Australia, which is classified as available-for-sale financial asset.

Sensitivity analysis for market price risk

An increase in market price by 10% at the end of the reporting period would increase the profit net of tax by RM47,000. A decrease in market price by 10% would have equal but opposite effect on profit net of tax. This analysis assumes that all other variables remain constant.

Notes to the Financial Statements (cont'd)

31. FINANCIAL INSTRUMENTS (CONT'D)

(iii) Fair value measurement

The carrying amounts of financial assets and financial liabilities reported in the financial statements are reasonable approximation to their fair values due to the relatively short term nature of these financial instruments or that they are floating rate instruments.

The fair values of finance lease liabilities and amount due to third parties are estimated using discounted cash flow analysis based on current borrowing for similar types of borrowing arrangements as at the reporting date.

Fair value hierarchy

Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quote prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3 fair value

Level 3 fair value is estimated using inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Transfer between levels of fair value hierarchy

There is no transfer between levels of fair values hierarchy during the financial period.

The following table provides the fair value measurement hierarchy of the Group's and the Company's financial instruments:

	Carrying Amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group				
30 June 2018				
Financial asset				
Other investment	623	623	–	–
Financial liabilities				
Financial lease liabilities	629	–	–	963
Amount due to third party	660	–	–	1,553
31 December 2016				
Financial asset				
Other investment	1,491	1,491	–	–
Financial liabilities				
Financial lease liabilities	767	–	–	791
Amount due to third parties	3,385	–	–	4,453

31. FINANCIAL INSTRUMENTS (CONT'D)

(iii) Fair value measurement (Cont'd)

The following table provides the fair value measurement hierarchy of the Group's and the Company's financial instruments: (Cont'd)

	Carrying Amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Company				
30 June 2018				
Financial asset				
Other investment	623	623	–	–
Financial liability				
Amount due to third party	660	–	–	1,553
31 December 2016				
Financial asset				
Other investment	1,491	1,491	–	–
Financial liability				
Amount due to third parties	3,385	–	–	4,453

32. CAPITAL MANAGEMENT

The primary objective of the Group's and of the Company's capital management is to ensure that they maintain a strong credit rating and healthy capital ratio in order to support their business and maximise shareholder value. The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial period/year ended 30 June 2018 and 31 December 2016.

The Group and the Company are not subject to any externally imposed capital requirements.

Notes to the Financial Statements (cont'd)

33. SEGMENT INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 Operating Segments based on the internal reports of the Group's strategic business units which are regularly reviewed by the Group's chief operating decision maker for the purpose of making decisions about resource allocation and performance assessment.

The four reportable operating segments are as follows:

Segments		
Investment holding	:	Investment holding
Manufacturing	:	Designing, manufacturing and sales of specialist vehicles equipment and related products
Trading	:	Sales and servicing of fire fighting and specialist vehicles and sales of related spare parts
	:	Sales of pyroshield gas and accessories
	:	Sales of maternity and baby products
Others	:	Dormant

Inter-segment pricing is determined on negotiated basis.

The inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Segment profit
Segment performance is used to measure performance as Group's chief operating decision maker believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Performance is evaluated based on operating profit or loss which is measured differently from operating profit or loss in the consolidated financial statements.

Segment assets and liabilities
The total of segment assets and liabilities is measured based on all assets and liabilities of a segment, as included in the internal reports that are reviewed by the Group's chief operating decision maker.

(i) Operating Segment

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Others RM'000	Adjustments and eliminations RM'000	Note	Total RM'000
30 June 2018							
Revenue:							
External sales	1,571	45,780	9,172	–	–		56,523
Inter-segment sales	–	30,048	2,515	–	(32,563)	**A**	–
Total revenue	1,571	75,828	11,687	–	(32,563)		56,523
Results:							
Segment results	(6,646)	3,489	(1,503)	(7,686)	8,453	**B**	(3,893)

33. SEGMENT INFORMATION (CONT'D)

(i) Operating Segment (Cont'd)

