



# CME

CME GROUP BERHAD | ANNUAL REPORT 2019  
197901007949 (52235-K)



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## NOTICE OF THE 23RD ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Twenty-Third (23rd) 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 Friday, 29 November 2019, at 10.00 a.m. for the purpose of transacting the following business:

### AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 30 June 2019 and the Reports of the Directors and Auditors thereon.
2. To re-elect the following Directors who retire by rotation in accordance with Article 83 of the Company's Constitution and who being eligible, offer themselves for re-election:
  - (i) Y.M. Tunku Nizamuddin Bin Tunku Dato' Seri Shahabuddin
  - (ii) Azlan Omry Bin Omar
3. To approve the payment of Directors' fees up to an amount of RM180,000 from the date of this Annual General Meeting until the conclusion of the next Annual General Meeting.
4. To re-appoint Messrs Baker Tilly Monteiro Heng PLT as Auditors of the Company for the financial year ending 30 June 2020 and to authorise the Board of Directors to determine their remuneration.

**Please refer  
to Note 2.**

**Ordinary  
Resolution 1  
Ordinary  
Resolution 2**

**Ordinary  
Resolution 3**

**Ordinary  
Resolution 4**

### AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following as Ordinary Resolutions:

5. AUTHORITY TO ALLOT AND ISSUE SHARES IN GENERAL PURSUANT TO THE COMPANIES ACT 2016
 

"THAT pursuant to the Companies Act 2016 and the Constitution of the Company and subject to the approvals by 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."
6. PROPOSED RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTORS
 

"THAT approval be and is hereby given to the following Directors who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than twelve (12) years, to continue to act as Independent Non-Executive Directors of the Company in accordance with the Malaysian Code on Corporate Governance 2017:

  - (i) Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj; and
  - (ii) Y. Bhg. Dato' Khairi Bin Mohamad."

**Ordinary  
Resolution 5**

**Ordinary  
Resolution 6**

**Ordinary  
Resolution 7**

## *Notice of the 23rd Annual General Meeting (cont'd)*

To consider and if thought fit, to pass the following as Special Resolution:

**7. PROPOSED ADOPTION OF THE NEW CONSTITUTION OF THE COMPANY**

“THAT approval be and is hereby given to revoke the existing Constitution (previously referred to as the Memorandum and Articles of Association) of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company, as set out in the Circular to Shareholders dated 31 October 2019 accompanying the Company's Annual Report for the financial year ended 30 June 2019, be and is hereby adopted as the Constitution of the Company AND THAT the Directors of the Company be and are hereby authorised to assent to any modification, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing.”

**Special  
Resolution 1**

- 8.** To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Constitution.

By Order of the Board

Cheam Tau Chern  
PC NO.: 201908000002  
Company Secretary

Shah Alam  
31 October 2019

**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-Third (23rd) 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 25 November 2019. 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 23rd AGM will be put to vote on a poll.



## *Notice of the 23rd Annual General Meeting (cont'd)*

### **2. Audited Financial Statements for the year ended 30 June 2019**

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.

### **3. Ordinary Resolution 5 – Authority for Directors to Allot and Issue Shares**

Ordinary Resolution 5, 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 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. As at the date of this Notice, no new shares were issued pursuant to the authority granted to the Directors at the Twenty-Second (22nd) Annual General Meeting held on 27 November 2018, the mandate of which will lapse at the conclusion of the Twenty-Third (23rd) Annual General Meeting to be held on 29 November 2019.

### **4. Ordinary Resolution 6 and 7 – Proposed 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 6 and 7 will be sought on a two-tier voting basis.

### **5. Special Resolution 1 – Proposed Adoption of the New Constitution of the Company**

The proposed Special Resolution, if passed, will bring the Company's Constitution in line with the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The proposed new Constitution is set out in the Circular to Shareholders dated 31 October 2019 accompanying the Company's Annual Report for the financial year ended 30 June 2019.

The Proposed Adoption of the New Constitution of the Company shall take effect once the proposed Special Resolution has been passed by a majority of not less than 75% of such members who are entitled to vote and do vote in person or by proxy at the 23rd AGM.

# STATEMENT ACCOMPANYING NOTICE OF THE 23 RD 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-Third (23rd) Annual General Meeting of the Company are as follows:

- Y.M. Tunku Nizamuddin Bin Tunku Dato' Seri Shahabuddin, a Director retiring under Article 83 of the Company's Constitution.
- Azlan Omry Bin Omar, a Director retiring under Article 83 of the Company's Constitution.

## 2. DETAILS OF BOARD MEETINGS AND ATTENDANCE OF DIRECTORS

A total of four (4) Board Meetings were held at the Board Room of the Company, Lot 19, Jalan Delima 1/1, Taman Perindustrian Teknologi Tinggi Subang, 47500 Subang Jaya, Selangor Darul Ehsan during the period from 1 July 2018 until 30 June 2019.

All Directors have complied with the minimum attendance at Board Meetings as stipulated in the Bursa Malaysia Securities Berhad Listing Requirements during the financial year under review.

The attendance of each Director is as follows:

Name of Directors	No. of meetings attended/held	Percentage of Attendance (%)
Y.M. Tunku Nizamuddin Bin Tunku Dato' Seri Shahabuddin	4/4	100%
Encik Azlan Omry Bin Omar	4/4	100%
Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj	4/4	100%
Y. Bhg. Dato' Khairi Bin Mohamad	4/4	100%
Miss Ong Suan Pin	4/4	100%
YAM Tengku Besar Tengku Kamil Ismail Bin Tengku Idris Shah	3/4	75%

## 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 23rd Annual General Meeting on pages 02 to 04 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.

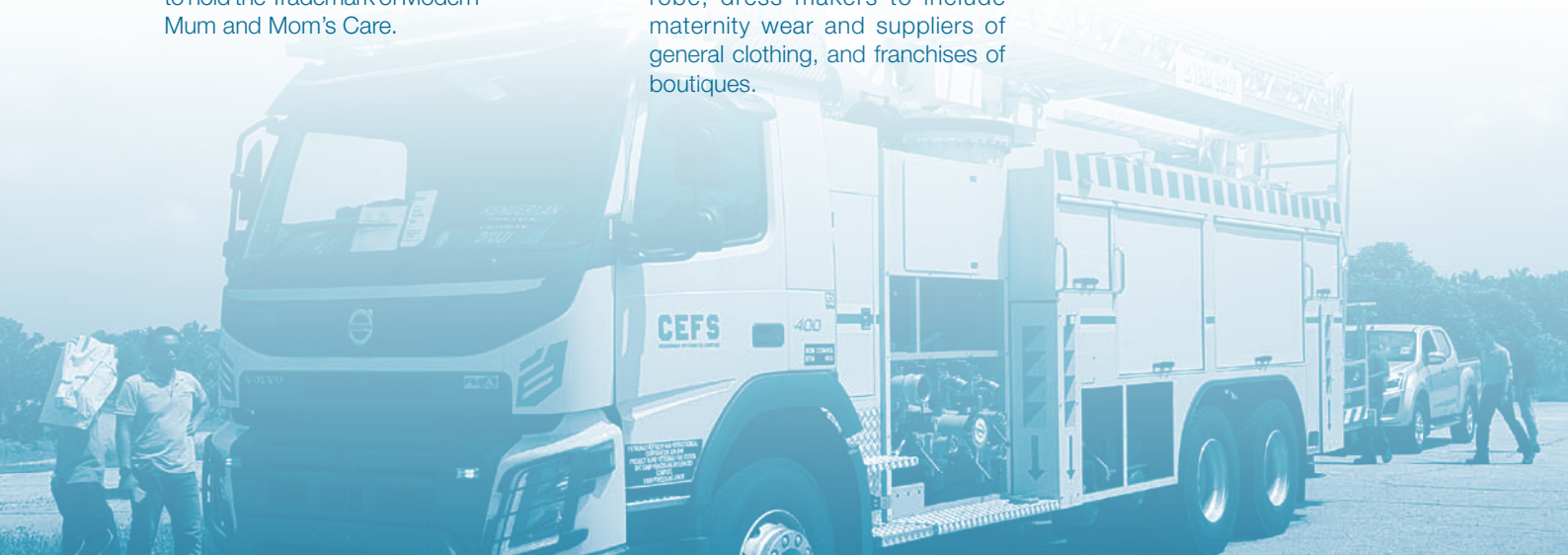
The existing principal activity of the Group is providing comprehensive solutions in relation to designing, manufacturing and sales of various types of specialised mobility vehicles, and fire fighting and safety vehicles. The Group designs and builds various types of fire fighting vehicles, specialist 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 customised, 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





## 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  
(PC No: 201908000002)

### 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

Boardroom Share Registrars Sdn Bhd  
11th Floor, Menara Symphony, No.5  
Jalan Prof. Khoo Kay Kim, Seksyen 13  
46200 Petaling Jaya,  
Selangor  
Tel : 03-7890 4700  
Fax : 03-7890 4670

### AUDITORS

Messrs. Baker Tilly Monteiro Heng PLT  
Chartered Accountants  
Baker Tilly 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 BANKER

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*

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**Y.M. Tunku Nizamuddin Bin Tunku Dato' Seri Shahabuddin**, aged 48, 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 is deemed as a substantial shareholder in CME and has no interests in the securities of any subsidiary companies of CME. He also sits on the Board of several other private limited companies.

### **En. Azlan Omry Bin Omar**

*Executive Director*

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**En. Azlan Omry Bin Omar**, aged 53, 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*

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**Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj**, aged 68, 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*

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**Dato' Khairi Bin Mohamad**, aged 79, 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*

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**Miss Ong Suan Pin**, aged 61, 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*

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**YAM Tengku Besar Tengku Kamil Ismail Bin Tengku Idris Shah**, aged 69, Malaysian, was appointed to the Board of the Company on 9 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 Taman Positif Sdn Bhd. He is also the Chairman of Sultan Ahmad Shah Pekan Pahang Mosque. He is active in sport especially badminton. He is the president of Pahang Badminton Association for the past 30 years till today. 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*

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

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

He holds 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*

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

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

He does not have any family relationship with any of the Directors and/or substantial shareholders of the Company 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/Member of ESOS Committee*

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**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 29 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 year ended ("FYE") 30 June 2019. The previous financial period ended ("FPE") was for 18 months period ended 30 June 2018.*

### FINANCIAL PERFORMANCE AND BUSINESS REVIEW

The Group's revenue for the 12 months FYE 30 June 2019 recorded at RM37.8 million as compared to RM56.5 million for the 18 months FPE 30 June 2018. The main revenue were from the Specialised Mobility Vehicles ("SMV") Division, being the cumulative effect of the adoption of MFRS 15 Revenue from Contracts with Customers was applied retrospectively as an adjustment to the opening balance of retained earnings as the revenue recognition were based on performance obligation of the projects satisfied at a point in time. This results the Division can only recognise the sales when the truck is delivered.

Loss before tax has increased to RM23.7 million for the FYE 30 June 2019 from loss before tax of RM13.8 million for the 18 months FPE 30 June 2018. The increase was mainly due to higher impairment loss on land held for property development and higher fair value loss on investment properties recognised during the financial year as compared to previous financial period.

The Fire Suppression and Prevention ("FSP") Division managed to contribute positively to the Group, however the Property Investment ("PI") Division and retail businesses were in loss position.

Manufacturing Segment continues to be the main core business for the group in terms of revenue, which accounted for 91.1% of the total revenue, followed by Trading Segment which accounted for 6% of the total revenue for the FYE 30 June 2019.

### BUSINESS OUTLOOK AND FUTURE PROSPECT

The market in 2019/2020 is expected to remain challenging in view of the market competition and on-going trade war between US and China. The SMV Division continues to be the core business for the Group and its performance would be dependent on the orders and tenders secured and the expected gradual recovery of the market which might subsequently increase the spending power in both the government and private sectors.

The volatility in foreign exchange rate poses a challenge for the Group as it will result in increase of costs of imported material which constitute major costs of the projects and consequently reduce the profit of the Group. In order to maintain its market competitiveness, the Board will remain cautious and constantly review its price structure and react accordingly.

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

### CORPORATE SOCIAL RESPONSIBILITY

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

A variety of activities, such as festive celebration and sport activities were 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 FYE 30 June 2019.

### 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

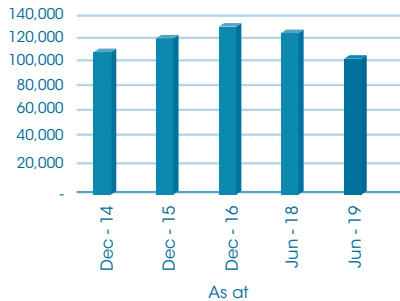
	Year Ended 31 December			18 months Financial Period Ended 30 June 2018	FYE 30 June 2019
	2014	2015	2016		
<b>FINANCIAL PERFORMANCE (RM'000)</b>					
Revenue	21,987	22,293	24,759	56,523	<b>37,810</b>
Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA")	5,226	(11,410)	(11,655)	(10,100)	<b>(21,725)</b>
Profit/(Loss) Before Taxation	3,873	(13,667)	(14,719)	(13,800)	<b>(23,735)</b>
Profit/(Loss) After Taxation	3,048	(13,517)	(14,829)	(14,103)	<b>(23,645)</b>
Net Profit/(Loss) Attributed to Equity Holders	3,048	(13,517)	(14,829)	(14,103)	<b>(23,645)</b>
<b>KEY BALANCE SHEET DATE (RM'000)</b>					
Total Assets	115,967	122,618	132,000	126,645	<b>109,333</b>
Total Liabilities	35,347	51,138	69,990	59,241	<b>72,700</b>
Equity Attributable to owners of the Company	80,620	71,480	65,010	67,404	<b>36,663</b>
<b>SHARE INFORMATION</b>					
Basic Earnings Per Share (sen)	0.691	-3.064	-3.362	-2.414	<b>-4.047</b>
Diluted Earnings Per Share (sen)	0.691	-3.064	-3.362	-2.414	<b>-4.047</b>
<b>FINANCIAL RATIOS</b>					
Current Ratio (times)	0.563	0.534	0.370	0.553	<b>0.481</b>
Net Assets Per Share (RM)	0.183	0.162	0.147	0.115	<b>0.063</b>

**Notes:**

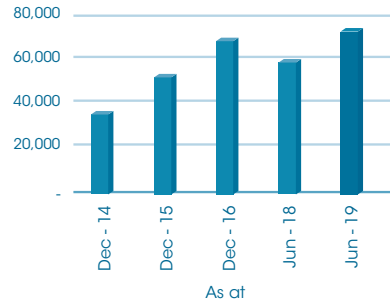
1. Earnings per share ("EPS") is computed by dividing the Net Profit/(Loss) Attributed to Equity Holders by the weighted average number of ordinary shares in issue during the financial year.
2. The diluted earnings per ordinary share is same as the basic earnings per share because the effect of the assumed conversion of warrants outstanding will be anti-dilutive and the Company has no other dilutive potential ordinary share in issue as at the end of the reporting period.

## Five-Year Financial Highlights (cont'd)

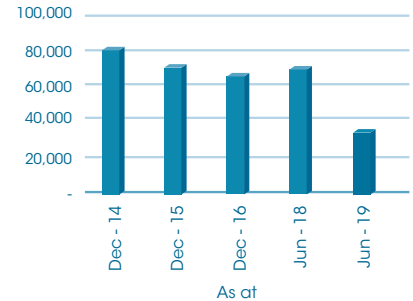
**Total Assets (RM'000)**



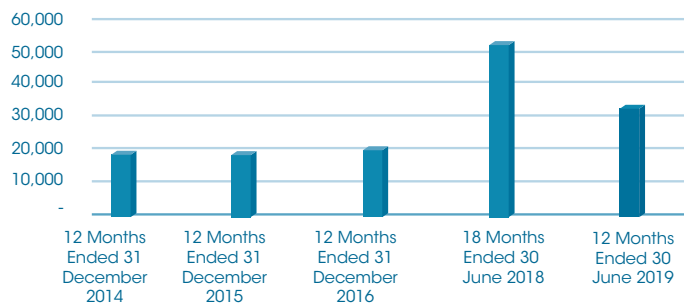
**Total Liabilities (RM'000)**



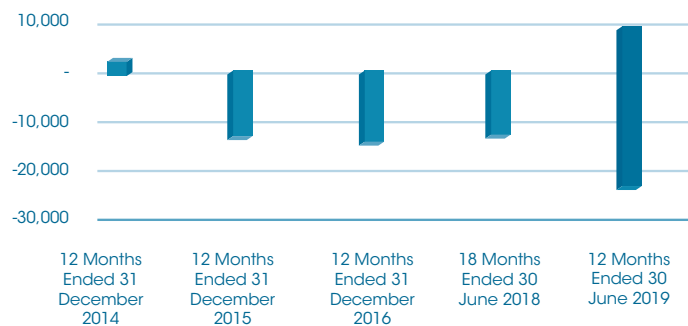
**Equity Attributable to owners of the Company (RM'000)**



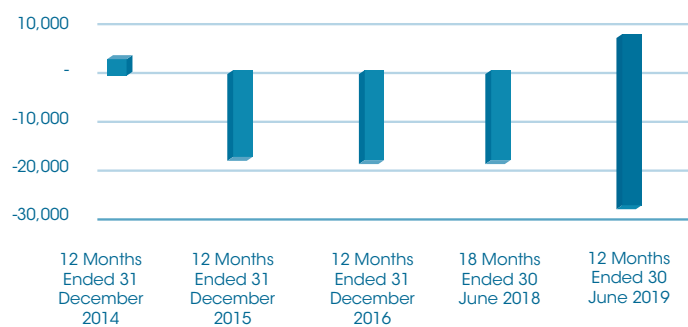
**Revenue (RM'000)**



**EBITDA (RM'000)**



**Net Profit/(Loss) Attributed to Equity Holders**





## 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 track 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

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. The Group’s revenue for the full financial year ended (“FYE”) 30 June 2019 was recorded at RM37.8 million. The revenue was mainly from Specialised Mobility Vehicles (“SMV”) Division of RM34.4 million or 91.1% out of the total revenue, of which RM28.6 million was due to the application of MFRS 15 retrospectively with the cumulative effect recognised as an adjustment to the opening balance of retained earnings.

