

**CME GROUP BERHAD**

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 JUNE 2017**

(The figures have not been audited)

	Unaudited At 30/06/2017 RM '000	Audited At 31/12/2016 RM '000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	18,710	19,013
Land held for property development	38,012	37,457
Investment properties	47,095	51,260
Other financial assets	765	1,491
TOTAL NON-CURRENT ASSETS	104,582	109,221
CURRENT ASSETS		
Inventories	942	909
Amount due from contract customers	12,916	721
Trade receivables and other receivables	8,314	19,511
Tax recoverable	485	518
Cash and bank balances	2,780	1,120
TOTAL CURRENT ASSETS	25,437	22,779
TOTAL ASSETS	130,019	132,000
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Issued capital	46,316	44,110
ICULS	31,370	31,370
Reserves	(13,205)	(10,470)
TOTAL EQUITY	64,481	65,010
NON-CURRENT LIABILITIES		
Hire-purchase payables	522	599
Amount owing to third parties	660	1,779
Long-term loan	1,558	1,803
Deferred tax liabilities	1,238	1,238
TOTAL NON-CURRENT LIABILITIES	3,978	5,419
CURRENT LIABILITIES		
Trade payables and other payables	31,996	33,098
Amount due to contract customers	2,322	6,780
Hire-purchase payables	168	168
Bank borrowings	27,029	21,480
Tax liabilities	45	45
TOTAL CURRENT LIABILITIES	61,560	61,571
TOTAL LIABILITIES	65,538	66,990
TOTAL EQUITY AND LIABILITIES	130,019	132,000
Net Tangible Assets Per RM0.10 Share	0.133	0.147

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statement for the year ended 31 December 2016 and the explanatory notes attached to the interim financial report.)

**CME GROUP BERHAD**

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

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE CURRENT QUARTER AND CUMULATIVE 6-MONTH PERIOD ENDED 30 JUNE 2017**

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Current year quarter 30/06/2017 (RM '000)	Preceding year corresponding quarter 30/06/2016 (RM '000)	Current Year-to-date 30/06/2017 (RM '000)	Preceding year corresponding period 30/06/2016 (RM '000)
Revenue	14,563	2,855	24,335	9,986
Cost of sales	(12,155)	(2,359)	(19,679)	(8,183)
Gross profit	2,408	496	4,656	1,803
Other gains	69	77	76	180
Fair value loss on available-for-sale financial assets	(294)	-	(726)	-
Administrative expenses	(1,965)	(1,360)	(3,775)	(2,550)
Other expenses	(2,014)	(226)	(2,213)	(428)
Finance costs	(558)	(375)	(1,028)	(781)
Loss before tax	(2,354)	(1,388)	(3,010)	(1,776)
Income tax (expense)/ credit	(22)	7	-	7
Loss for the period	(2,376)	(1,381)	(3,010)	(1,769)
Other comprehensive (loss)/ income				
Foreign currency translation	(497)	52	275	(954)
(Loss)/ Gain on revaluation of property, plant and equipment	-	(2,709)	-	8,576
Other comprehensive loss	-	(3,466)	-	(5,760)
	(497)	(6,123)	275	1,862
Total comprehensive (loss)/ income for the period	(2,873)	(7,504)	(2,735)	93
Loss for the period attributable to:-				
Equity holders of the parent	(2,376)	(1,381)	(3,010)	(1,769)
Non-controlling interests	-	-	-	-
	(2,376)	(1,381)	(3,010)	(1,769)
Total comprehensive (loss)/ income attributable to:-				
Equity holders of the parent	(2,873)	(7,504)	(2,735)	93
Non-controlling interests	-	-	-	-
	(2,873)	(7,504)	(2,735)	93
Loss per share RM0.10 shares				
Basic (sen):-				
• Before mandatory conversion of Irredeemable Convertible Unsecured Loan Stocks 2014/2024 ("ICULS")	-0.490	-0.313	-0.620	-0.401
• After mandatory conversion of ICULS	-0.297	-0.183	-0.377	-0.234
Diluted (sen)	-0.490	-0.313	-0.620	-0.401

(The Condensed Consolidated Statement of Profit Or Loss And Other Comprehensive Income should be read in conjunction with the Annual Audited Financial Statement for the year ended 31 December 2016 and the explanatory notes attached to the interim financial report.)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2017**

(The figures have not been audited)