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Others RM'000	Adjustments and eliminations RM'000	Note	Total RM'000
30 June 2018							
Impairment loss on trade and other receivables	(354)	–	–	–	–	A	(354)
Impairment loss on land held for property development	–	–	–	(5,914)	–		(5,914)
Impairment loss on available-for-sale financial asset	(868)	–	–	–	–		(868)
Impairment loss on investment in subsidiaries	(21,073)	–	–	–	21,073		–
Finance costs	(1,739)	(1,023)	(9)	–	–		(2,771)
Segment (loss)/profit	(30,680)	2,466	(1,512)	(13,600)	29,526	B	(13,800)
Income tax expense	125	(74)	(354)	–	–		(303)
(Loss)/Profit for the financial period	(30,555)	2,392	(1,866)	(13,600)	29,526	B	(14,103)
Other information:							
Land held for property development	–	–	–	21,787	–		21,787
Investment properties	46,237	–	–	–	–		46,237
Capital additions	11	172	–	–	–		183
Depreciation of property, plant and equipment	31	420	476	2	–		929
Assets:							
Segment assets	108,460	69,797	35,232	27,142	(114,609)		126,022
Other investment	623	–	–	–	–		623
Segment assets	109,083	69,797	35,232	27,142	(114,609)	C	126,645
Liabilities:							
Segment liabilities	56,233	51,551	26,770	55,438	(130,751)	C	59,241

Notes to the Financial Statements (cont'd)

33. SEGMENT INFORMATION (CONT'D)

(i) Operating Segment (Cont'd)

	Investment holding RM'000	Manufacturing RM'000	Trading RM'000	Others RM'000	Adjustments and eliminations RM'000	Note	Total RM'000
31 December 2016							
Revenue:							
External sales	1,219	20,201	3,339	–	–		24,759
Inter-segment sales	–	8,009	2,754	–	(10,763)	A	–
Total revenue	1,219	28,210	6,093	–	(10,763)		24,759
Results:							
Segment results	2,148	432	(106)	(5,586)	(1,137)	B	(4,249)
Impairment loss on trade and other receivables	(17)	–	(84)	–	–		(101)
Impairment loss on land held for property development	(4,103)	–	–	–	–		(4,103)
Impairment loss on available-for-sale financial asset	(3,668)	–	–	–	–		(3,668)
Impairment of goodwill	(121)	–	–	–	–		(121)
Finance costs	(1,677)	(789)	(11)	–	–		(2,477)
Segment loss	(7,438)	(357)	(201)	(5,586)	(1,137)	B	(14,719)
Income tax expense	15	–	(182)	–	57		(110)
Loss for the financial year	(7,423)	(357)	(383)	(5,586)	(1,080)	B	(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
Assets:							
Segment assets	131,255	64,612	29,015	35,203	(129,576)		130,509
Other investment	1,491	–	–	–	–		1,491
Segment assets	132,746	64,612	29,015	35,203	(129,576)	C	132,000
Liabilities:							
Segment liabilities	59,963	48,757	27,661	51,728	(121,119)	C	66,990

33. SEGMENT INFORMATION (CONTINUED)

(i) Operating Segment (Cont'd)

Nature of elimination to arrive at amounts reported in the consolidated financial statement:

(A) Inter-segment revenues are eliminated on consolidation;
(B) Inter-segment revenue and expenses are eliminated on consolidation; and
(C) Inter-segment balances are eliminated on consolidation.

(ii) Information about major customer

Major customers' information is revenue from transaction with a single external customer amount to ten percent or more of the Group's revenue.

The following are major customers from manufacturing and service segments:

	30.06.2018		31.12.2016	
	Manufacturing RM'000	Service RM'000	Manufacturing RM'000	Service RM'000
Customer I	37,686	–	3,442	–
Customer II	–	–	4,863	509
Customer III	–	–	2,864	438
	37,686	–	11,169	947

(iii) Geographical information

The Group principally operating in Malaysia and hence, no geographical segment is presented.

34. SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE FINANCIAL PERIOD

(i) On 12 May 2014, Bellajade has commenced the action against the Company arising from the disputes in relation to a Tenancy Agreement dated 21 February 2013 whereby the Company agree to rent a 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 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 3 June 2015, Bellajade has filed the Notice of Appeal.

On 24 August 2016, the Court of Appeal allowed Bellajade's appeal and set aside High Court Order dated 20 May 2015. The Court of Appeal further awarded 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 the Company to file Motion for Leave to Appeal to the Federal Court.

On 13 November 2017, the Federal Court had allowed the Company's Motion for Leave to appeal to the Federal Court. The Federal Court also granted a stay of execution of the Judgment of the Court of Appeal dated 24 August 2016.

On 25 September 2018, the Federal Court allowed the Company's appeal against Bellajade and set aside the Court of Appeal's Judgment dated 24 August 2016. The Federal Court re-instated the High Court Order dated 20 May 2015 which ordered that Bellajade's claim against CME be dismissed, the tenancy agreement between Bellajade and the Company as null and void and Bellajade to pay the Company the sum of RM9,411,062, along with the cost of RM80,000.