The Group reported a loss before tax of RM23.8 million. Loss before tax was mainly attributed to other expenses that comprise of impairment loss on land held for property development and fair value loss on investment properties.

The Group’s cash and cash equivalents increased RM2.76 million to RM6.76 million as at 30 June 2019 from RM4.0 million as at 30 June 2018, cash generated from operating activities. Total loans and borrowings decreased to RM33.0 million for the FYE 30 June 2019 as compared to RM34.4 million as at 30 June 2018.

### 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 2.9% and 2.8% of our Group’s revenue for the 12 months FYE 30 June 2019 and 18 months financial period ended (“FPE”) 30 June 2018, respectively.

The loss before tax for Investment Holding segment was RM34.6 million during 12 months for the FYE 30 June 2019 (18 months for FPE 30 June 2018: RM23.6 million). The increased in the loss before tax for the FYE 30 June 2019 was mainly attributable to other expenses that comprise of impairment on amount owing by subsidiaries of RM4.7 million, impairment on Quasi loan of RM16.8 million and fair value loss on investment properties of RM10.1 million.

The property market is generally encountered a significant downturn during this period. As a result, the current valuation of the Properties is significantly lower. CME believes that it is not currently economically viable to develop the land held for property development. As and when opportunities arise, our Group shall conduct assessment and reviews the potential development and portfolio of investment properties.

## Management Discussion and Analysis (cont'd)

### Manufacturing

Manufacturing, mainly SMV Division, 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 91.1% or RM34.4 million of the Group's total revenue for the FYE 30 June 2019 (18 months for FPE 30 June 2018: 81% or RM45.8 million), of which RM28.6 million was due to the application of MFRS 15 retrospectively with the cumulative effect recognised as an adjustment to the opening balance of retained earnings.

Manufacturing segment has contributed positively to the Group's performance in 12 months FYE 30 June 2019 and recorded a profit before tax of RM0.7 million as compared to a profit before tax of RM2.5 million for 18 months FPE 30 June 2018.

### 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 6% and 16% of our Group's revenue for the 12 months FYE 30 June 2019 and 18 months FPE 30 June 2018, respectively. The revenue for 12 months FYE 30 June 2019 of RM2.3 million mainly from projects secured and completed by Fire Suppression and Prevention ("FSP") Division.

The segment recorded a loss before tax of RM0.3 million for the FYE 30 June 2019 due to the 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 RM12 million mainly due to impairment loss on land held for property development of RM9.5 million and other expenses incurred by the subsidiary company, CME Properties (Australia) Pty Ltd.

## PROSPECT

The local and global economy will continue to be challenging in 2019/2020. However, the Group remains cautiously optimistic on the outlook of the Specialised Mobility Vehicles ("SMV") industry particularly in the after sales market. 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 SMV Division and FSP Division. 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.

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 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 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.

## DIVIDENDS

The Board had not proposed any dividend for the FYE 30 June 2019.

## SUSTAINABILITY STATEMENT

CME Group Berhad (“CME”) is pleased to present its Sustainability Statement for the financial year ended 30 June 2019. 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 report focuses on our core business activities that were conducted during the financial year 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	<ul style="list-style-type: none"> <li>Meetings</li> <li>Customer feedback</li> </ul>	As needed As needed	<ul style="list-style-type: none"> <li>Customers' specific preferences and requirements (Customer satisfactions)</li> <li>Product quality</li> <li>After sales services</li> </ul>
2	Vendors/ Contractors	<ul style="list-style-type: none"> <li>Meetings</li> </ul>	As needed	<ul style="list-style-type: none"> <li>Prompt payment</li> </ul>
3	Employees	<ul style="list-style-type: none"> <li>Appraisals</li> <li>Trainings</li> <li>Open communications</li> </ul>	Annual As needed	<ul style="list-style-type: none"> <li>Remunerations</li> <li>Staff welfare</li> <li>Career advancement</li> </ul>
4	Regulators	<ul style="list-style-type: none"> <li>Statutory reporting</li> </ul>	As required	<ul style="list-style-type: none"> <li>Compliance with legal regulations</li> </ul>
5	Shareholders & Investors	<ul style="list-style-type: none"> <li>Annual General Meeting</li> <li>Extraordinary Meeting</li> </ul>	Annual As needed	<ul style="list-style-type: none"> <li>Profitability</li> <li>Dividend</li> </ul>

## Sustainability Statement (cont'd)

### IDENTIFICATION OF MATERIAL SUSTAINABILITY MATTERS

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

#### 1. Customer

##### i. Customer satisfaction

Our Group core business are manufacturing and sales of specialised mobility vehicles, firefighting and safety vehicles and other safety related products. We recognises that keeping customers satisfied is key factor for the sustainable success of the Group's business. Hence, engagement channels such as meeting, email, and phone calls with customers to get a deeper understanding of customers' needs. Our business goals is to develop and sell products that appeal to our customers. We will maintain our competitive advantage by ensuring prompt delivery, price competitiveness of our products and consistent quality.

##### ii. After sale services

Our Group has also provide after sale service to customers and is confident that we will maintain our good relationship. 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.

#### 2. Employees

CME recognises that our employees are a key assets that plays a major role in influencing the performance of the Group. Human capital is the most valuable asset, the Group committed to provide 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
i.	Health and safety	<ul style="list-style-type: none"> <li>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.</li> <li>The Group, through CME Sport Club, promotes a balance and healthy lifestyle for the employees and their immediate family. We contributed to CME Sport Club for various outdoor activities, recreational and sport activities for the benefit of its members.</li> </ul>
ii.	Employee welfare	<ul style="list-style-type: none"> <li>Equal opportunities for career advancement based on performance to all employees irrespective of gender, age or ethnicity.</li> <li>Fair and competitive compensation and benefits.</li> <li>Complies with local statutory requirement to contributes to the Employees' Provident Fund, social security protection and annual leave provision.</li> <li>Provides medical benefits for outpatient, accident insurance, hospitalisation and surgical insurance coverage to employees and their family members.</li> </ul>
iii.	Continuous training	<ul style="list-style-type: none"> <li>We recognised 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:               <ol style="list-style-type: none"> <li>Sales &amp; Service Tax – Principles, Concepts &amp; Compliance</li> <li>Companies of the Future – The Role for Boards Revisiting the Misconception of Board Remuneration</li> <li>Seminar on MBRS Preparers Financial Statements</li> </ol> </li> </ul>



## Sustainability Statement (cont'd)

### IDENTIFICATION OF MATERIAL SUSTAINABILITY MATTERS (CONT'D)

#### 3. Environment

##### i. Environment friendly

We recognise 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.

We promote and recommend to our customers environmentally friendly product namely “Pyroshield”. Pyroshield is an IG55 inert gas extinguishing system, complies to NFPA 2001 – Standard on Clean Agent Fire Extinguishing Systems, with zero ozone depleting potential, zero global warming potential and no atmospheric life. Technically, no decomposition by-products that will damage equipment, no thermal shock to sensitive electronic and electrical equipment and no clean-up after discharge.



# 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 year under review.

## 1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

### 1.1 Clear Functions of the Board and Management

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

To assist the Board in the discharge of its oversight function, the Board has established Board Committees namely an Audit Committee, 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 and 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](http://www.cme.com.my).

#### 1.4 Strategies that Promote Sustainability

The Board places great importance on corporate responsibility and business sustainability. The Company's activities on environment, social and governance for the year under review are disclosed in the 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.

## Corporate Governance Overview Statement (cont'd)

### 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](http://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 year, the performance evaluation indicated that the Board continue to function effectively.

##### 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.

## *Corporate Governance Overview Statement (cont'd)*

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

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

##### **2.2.4 Assessment of Independent Directors (Cont'd)**

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 year are subject to re-election by the shareholders at the next AGM to be held following their appointments.

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

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

#### **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.



## Corporate Governance Overview Statement (cont'd)

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

#### 2.3 Remuneration Committee (Cont'd)

- 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.

## Corporate Governance Overview Statement (cont'd)

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

#### 2.3 Remuneration Committee (Cont'd)

##### 2.3.3 Disclosure of Directors' Remuneration

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

Directors	Fee (RM)	Salary (RM)	Statutory Contribution (RM)	Incentive (RM)	Total (RM)
<b>From the Company</b>					
<b>Executive Directors</b>					
Y.M. Tunku Nizamuddin Bin Tunku Dato' Seri Shahabuddin	20,000	–	–	–	20,000
En. Azlan Omry Bin Omar	20,000	126,924	15,120	–	162,044
<b>From the Company</b>					
<b>Non-Executive Directors</b>					
Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj	20,000	–	–	–	20,000
Y. Bhg. Dato' Khairi Bin Mohamad	40,000	–	–	–	40,000
Miss Ong Suan Pin	40,000	–	–	–	40,000
YAM Tengku Besar Tengku Kamil Ismail Bin Tengku Idris Shah	40,000	–	–	–	40,000
<b>From the Group</b>					
<b>Executive Directors</b>					
Y.M. Tunku Nizamuddin Bin Tunku Dato' Seri Shahabuddin	20,000	–	–	–	20,000
En. Azlan Omry Bin Omar	20,000	253,800	30,240	–	304,040
<b>Non-Executive Directors</b>					
Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj	20,000	–	–	–	20,000
Y. Bhg. Dato' Khairi Bin Mohamad	40,000	–	–	–	40,000
Miss Ong Suan Pin	40,000	–	–	–	40,000
YAM Tengku Besar Tengku Kamil Ismail Bin Tengku Idris Shah	40,000	–	–	–	40,000

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 packages 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, scrutinise 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.

## Corporate Governance Overview Statement (cont'd)

### 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 09 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 year, the Board met four (4) times and all Directors have complied with the requirement in respect of board meeting attendance as provided in the Listing Requirements of Bursa Malaysia. At these meetings, all members of the Board are encouraged to conduct full deliberation on issues brought up. Senior management and external advisors are invited to attend the Board meetings to brief and advice on relevant agenda items to enable the Board to arrive at a considered decision. At these meetings, the Company Secretary are responsible for ensuring that all relevant procedures are complied with and that accurate and proper records of the proceedings of Board meetings and resolutions passed are recorded and kept in the statutory register at the registered office of CME.

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

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

#### 4.2 Directors' Training

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

All Directors have attended the Mandatory Accreditation Programme prescribed by the Listing Requirements of Bursa Malaysia. From time to time, all directors are provided with reading materials and internal briefings pertaining to their roles and responsibilities by Company Secretary.

## Corporate Governance Overview Statement (cont'd)

### 4. FOSTER COMMITMENT (CONT'D)

#### 4.2 Directors' Training (Cont'd)

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

During the financial year under review, the Director attended the following training programme:

<u>Name</u>	<u>Programme</u>
En. Azlan Omry Bin Omar	Sales & Service Tax – Principles, Concepts & Compliance Companies of the Future – The Role for Boards Revisiting the Misconception of Board Remuneration
Miss Ong Suan Pin	seminar on MBRS Preparers Financial Statements

### 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 year 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 37 and 39 of this Annual Report provides an overview of the state of risk management and internal controls of the Group and of the Company.

## Corporate Governance Overview Statement (cont'd)

### 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](http://www.cme.com.my) or through the Bursa Malaysia website at [www.bursamalaysia.com](http://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. STRENGTHEN 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 23.10.2019.



## Corporate Governance Overview Statement (cont'd)

### ADDITIONAL COMPLIANCE INFORMATION

The following information provided is in respect of the FYE 30 June 2019.

**1. Utilisation of Proceeds**

No proceed were raised by the Company from any corporate proposal during the financial year ended 30 June 2019.

**2. Audit and Non-Audit Fees**

During the financial year, 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	149
Non-Audit Fees	11	14

**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 year under review.

# AUDIT COMMITTEE REPORT

## CONSTITUTION

The terms of reference of the Audit Committee are set out in pages 33 and 36 of the Annual Report.

## COMPOSITION

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

## MEMBERSHIP

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

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

## MEETINGS

The Committee met four (4) times during the FYE 30 June 2019. Details of the attendance of each member at the Audit Committee Meeting held during the year are as follows:

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

## SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

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

### 1. Financial Results

- (a) Reviewed the unaudited quarterly financial results and announcements before recommending to the Board for consideration and approval and the release of the Group's results to Bursa Malaysia.
- (b) Reviewed the annual audited financial statements before recommending to the Board for consideration and approval. The review was to ensure that the financial reporting and disclosures were in compliance with:
  - Main Market Listing Requirements of Bursa Malaysia;
  - Provisions of Companies Act 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 appointment and remuneration of the external auditors.
- (d) Reviewed with the external auditors the impact of new or proposed changes in accounting standards and regulatory requirements and the extent of compliance.
- (e) During the review of CME's twelve-month's financial results, the Group External Auditors, Messrs Baker Tilly Monteiro Heng PLT was invited to discuss the Group's financial statements for the FYE 30 June 2019. 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 year prepared by the internal auditors to ensure adequate scope and coverage on the activities of the Group taking into consideration the assessment of the key risks areas.
- (b) Reviewed the performance, adequacy, resources and competency of the internal auditors.
- (c) Reviewed the internal audit reports, audit recommendations made and Management's response to these recommendations and actions taken to improve system of internal control and procedures.

### INTERNAL AUDIT FUNCTION

The Internal Audit Function ("IAF") of the Group is outsourced. The cost incurred for the outsourced of internal audit function in respect of the financial year 2019 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 year, the activities carried out were as follows:

- (a) Conducted internal audit reviews in accordance with the approved internal audit plan and reported to the Audit Committee on the findings and the actions taken by Management to address the matters highlighted.
- (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; and
- (d) in maintaining a sound system of internal controls to safeguard shareholders' investment and the Company's assets.
- (e) ensure the independence of the external and internal audit functions.

**2. Composition of the Audit Committee**

- (a) The Audit Committee shall comprise a minimum of three (3) members, of which a majority must be independent directors.
- (b) All members of the Audit Committee shall be non-executive directors.
- (c) At least one (1) member of the Audit Committee shall be a member of the Malaysian Institute of Accountants or a person who fulfils the requirements of the Listing Requirements.
- (d) The Chairman of the Audit Committee shall be an Independent Director.
- (e) All members of the Audit Committee shall hold office only for so long as they serve as Directors of the Company.