	Share capital	ICULS	Accumulated losses	< -----Non-distributable----- >			Total equity
				Fair value reserve	Revaluation reserve	Foreign currency translation reserve	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2016	44,110	31,370	(10,099)	3,038	-	3,061	71,480
Loss for the year	-	-	(14,829)	-	-	-	(14,829)
Other comprehensive income for the year	-	-	-	(3,038)	10,721	676	8,359
Total comprehensive loss for the year	-	-	(14,829)	(3,038)	10,721	676	(6,470)
Balance as at 31 December 2016	44,110	31,370	(24,928)	-	10,721	3,737	65,010
Issuance of ordinary shares	2,206	-	-	-	-	-	2,206
Loss for the period	-	-	(3,010)	-	-	-	(3,010)
Other comprehensive income for the period	-	-	-	-	-	275	275
Total comprehensive loss for the period	2,206	-	(3,010)	-	-	275	(529)
Balance as at 30 June 2017	46,316	31,370	(27,938)	-	10,721	4,012	64,481

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Audited Financial Statement for the year ended 31 December 2016 and the explanatory notes attached to the interim financial report.)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
 FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2017**
 (The figures have not been audited)

	Current year-to-date 30/06/2017 RM'000	Preceding year corresponding year-to-date 30/06/2016 RM'000
CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES		
Loss for the period	(3,010)	(1,769)
Adjustments for:		
Debt settlement by investment properties	4,165	-
Depreciation of property, plant and equipment	319	269
Fair value loss on available-for-sale financial assets	726	-
Finance costs	1,028	781
Gain on disposal of investment properties	-	(60)
Income tax credit recognised in profit or loss	-	(7)
Unrealised currency translation on land held for property development	(555)	1,399
Operating profit before working capital changes	2,673	613
Changes in working capital		
Net changes in current assets	(1,031)	1,558
Net changes in current liabilities	(4,174)	1,010
Cash (used in)/ from operations	(2,532)	3,181
Income tax paid	(33)	(33)
Income tax refunded	66	82
Net cash (used in)/ from operating activities	(2,499)	3,230
CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(16)	(396)
Proceed from disposal of assets held for sale	-	960
Net cash (used in)/ from investing activities	(16)	564
CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES		
Decrease in amount owing to third parties	(356)	-
Interest expense paid	(1,028)	(781)
Proceed from/ (Repayment of) bank borrowings	9,126	(149)
(Repayment of)/ Proceed from hire purchase payables	(77)	131
Net cash from/ (used in) financing activities	7,665	(799)
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,150	2,995
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(17,445)	(19,224)
Effects of exchange rate changes on cash and cash equivalents	332	(954)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	(11,963)	(17,183)
Cash and Cash Equivalents are as follows:-		
Cash and bank balances	2,780	479
Bank overdrafts	(14,743)	(17,662)
	(11,963)	(17,183)

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Audited Financial Statement for the year ended 31 December 2016 and the explanatory notes attached to the interim financial report.)

NOTES TO THE INTERIM FINANCIAL STATEMENT – SECOND QUARTER ENDED 30 JUNE 2017

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

1 Basis of Preparation

The interim financial statements are unaudited and have been prepared in compliance with Malaysian Financial Reporting Standard (MFRS) 134 -*Interim Financial Reporting*, issued by the Malaysian Accounting Standards Board (“MASB”) and Part A of Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2016. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2016.

2 Financial Reporting Standards

Significant accounting policies adopted by the Group in these interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2016.

The Group has adopted the Malaysian Financial Reporting Standards (“MFRS”) framework issued by MASB with effect from 1 January 2017. This MFRS framework was introduced by MASB in order to fully converge Malaysia’s existing Financial Reporting Standard (“FRS”) framework with the International Financial Reporting Standards (“IFRS”) framework issued by the International Accounting Standards Board. There has been no material impact upon the adoption of the MFRS on the financial statements of the Group.

The Group has also adopted all the new and revised MFRSs and IC Interpretations that are relevant and effective for accounting periods beginning on or after 1 January 2017. The adoption of these new and revised MFRS and IC Interpretations have not resulted in any material impact upon the financial statements of the Group.

MFRSs and IC Interpretations that were issued but are not yet effective have not been early adopted by the Group.

3 Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report on the financial statements for the year ended 31 December 2016 was not subjected to any qualification.

4 Seasonal or cyclical factors

The Group’s operations were not subject to any seasonal or cyclical factors.

5 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no exceptional items and unusual events affecting the assets, liabilities, equity, net income and cash flow of the Group for the current quarter and financial year-to-date.

6 Changes in estimates

There were no changes in the estimates of amounts, which give a material effect in the current quarter or financial year-to-date.