On 4 October 2018, Bellajade has filed in the Federal Court a Notice of Motion for review of the Federal Court's decision and Notice of Motion to stay the execution of Federal Court's order dated 25 September 2018. The Company will oppose both the Motions. The Court has fixed the hearing on 19 November 2018.

Notes to the Financial Statements (cont'd)

34. SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE FINANCIAL PERIOD (CONT'D)

(ii) On 31 January 2017, CME Properties (Australia) Pty Ltd ("CMEPA") entered into a revised Deed of Forbearance with a financial institution in Australia ("FIA"), where FIA agreed to forbear its right to sell the Mandurah land in Australia and CMEPA agreed to pay a settlement sum of AUD3,702,945 (approximately RM11,990,000), by instalments with the final date for repayment being 31 July 2017.

During the financial period, FIA had charged interest expenses and legal costs to CMEPA for a sum of AUD644,015 (approximately RM2,005,000). The Company had made payment of total AUD2,860,000 (approximately RM9,200,000) to the FIA.

On 29 August 2017, the Company and CMEPA entered into a Deed of Settlement with the FIA, whereby the parties agreed to finalise and settle certain matters between them at settlement sum of AUD1,548,659 (approximately RM4,969,000), inclusive of legal costs of AUD56,089 (approximately RM174,000). Each party signed a discontinuance of the Supreme Court action and a dismissal of the winding up application with no order as to costs. All proceedings between the parties are concluded and there is no further costs or implications.

(iii) 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 which caused the Company to suffer losses. The Company is seeking damages and losses of AUD3,488,269 (approximately RM11,934,415) plus an interest rate of 5% per annum beginning from 1 January 2015 to the date of full realisation of the Judgment Sum. This amount is to be assessed by Honourable Court at an Assessment of Damages trial.

On 29 March 2017, the Company received the Statement of Defence and Counterclaim dated 27 March 2017 where the Defendant counterclaimed for a sum of RM11,667 and RM13,427 being the outstanding director fees and approved claims forthwith from the day of the order respectively, with an interest at a rate of 5% per annum from 10 February 2015.

On 21 July 2017, both Parties have resolved the matter amicably with the Company withdrawing the claim against the Defendant and the Defendant withdrawing the counterclaim against the Company.

35. COMPARATIVE FIGURE

During the financial period, the Company had made adjustments in relation to reclassification of amount due from subsidiaries in prior years.

The effects of this reclassification are as disclosed in the statement of financial position of the Company.

	As previously stated RM'000	Adjustment RM'000	As restated RM'000
31 December 2016			
Statement of financial position			
Investment in subsidiaries			
- Quasi loans (Note 9)	–	33,859	33,859
Amount due from subsidiaries (Note 14)	58,914	(33,859)	25,055

35. COMPARATIVE FIGURE (CONT'D)

	As previously stated RM'000	Adjustment RM'000	As restated RM'000
1 January 2016			
Statement of financial position			
Investment in subsidiaries			
- Quasi loans (Note 9)	–	33,211	33,211
Amount due from subsidiaries (Note 14)	56,050	(33,211)	22,839

During the financial period, the Company has changed its financial year end from 31 December to 30 June. The current audited financial statements cover a period of 18 months and may not be comparable to the comparative figures in the financial statements as the comparative figures covered a period of 12 months.

The comparative figures had been audited by another firm of chartered accountants other than Messrs. Baker Tilly Monteiro Heng.

STATEMENT BY **DIRECTORS**

We, **AZLAN OMRY BIN OMAR** and **YM TUNKU NIZAMUDDIN BIN TUNKU DATO' SERI SHAHABUDDIN**, being two of the directors of CME Group Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 52 to 121 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018 and of their financial performance and cash flows for the financial period then ended.

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

AZLAN OMRY BIN OMAR
Director

YM TUNKU NIZAMUDDIN BIN TUNKU DATO' SERI SHAHABUDDIN
Director

Petaling Jaya
Date: 22 October 2018

STATUTORY **DECLARATION**

(Pursuant to Section 251 (1) of the Companies Act 2016)

I, **LIM BEE HONG**, being the officer primarily responsible for the financial management of CME Group Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 52 to 121 are 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
MIA Membership No: 8694

Subscribed and solemnly declared by the abovenamed at Petaling Jaya on 22 October 2018.