## Audit Committee Report (cont'd)

### TERMS OF REFERENCE (CONT'D)

#### 3. Duties and Responsibilities of the Audit Committee

- (a) To nominate and recommend the appointment of the external auditors and considers the adequacy of experience, resources, audit fee and any issues regarding their re-appointment, resignation or dismissal;
- (b) To discuss with the external auditors before the audit commences the nature and scope of the audit;
- (c) To discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);
- (d) To review with external auditors, their audit report;
- (e) To perform the following in respect of the IAF:
  - (i) reviews and reports to the Board on:
    - the adequacy of the scope, authority, functions, resources and competency of the IAF;
    - the internal audit programme, processes and the results of the internal audit programme, process or investigations undertaken and whether or not the management takes appropriate action on the recommendation of the IAF;
  - (ii) discuss and review the major findings of internal audit investigations and Management's response and where necessary, ensures that appropriate actions taken on the recommendations of the IAF;
  - (iii) reviews any appraisal or assessment of the performance of members of the IAF;
  - (iv) ensures the independence of the IAF and that it reports directly to the Audit Committee;
- (f) To review with the management and the external auditors the quarterly and year-end financial statements before their submission to the Board, focusing particularly on any changes in accounting policies and practices, significant adjustments arising from the audit, the going concern assumptions, and compliance with accounting standards and other statutory requirements;
- (g) To review and report to the Board on any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (h) To report to the Board of Directors if there is any breach of Listing Requirements and recommends corrective measures;
- (i) To promptly report to Bursa Malaysia where a matter reported by the Audit Committee to the Board has not been satisfactorily resolved resulting in a breach of Listing Requirements; and
- (j) To consider other issues as defined by the Board.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

### BOARD RESPONSIBILITY

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

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

### RISK MANAGEMENT

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

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

### ERM framework

The Board regards risk management as an integral part of the Group's business operations and has oversight over this critical area through the Audit Committee. The Audit Committee, supported by the 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 work closely with management to understand all aspects of CME Group's business environment and recommend measures to improve the internal controls, where appropriate. They concentrate on areas in which risk exposures are high and management's area of concern as well as areas which have significant financial impact to the Group. This is to provide reasonable assurance that such systems continue to operate satisfactorily and effectively within the Group.

For the FYE 30 June 2019, 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:

- a) the sales and order management
- b) credit control
- c) procurement
- d) 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 objective of the internal audit review is to assist the board of directors in performing its oversight responsibilities, and to help increase shareholders' confidence in the Group's system of internal controls.

The 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;

## Statement On Risk Management And Internal Control (cont'd)

### INTERNAL CONTROL SYSTEM (CONT'D)

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

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 when there is necessary 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;
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 quarterly 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 year under review.

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

This statement is made in accordance with the resolution of the Board of Directors dated 23 October 2019.

## 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 2019 and of the results and the cash flows of the Group and of the Company for the year then ended.

In preparing these financial statements for the year ended 30 June 2019, 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 Group and 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 Group and of the Company and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.



# FINANCIAL STATEMENTS

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## DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2019.

### 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 have been no significant changes in the nature of these activities during the financial year.

### RESULTS

	Group RM'000	Company RM'000
Loss for the financial year, net of tax	(23,645)	(34,274)
Attributable to: Owners of the Company	(23,645)	(34,274)

### DIVIDENDS

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

The directors do not recommend the payment of any dividends in respect of the financial year ended 30 June 2019.

### RESERVES OR PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year 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 which 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 year which secures the liabilities of any other person; and
- (ii) any contingent liabilities in respect of the Group or of the Company which has arisen since the end of the financial year.

In the opinion of the directors, except as disclosed in Note 2.7 to the financial statements, no contingent or other liability of the Group or of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year 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 year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

**ISSUE OF SHARES AND DEBENTURES**

During the financial year, the Company did not issue any shares or debentures.



## Directors' Report (cont'd)

### OPTIONS GRANTED OVER UNISSUED SHARES

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

### DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year 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

\* 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 year and during the period from the end of the financial year to the date of the report are:

Nicola Lim Lian Li  
Datuk Abdul Rashid Bin Asari  
Sean Lian Siong Lim  
Lim Bee Hong

(Resigned on 9 July 2019)

### 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 year in shares in the Company and its related corporations during the financial year were as follows:

	At 1.7.2018	Number of ordinary shares		At 30.6.2019
		Bought	Sold	
<b>Direct interests:</b>				
Ong Suan Pin	15,900,000	–	–	15,900,000

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

### DIRECTORS' BENEFITS

Since the end of the previous financial period, 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 24 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 year, 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.

*Directors' Report  
(cont'd)***INDEMNITY TO DIRECTORS AND OFFICERS**

During the financial year, 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.

**SIGNIFICANTS EVENTS DURING AND SUBSEQUENT TO THE FINANCIAL YEAR**

The details of significant events during and subsequent to the financial year are disclosed in Note 32 to the financial statements.

**AUDITORS' REMUNERATION**

The details of auditors' remuneration are disclosed in Note 24 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 PLT (converted from a conventional partnership, Baker Tilly Monteiro Heng on 5 March 2019), 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: 23 October 2019

# 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 2019 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 50 to 131.

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 2019, and of their financial performance and their cash flows for the financial year 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 RM23,645,000 and RM34,274,000 respectively during the financial year ended 30 June 2019 and, as of that date, the Group's and the Company's current liabilities exceeded their current assets by RM35,218,000 and RM53,324,000 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 going concerns. 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 year. 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 in our report.

### Group

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#### Property, plant and equipment, investment properties and inventories (Note 4.1, 4.2, 5, 6 and 7 to the financial statements)

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The directors estimated the fair value of the freehold land and building and investment properties and the net realisable value of the freehold land held for development under inventories based on the valuation performed by external independent valuers.

The Group recognised revaluation surplus on freehold land and building of RM1,446,000, fair value loss on investment properties of RM10,124,000 and write down on freehold land held for development of RM9,553,000 respectively during the financial year.

We focused on this area because these adjustments requires significant judgement made by the Group as it was determined based on the valuation performed by external independent valuers which involves determining the appropriate valuation methods and the key assumptions used in the valuations.

*Independent Auditors' Report  
(cont'd)***Key Audit Matters (Cont'd)****Group (Cont'd)****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 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.

**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 going concerns, 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.

## *Independent Auditors' Report* *(cont'd)*

### **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 going concerns. 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 going concerns.
- 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.

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 year 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.

*Independent Auditors' Report  
(cont'd)***REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

**OTHER MATTERS**

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 PLT**

LLP0019411-LCA & AF 0117  
Chartered Accountants

**Ong Teng Yan**

No. 03076/07/2021 J  
Chartered Accountant

Kuala Lumpur

Date: 23 October 2019

# STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	28,586	27,742	12	14
Investment properties	6	36,113	46,237	36,113	46,237
Inventories	7	11,739	21,787	–	–
Intangible assets	8	–	–	–	–
Investment in subsidiaries	9	–	–	36,131	37,515
Other investment	10	268	623	268	623
<b>Total non-current assets</b>		<b>76,706</b>	<b>96,389</b>	<b>72,524</b>	<b>84,389</b>
<b>Current assets</b>					
Inventories	7	17,462	931	–	–
Contract assets	11	–	17,316	–	–
Trade and other receivables	12	8,156	7,526	3,846	3,950
Amount due from subsidiaries	13	–	–	7	20,662
Tax recoverable		249	458	–	–
Cash and bank balances	14	6,760	4,025	58	82
<b>Total current assets</b>		<b>32,627</b>	<b>30,256</b>	<b>3,911</b>	<b>24,694</b>
<b>TOTAL ASSETS</b>		<b>109,333</b>	<b>126,645</b>	<b>76,435</b>	<b>109,083</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	15	49,459	49,459	49,459	49,459
ICULS	16	31,370	31,370	31,370	31,370
Reserves	17	(44,196)	(13,425)	(62,253)	(27,979)
<b>TOTAL EQUITY</b>		<b>36,633</b>	<b>67,404</b>	<b>18,576</b>	<b>52,850</b>
<b>Non-current liabilities</b>					
Loans and borrowings	18	1,397	1,843	–	–
Provisions	19	150	–	–	–
Other payables	20	220	440	220	440
Deferred tax liabilities	21	3,088	2,202	404	710
<b>Total non-current liabilities</b>		<b>4,855</b>	<b>4,485</b>	<b>624</b>	<b>1,150</b>
<b>Current liabilities</b>					
Loans and borrowings	18	31,640	32,575	4,500	3,759
Provisions	19	223	867	–	–
Trade and other payables	20	21,518	21,038	18,146	18,289
Amount due to subsidiaries	13	–	–	34,589	33,035
Contract liabilities	11	14,410	117	–	–
Tax payables		54	159	–	–
<b>Total current liabilities</b>		<b>67,845</b>	<b>54,756</b>	<b>57,235</b>	<b>55,083</b>
<b>TOTAL LIABILITIES</b>		<b>72,700</b>	<b>59,241</b>	<b>57,859</b>	<b>56,233</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>109,333</b>	<b>126,645</b>	<b>76,435</b>	<b>109,083</b>

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



# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

		Group	Company		
		1.7.2018 to 30.6.2019 (12 months) RM'000	1.1.2017 to 30.6.2018 (18 months) RM'000	1.7.2018 to 30.6.2019 (12 months) RM'000	1.1.2017 to 30.6.2018 (18 months) RM'000
	Note				
Revenue	22	37,810	56,523	1,086	1,571
Cost of sales		(32,094)	(44,733)	(451)	(1,023)
<b>Gross profit</b>		5,716	11,790	635	548
Other income		381	833	27	1,779
Administrative expenses		(6,382)	(10,369)	(2,143)	(3,111)
Net impairment losses on financial instruments		(782)	(1,446)	(4,881)	(3,892)
Other expenses		(21,169)	(11,837)	(27,310)	(24,265)
<b>Operating loss</b>		(22,236)	(11,029)	(33,672)	(28,941)
Finance costs	23	(1,499)	(2,771)	(908)	(1,739)
<b>Loss before tax</b>	24	(23,735)	(13,800)	(34,580)	(30,680)
Income tax expense	25	90	(303)	306	125
<b>Loss for the financial year/period</b>		(23,645)	(14,103)	(34,274)	(30,555)
<b>Other comprehensive income/(loss), net of tax</b>					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Revaluation surplus on freehold land and building		235	8,973	–	–
<i>Items that may be reclassified subsequently to profit or loss</i>					
Exchange differences on translation of foreign operation		(506)	(3,098)	–	–
<b>Other comprehensive (loss)/income for the financial year/period</b>		(271)	5,875	–	–
<b>Total comprehensive loss for the financial year/period</b>		(23,916)	(8,228)	(34,274)	(30,555)
<b>Loss attributable to:</b>					
Owners of the Company		(23,645)	(14,103)	(34,274)	(30,555)
<b>Total comprehensive loss attributable to:</b>					
Owners of the Company		(23,916)	(8,228)	(34,274)	(30,555)
<b>Loss per share attributable to owners of the Company (sen):</b>					
Basic	26	(4.05)	(2.41)		
Diluted	26	(4.05)	(2.41)		

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

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Group	Share Capital RM'000	ICULS RM'000	Revaluation Reserve RM'000	Foreign Currency Translation Reserve RM'000	Warrant Reserve RM'000	Accumulated Losses RM'000	Total Equity RM'000
<b>At 1 January 2017</b>	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
<b>Total comprehensive income/(loss) for the financial period</b>	–	–	8,973	(3,098)	–	(14,103)	(8,228)
<b>Transactions with owners:</b>							
Issue of ordinary shares	2,205	–	–	–	–	–	2,205
Issue of right shares	3,144	–	–	–	5,273	–	8,417
<b>Total transactions with owners</b>	5,349	–	–	–	5,273	–	10,622
<b>At 30 June 2018</b>	49,459	31,370	19,694	639	5,273	(39,031)	67,404
<b>At 1 July 2018 (as previously reported)</b>	49,459	31,370	19,694	639	5,273	(39,031)	67,404
Effects of transition to MFRS 15	–	–	–	–	–	(6,855)	(6,855)
<b>At 1 July 2018 (as restated)</b>	49,459	31,370	19,694	639	5,273	(45,886)	60,549
Loss for the financial year	–	–	–	–	–	(23,645)	(23,645)
Other comprehensive income/(loss) for the financial year	–	–	235	(506)	–	–	(271)
<b>Total comprehensive income/(loss) for the financial year</b>	–	–	235	(506)	–	(23,645)	(23,916)
<b>At 30 June 2019</b>	49,459	31,370	19,929	133	5,273	(69,531)	36,633

*Statements Of Changes In Equity*  
(cont'd)

Company	Share Capital RM'000	ICULS RM'000	Warrant Reserve RM'000	Accumulated Losses RM'000	Total Equity RM'000
<b>At 1 January 2017</b>	44,110	31,370	–	(2,697)	72,783
Total comprehensive loss for the financial period	–	–	–	(30,555)	(30,555)
<b>Transactions with owners:</b>					
Issue of ordinary shares	2,205	–	–	–	2,205
Issue of right shares	3,144	–	5,273	–	8,417
<b>Total transactions with owners</b>	5,349	–	5,273	–	10,622
<b>At 30 June 2018</b>	49,459	31,370	5,273	(33,252)	52,850
Total comprehensive loss for the financial year	–	–	–	(34,274)	(34,274)
<b>At 30 June 2019</b>	49,459	31,370	5,273	(67,526)	18,576

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

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Group		Company	
	1.7.2018 to 30.6.2019 (12 months) RM'000	1.1.2017 to 30.6.2018 (18 months) RM'000	1.7.2018 to 30.6.2019 (12 months) RM'000	1.1.2017 to 30.6.2018 (18 months) RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss before tax	(23,735)	(13,800)	(34,580)	(30,680)
Adjustments for:				
Depreciation of property, plant and equipment	521	929	11	31
Finance costs	1,499	2,771	908	1,739
Finance income	—	(94)	—	(94)
Fair value loss on investment properties	10,124	858	10,124	858
Fair value loss on financial asset at fair value through profit or loss	355	—	355	—
Gain on disposal of property, plant and equipment	—	(67)	—	—
Write down of:				
- inventories	119	111	—	—
- freehold land held for development	9,553	5,914	—	—
Inventories written off	14	16	—	—
Impairment loss on available-for-sale financial asset	—	868	—	868
Impairment loss on trade and other receivables	766	354	180	354
Impairment loss on investment in subsidiaries	—	—	16,809	21,073
Impairment loss on amount due from subsidiaries	—	—	4,736	3,003
Loss on disposal of land held for property development	—	583	—	583
Loss on debt settlement agreement	—	201	—	201
Property, plant and equipment written off	98	455	—	—
Provisions for:				
- forbearance payment	—	2,179	—	—
- warranties	668	180	—	—
- liquidated ascertained damages	—	783	—	—
Reversal of provision for warranties	(327)	(182)	—	—
Reversal of impairment loss on trade and other receivables	(36)	(382)	(35)	(359)
Reversal of inventories written down	(71)	—	—	—
Trade and other receivables written off	52	606	—	26
Unrealised gain on foreign exchange	(7)	—	—	—
<b>Operating (loss)/profit before changes in working capital carried forward</b>	<b>(407)</b>	<b>2,283</b>	<b>(1,492)</b>	<b>(2,397)</b>
Changes in working capital:				
Inventories	16,608	(149)	—	—
Contract assets	—	(16,595)	—	—
Contract liabilities	(8,447)	(6,663)	—	—
Receivables	(1,423)	11,407	(41)	876
Payables	731	1,609	101	6,069
Provisions	(835)	(207)	—	—

Statements Of Cash Flows  
(cont'd)

Note	Group		Company	
	1.7.2018 to 30.6.2019 (12 months) RM'000	1.1.2017 to 30.6.2018 (18 months) RM'000	1.7.2018 to 30.6.2019 (12 months) RM'000	1.1.2017 to 30.6.2018 (18 months) RM'000
<b>Net cash flows generated from/(used in) operations</b>	6,227	(8,315)	(1,432)	4,548
Interest received	—	94	—	94
Income tax paid	(148)	(254)	—	—
Income tax refunded	17	132	—	—
<b>Net cash generated from/(used in) operating activities</b>	6,096	(8,343)	(1,432)	4,642
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Repayment from/(Advances to) subsidiaries	—	—	2,048	(17,660)
Proceeds from disposal of investment properties	—	3,964	—	3,964
Purchase of property, plant and equipment (a)	(17)	(43)	(9)	(11)
Proceeds from disposal of land held for property development	—	7,084	—	7,084
Proceeds from disposal of property, plant and equipment	—	67	—	—
<b>Net cash (used in)/generated from investing activities</b>	(17)	11,072	2,039	(6,623)
<b>CASH FLOWS FROM FINANCING ACTIVITIES (b)</b>				
Repayment of advances to third parties	(464)	(2,725)	(464)	(2,725)
Finance costs paid	(1,499)	(2,771)	(908)	(1,739)
Placement of cash collateral	(1,048)	(3,631)	—	—
Drawdown/(Repayment) of bankers' acceptances and trust receipts	3,384	(1,851)	—	—
(Repayment)/Drawdown of term loans and project loans	(6,103)	21,171	—	—
Repayment of finance lease liabilities	(171)	(278)	—	—
Proceeds from issuance of ordinary shares	—	10,622	—	10,622
Forbearance paid	—	(14,169)	—	—
<b>Net cash (used in)/generated from financing activities</b>	(5,901)	6,368	(1,372)	6,158

## Statements Of Cash Flows (cont'd)

	Note	Group		Company	
		1.7.2018 to 30.6.2019 (12 months) RM'000	1.1.2017 to 30.6.2018 (18 months) RM'000	1.7.2018 to 30.6.2019 (12 months) RM'000	1.1.2017 to 30.6.2018 (18 months) RM'000
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		178	9,097	(765)	4,177
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD</b>		(9,357)	(17,445)	(3,677)	(7,854)
Effect of the exchange rate changes		–	(1,009)	–	–
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD</b>		(9,179)	(9,357)	(4,442)	(3,677)
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS:</b>					
Cash and bank balances	14	6,760	4,025	58	82
Bank overdraft	18	(11,260)	(9,751)	(4,500)	(3,759)
		(4,500)	(5,726)	(4,442)	(3,677)
Less: Cash collateral	14	(4,679)	(3,631)	–	–
		(9,179)	(9,357)	(4,442)	(3,677)

**(a) Purchase of property, plant and equipment:**

	Group		Company	
	1.7.2018 to 30.6.2019 (12 months) RM'000	1.1.2017 to 30.6.2018 (18 months) RM'000	1.7.2018 to 30.6.2019 (12 months) RM'000	1.1.2017 to 30.6.2018 (18 months) RM'000
Purchase of property, plant and equipment	17	183	9	11
Financed by way of finance lease arrangement	–	(140)	–	–
Cash payments on purchase of property, plant and equipment	17	43	9	11

*Statements Of Cash Flows*  
(cont'd)

(b) Reconciliation of liabilities arising from financing activities:

	At 1 July 2018 RM'000	Cash flows RM'000	At 30 June 2019 RM'000
<b>Group</b>			
Term loans and project loans	23,222	(6,103)	17,119
Finance lease liabilities	629	(171)	458
Bankers' acceptance and trust receipt	816	3,384	4,200
	24,667	(2,890)	21,777

	At 1 January 2017 RM'000	Cash flows RM'000	Additions RM'000	At 30 June 2018 RM'000
<b>Group</b>				
Term loans and project loans	2,051	21,171	–	23,222
Finance lease liabilities	767	(278)	140	629
Bankers' acceptance and trust receipt	2,667	(1,851)	–	816
	5,485	19,042	140	24,667

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



# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

CME Group Berhad (“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 year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 23 October 2019.