7 Debt and equity securities

There was no issuance or repayment of debts and equity securities, share buy-back, shares cancellation, shares held as treasury shares and resale of treasury shares for the current quarter under review, except for the issuance of 44,110,000 ordinary shares at an issue price of RM0.05 per ordinary share under the Proposed Private Placement which was completed on 19 June 2017.

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

7 Debt and equity securities (Cont.)

The status of utilisation of proceeds as at 30 June 2017 is as follows.

Proposed utilisation of proceeds	Proceeds raised (RM'000)	Utilised as at 30/06/2017 (RM'000)	Time frame for utilisation
Working capital	1,126	400	Within 12 months
Repayment of bank borrowings	1,000	800	Within 6 months
Estimated expenses in relation to the Proposed Private Placement	80	80	Within 2 weeks
	2,206	1,280	

8 Dividends paid

There was no dividend paid/ declared by the Company for the current quarter ended 30 June 2017 (2016: Nil.).

9 Segmental reporting

30.06.2017	Invest. Holding RM '000	Manufacturing RM '000	Trading RM '000	Others RM '000	Elimination RM '000	Consolidated RM '000
Revenue						
External sales	621	20,965	2,749	-	-	24,335
Inter-segment sales	-	10,713	753	-	(11,466)	-
Total revenue	621	31,678	3,502	-	(11,466)	24,335
Results						
Segment results	(2,012)	1,960	(182)	(1,748)	-	(1,982)
Finance costs						(1,028)
Loss before tax						(3,010)
Income tax credit						-
Loss for the period						(3,010)
Other information						
Capital additions	10	6	-	-	-	16
Depreciation	13	143	162	1	-	319
Consolidated Balance Sheet						
Assets						
Segment assets	130,003	59,981	28,734	35,950	(125,414)	129,254
Other investment	765	-	-	-	-	765
Consolidated total assets	130,768	59,981	28,734	35,950	(125,414)	130,019
Liabilities						
Segment Liabilities	58,380	42,600	27,568	53,947	(116,957)	65,538
30.06.2016						
Revenue						
External sales	552	8,713	721	-	-	9,986
Inter-segment sales	-	4,119	1,152	-	(5,271)	-
Total revenue	552	12,832	1,873	-	(5,271)	9,986

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

9 Segmental reporting (Cont.)

30.06.2016	Invest. Holding RM ‘000	Manufacturing RM ‘000	Trading RM ‘000	Others RM ‘000	Elimination RM ‘000	Consolidated RM ‘000
Results						
Segment results	(818)	215	123	(515)	-	(995)
Finance costs						(781)
Loss before tax						(1,776)
Income tax expense						7
Loss for the period						(1,769)
Other information						
Capital additions	9	368	19	-	-	396
Depreciation	10	122	136	1	-	269
Consolidated Balance Sheet						
Assets						
Segment assets	129,219	49,363	26,720	36,766	(120,210)	121,858
Other investment	2,437	-	-	-	-	2,437
Consolidated total assets	131,656	49,363	26,720	36,766	(120,210)	124,295
Liabilities						
Segment Liabilities	55,295	33,406	27,405	48,813	(112,153)	52,766

As the Group is principally operating within Malaysia, geographical segment has not been presented.

10 Valuation of property, plant and equipment

The Group did not carry out any valuations on its property, plant and equipment for the interim financial year under review. The valuations of the property, plant and equipment have been brought forward from the preceding annual financial statements.

11 Material Subsequent Events

There were no material events subsequent to 30 June 2017 that have not been reflected in the interim financial report.

12 Material Uncertainty Related to Going Concern

The Board of Directors of CME Group Berhad (“CME” or “the Company”) wishes to announce that its external auditors, Deloitte PLT have issued a statement of “Material Uncertainty Related to Going Concern” (“Statement”) in respect of CME’s Financial Statements for 31 December 2016 (“FS 2016”).

Pursuant to Paragraph 9.19(37) of the Main Market Listing Requirements, the description of the Statement is as follows:

“Material Uncertainty Related to Going Concern

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

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

12 Material Uncertainty Related to Going Concern (Cont.)

The reference to Note 2 of the FS 2016 is reproduced below:-

“BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

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

The following are the Key Audit Matters as reported in the Independent Auditors’ Report of the FS 2016:-

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

In relation to the above, the Board wishes to advise on the followings:-

- (a) The Independent Auditors have expressed unqualified opinion on the FS 2016 and that their opinion is not modified in respect of the Statement on that matter;
- (b) The Group has already started the process of addressing the net current liabilities through entering into a Settlement Agreement with certain third parties to repay the amount outstanding by way of transfer of investment properties.