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 30 June RM
41 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) 22743 No. PT 23021 H.S. (M) 22745 No. PT 23023 to H.S. (M) 22747 No. PT 23025 H.S. (M) 22759 No. PT 23037 H.S. (M) 22762 No. PT 23040 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	17,218 sq.m	July 2018	Leasehold 99 years expiring 25 April 2090	3 Storey	35.295 million
8 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) 22797 No. PT 23075 H.S. (M) 22803 No. PT 23081	3,317 sq.m	July 2018	Leasehold 99 years expiring 25 April 2090	3 Storey	7.242 million
Leasehold property :- H.S. (D) 98215 No. PT 30401 Mukim Sungai Buluh, District of Petaling Jaya, 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 30 June RM
GRN 84205, Lot 38559, Pekan Country Height, District of Petaling, State of Selangor Darul Ehsan	7,321 sq.m	8 June 2018	Freehold 28 years	3 Storey Office cum Factory Building	26.981 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 30 June RM
20 Henson Street, Local Government Area of City of Mandurah, Australia	11,786 sq.m	31 July 2018	Freehold	Property Development	16.268 million
170 Mandurah Terrace, Local Government Area of City of Mandurah, Australia	3,998 sq.m	31 July 2018	Freehold	Property Development	5.519 million

ANALYSIS OF SHAREHOLDINGS
AS AT 15 OCTOBER 2018

Authorised Share Capital	:	RM 1,000,000,000
Issued and Fully Paid Up	:	RM 49,496,725
Class of Shares	:	Ordinary Shares

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares Capital
Less than 100	226	10.42	17,536	0.00
100 - 1,000	262	12.08	192,993	0.03
1,001 - 10,000	314	14.49	1,545,949	0.27
10,001 - 100,000	1,013	46.73	42,945,257	7.35
100,001 to less that 5% of issued shares	350	16.14	352,015,300	60.25
5% and above of issued shares	3	0.14	187,519,400	32.10
Total	**2,168**	**100.00**	**584,236,435**	**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	0	0.00
2	Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj	0	0.00	0	0.00
3	YAM Tengku Besar Tengku Kamil Ismail Bin Tengku Idris Shah	0	0.00	0	0.00
4	Y. Bhg. Dato' Khairi Bin Mohamad	0	0.00	0	0.00
5	En. Azlan Omry Bin Omar	0	0.00	0	0.00
6	Miss Ong Suan Pin	15,900,000	2.72	0	0.00

SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholders	No. of Shares	%
1	Best Birdsnest Sdn Bhd Registered with:- KAF Nominees (Tempatan) Sdn Bhd	80,573,640	13.79
2	Best Birdsnest Sdn Bhd	53,715,760	9.19
3	Jewel View Sdn Bhd	53,230,000	9.11

Analysis of Shareholdings (cont'd)

THIRTY (30) LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1	KAF NOMINEES (TEMPATAN) SDN.BHD. FOR BEST BIRDSNEST SDN BHD	80,573,640	13.79
2	BEST BIRDSNEST SDN BHD	53,715,760	9.19
3	JEWEL VIEW SDN BHD	53,230,000	9.11
4	LOONG FONG LIN	25,246,500	4.32
5	RAMLI BIN ABDULLAH	22,079,500	3.78
6	REZA BIN SHARIFFUDIN	21,647,500	3.71
7	KOK FUI HUN	20,530,100	3.51
8	KAF NOMINEES (TEMPATAN) SDN.BHD. ONG SUAN PIN	12,400,000	2.12
9	GOH LILY	9,879,900	1.69
10	KAF NOMINEES (TEMPATAN) SDN.BHD. PLEDGED SECURITIES ACCOUNT FOR LIEW KUO YAW (LI3132)	8,050,000	1.38
11	LIEW KUO YAW	6,989,700	1.20
12	CHAI KIM FAH	6,333,500	1.08
13	REZA BIN SHARIFFUDIN	6,309,280	1.08
14	CHIANG SIEW ENG @ LE YU AK EE	6,000,000	1.03
15	LAI THIAM MEI	6,000,000	1.03
16	CHIEW CHEIK YEE	5,205,260	0.89
17	TAN SOH WAI	4,980,100	0.85
18	TAN SOH WAI	4,869,800	0.83
19	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TAN KIAN HONG (MY1779)	4,248,000	0.73
20	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG SEOW PANG	4,020,000	0.69
21	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG GEOK WAH (B BRKLANG-CL)	4,000,000	0.68
22	LEE CHEE MING	4,000,000	0.68
23	NG WOOI YING	3,750,000	0.64
24	KENANGA NOMINEES (TEMPATAN) SDN BHD FOR CHIANG SIEW ENG @ LE YU AK EE	3,700,000	0.63
25	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD RAVINDRAN A/L SINNAYYA	3,601,000	0.62
26	TAN HOCK CHYE	3,500,000	0.60
27	ONG SUAN PIN	3,500,000	0.60
28	WONG AH NGAN	3,300,000	0.56
29	RAMLI BIN ABDULLAH	3,261,833	0.56
30	LOW KIM CHOONG	3,000,000	0.51
	TOTAL	**397,921,373**	**68.11**