## 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 new MFRSs, amendments/improvements to MFRSs and new IC Interpretation (“IC Int”)

The Group and the Company have adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that are mandatory for the current financial year:

#### New MFRSs

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

#### Amendments/Improvements to MFRSs

MFRS 1	First-time Adoption of MFRSs
MFRS 2	Share-based Payment
MFRS 4	Insurance Contracts
MFRS 128	Investments in Associates and Joint Ventures
MFRS 140	Investment Property

#### New IC Int

IC Int 22	Foreign Currency Transactions and Advance Consideration
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The adoption of the above new MFRSs, amendments/improvements to MFRSs and new IC Int 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 disclosed below.

#### **MFRS 9 Financial Instruments**

MFRS 9 replaced the guidance of MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and liabilities, on impairment of financial assets, and on hedge accounting.

## Notes to the Financial Statements (cont'd)

### 2. BASIS OF PREPARATION (CONT'D)

#### 2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Cont'd)

##### *MFRS 9 Financial Instruments (Cont'd)*

Key requirements of MFRS 9:

- MFRS 9 introduces an approach for classification and measurement of financial assets which is driven by cash flow characteristics and the business model in which an asset is held.

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 which replaced the "incurred loss" model in MFRS 139. 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. Trade receivables and contract assets that do not contain a significant financing component shall always measure the loss allowance at an amount equal lifetime expected credit losses.
- 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.

The retrospective application of MFRS 9 does not require restatement of comparative financial statements. As such, the Group and the Company have not restated the comparative information, which continues to be reported under MFRS 139. The Group and the Company recognised any difference between the carrying amount of financial instruments under MFRS 139 and the restated carrying amount under MFRS 9 in the opening balance of retained earnings (or other equity components) of the annual reporting period including the date of initial application i.e. 1 July 2018.

## Notes to the Financial Statements (cont'd)

### 2. BASIS OF PREPARATION (CONT'D)

#### 2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Cont'd)

##### **MFRS 9 Financial Instruments (Cont'd)**

##### **Impact of the adoption of MFRS 9**

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. Other than the enhanced new disclosures relating to financial instruments, which the Group and the Company have complied with in the current financial year, the adoption of this standard does not have any significant effect on the financial statements of the Group and the Company, except for those as discussed below.

##### **(i) Classification and measurement**

The following are the changes in the classification of the Group's and the Company's financial assets:

- Trade and other receivables, amount due from subsidiaries, cash and bank balances previously classified as loans and receivables under MFRS 139 as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Accordingly, these financial assets are classified and measured as debt instruments at amortised cost beginning 1 July 2018.
- Quoted equity investments previously classified as available-for-sale ("AFS") financial assets as at 30 June 2018 are classified and measured as equity instruments at fair value through profit or loss beginning 1 July 2018. The Group elected to classify its quoted equity investments under this category at the date of initial application as these investments are held for trading.
- Loans and borrowings, trade and other payables, amount due to subsidiaries previously classified as other financial liabilities under MFRS 139 as at 30 June 2018 are classified as amortised cost beginning 1 July 2018.

In summary, upon the adoption of MFRS 9, the Group and the Company had the following reclassifications as at 1 July 2018:

MFRS 139 measurement category	RM'000	MFRS 9 measurement category	
		<i>Fair value through profit or loss</i> RM'000	<i>Amortised cost</i> RM'000
<b>Financial assets</b>			
<b>Group</b>			
<b><i>Loans and receivables</i></b>			
Trade and other receivables*	6,855	–	6,855
Cash and bank balances	4,025	–	4,025
<b><i>Available-for-sale</i></b>			
Quoted equity instruments	623	623	–
	11,503	623	10,880

## Notes to the Financial Statements (cont'd)

### 2. BASIS OF PREPARATION (CONT'D)

#### 2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Cont'd)

##### *MFRS 9 Financial Instruments (Cont'd)*

##### Impact of the adoption of MFRS 9 (Cont'd)

##### (i) Classification and measurement (Cont'd)

In summary, upon the adoption of MFRS 9, the Group and the Company had the following reclassifications as at 1 July 2018: (Continued)

		MFRS 9 measurement category	
		Fair value through profit or loss	Amortised cost
MFRS 139 measurement category	RM'000	RM'000	RM'000
<b>Company</b>			
<b>Loans and receivables</b>			
Trade and other receivables*	3,943	—	3,943
Amount due from subsidiaries	20,662	—	20,662
Cash and bank balances	82	—	82
<b>Available-for-sale</b>			
Quoted equity instruments	623	623	—
	25,310	623	24,687
<b>Financial liabilities</b>			
<b>Group</b>			
<b>Other financial liabilities</b>			
Loans and borrowings	34,418	—	34,418
Trade and other payables^	21,157	—	21,157
	55,575	—	55,575
<b>Company</b>			
<b>Other financial liabilities</b>			
Loans and borrowings	3,759	—	3,759
Trade and other payables	18,729	—	18,729
Amount due to subsidiaries	33,035	—	33,035
	55,523	—	55,523

\* Exclude GST receivable

^ Exclude GST payable

## Notes to the Financial Statements (cont'd)

### 2. BASIS OF PREPARATION (CONT'D)

#### 2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Cont'd)

##### **MFRS 9 Financial Instruments (Cont'd)**

##### **Impact of the adoption of MFRS 9 (Cont'd)**

##### **(ii) Impairment**

In previous financial periods, trade and other receivables are impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the receivables (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the receivables ("incurred loss model"). Upon adoption of MFRS 9, the Group and the Company are recording expected credit losses on all their trade and other receivables, either on a 12-month or lifetime basis.

##### **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.

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

The Group and the Company have applied MFRS 15 retrospectively with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings (or other components of equity) at the date of initial application of 1 July 2018. As such, the comparative information was not restated and continues to be reported under MFRS 111, MFRS 118 and related Interpretations. The Group and the Company have elected the practical expedient to apply the standard only to contracts that are not completed as at 1 July 2018. The Group and the Company also elected the practical expedient of not to retrospectively restate the contract for those modifications before the date of initial application, but instead, to reflect the aggregate effect of all past contract modifications when identifying the performance obligations, and determining and allocating the transaction price to the satisfied and unsatisfied performance obligations.

## Notes to the Financial Statements (cont'd)

### 2. BASIS OF PREPARATION (CONT'D)

#### 2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Cont'd)

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

##### Impact of the adoption of MFRS 15

The adoption of MFRS 15 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. Other than the enhanced new disclosures relating to contracts with customers, which the Group and the Company have complied with in the current financial year, the adoption of this standard does not have any significant effect on the financial statements of the Group and the Company, except for those as discussed below.

##### **(i) Accounting for separate performance obligations arising from sale of goods**

The application of MFRS 15 resulted in the identification of various performance obligations which previously had been bundled as a single sale of goods. The goods promised in the contract with the customers are identified as separate performance obligations if the good is capable to be distinct and if the good is distinct within the context of the contract. Among the performance obligations identified separately are respective fire fighting and specialist vehicles under one contract.

Before the adoption of MFRS 15, when a contract covers a number of fire fighting and specialist vehicles, each vehicle is not treated as a separate contract. The Group recognised the entire revenue from these vehicles as a single contract. Under MFRS 15, fire fighting and specialist vehicle under one contract is treated as separate performance obligation. Revenue is allocated to the respective performance obligations based on their relative stand-alone selling prices as specified in the contract and recognised when controls in relation to the performance obligations have been transferred to the customer. The allocated revenue would be deferred as contract liabilities until the completion and delivery of the vehicle.

##### **(ii) Satisfaction of performance obligations over time or at a point in time**

The application of MFRS 15 resulted in determining whether each performance obligation is satisfied over time or at a point in time. If an entity does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

Before the adoption of MFRS 15, revenue from contracts with customers to design and manufacture fire fighting and specialist vehicles are accounted for by the stage of completion method, over the contract term as the work progresses. 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. Under MFRS 15, the Group does not satisfy performance obligation over time for these contracts, and as a result, revenue is recognised for each performance obligation at a point in time when control of the vehicles have been transferred to the customer.

##### **(iii) Other adjustments**

In addition to the adjustments described above, other items of the financial statements such as income tax expense, deferred taxes and retained earnings were also adjusted as necessary.

##### **(iv) Presentation of contract assets and contract liabilities**

The Group has changed the presentation of certain amounts in the statements of financial position to reflect the terminology of MFRS 15:

- Contract assets/liabilities recognised in relation to construction contracts which were previously presented as part of amount due from/to contract customers.

## Notes to the Financial Statements (cont'd)

### 2. BASIS OF PREPARATION (CONT'D)

#### 2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (Cont'd)

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

##### Impact of the adoption of MFRS 15 (Cont'd)

The effect of adopting MFRS 15 as at 1 July 2018 is as follows:

Group	Reference	Increase/ (Decrease) RM'000
<b>Statements of financial position</b>		
<b>Assets</b>		
<b>Current assets</b>		
Inventories	(i)(ii)	33,201
Contract assets	(i)(ii)(iv)	(17,316)
<hr/>		
<b>Equity</b>		
Accumulated losses	(i)(ii)(iii)	(6,855)
<hr/>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Contract liabilities	(i)(ii)(iv)	22,740
<hr/>		

The adoption of MFRS 15 did not have a material impact on the Group's and the Company's other comprehensive income or the Group's and the Company's operating, investing and financing cash flows.

##### ***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 amendment 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.



## 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
<u>New MFRSs</u>		
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2021 <sup>#</sup>
MFRS 2	Share-based Payment	1 January 2020*
MFRS 3	Business Combinations	1 January 2019/ 1 January 2020*/ 1 January 2021 <sup>#</sup>
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2021 <sup>#</sup>
MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020*
MFRS 7	Financial Instruments: Disclosures	1 January 2021 <sup>#</sup>
MFRS 9	Financial Instruments	1 January 2019/ 1 January 2021 <sup>#</sup>
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 14	Regulatory Deferral Accounts	1 January 2020*
MFRS 15	Revenue from Contracts with Customers	1 January 2021 <sup>#</sup>
MFRS 101	Presentation of Financial Statements	1 January 2020*/ 1 January 2021 <sup>#</sup>
MFRS 107	Statements of Cash Flows	1 January 2021 <sup>#</sup>
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020*
MFRS 112	Income Taxes	1 January 2019
MFRS 116	Property, Plant and Equipment	1 January 2021 <sup>#</sup>
MFRS 119	Employee Benefits	1 January 2019/ 1 January 2021 <sup>#</sup>
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2019/ Deferred/ 1 January 2021 <sup>#</sup>
MFRS 132	Financial instruments: Presentation	1 January 2021 <sup>#</sup>
MFRS 134	Interim Financial Reporting	1 January 2020*
MFRS 136	Impairment of Assets	1 January 2021 <sup>#</sup>
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020*/ 1 January 2021 <sup>#</sup>
MFRS 138	Intangible Assets	1 January 2020*/ 1 January 2021 <sup>#</sup>
MFRS 140	Investment Property	1 January 2021 <sup>#</sup>
<u>New IC Int</u>		
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019

## 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)

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: (Cont'd)

		Effective for financial periods beginning on or after
<u>Amendments to IC Int</u>		
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

# Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

**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.

#### **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.

On initial adoption of MFRS 16, there may be impact on the accounting treatment for leases, which the Group as a lessee currently accounts for as operating leases. On adoption of this standard, the Group will be required to capitalise its rented premises on the statements of financial position by recognising them as "rights-of-use" assets and their corresponding lease liabilities for the present value of future lease payments.

The Group and the Company plan to adopt this standard when it becomes effective in the financial year beginning 1 July 2019 by applying the transitional provisions and include the required additional disclosures in their financial statements of that year. The Group is likely electing the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, existing lease contracts that are still effective on 1 July 2019 will be accounted for as lease contracts under MFRS 16.

#### **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.

## 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 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.

##### ***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 128 Investments in Associates and Joint Ventures***

Amendments to MFRS 128 clarify that companies shall apply MFRS 9, including its impairment requirements, to account for long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint to which the equity method is not applied.

##### ***IC Int 23 Uncertainty over Income Tax Treatments***

IC Int 23 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.

## 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*

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.

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.

##### *Amendments as to the consequence of effective of MFRS 17 Insurance Contracts*

The amendments to the sixteen Standards are a consequence of MFRS 17 with an effective date on or after 1 January 2021, which include MFRS 1, MFRS 3, MFRS 5, MFRS 7, MFRS 9, MFRS 15, MFRS 101, MFRS 107, MFRS 116, MFRS 119, MFRS 128, MFRS 132, MFRS 136, MFRS 137, MFRS 138 and MFRS 140.

**2.3.2** 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.

## Notes to the Financial Statements (cont'd)

### 2. BASIS OF PREPARATION (CONT'D)

#### 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 statements of the Group and the Company have been prepared on the assumption that the Group and the Company will continue as going concerns. 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 year ended 30 June 2019, the Group and the Company incurred net losses of RM23,645,000 and RM34,274,000 respectively and, as of that date, the Group's and the Company's current liabilities exceeded their current assets by RM35,218,000 and RM53,324,000 respectively. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as going concerns.

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

- Manage the costing of existing projects to maintain the profitability and closely monitor the progress to ensure the projects are completed within the contract period;
- Explore new product ranges and identify potential business opportunities for the Group;
- Actively participating in the projects tendering to increase the opportunities of securing new projects;
- Obtain financial support from the financial institutions for financing the existing and upcoming projects; and
- Sufficient overdraft facilities available to the Group, should the need arise.

Based on the above, 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 going concerns.

## Notes to the Financial Statements (cont'd)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years/ periods 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.

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
- 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.

## Notes to the Financial Statements (cont'd)

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

#### 3.1 Basis of consolidation (Cont'd)

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

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 or a financial asset.

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 3.12(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.



## Notes to the Financial Statements (cont'd)

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

#### 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.

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.

## Notes to the Financial Statements (cont'd)

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

#### 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 contractual provisions of the financial instrument.

##### Accounting policies applied from 1 July 2018

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

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, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid contract is not measured 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.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

#### (i) Subsequent measurement

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

##### (a) Financial assets

For the purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial asset.

The Group and the Company reclassify financial assets when and only when their business model for managing those assets changes.

## Notes to the Financial Statements (cont'd)

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

#### 3.4 Financial instruments (Cont'd)

Accounting policies applied from 1 July 2018 (Cont'd)

##### (i) Subsequent measurement (Cont'd)

##### (a) Financial assets (Cont'd)

###### Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group and the Company classify their debt instruments:

- **Amortised cost**

Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.12(i) to the financial statements. Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

- **Fair value through other comprehensive income (FVOCI)**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.12(i) to the financial statements. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

- **Fair value through profit or loss (FVPL)**

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in the profit or loss.

## Notes to the Financial Statements (cont'd)

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

#### 3.4 Financial instruments (Cont'd)

Accounting policies applied from 1 July 2018 (Cont'd)

##### (i) Subsequent measurement (Cont'd)

###### (a) Financial assets (Cont'd)

###### Equity instruments

The Group and the Company subsequently measures all equity investments at fair value. Upon initial recognition, the Group and the Company classify their equity investments that is held for trading as equity instruments at FVPL. The classification is determined on an instrument-by-instrument basis.

Dividends are recognised as other income in the profit or loss when the right of payment has been established. Equity instruments at FVPL are not subject to impairment assessment.

###### (b) Financial liabilities

The Group and the Company classify their financial liabilities in the following measurement categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

###### 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.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

###### Financial liabilities at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the financial liabilities are derecognised and 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 amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 and the amount initially recognised, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.

## Notes to the Financial Statements (cont'd)

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

#### 3.4 Financial instruments (Cont'd)

Accounting policies applied from 1 July 2018 (Cont'd)

##### (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 shall be recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company commit themselves to 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.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

##### (iv) Derecognition

A financial asset or a part of it is derecognised when, and only when:

- (a) the contractual rights to receive the cash flows from the financial asset expire, or
- (b) the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

The Group and the Company evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) 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.

## Notes to the Financial Statements (cont'd)

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

#### 3.4 Financial instruments (Cont'd)

##### Accounting policies applied from 1 July 2018 (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.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

##### Accounting policies applied until 30 June 2018

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**

##### Financial assets at fair value through profit or loss

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.

##### 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 3.12(i) to the financial statements. Gains and losses are recognised in profit or loss through the amortisation process.

## Notes to the Financial Statements (cont'd)

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

#### 3.4 Financial instruments (Cont'd)

Accounting policies applied until 30 June 2018 (Cont'd)

##### (i) Subsequent measurement (Cont'd)

###### (a) Financial assets (Cont'd)

###### Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturities 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 3.12(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

Same accounting policies applied until 30 June 2018 and from 1 July 2018.

##### (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

Same accounting policies applied until 30 June 2018 and from 1 July 2018.

## Notes to the Financial Statements (cont'd)

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

#### 3.4 Financial instruments (Cont'd)

Accounting policies applied until 30 June 2018 (Cont'd)

##### (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.

##### (v) Offsetting of financial instruments

Same accounting policies applied until 30 June 2018 and from 1 July 2018.

#### 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 3.12(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.



## Notes to the Financial Statements (cont'd)

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

#### 3.5 Property, plant and equipment (Cont'd)

##### (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.

##### (v) Revaluation of assets

Freehold land and building are measured at fair value, based on valuations by external independent valuers, less accumulated depreciation on building 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 building 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 initial 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 3.12(ii) to the financial statement.

##### (ii) Trademark

Trademark acquired by the Group is measured 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 3.12(ii) to the financial statements.

## Notes to the Financial Statements (cont'd)

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

#### 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.

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 its 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.

## Notes to the Financial Statements (cont'd)

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

#### 3.8 Investment properties (Cont'd)

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 properties, plant and equipment.

#### 3.9 Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on specific identification and 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 estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventory recognised in profit or loss is determined with reference to the specific costs incurred on the goods sold and an allocation of any non-specific costs estimated, if any.

##### Land held for property development

Cost includes:

- freehold rights for land; and
- professional fees, stamp duties, commissions, conversion fees and other relevant levies.

#### 3.10 Contract assets/(liabilities)

##### Accounting policies applied from 1 July 2018

Contract asset is the right to consideration for goods or services transferred to the customers when that right is conditioned on something other than the passage of time (for example, the Company's future performance). The policy for the recognition and measurement of impairment losses is in accordance with Note 3.12(i) to the financial statements.

Contract liability is the obligation to transfer goods or services to customer for which the Group has received the consideration or has billed the customer.

##### Accounting policies applied until 30 June 2018

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.

#### 3.11 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 and cash collateral.

## Notes to the Financial Statements (cont'd)

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

#### 3.12 Impairment of assets

##### (i) Impairment of financial assets and contract assets

###### Accounting policies applied from 1 July 2018

Financial assets measured at amortised cost, financial assets measured at FVOCI, lease receivables, contract assets or a loan commitment and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit loss, except for the following, which are measured as 12-month expected credit loss:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, contract assets and lease receivables, the Group and the Company apply the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group and the Company consider a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Group and the Company in full, without taking into account any credit enhancements held by the Group and the Company; or
- the contractual payment of the financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

## Notes to the Financial Statements (cont'd)

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

#### 3.12 Impairment of assets (Cont'd)

##### (i) Impairment of financial assets and contract assets (Cont'd)

###### Accounting policies applied from 1 July 2018 (Cont'd)

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The amount of expected credit losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statements of financial position.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedure for recovery of amounts due.

###### Accounting policies applied until 30 June 2018

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.

## Notes to the Financial Statements (cont'd)

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

#### 3.12 Impairment of assets (Cont'd)

##### (i) Impairment of financial assets and contract assets (Cont'd)

Accounting policies applied until 30 June 2018 (Cont'd)

##### (a) Loans and receivables and held-to-maturity investment

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.

##### (b) 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)

#### 3.12 Impairment of assets (Cont'd)

##### (ii) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories, contract assets 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"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of business combination.

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 exceeds 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.

#### 3.13 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.

## Notes to the Financial Statements (cont'd)

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

#### 3.14 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.

#### 3.15 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.

#### 3.16 Revenue and other income

##### Accounting policies applied from 1 July 2018

The Group and the Company recognise revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

Revenue recognition of the Group and the Company are applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer). For practical expedient, the Group and the Company applied revenue recognition to a portfolio of contracts (or performance obligations) with similar characteristics if the Group and the Company reasonably expect that the effects on the financial statements would not differ materially from recognising revenue on the individual contracts (or performance obligations) within that portfolio.

The Group and the Company measure revenue at its transaction price, being the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Group and the Company use the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Group and the Company expect to better predict the amount of consideration to which they are entitled.

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis.



## Notes to the Financial Statements (cont'd)

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

#### 3.16 Revenue and other income (Cont'd)

##### Accounting policies applied from 1 July 2018 (Cont'd)

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Group and the Company have assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

##### **(i) Sales of goods**

For each contract, the transaction price is determined based on the consideration expected to be received. The transaction price is allocated to each performance obligation based on relative standalone selling prices as specified in the contract.

Revenue is recognised for each performance obligation at a point in time when control of the goods has been transferred, being when the customer accepts the delivery of the goods.

Payments for sales are received in accordance with the terms of the contract or shortly after delivery of goods. The contract terms generally includes a deposit upon order and remaining payments in accordance with a payment schedule.

Where consideration is collected from customer in advance for sale of good, a contract liability is recognised. Contract liability would be recognised as revenue when the control of the good has been transferred to the customer. Contract liabilities are normal and customary for contracts and are not considered as a significant financing component as they are intended to protect the Group from the customer failing to complete its obligations under the contract.

A receivable is recognised when the customer accepts the delivery of the good as the consideration is unconditional other than the passage of time before the payment is due.

##### **(ii) Contract revenue**

Contract revenue with customers include contracts relating to manufacturing and selling of fire fighting and specialist vehicles.

These contracts may include multiple performance obligations as they are not highly integrated. Hence, the transaction price will be allocated to each performance obligation based on the standalone selling price.

Where the contracts are highly integrated, they are recognised as a single performance obligation. Revenue is recognised progressively based on the progress towards complete satisfaction of the performance obligation.

## Notes to the Financial Statements (cont'd)

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

#### 3.16 Revenue and other income (Cont'd)

Accounting policies applied from 1 July 2018 (Cont'd)

##### (ii) Contract revenue (Cont'd)

Revenue are recognised over time when control of the asset is transferred over time when the Group's performance:

- creates and enhances an asset that the customer controls as the services are being performed; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract is recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. No element of financing is deemed present as the payment schedule and credit terms of 30 days to 60 days are consistent with the market practice.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent agreed with the customer or the negotiations on the variation claims have reached an advanced stage such that it is probable that the customer will accept the claims and the claims are capable of being reliably measured.

The 'percentage-of-completion method' is used to determine the appropriate amount to be recognised as revenue in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the financial year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable.

##### (iii) Rendering of services

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

##### (iv) Rental income

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

##### (v) Interest income

Interest income is recognised using the effective interest method.

## Notes to the Financial Statements (cont'd)

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

#### 3.16 Revenue and other income (Cont'd)

##### Accounting policies applied until 30 June 2018

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) Contract revenue

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.

##### (iii) Rendering of services

Same accounting policies applied until 30 June 2018 and from 1 July 2018.

##### (iv) Rental income

Same accounting policies applied until 30 June 2018 and from 1 July 2018.

##### (v) Interest income

Same accounting policies applied until 30 June 2018 and from 1 July 2018.

#### 3.17 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.

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.

#### 3.18 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.

## Notes to the Financial Statements (cont'd)

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

#### 3.18 Income taxes (Cont'd)

##### (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.

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.

## Notes to the Financial Statements (cont'd)

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

#### 3.18 Income taxes (Cont'd)

##### (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.

#### 3.19 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.

#### 3.20 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 to make strategic decisions.

#### 3.21 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 and the Company 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.

## Notes to the Financial Statements (cont'd)

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

#### 3.22 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 Fair value of freehold land and building and investment properties

The Group and the Company measure the freehold land and building and investment properties at fair value.

The Group and the Company have engaged external valuers to determine the fair values of freehold land and building and investment properties. 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 6 to the financial statements respectively.

#### 4.2 Inventories

Inventories are stated at the lower of cost and net realisable value. Significant judgement is required in arriving at the net realisable value. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may be lower than its cost.

For land held for property development, the Group has engaged independent external valuers to assist in determining the amount to be written down. The valuation method adopted by the valuer is 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 amount of inventories.

The carrying amount of the inventories is disclosed in Note 7 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
<b>Group</b>					
<b>30 June 2019</b>					
<b>Cost/Valuation</b>					
At 1 July 2018	20,610	6,391	1,387	1,966	30,354
Additions	–	–	17	–	17
Revaluation surplus	540	906	–	–	1,446
Transfer/reclassification from accumulated depreciation	–	(247)	–	–	(247)
Written off	–	–	(130)	–	(130)
At 30 June 2019	21,150	7,050	1,274	1,966	31,440
<b>Accumulated depreciation</b>					
At 1 July 2018	–	19	1,134	1,459	2,612
Depreciation charge for the financial year	–	228	83	210	521
Transfer/reclassification to cost/valuation	–	(247)	–	–	(247)
Written off	–	–	(32)	–	(32)
At 30 June 2019	–	–	1,185	1,669	2,854
<b>Carrying amount</b>					
At 30 June 2019	21,150	7,050	89	297	28,586
<b>Representing:</b>					
- Cost	–	–	89	297	386
- Valuation	21,150	7,050	–	–	28,200
	21,150	7,050	89	297	28,586

Notes to the Financial Statements  
(cont'd)

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
<b>Group</b>					
<b>30 June 2018</b>					
<b>Cost/Valuation</b>					
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
<b>Accumulated depreciation</b>					
At 1 January 2017	–	192	931	1,373	2,496
Depreciation charge for the financial period	–	300	305	324	929
Transfer/reclassification to cost/valuation	–	(473)	–	–	(473)
Disposal	–	–	–	(238)	(238)
Written off	–	–	(102)	–	(102)
At 30 June 2018	–	19	1,134	1,459	2,612
<b>Carrying amount</b>					
At 30 June 2018	20,610	6,372	253	507	27,742
<b>Representing:</b>					
- Cost	–	–	253	507	760
- Valuation	20,610	6,372	–	–	26,982
	20,610	6,372	253	507	27,742



## 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
<b>Company</b>	
<b>30 June 2019</b>	
<b>Cost</b>	
At 1 July 2018	112
Additions	9
At 30 June 2019	121
<b>Accumulated depreciation</b>	
At 1 July 2018	98
Depreciation charge for the financial year	11
At 30 June 2019	109
<b>Carrying amount</b>	
At 30 June 2019	12
<b>30 June 2018</b>	
<b>Cost</b>	
At 1 January 2017	101
Additions	11
At 30 June 2018	112
<b>Accumulated depreciation</b>	
At 1 January 2017	67
Depreciation charge for the financial period	31
At 30 June 2018	98
<b>Carrying amount</b>	
At 30 June 2018	14

#### (i) Assets under finance leases

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

	2019 RM'000	Group 2018 RM'000
Motor vehicles	296	506

## Notes to the Financial Statements (cont'd)

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

#### (ii) Assets pledged as security

Freehold land and building with a carrying amount of RM28,200,000 (2018: RM26,982,000) have been charged to a local bank for credit facilities granted to a subsidiary as disclosed in Note 18 to the financial statements.

#### (iii) Revaluation of freehold land and building

Had the revalued freehold land and building been carried at historical cost less accumulated depreciation, the net carrying amount would have been as follows:

	Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
<b>Group 2019</b>			
Freehold land	1,820	–	1,820
Building	7,261	(3,337)	3,924
	9,081	(3,337)	5,744
<b>2018</b>			
Freehold land	1,820	–	1,820
Building	7,261	(3,192)	4,069
	9,081	(3,192)	5,889

#### (iv) Fair value information

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

	Level 2 RM'000
<b>Group 2019</b>	
Freehold land	21,150
Building	7,050
	28,200
<b>2018</b>	
Freehold land	20,610
Building	6,372
	26,982

## Notes to the Financial Statements (cont'd)

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

#### (iv) Fair value information (Cont'd)

The fair values of the freehold land and building have been determined based on the update valuation dated 8 August 2019 carried out by external independent valuers, TZP Property Consultancy, a member of the Institute of Valuers in Malaysia. Sales comparison approach was used that makes reference to recent transactions and sales evidence involving other similar properties in the vicinity or other comparable localities and adjusted for differences in key attributes such as property size. 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 year.

### 6. INVESTMENT PROPERTIES

	<b>Group and Company</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value:</b>		
At 1 July 2018/1 January 2017	46,237	51,260
Fair value loss recognised in profit or loss (Note 24)	(10,124)	(858)
Disposal	—	(4,165)
At 30 June	36,113	46,237

Investment properties of the Group and the Company with carrying amount of RM20,438,000 (2018: RM26,773,000) have been pledged as securities for banking facilities and advances granted to the Group and the Company as mentioned in Note 18 and Note 20 to the financial statements respectively.

As at the reporting date, the title of an investment property with carrying amount of RM3,500,000 (2018: RM3,700,000) has yet to be transferred to the Company's name.

## Notes to the Financial Statements (cont'd)

### 6. INVESTMENT PROPERTIES (CONT'D)

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

	<b>Group and Company</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Rental income	1,086	1,571
Direct operating expenses:		
- income generating investment properties	451	1,023

#### Fair value information

Fair values of investment properties are categorised as below:

	<b>Level 2</b>
	<b>RM'000</b>
<b>Group and Company</b>	
<b>2019</b>	
Investment properties	36,113
<b>2018</b>	
Investment properties	46,237

The fair values of the investment properties have been determined based on valuation report dated 8 August 2019 using comparison and investment method of valuation. The valuation is carried out by external independent 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.

#### 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 year.

## Notes to the Financial Statements (cont'd)

### 7. INVENTORIES

	2019 RM'000	Group 2018 RM'000
<b>Non-current:</b>		
<b>At net realisable value</b>		
- Freehold land held for development	11,739	21,787
<b>Current:</b>		
<b>At lower of cost and net realisable value</b>		
- Raw material	3,265	—
- Work-in-progress	13,302	—
- Trading merchandise	895	931
	17,462	931
	29,201	22,718

The cost of inventories of the Group recognised as an expense in cost of sales during the financial year was RM30,304,000 (2018: RM5,994,000).

The cost of inventories of the Group recognised as an expense in other expenses during the financial year in respect of write-down of inventories to net realisable value was RM9,672,000 (2018: RM6,025,000).

The net realisable value of freehold land held for development of AUD4,050,000 (approximately RM11,739,000) is determined based on valuation date 28 July 2019 performed by external independent property valuers, TZP Property Consultancy, a member of the Institute of Valuers in Malaysia, using direct comparison method of valuation.

During the financial year, the Group reversed the previous inventories written down value of RM71,000, as a result of sales made during the financial year.