ANALYSIS OF ICULS HOLDINGS
AS AT 15 OCTOBER 2018

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
Less than 100	1	0.54	1	0.00
100 - 1,000	13	7.07	3,009	0.00
1,001 - 10,000	18	9.78	85,000	0.01
10,001 - 100,000	96	52.17	5,041,905	0.64
100,001 to less that 5% of ICULS	54	29.35	29,120,800	3.72
5% and above of ICULS	2	1.09	750,000,000	95.63
Total	**184**	**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	0	0.00
2	Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj	0	0.00	0	0.00
3	YAM Tengku Besar Tengku Kamil Ismail Bin Tengku Idris Shah	0	0.00	0	0.00
4	Y. Bhg. Dato' Khairi Bin Mohamad	0	0.00	0	0.00
5	En. Azlan Omry Bin Omar	0	0.00	0	0.00
6	Miss Ong Suan Pin	0	0.00	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	LOONG FONG LIN	4,347,100	0.55
5	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN LI PING (E-KPG/TMW)	1,400,000	0.18
6	NEO KET SHONG @ NEO YEE CHOON	1,000,000	0.13
7	CHAN BOON YOK	842,100	0.11
8	LEE CHEE KEONG	800,000	0.10
9	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR KOK POW PENG @ KOK POH PING (PB)	600,000	0.08
10	RAMLI BIN ABDULLAH	503,000	0.06
11	EU MUI @ EE SOO MEI	500,000	0.06
12	TAN AH KOW @ TAN CHEE LIN	500,000	0.06
13	KOK FUI HUN	490,000	0.06
14	GAN AH KUAN	450,000	0.06
15	TEO AH CHIEW	400,000	0.05
16	CHAN WAN TECK	400,000	0.05
17	CHIM LUANG ENG	400,000	0.05
18	LEW HUEY FANG	400,000	0.05
19	LOH SIN MIN	400,000	0.05
20	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SOH TECK CHIN	400,000	0.05
21	TAN MING SHENG	400,000	0.05
22	CHIM LUANG ENG	320,000	0.04
23	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AHMAD HASBI BIN MOHAMED @ ISMAIL	265,000	0.03
24	OOI CHIN AIK	225,000	0.03
25	GAN TIAN SOO @ GAN AH KAN	220,000	0.03
26	ALLIANCE GROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHIN CHUAN	220,000	0.03
27	LIM BEE HONG	201,080	0.03
28	REZA BIN SHARIFFUDIN	200,100	0.03
29	BONG HUA	200,000	0.03
30	CHEONG HUEY LING	200,000	0.03
	TOTAL	**774,711,880**	**98.78**

ANALYSIS OF WARRANT HOLDINGS
AS AT 15 OCTOBER 2018

No. of Warrant Issued	:	123,783,023
No. of Warrant Unexercised	:	123,783,023
Exercise Price	:	RM0.01
Issue Date	:	14 May 2018
Expiry Date	:	13 May 2028
No. of Warrant Holders	:	180

DISTRIBUTION OF WARRANT HOLDINGS

Size of Warrant Holdings	No. of Warrant Holders	% of Warrant Holders	No. of Warrant Held	% of Issued Warrant
Less than 100	3	1.66	123	0.00
100 - 1,000	21	11.67	12,727	0.01
1,001 - 10,000	50	27.78	152,438	0.12
10,001 - 100,000	74	41.11	2,435,489	1.97
100,001 to less that 5% of Warrant	28	15.56	25,842,046	20.88
5% and above of Warrant	4	2.22	95,340,200	77.02
Total	**180**	**100.00**	**123,783,023**	**100.00**