### 8. INTANGIBLE ASSETS

	Goodwill RM'000	Trademarks RM'000	Total RM'000
<b>Group</b>			
<b>Cost</b>			
At 30 June 2019/2018	121	450	571
<b>Accumulated impairment losses</b>			
At 30 June 2019/2018	121	450	571
<b>Carrying amounts</b>			
At 30 June 2019/2018	—	—	—

## Notes to the Financial Statements (cont'd)

### 9. INVESTMENT IN SUBSIDIARIES

	<b>Company</b>	
	<b>2019 RM'000</b>	<b>2018 RM'000</b>
<b>At cost</b>		
Unquoted shares	10,338	10,338
Quasi loans	65,556	50,131
	75,894	60,469
Less: Impairment loss	(39,763)	(22,954)
	36,131	37,515

Quasi loans represent amount owing by subsidiaries 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 this amount as long-term source of capital to the subsidiaries. As this amount is, in substance, a part of the Company's net investment in the subsidiaries, 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		Principal activities
		2019 %	2018 %	
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	Designing, manufacturing and sale of fire fighting equipment, fire engines and specialist vehicles
CME Properties Sdn. Bhd.	Malaysia	100	100	Dormant
CME Pyroshield Sdn. Bhd.	Malaysia	100	100	Sale and servicing of fire fighting gas system and other safety related products
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 baby products
Modern Mum Retail Sdn. Bhd.	Malaysia	100	100	Trading of maternity wear

\* Audited by auditors other than Baker Tilly Monteiro Heng PLT.

## Notes to the Financial Statements (cont'd)

### 10. OTHER INVESTMENT

	Group and Company	
	2019	2018
	RM'000	RM'000
<b>Financial assets at fair value through profit or loss ("FVPL")</b>		
<b>At fair value:</b>		
- Quoted equity investment	268	–
<b>Available-for-sale ("AFS") financial assets</b>		
<b>At fair value:</b>		
- Quoted equity investment	–	623

### 11. CONTRACT ASSETS/(CONTRACT LIABILITIES)

	Group	
	2019	2018
	RM'000	RM'000
<b>Contract assets:</b>		
- Contract assets relating to construction contracts	–	17,316
<b>Contract liabilities:</b>		
- Contract liabilities relating to construction contracts	–	(117)
- Consideration received or billed for goods or services not yet rendered	(14,410)	–
	(14,410)	(117)

#### (i) Significant changes in contract balances

	Group	
	Increase/(Decrease)	
	2019	2018
	RM'000	RM'000
<b>Contract assets</b>		
Transfers from contract assets recognised at the beginning of the financial year to receivables	(17,316)	(1,417)
Increase due to revenue recognised but not billed	–	17,264
<b>Contract liabilities</b>		
Revenue recognised that was included in contract liabilities at the beginning of the financial year	(117)	(7,528)
Increase due to consideration received or billed, but revenue not recognised	14,410	117

Notes to the Financial Statements  
(cont'd)

## 11. CONTRACT ASSETS/(CONTRACT LIABILITIES) (CONT'D)

### (ii) Revenue recognised in relation to contract balances

	2019 RM'000	Group 2018 RM'000
Revenue recognised that was included in contract liabilities at the beginning of the financial year	117	7,528

## 12. TRADE AND OTHER RECEIVABLES

Note	2019 RM'000	Group 2018 RM'000	2019 RM'000	Company 2018 RM'000
<b>Current:</b>				
<b>Trade</b>				
Trade receivables	9,882	7,842	5,966	5,896
Less: Impairment losses	(5,834)	(5,765)	(5,834)	(5,764)
(i)	4,048	2,077	132	132
<b>Non-trade</b>				
Other receivables	1,250	1,339	543	534
Less: Impairment losses	(878)	(225)	(300)	(225)
GST receivable	372	1,114	243	309
Deposits	119	671	11	7
	3,617	3,664	3,460	3,502
	4,108	5,449	3,714	3,818
<b>Total trade and other receivables</b>	<b>8,156</b>	<b>7,526</b>	<b>3,846</b>	<b>3,950</b>

### (i) Trade receivables

The normal credit term granted by the Group and the Company range from 30 days to 90 days (2018: 30 days to 90 days) from date of invoice. Other credit terms are assessed and approved on a case by case basis.



## Notes to the Financial Statements (cont'd)

### 13. AMOUNT DUE FROM/(TO) SUBSIDIARIES

	<b>Company</b>	
	<b>2019 RM'000</b>	<b>2018 RM'000</b>
<b>Non-trade</b>		
Amount due from subsidiaries	7,746	23,665
Less: Impairment loss	(7,739)	(3,003)
	7	20,662
<b>Non-trade</b>		
Amount due to subsidiaries	(34,589)	(33,035)

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

The non-trade amount due to subsidiaries is unsecured, non-interest bearing, repayable upon demand and is expected to be settled in cash except for an amount due to a subsidiary of RM3,928,000 (2018: RM4,211,000) which bears interest at rate ranging from 7.97% to 9% (2018: 7.01% to 9%) per annum.

### 14. CASH AND BANK BALANCES

	<b>Group</b>		<b>Company</b>	
	<b>2019 RM'000</b>	<b>2018 RM'000</b>	<b>2019 RM'000</b>	<b>2018 RM'000</b>
Cash and bank balances	6,760	4,025	58	82

Included in the cash and bank balances of the Group is an amount of RM4,679,000 (2018: RM3,631,000) charged to a licensed bank as cash collateral for banking facilities granted to a subsidiary as disclosed in Note 18 to the financial statement and therefore, restricted from use in other operations.

### 15. SHARE CAPITAL

	<b>Group and Company</b>			
	<b>Number of ordinary shares</b>		<b>Amount</b>	
	<b>2019 Unit ('000)</b>	<b>2018 Unit ('000)</b>	<b>2019 RM'000</b>	<b>2018 RM'000</b>
<b>Issued and fully paid:</b>				
At 1 July 2018/1 January 2017	584,236	441,100	49,459	44,110
Issued during the financial year/period by way of:				
- Private placement	–	44,110	–	2,205
- Right issue	–	99,026	–	3,144
At 30 June	584,236	584,236	49,459	49,459

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.

## Notes to the Financial Statements (cont'd)

### 15. SHARE CAPITAL (CONT'D)

In previous 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 in previous financial period rank pari passu in all respects with the existing ordinary shares of the Company.

### 16. 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.

### 17. RESERVES

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Foreign currency translation reserve	(i)	133	639	–	–
Revaluation reserve	(ii)	19,929	19,694	–	–
Warrant reserve	(iii)	5,273	5,273	5,273	5,273
		25,335	25,606	5,273	5,273
Accumulated losses		(69,531)	(39,031)	(67,526)	(33,252)
		(44,196)	(13,425)	(62,253)	(27,979)

## Notes to the Financial Statements (cont'd)

### 17. RESERVES (CONT'D)

#### (i) 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.

#### (ii) Revaluation reserve

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

#### (iii) 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:

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

Notes to the Financial Statements  
(cont'd)

## 18. LOANS AND BORROWINGS

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Non-current :</b>					
Finance lease liabilities	(i)	278	432	–	–
Term loan	(ii)	1,119	1,411	–	–
		1,397	1,843	–	–
<b>Current:</b>					
Finance lease liabilities	(i)	180	197	–	–
Term loans and project loans	(ii)	16,000	21,811	–	–
Bank overdrafts	(iii)	11,260	9,751	4,500	3,759
Bankers' acceptance and trust receipts	(iv)	4,200	816	–	–
		31,640	32,575	4,500	3,759
<b>Total loans and borrowings</b>		<b>33,037</b>	<b>34,418</b>	<b>4,500</b>	<b>3,759</b>

### (i) Finance lease liabilities

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

	Group	
	2019 RM'000	2018 RM'000
Minimum lease payments:		
- not later than one year	198	223
- later than one year and not later than five years	295	459
- later than five years	4	12
	497	694
Less: Future finance charges	(39)	(65)
Present value of minimum lease payments	458	629
Presented by:		
Current:	180	197
- not later than one year		
Non-current:		
- later than one year and not later than five years	274	421
- later than five years	4	11
	458	629

## Notes to the Financial Statements (cont'd)

### 18. LOANS AND BORROWINGS (CONT'D)

#### (i) Finance lease liabilities (Cont'd)

The weighted average effective interest rate of the finance lease liabilities of the Group is 4.95% (2018: 4.82%) per annum.

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 loans

The term loans and project loans of the Group bear interest at rate range from 8.75% to 9% (2018: 8.35% to 9%) 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 a subsidiary and the bank;
- (c) cash collateral as disclosed in Note 14 to the financial statements;
- (d) legal charge over a property held by third party; and
- (e) legal charge over the investment properties of the Company disclosed in Note 6 to the financial statements.

#### (iii) Bank overdrafts

The bank overdrafts of the Group and the Company bear interest at rate range from 7.97% to 8.45% and 7.82% (2018: 7.96% to 8.45% and 7.96%) 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 6 to the financial statements;
- (c) legal charge over the freehold land and building of a subsidiary as disclosed in Note 5(ii) to the financial statement; and
- (d) deed of assignment of rental proceeds.

#### (iv) Bankers' acceptance and trust receipts

Bankers' acceptance and trust receipts of the Group bear interest at rate of 3.84% to 4.09% (2018: 4.09%) 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)

## 19. PROVISIONS

	Forbearance payment RM'000	Warranties RM'000	Liquidated ascertained damages RM'000	Others RM'000	Total RM'000
<b>Group</b>					
At 1 January 2017	11,990	224	—	69	12,283
Recognised in profit or loss	2,179	180	783	—	3,142
Repayment/Utilised during the financial period	(14,169)	(138)	—	(69)	(14,376)
Reversal during the financial period	—	(182)	—	—	(182)
At 30 June 2018	—	84	783	—	867
Recognised in profit or loss	—	668	—	—	668
Repayment/Utilised during the financial year	—	(52)	(783)	—	(835)
Reversal during the financial year	—	(327)	—	—	(327)
At 30 June 2019	—	373	—	—	373
<b>2019</b>					
Non-current	—	150	—	—	150
Current	—	223	—	—	223
	—	373	—	—	373
<b>2018</b>					
Current	—	84	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).

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. The Company had made full payment in previous financial period.

### (ii) Warranties

The provision for warranties represent the present value of the directors' best estimates of future economic obligation that will be required under the Group's obligation for warranties at the reporting date. The provision is recognised based on estimation made from warranty 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 and had been fully settled in current financial year.

## Notes to the Financial Statements (cont'd)

### 20. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Non-current:</b>					
<b>Non-trade</b>					
Other payable	(i)	220	440	220	440
<b>Current:</b>					
<b>Trade</b>					
Trade payables	(ii)	10,762	9,849	8,807	8,707
<b>Non-trade</b>					
Other payables	(i)	9,392	8,683	8,171	8,191
GST payable		—	321	—	—
Accruals		592	1,252	441	591
Deposits		772	933	727	800
		10,756	11,189	9,339	9,582
		21,518	21,038	18,146	18,289
<b>Total trade and other payables</b>		<b>21,738</b>	<b>21,478</b>	<b>18,366</b>	<b>18,729</b>

#### (i) Other payables

Included in other payables of the Group and of the Company consist of advances from third parties amounted to RM7,005,000 (2018: RM7,469,000) of which RM440,000 (2018: RM660,000) bear interest at rate of 18% (2018: 18%) per annum and secured by way of legal charge over the investment properties of the Group and the Company as disclosed in Note 6 to the financial statements.

#### (ii) Trade payables

Trade payables are non-interest bearing and are normally settled on 30 to 60 (2018: 30 to 60) days terms.

## Notes to the Financial Statements (cont'd)

### 21. DEFERRED TAX LIABILITIES

Deferred tax liabilities relate to the following:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 July 2018/1 January 2017	2,202	1,238	710	817
Recognised in profit or loss (Note 25):				
- Property, plant and equipment	(19)	(52)	–	–
- Investment properties	(306)	(107)	(306)	(107)
- Unused tax losses	–	166	–	–
	(325)	7	(306)	(107)
Recognised in other comprehensive income:				
- Property, plant and equipment	1,211	957	–	–
At 30 June	3,088	2,202	404	710

#### Unrecognised deferred tax assets

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unused tax losses	12,959	9,698	–	–
Unabsorbed capital allowance	40	38	–	–
Other temporary differences	(917)	(412)	–	–
	12,082	9,324	–	–
Potential deferred tax assets not recognised at 24%	2,899	2,238	–	–

Pursuant to Section 11 of the Act 812, special provision relating to Section 43 & 44 of Income Tax Act 1967, a time limit has been imposed on the unutilised tax losses, to be carried forward for a maximum of 7 consecutive years of assessment, this section has effect from the year of assessment 2019 onwards.



## Notes to the Financial Statements (cont'd)

### 22. REVENUE

	Group		Company	
	1.7.2018 to 30.6.2019 (12 months) RM'000	1.1.2017 to 30.6.2018 (18 months) RM'000	1.7.2018 to 30.6.2019 (12 months) RM'000	1.1.2017 to 30.6.2018 (18 months) RM'000
<b>Revenue from contract customers:</b>				
Manufacturing of fire fighting and specialist vehicles	31,570	42,731	–	–
Servicing of fire fighting vehicles and equipment	1,820	2,481	–	–
Sale of fire fighting equipment, gas systems and accessories	3,087	6,538	–	–
Sale of maternity and baby products	247	3,202	–	–
	36,724	54,952	–	–
<b>Revenue from other source:</b>				
Rental income from investment properties	1,086	1,571	1,086	1,571
	37,810	56,523	1,086	1,571
<b>Timing of revenue recognition:</b>				
At a point in time	36,724	12,221	–	–
Over time	–	42,731	–	–
<b>Revenue from contract customers</b>	36,724	54,952	–	–

### 23. FINANCE COSTS

	Group		Company	
	1.7.2018 to 30.6.2019 (12 months) RM'000	1.1.2017 to 30.6.2018 (18 months) RM'000	1.7.2018 to 30.6.2019 (12 months) RM'000	1.1.2017 to 30.6.2018 (18 months) RM'000
Interest expense on:				
- Finance lease liabilities	48	45	–	–
- Term loans and project loans	140	286	–	–
- Bank overdrafts	958	1,770	393	684
- Bankers' acceptance and trust receipts	155	139	–	–
- Other payables	198	531	198	531
- Other borrowings	–	–	317	524
	1,499	2,771	908	1,739

## Notes to the Financial Statements (cont'd)

### 24. LOSS BEFORE TAX

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

	Group		Company	
	1.7.2018 to 30.6.2019 (12 months) RM'000	1.1.2017 to 30.6.2018 (18 months) RM'000	1.7.2018 to 30.6.2019 (12 months) RM'000	1.1.2017 to 30.6.2018 (18 months) RM'000
After charging:				
Auditors' remuneration:				
- current year	149	144	36	36
- under provision in prior year	—	13	—	18
Depreciation of property, plant and equipment	521	929	11	31
Directors' remuneration (Note 27):				
- fees	180	292	180	283
- other emoluments	254	797	127	188
- defined contribution plan	30	85	15	22
Fair value loss on investment properties	10,124	858	10,124	858
Fair value loss on financial asset at fair value through profit or loss	355	—	355	—
Write down of:				
- inventories	119	111	—	—
- freehold land held for development	9,553	5,914	—	—
Inventories written off	14	16	—	—
Impairment loss on available-for-sale financial asset	—	868	—	868
Impairment loss on investment in subsidiaries	—	—	16,809	21,073
Impairment loss on amount due from subsidiaries	—	—	4,736	3,003
Impairment loss on trade and other receivables	766	354	180	354
Loss on disposal of land held for property development	—	583	—	583
Loss on debt settlement agreement	—	201	—	201
Property, plant and equipment written off	98	455	—	—
Provision for:				
- forbearance payment	—	2,179	—	—
- warranties	668	180	—	—
- liquidated ascertained damages	—	783	—	—
Trade and other receivables written off	52	606	—	26
Staff costs:				
- salaries and other staffs benefits	2,902	4,458	829	1,297
- defined contribution plan	394	574	126	158
And crediting:				
Interest income	—	94	—	94
Gain on disposal of property, plant and equipment	—	67	—	—
Gain on foreign exchange:				
- realised	47	391	—	—
- unrealised	7	—	—	—
Reversal of impairment loss on trade and other receivables	36	382	35	359
Reversal of inventories written down	71	—	—	—

## Notes to the Financial Statements (cont'd)

### 25. INCOME TAX EXPENSE

	Group		Company	
	1.7.2018 to 30.6.2019 (12 months) RM'000	1.1.2017 to 30.6.2018 (18 months) RM'000	1.7.2018 to 30.6.2019 (12 months) RM'000	1.1.2017 to 30.6.2018 (18 months) RM'000
Income tax expense:				
- current year	8	313	–	–
- prior years	227	(17)	–	(18)
	235	296	–	(18)
Deferred tax (Note 21):				
- current year	(325)	(136)	(306)	(107)
- prior years	–	143	–	–
	(325)	7	(306)	(107)
	(90)	303	(306)	(125)

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year. The corporate tax rate applicable to the subsidiary of the Group in Australia is 30% (2018: 30%).

A reconciliation of income tax expense applicable to loss before tax 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	
	1.7.2018 to 30.6.2019 (12 months) RM'000	1.1.2017 to 30.6.2018 (18 months) RM'000	1.7.2018 to 30.6.2019 (12 months) RM'000	1.1.2017 to 30.6.2018 (18 months) RM'000
Loss before tax	(23,735)	(13,800)	(34,580)	(30,680)
Tax at Malaysia statutory income tax rate of 24% (2018: 24%)	(5,696)	(3,312)	(8,299)	(7,363)
Different tax rate in foreign jurisdiction	(720)	(814)	–	–
Adjustments:				
- Non-deductible expenses	6,354	5,178	7,993	7,769
- Non-taxable income	(897)	(522)	–	(513)
- Deferred tax asset not recognised	661	(324)	–	–
- Crystallisation of deferred tax liabilities arising from revaluation	(19)	(29)	–	–
- Prior years	227	126	–	(18)
	(90)	303	(306)	(125)

## Notes to the Financial Statements (cont'd)

### 26. LOSS PER SHARE

#### Basic Loss Per Ordinary Share

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

	<b>Group</b>	
	<b>2019 RM'000</b>	<b>2018 RM'000</b>
Loss attributable to owners of the Company	(23,645)	(14,103)
Weighted average number of ordinary shares for basic loss per share ('000)	584,236	584,236
Basic loss per ordinary share (sen)	(4.05)	(2.41)

#### 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.

### 27. 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, 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:

	<b>Company</b>	
	<b>1.7.2018 to 30.6.2019 (12 months) RM'000</b>	<b>1.1.2017 to 30.6.2018 (18 months) RM'000</b>
<b>Subsidiary</b>		
- Interest expenses	317	524

Significant outstanding balances with related parties at the end of the reporting period are as disclosed in Note 13 to the financial statements.

The Company provides secured corporate guarantees to banks in respect of banking facilities granted to the subsidiaries as disclosed in Note 29(ii)(a) to the financial statements.

## Notes to the Financial Statements (cont'd)

### 27. RELATED PARTIES (CONT'D)

#### (iii) Compensation of key management personnel

	Group		Company	
	1.7.2018 to 30.6.2019 (12 months) RM'000	1.1.2017 to 30.6.2018 (18 months) RM'000	1.7.2018 to 30.6.2019 (12 months) RM'000	1.1.2017 to 30.6.2018 (18 months) RM'000
Directors' remuneration (Note 24)	464	1,174	322	493
Other key management personnel:				
- short term employee benefits	993	786	576	312
- defined contribution plan	119	94	69	37
	1,576	2,054	967	842

### 28. COMMITMENTS

#### (a) Operating lease commitments - as lessee

The Group leases number of premises under operating leases for average lease term between one to two 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	
	2019 RM'000	2018 RM'000
- Not later than one year	48	151

#### (b) Operating lease commitments - as lessor

The Group and the Company lease their investment properties which have remaining lease term between one to three years.

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

	Group and Company	
	2019 RM'000	2018 RM'000
- Not later than one year	767	404
- More than one year and not later than five years	173	415
	940	819

## Notes to the Financial Statements (cont'd)

### 29. 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:

From 1 July 2018

- (a) Amortised cost ("AC")
- (b) Fair value through profit or loss ("FVPL")

On or before 30 June 2018

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

	Carrying amount RM'000	AC RM'000	FVPL RM'000
<b>Group 2019</b>			
<b>Financial assets</b>			
Other investment	268	–	268
Trade and other receivables*	8,037	8,037	–
Cash and bank balances	6,760	6,760	–
	15,065	14,797	268
<b>Financial liabilities</b>			
Trade and other payables	21,738	(21,738)	–
Loans and borrowings	33,037	(33,037)	–
	54,775	(54,775)	–
<b>2018</b>			
<b>Financial assets</b>		<b>L&amp;R/ (FL) RM'000</b>	<b>AFS RM'000</b>
Other investment	623	–	623
Trade and other receivables*	6,855	6,855	–
Cash and bank balances	4,025	4,025	–
	11,503	10,880	623
<b>Financial liabilities</b>			
Trade and other payables^	21,157	(21,157)	–
Loans and borrowings	34,418	(34,418)	–
	55,575	(55,575)	–

## Notes to the Financial Statements (cont'd)

### 29. FINANCIAL INSTRUMENTS (CONT'D)

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

	Carrying amount RM'000	AC RM'000	FVPL RM'000
<b>Company 2019</b>			
<b>Financial assets</b>			
Other investment	268	–	268
Trade and other receivables*	3,835	3,835	–
Amount due from subsidiaries	7	7	–
Cash and bank balances	58	58	–
	4,168	3,900	268
<b>Financial liabilities</b>			
Trade and other payables	18,366	(18,366)	–
Amount due to subsidiaries	34,589	(34,589)	–
Loans and borrowings	4,500	(4,500)	–
	57,455	(57,455)	–
	Carrying amount RM'000	L&R/ (FL) RM'000	AFS RM'000
<b>2018</b>			
<b>Financial assets</b>			
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
<b>Financial liabilities</b>			
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)	–

\* Exclude 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.

## Notes to the Financial Statements (cont'd)

### 29. FINANCIAL INSTRUMENTS (CONT'D)

#### (ii) Financial risk management (Cont'd)

##### (a) Credit risk

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 and the Company are exposed to credit risk from their operating activities (primarily trade receivables) and from their financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the monitoring procedures.

##### Trade receivables

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

The carrying amount of trade 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 a practice of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

##### Credit risk concentration profile

The Group and the Company determine the credit risk concentration of their trade receivables by industry sector profile on an ongoing basis. The credit risk concentration profile of the Group's and the Company's trade receivables at the reporting date are as follows:

Group	2019		2018	
	RM'000	%	RM'000	%
Fire fighting and specialist vehicles and equipments	3,340	83%	1,853	89%
Fire fighting gas system and related accessories	576	14%	80	4%
Rental of investment properties	132	3%	132	6%
Maternity and baby products	—	0%	12	1%
	4,048	100%	2,077	100%
<b>Company</b>				
Rental of investment properties	132	100%	132	100%

The Group and the Company apply the simplified approach to providing for impairment losses prescribed by MFRS 9, which permits the use of the lifetime expected credit losses provision for all trade receivables. To measure the impairment losses, trade receivables have been both individually assessed and grouped based on shared credit risk characteristics and the days past due. The impairment losses also incorporate forward looking information.



## Notes to the Financial Statements (cont'd)

### 29. FINANCIAL INSTRUMENTS (CONT'D)

#### (ii) Financial risk management (Cont'd)

##### (a) Credit risk (Cont'd)

##### Trade receivables (Cont'd)

The information about the credit risk exposure on the Group's and the Company's trade receivables as at 30 June 2019 are as follow:

	Gross RM'000	Credit impaired RM'000	Net RM'000
<b>2019</b>			
<b>Group</b>			
Not past due	2,152	—	2,152
Past due 0 - 30 days	1,674	—	1,674
Past due 31 - 60 days	39	—	39
Past due 61 - 90 days	19	—	19
Past due more than 90 days	5,998	(5,834)	164
	9,882	(5,834)	4,048
<b>Company</b>			
Not past due	6	—	6
Past due 0 - 30 days	49	—	49
Past due 31 - 60 days	31	—	31
Past due 61 - 90 days	19	—	19
Past due more than 90 days	5,861	(5,834)	27
	5,966	(5,834)	132

As at 30 June 2018, the ageing analysis of the Group's and the Company's trade receivables are as follow:

	Gross RM'000	Credit impaired RM'000	Net RM'000
<b>2018</b>			
<b>Group</b>			
Not past due	994	—	994
Past due 0 - 30 days	37	—	37
Past due 31 - 60 days	116	—	116
Past due 61 - 90 days	94	—	94
Past due more than 90 days	6,601	(5,765)	836
	7,842	(5,765)	2,077
<b>Company</b>			
Not past due	38	—	38
Past due 0 - 30 days	19	—	19
Past due 31 - 60 days	17	—	17
Past due 61 - 90 days	20	—	20
Past due more than 90 days	5,802	(5,764)	38
	5,896	(5,764)	132

## Notes to the Financial Statements (cont'd)

### 29. FINANCIAL INSTRUMENTS (CONT'D)

#### (ii) Financial risk management (Cont'd)

##### (a) Credit risk (Cont'd)

##### Trade receivables (Cont'd)

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 follow:

	Group		Company	
	2019 RM'000	2018* RM'000	2019 RM'000	2018* RM'000
At 1 July 2018/1 January 2017	5,765	6,738	5,764	6,301
Charge for the financial year/period	105	129	105	129
Reversal of impairment losses	(36)	(382)	(35)	(359)
Written off	–	(720)	–	(307)
At 30 June	5,834	5,765	5,834	5,764

\* Loss allowance disclosed in comparative period is based on incurred loss model in accordance with MFRS 139 Financial Instruments: Recognition and Measurement.

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.

##### Other receivables and other financial assets

For other receivables and other financial assets (including other investment and cash and bank balances), 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 receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

Some intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, impairment losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group and the Company will consider the expected manner of recovery and recovery period of the intercompany loan.

## Notes to the Financial Statements (cont'd)

### 29. FINANCIAL INSTRUMENTS (CONT'D)

#### (ii) Financial risk management (Cont'd)

##### (a) Credit risk (Cont'd)

##### Other receivables and other financial assets (Cont'd)

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

	Group		Company	
	2019 RM'000	2018* RM'000	2019 RM'000	2018* RM'000
At 1 July 2018/1 January 2017	225	—	225	—
Charge for the financial year/period	661	225	75	225
Exchange differences	(8)	—	—	—
At 30 June	878	225	300	225

\* Loss allowance disclosed in comparative period is based on incurred loss model in accordance with MFRS 139 Financial Instruments: Recognition and Measurement.

Refer to Note 3.12(i) to the financial statements for the Group's and the Company's other accounting policies for impairment of financial assets.

##### 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 RM28,079,000 (2018: RM30,030,000) representing the maximum amount the Company could pay if the guarantee is called on. As at the reporting date, there was no loss allowance for impairment as determined by the Company for the financial guarantee.

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's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group and the Company maintain sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group's and the Company's also ensure that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

## Notes to the Financial Statements (cont'd)

### 29. 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:

		← Contractual cash flows →			
	Carrying 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
<b>Group</b>					
<b>2019</b>					
Loans and borrowings	33,037	31,726	1,567	4	33,297
Trade and other payables	21,738	21,518	435	–	21,953
	54,775	53,244	2,002	4	55,250
<b>2018</b>					
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
<b>Company</b>					
<b>2019</b>					
Loans and borrowings	4,500	4,500	–	–	4,500
Trade and other payables	18,366	18,146	435	–	18,581
Amount due to subsidiaries	34,589	34,589	–	–	34,589
	57,455	57,235	435	–	57,670
<b>2018</b>					
Loans and borrowings	3,759	3,759	–	–	3,759
Trade and other payables	18,729	18,487	853	–	19,340
Amount due to subsidiaries	33,035	33,035	–	–	33,035
	55,523	55,281	853	–	56,134

\* Exclude GST payable

## Notes to the Financial Statements (cont'd)

### 29. 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:

	2019 RM'000	2018 RM'000
<b>Group</b>		
<b>Fixed rate instrument</b>		
Financial liabilities	5,098	2,105
<b>Floating rate instrument</b>		
Financial liabilities	28,379	32,973
<b>Company</b>		
<b>Fixed rate instrument</b>		
Financial liability	440	660
<b>Floating rate instrument</b>		
Financial liabilities	8,428	7,971

##### 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 loss net of tax would have increased/(decreased) by RM216,000 and RM64,000 (2018: RM251,000 and RM61,000) respectively as a result of exposure to floating rate financial liabilities.

##### (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").

## Notes to the Financial Statements (cont'd)

### 29. FINANCIAL INSTRUMENTS (CONT'D)

#### (ii) Financial risk management (Cont'd)

##### (d) Foreign currency risk (Cont'd)

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

	2019 RM'000	Group 2018 RM'000
Financial liabilities not held in functional currency:		
<u>Trade payables</u>		
USD	421	337
GBP	2	22
EURO	6	47
	429	406

#### 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.

		2019 RM'000	Group 2018 RM'000
	Change in rate	Effect on profit or loss	
USD	+ 10%	32	26
	- 10%	(32)	(26)
GBP	+ 10%	—	1
	- 10%	—	(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 Group's and 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 financial asset at fair value through profit or loss.

#### Sensitivity analysis for market price risk

An increase in market price by 10% at the end of the reporting period would decrease the loss net of tax by RM20,000. A decrease in market price by 10% would have equal but opposite effect on loss net of tax. This analysis assumes that all other variables remain constant.

## Notes to the Financial Statements (cont'd)

### 29. 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 other payable are estimated using discounted cash flow analysis based on discount rates that reflects issuer's borrowing rate as at the reporting date.

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	Fair value Level 2 RM'000	Level 3 RM'000
<b>Group</b>				
<b>2019</b>				
<b>Financial asset</b>				
Other investment	268	268	—	—
<b>Financial liabilities</b>				
Financial lease liabilities	278	—	—	286
Other payable	220	—	—	398
<b>2018</b>				
<b>Financial asset</b>				
Other investment	623	623	—	—
<b>Financial liabilities</b>				
Financial lease liabilities	432	—	—	420
Other payable	440	—	—	763
<b>Company</b>				
<b>2019</b>				
<b>Financial asset</b>				
Other investment	268	268	—	—
<b>Financial liability</b>				
Other payable	220	—	—	398
<b>2018</b>				
<b>Financial asset</b>				
Other investment	623	623	—	—
<b>Financial liability</b>				
Other payable	440	—	—	763

## Notes to the Financial Statements (cont'd)

### 30. 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 years ended 30 June 2019 and 30 June 2018.

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

### 31. 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, sales and servicing of fire fighting and specialist vehicles
Trading	:	Servicing of fire fighting and specialist vehicles
	:	Sales of fire fighting equipment and related spare parts
	:	Sales and servicing of fire fighting gas systems and related accessories
	:	Sales of maternity and baby products
Others	:	Dormant

Inter-segment pricing is determined on negotiated basis.