DIRECTORS' WARRANT HOLDINGS

		No. of Warrant		No. of Warrant	
No.	Name of Directors	Direct Interest	%	Deemed Interest	%
1	Y.M. Tunku Nizamuddin Bin Tunku Dato' Seri Shahabuddin	0	0.00	0	0.00
2	Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj	0	0.00	0	0.00
3	YAM Tengku Besar Tengku Kamil Ismail Bin Tengku Idris Shah	0	0.00	0	0.00
4	Y. Bhg. Dato' Khairi Bin Mohamad	0	0.00	0	0.00
5	En. Azlan Omry Bin Omar	0	0.00	0	0.00
6	Miss Ong Suan Pin	4,375,000	3.53	0	0.00

SUBSTANTIAL WARRANT HOLDERS

No.	Name of Substantial Shareholders	No. of Warrant	%
1	Best Birdsnest Sdn Bhd	67,144,700	54.24
2	Ramli Bin Abdullah	13,545,450	10.94
3	Kok Fui Hun	7,626,300	6.16
4	Reza Bin Shariffudin	7,023,750	5.67

Analysis of Warrant Holdings (cont'd)

THIRTY (30) LARGEST WARRANT HOLDERS

No.	Name of Warrant Holders	No. of Warrant	%
1	BEST BIRDSNEST SDN BHD	67,144,700	54.24
2	RAMLI BIN ABDULLAH	13,545,450	10.94
3	KOK FUI HUN	7,626,300	6.16
4	REZA BIN SHARIFFUDIN	7,023,750	5.67
5	LOONG FONG LIN	4,900,000	3.96
6	ONG SUAN PIN	4,375,000	3.53
7	THAM PEI YEE	2,500,000	2.02
8	NG WOOI YING	1,825,800	1.48
9	CHAI KIM FAH	1,666,750	1.35
10	RAMLI BIN ABDULLAH	1,630,916	1.32
11	LIM CHIN PO	1,221,000	0.99
12	REZA BIN SHARIFFUDIN	800,000	0.65
13	BOON KIM YU	778,000	0.63
14	CHIN SWEE YOONG	675,000	0.55
15	TAY AH NAI	625,000	0.50
16	GOH LILY	600,000	0.48
17	LEE CHEE KEONG	583,332	0.47
18	TAN SOH WAI	500,000	0.40
19	TAN CHUAN HONG	416,250	0.34
20	CHONG YONG LIN	375,000	0.30
21	LEE CHEE KEONG	333,332	0.27
22	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BOON KIM YU (CCTS)	300,000	0.24
23	ALLIANCE GROUP NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHENG PANG (MO011)	250,000	0.20
24	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG KEN ONN	200,000	0.16
25	CHEANG KEW PENG	200,000	0.16
26	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG KEH AUN (PENANG-CL)	200,000	0.16
27	LEE KOK HOONG	200,000	0.16
28	LAU ENG THEAN	166,666	0.13
29	LIM ENG CHOO	150,000	0.12
30	HACONG (HARDWARE & ELECTRICAL) SDN BHD	125,000	0.10
	TOTAL	**120,937,246**	**97.70**

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

Proxy Form

Number of shares held

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 Tuesday, 27 November 2018 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.	Re-election of Y. Bhg. Dato' Khairi Bin Mohamad who retires in accordance with Article 83 of the Company's Constitution.		
2.	Re-election of YAM Tengku Besar Tengku Kamil Ismail Bin Tengku Idris Shah who retires in accordance with Article 83 of the Company's Constitution.		
3.	To approve the payment of Directors' fees of RM283,333 for the period from 1 January 2017 until 30 June 2018.		
4.	To approve the payment of Directors' fees up to an amount of RM180,000 from 1 July 2018 until the conclusion of the next Annual General Meeting.		
5.	To re-appoint Messrs. Baker Tilly Monteiro Heng, as Auditors of the Company and to hold office until the conclusion of the next Annual General Meeting, at a remuneration to be determined by the Directors.		
6.	Authority to Allot and Issue Shares pursuant to the Companies Act, 2016.		
7.	Retention of Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj as an Independent Director.		
8.	Retention of Y. Bhg. Dato' Khairi Bin Mohamad as an 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 2018

....
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 No. 22C, Jalan Gelugor, 41050 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-Second (22nd) AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 59 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991 to issue a Record of Depositors as at 23 November 2018. 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)
No. 22C, Jalan Gelugor
41050 Klang
Selangor Darul Ehsan
Malaysia

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