#### 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 are 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.



## Notes to the Financial Statements (cont'd)

### 31. SEGMENT INFORMATION (CONT'D)

#### (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
<b>2019</b>							
<b>Revenue:</b>							
External sales	1,086	34,448	2,276	–	–		37,810
Inter-segment sales	–	25,407	1,846	–	(27,253)	<b>A</b>	–
<b>Total revenue</b>	<b>1,086</b>	<b>59,855</b>	<b>4,122</b>	<b>–</b>	<b>(27,253)</b>		<b>37,810</b>
<b>Results:</b>							
<b>Segment results</b>	<b>(6,204)</b>	<b>1,298</b>	<b>(173)</b>	<b>(1,877)</b>	<b>5,637</b>	<b>B</b>	<b>(1,319)</b>
Impairment loss on trade and other receivables	(180)	(2)	–	(584)	–		(766)
Inventories written down	–	–	(119)	(9,553)	–		(9,672)
Fair value loss on financial assets at FVPL	(355)	–	–	–	–		(355)
Impairment loss on investment in subsidiaries	(16,809)	–	–	–	16,809		–
Fair value loss on investment properties	(10,124)	–	–	–	–		(10,124)
Finance costs	(908)	(589)	(2)	–	–		(1,499)
<b>Segment (loss)/profit</b>	<b>(34,580)</b>	<b>707</b>	<b>(294)</b>	<b>(12,014)</b>	<b>22,446</b>	<b>B</b>	<b>(23,735)</b>
Income tax expense	306	(258)	42	–	–		90
<b>(Loss)/Profit for the financial year</b>	<b>(34,274)</b>	<b>449</b>	<b>(252)</b>	<b>(12,014)</b>	<b>22,446</b>	<b>B</b>	<b>(23,645)</b>
<b>Other information:</b>							
Investment properties	36,113	–	–	–	–		36,113
Capital additions	9	7	1	–	–		17
Depreciation of property, plant and equipment	11	223	286	1	–		521
<b>Assets:</b>							
Segment assets	76,167	65,411	34,467	16,476	(83,456)		109,065
Other investment	268	–	–	–	–		268
<b>Segment assets</b>	<b>76,435</b>	<b>65,411</b>	<b>34,467</b>	<b>16,476</b>	<b>(83,456)</b>	<b>C</b>	<b>109,333</b>
<b>Liabilities:</b>							
<b>Segment liabilities</b>	<b>57,859</b>	<b>53,570</b>	<b>10,950</b>	<b>55,814</b>	<b>(105,493)</b>	<b>C</b>	<b>72,700</b>

Notes to the Financial Statements  
(cont'd)

### 31. 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
<b>2018</b>							
<b>Revenue:</b>							
External sales	1,571	45,780	9,172	–	–		56,523
Inter-segment sales	–	30,048	2,515	–	(32,563)	<b>A</b>	–
<b>Total revenue</b>	<b>1,571</b>	<b>75,828</b>	<b>11,687</b>	<b>–</b>	<b>(32,563)</b>		<b>56,523</b>
<b>Results:</b>							
<b>Segment results</b>	<b>(6,646)</b>	<b>3,489</b>	<b>(1,503)</b>	<b>(7,686)</b>	<b>8,453</b>	<b>B</b>	<b>(3,893)</b>
Impairment loss on trade and other receivables	(354)	–	–	–	–		(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)
<b>Segment (loss)/profit</b>	<b>(30,680)</b>	<b>2,466</b>	<b>(1,512)</b>	<b>(13,600)</b>	<b>29,526</b>	<b>B</b>	<b>(13,800)</b>
Income tax expense	125	(74)	(354)	–	–		(303)
<b>(Loss)/Profit for the financial period</b>	<b>(30,555)</b>	<b>2,392</b>	<b>(1,866)</b>	<b>(13,600)</b>	<b>29,526</b>	<b>B</b>	<b>(14,103)</b>
<b>Other information:</b>							
Investment properties	46,237	–	–	–	–		46,237
Capital additions	11	172	–	–	–		183
Depreciation of property, plant and equipment	31	420	476	2	–		929
<b>Assets:</b>							
Segment assets	108,460	69,797	35,232	27,142	(114,609)		126,022
Other investment	623	–	–	–	–		623
<b>Segment assets</b>	<b>109,083</b>	<b>69,797</b>	<b>35,232</b>	<b>27,142</b>	<b>(114,609)</b>	<b>C</b>	<b>126,645</b>
<b>Liabilities:</b>							
<b>Segment liabilities</b>	<b>56,233</b>	<b>51,551</b>	<b>26,770</b>	<b>55,438</b>	<b>(130,751)</b>	<b>C</b>	<b>59,241</b>

## Notes to the Financial Statements (cont'd)

### 31. SEGMENT INFORMATION (CONT'D)

#### (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 revenues 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 is major customer from manufacturing segments:

	2019 RM'000	2018 RM'000
<b>Manufacturing</b>		
Customer I	26,972	37,686

#### (iii) Geographical information

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

### 32. SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE FINANCIAL YEAR

On 12 May 2014, Bellajade Sdn. Bhd. ("Bellajade") has commenced the action against the Company ("CME") arising from the disputes in relation to a Tenancy Agreement dated 21 February 2013 whereby CME 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 CME and allowed CME'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 ("FC Order").

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 CME to file Motion for Leave to Appeal to the Federal Court ("COA Order").

On 13 November 2017, the Federal Court had allowed CME's Motion for Leave to appeal to the Federal Court. The Federal Court also granted a stay of execution of the Judgment of the Court of Appeal dated 24 August 2016 ("CME's FC Leave Order and Motion").

On 25 September 2018, the Federal Court allowed CME's appeal against Bellajade ("CME's FC Appeal") and set aside the COA Order. The Federal Court re-instated the FC Order which ordered that Bellajade's claim against CME be dismissed, the tenancy agreement between Bellajade and CME as null and void and Bellajade to pay CME a sum of RM9,411,062, along with the cost of RM80,000 ("CME's FC Appeal Order").

On 4 October 2018, Bellajade has filed in the Federal Court a Notice of Motion to review the CME's FC Appeal Order and a Notice of Motion to stay the execution of CME's FC Appeal. CME opposed both the Motions.

## Notes to the Financial Statements (cont'd)

### 32. SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE FINANCIAL YEAR (CONT'D)

With the filing of Notice of Discontinuance of the Motion for stay of execution of Federal Court's order dated 25 September 2018 by Bellajade on 14 November 2018, the file has been closed and hearing date has been vacated.

On 14 February 2019, the Federal Court had allowed Bellajade's Review Motion dated 4 October 2018 to review the judgement delivered on 25 September 2018, setting aside the CME's FC Appeal Order and the CME FC Appeal to be re-heard by a different panel of judges ("FC Review Order").

On 15 March 2019, CME had applied to review the FC Review Order ("CME Review"). CME has also filed a Notice of Motion to stay the execution of FC Review Order and stay the hearing of CME's FC Appeal while pending the disposal of the CME's Review ("CME Stay Motion").

Pursuant to the Federal Court order dated 13 November 2017, the COA order is currently stayed pending final disposal of the CME's FC Appeal. CME's FC Appeal is currently fixed for case management, pending the disposal of the CME Review.

Bellajade has issued a notice dated 24 April 2019 demanded for a sum of RM55,251,738, CME had on 30 April 2019 applied to Kuala Lumpur High Court to seek for an injunction to restrain Bellajade from presenting a winding up petition against CME. On 14 May 2019, CME had been granted an ad interim injunction in favour of CME with a condition that CME shall deposit a sum of RM10,969,933 into a joint stakeholder account held by solicitors of CME and Bellajade. The sum had been deposited by CME on 3 June 2019.

On 17 July 2019, Kuala Lumpur High Court allowed CME's application for Fortuna Injunction on the condition that the stakeholder sum of RM10,969,933 deposited remains in the stakeholder account pending the disposal of CME's FC Appeal or any other orders made by the Courts that state otherwise, whichever earlier.

On 24 July 2019, CME filed a Notice of Appeal to Court of Appeal against such part of decision by the Kuala Lumpur High Court dated 17 July 2019 to maintain the stakeholder sum in the stakeholder account ("CME's Appeal"). Case management is fixed on 15 November 2019.

On 15 August 2019, Bellajade filed a Notice of Appeal to Court of Appeal against such part of decision by the Kuala Lumpur High Court dated 14 May 2019 that an interim injunction be granted pending the final disposal of CME's FC Appeal ("Bellajade's Appeal"). Case management is fixed on 15 November 2019.

## STATEMENT BY DIRECTORS

(Pursuant to Section 251 (2) of the Companies Act 2016)

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 50 to 131 are drawn up in accordance with Malaysian Financial Reporting Standards, 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 2019 and of their financial performance and cash flows for the financial year 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: 23 October 2019

## 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 50 to 131 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 in the State of Selangor Darul Ehsan on 23 October 2019.

Before me,

**WONG CHOY YIN**  
(No: B508)

Commissioner for Oaths

## 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	08 August 2019	Leasehold 99 years expiring 25 April 2090	3 Storey	27.138 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	08 August 2019	Leasehold 99 years expiring 25 April 2090	3 Storey	5.475 million
Leasehold property :- H.S. (D) 98215 No. PT 30401  Mukim Sungai Buluh, District of Petaling Jaya, State of Selangor	563 sq.m	08 August 2019	Leasehold 99 years expiring 25 October 2090	2 storey semi-detached house	3.500 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	7,321 sq.m	08 August 2019	Freehold 27 years	3 Storey Office cum Factory Building	28.200 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	28 July 2019	Freehold	Property Development	8.765 million
170 Mandurah Terrace, Local Government Area of City of Mandurah, Australia	3,998 sq.m	28 July 2019	Freehold	Property Development	2.973 million

## ANALYSIS OF SHAREHOLDINGS

AS AT 17 OCTOBER 2019

Authorised Share Capital : RM1,000,000,000  
 Issued and Fully Paid Up : RM49,459,590  
 Class of Shares : Ordinary Shares

### DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Share Capital
Less than 100	228	10.99	17,661	0.00
100 - 1,000	261	12.58	192,518	0.03
1,001 - 10,000	304	14.65	1,495,049	0.25
10,001 - 100,000	958	46.17	40,232,187	6.89
100,001 to less than 5% of issued shares	321	15.47	354,779,620	60.73
5% and above of issued shares	3	0.14	187,519,400	32.10
<b>Total</b>	<b>2,075</b>	<b>100.00</b>	<b>584,236,435</b>	<b>100.00</b>

### DIRECTORS' SHAREHOLDINGS

No.	Name of Directors	No. of Shares		No. of Shares	
		Direct Interest	%	Deemed Interest	%
1	Y.M. Tunku Nizamuddin Bin Tunku Dato' Seri Shahabuddin	0	0.00	134,289,400	22.99
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 Birdnest Sdn Bhd Registered with:- KAF Nominees (Tempatan) Sdn Bhd	80,573,640	13.79
2	Best Birdnest 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	REZA BIN SHARIFFUDIN	27,956,780	4.79
5	RAMLI BIN ABDULLAH	25,341,333	4.34
6	LOONG FONG LIN	25,246,500	4.32
7	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOK FUI HUN	22,983,100	3.93
8	GOH LILY	12,879,900	2.20
9	KAF NOMINEES (TEMPATAN) SDN.BHD. ONG SUAN PIN	12,400,000	2.12
10	TAN SOH WAI	12,032,300	2.06
11	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SOH WAI	11,395,800	1.95
12	CHAI KIM FAH	10,890,200	1.86
13	KAF NOMINEES (TEMPATAN) SDN.BHD. PLEDGED SECURITIES ACCOUNT FOR LIEW KUO YAW (LI3132)	8,050,000	1.38
14	LIEW KUO YAW	6,989,700	1.20
15	CHIANG SIEW ENG @ LE YU AK EE	6,000,000	1.03
16	LAI THIAM MEI	6,000,000	1.03
17	CHIEW CHEIK YEE	5,205,260	0.89
18	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG SEOW PANG	4,020,000	0.69
19	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG GEOK WAH (B BRKLANG-CL)	4,000,000	0.68
20	LEE CHEE MING	4,000,000	0.68
21	KENANGA NOMINEES (TEMPATAN) SDN BHD FOR CHIANG SIEW ENG @ LE YU AK EE	3,700,000	0.63
22	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD RAVINDRAN A/L SINNAYYA	3,601,000	0.62
23	ONG SUAN PIN	3,500,000	0.60
24	TAN HOCK CHYE	3,500,000	0.60
25	HENG SWEE NGEE	3,492,500	0.60
26	WONG AH NGAN	3,300,000	0.56
27	LIM CHIN KEE	2,890,000	0.49
28	NG WOOL YING	2,870,000	0.49
29	LAI THIAM POH	2,729,000	0.47
30	LIEW HON LEE	2,200,000	0.38
<b>TOTAL</b>		<b>424,692,773</b>	<b>72.68</b>

## ANALYSIS OF ICULS HOLDINGS

AS AT 17 OCTOBER 2019

Number of Ten (10) - Years Zero Coupon Irredeemable Convertible 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	0.57	1	0.00
100 - 1,000	12	6.78	3,909	0.00
1,001 - 10,000	20	11.30	97,000	0.01
10,001 - 100,000	93	52.54	4,968,805	0.64
100,001 to less than 5% of issued shares	49	27.68	29,181,000	3.72
5% and above of issued shares	2	1.13	750,000,000	95.63
Total	177	100.00	784,250,715	100.00

### DIRECTORS' ICULS HOLDINGS

No.	Name of Directors	No. of ICULS		No. of ICULS	
		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	8,931,500	1.14
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	REZA BIN SHARIFFUDIN	1,206,300	0.15
7	NEO KET SHONG @ NEO YEE CHOON	1,000,000	0.13
8	CHAN BOON YOK	842,100	0.11
9	LEE CHEE KEONG	800,000	0.10
10	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR KOK POW PENG @ KOK POH PING (PB)	600,000	0.08
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	CHAN WAN TECK	400,000	0.05
16	CHIM LUANG ENG	400,000	0.05
17	LEW HUEY FANG	400,000	0.05
18	LOH SIN MIN	400,000	0.05
19	TAN MING SHENG	400,000	0.05
20	TEO AH CHIEW	400,000	0.05
21	CHIM LUANG ENG	320,000	0.04
22	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AHMAD HASBI BIN MOHAMED @ ISMAIL	265,000	0.03
23	OOI CHIN AIK	225,000	0.03
24	GAN TIAN SOO @ GAN AH KAN	220,000	0.03
25	LIM BEE HONG	201,080	0.03
26	BONG HUA	200,000	0.03
27	CHEONG HUEY LING	200,000	0.03
28	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE ENG MIN (CCTS)	200,000	0.03
29	LARRY DANIEL KUEH	200,000	0.03
30	LEE KHIM NGIE	200,000	0.03
<b>TOTAL</b>		<b>775,698,080</b>	<b>98.92</b>

## ANALYSIS OF WARRANT HOLDINGS

AS AT 17 OCTOBER 2019

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	:	167

### 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	4	2.40	155	0.00
100 - 1,000	22	13.17	12,827	0.01
1,001 - 10,000	48	28.74	153,038	0.12
10,001 - 100,000	65	38.92	2,079,457	1.68
100,001 to less than 5% of issued shares	24	14.37	21,336,430	17.24
5% and above of issued shares	4	2.40	100,201,116	80.95
<b>Total</b>	<b>167</b>	<b>100.00</b>	<b>123,783,023</b>	<b>100.00</b>

### DIRECTORS' WARRANT HOLDINGS

No.	Name of Directors	No. of Warrant		No. of Warrant	
		Direct Interest	%	Deemed Interest	%
1	Y.M. Tunku Nizamuddin Bin Tunku Dato' Seri Shahabuddin	0	0.00	67,144,700	54.24
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 Birdnest Sdn Bhd	67,144,700	54.24
2	Ramli bin Abdullah	15,176,366	12.26
3	Kok Fui Hun	10,056,300	8.12
4	Reza bin Shariffudin	7,823,750	6.32

## 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	15,176,366	12.26
3	KOK FUI HUN	10,056,300	8.12
4	REZA BIN SHARIFFUDIN	7,823,750	6.32
5	LOONG FONG LIN	4,900,000	3.96
6	ONG SUAN PIN	4,375,000	3.53
7	NG WOUI YING	1,825,800	1.48
8	CHAI KIM FAH	1,666,750	1.35
9	TAN SOH WAI	1,246,600	1.01
10	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM SOO YEE (STA 1)	799,700	0.65
11	BOON KIM YU	778,000	0.63
12	CHIN SWEE YOONG	675,000	0.55
13	GOH LILY	600,000	0.48
14	LEE CHEE KEONG	583,332	0.47
15	TAN SOH WAI	500,000	0.40
16	TAY AH NAI	500,000	0.40
17	TAN CHUAN HONG	416,250	0.34
18	CHONG YONG LIN	375,000	0.30
19	LEE CHEE KEONG	333,332	0.27
20	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BOON KIM YU (CCTS)	300,000	0.24
21	ALLIANCEGROUP NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHENG PANG (MO011)	250,000	0.20
22	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG KEN ONN	200,000	0.16
23	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG KEH AUN (PENANG-CL)	200,000	0.16
24	CHEANG KEW PENG	200,000	0.16
25	LEE KOK HOONG	200,000	0.16
26	LAU ENG THEAN	166,666	0.13
27	HACONG (HARDWARE & ELECTRICAL) SDN BHD	125,000	0.10
28	LEE CHEE SIONG	120,000	0.10
29	LOH SIN MIN	100,000	0.08
30	YAM SE KEIT	85,000	0.07
<b>TOTAL</b>		<b>121,722,546</b>	<b>98.32</b>

**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 Friday, 29 November 2019 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
Ordinary Resolution 1	Y.M. Tunku Nizamuddin Bin Tunku Dato' Seri Shahabuddin who retires in accordance with Article 83.		
Ordinary Resolution 2	En. Azlan Omry Bin Omar who retires in accordance with Article 83.		
Ordinary Resolution 3	To approve the payment of Directors' fees		
Ordinary Resolution 4	To re-appoint Messrs Baker Tilly Monteiro Heng PLT as Auditors of the Company.		
Ordinary Resolution 5	Authority to Allot and Issue Shares pursuant to the Companies Act 2016.		
Ordinary Resolution 6	Retention of Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj as an Independent Director.		
Ordinary Resolution 7	Retention of Y. Bhg. Dato' Khairi Bin Mohamad as an Independent Director.		
Special Resolution 1	Proposed Adoption Of The New Constitution Of The Company		

(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 ..... 2019

.....  
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-Third (23rd) 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 25 November 2019. 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**  
197901007949 (52235-K)  
No. 22C, Jalan Gelugor  
41050 Klang  
Selangor Darul Ehsan  
Malaysia

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# CME

## CME GROUP BERHAD

197901007949 (52235-K)  
(Incorporated in Malaysia)

Lot 19, Jalan Delima 1/1, Taman Perindustrian Teknologi Tinggi Subang,  
47500 Subang Jaya, Selangor Darul Ehsan, Malaysia.

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



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