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

12 Material Uncertainty Related to Going Concern (Cont.)

In 2016, The Group has secured a total book order of approximately RM48.8 million for supply fire fighting vehicles and maintenance services between 2016 to maximum period of 5 years upon expiry of the 2 years warranty period of the fire fighting vehicles. The contract is expected to contribute positively to the Group’s earnings for following years.

The Group is currently exploring options of fund raising/refinancing to improve the net current liabilities position.

(c) CME Group is currently exploring other viable, synergistic and profitable business ventures to improve the Group’s performance whilst improving its current production and cost efficiency.

13 Changes in Composition of the Group

There were no major changes in the composition of the Group including business combination, acquisition or disposal of subsidiaries and restructuring or discontinued of operations during the quarter under review.

14 Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets for the financial quarter under review.

15 Capital Commitments

There were no capital commitments for the financial quarter under review.

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

1 Review of Group performance

The Group recorded higher revenue for the second quarter ended 30 June 2017 of RM24.3 million, an increase of RM14.3 million or >100% over the corresponding preceding quarter of 2016, principally attributable to the completion and recognition of fire fighting vehicles during the quarter coupled with the revenue generated from our trading segment, which saw an increase of RM2.0 million.

The Group posted a loss before tax of RM3.0 million compared to loss before tax of RM1.8 million of the corresponding preceding quarter of 2016, mainly due to losses incurred in retail segment and further provision made for the forbearance deed by the foreign subsidiary company.

Cost of sales increased in tandem with higher revenue, by RM11.5 million or 140.5%, albeit at a lower rate of increase compared to revenue. This resulted in a marginal improvement on gross profit margin from 18.1% to 19.1%.

2 Material change in loss before tax for the quarter compared with the immediate preceding quarter

The comparison of the Group's revenue and loss before tax for the current quarter and preceding quarter is as follows:

	30.06.17 RM'000	31.03.17 RM'000	← Variance →	
			RM'000	%
Revenue	14,563	9,772	4,791	49.0
Loss before tax	(2,354)	(656)	(1,698)	>-100

For the current quarter ended 30 June 2017, the Group registered a revenue of RM14.6 million, a significant increase in revenue of 49.0% compared to the preceding quarter ended 31 March 2017.

The Group recorded a loss before tax of RM2.4 million for the current quarter as compared to a loss before tax of RM656,000 in the preceding quarter, mainly due to further provision made for the forbearance deed by the foreign subsidiary company.

3 Commentary on Prospects for 2017

For the remaining quarters of 2017, the Directors remain positive of the Group's prospects on the manufacturing of fire fighting vehicles segment as the Group has on-going contracts exceeding RM48.8 million for supply fire fighting vehicles and maintenance services and is at the same time looking positively to replenish its order book. However, the performance of retail and property segment is expected to be challenging due to weak consumers sentiment and stiff competition.

While the Directors are optimistic of the future prospects of the Group, 2017 would pose a great challenge amid the unsettled global economic climate. The Directors will continue to exercise due care in order to preserve and enhance shareholders' values.

Meanwhile, 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.

4 Profit forecast

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

5 Income tax expense

The Tax figures consist of the following :-

	Current Quarter RM '000	Current Year to Date RM '000
Current year provision	22	-
	22	-

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

6 Corporate Proposals

Saved as disclosed below, there was no other corporate proposal announced by the Company and pending completion.

(i) **Proposed Joint Venture between CME and Tanah Mestika Sdn Bhd (“TMSB” or “Developer”)**

CME had on 10 February 2015 entered into a Joint Venture Agreement (“the Agreement”) with TMSB for a mixed development on a piece of leasehold land measuring approximately 5,936 square metre located at Lot 35895, Bandar Indera Mahkota, Mukim Kuala Kuantan, Daerah Kuantan, Negeri Pahang Darul Makmur.

The Agreement was entered into a joint-venture basis between CME as the Landowner and TMSB as the Developer subject to and upon the terms and conditions of the Agreement.

As at 23 February 2016, all the conditions precedent in the Agreement have been met and this Agreement have fulfill all the requisite conditions for its validity between the Parties.

On 20 July 2017, CME entered into Supplemental Agreement (“SA”) with the Developer to vary the terms of the Joint Venture Agreement (“the JVA”) dated 10 February 2015. CME has requested from the Developer for an early payment of Land Owner entitlements. In consideration of this early payment, both parties agreed with the net present value of Landowner’s Entitlement at Ringgit Malaysia Seven Million Eighty Four Thousand Two Hundred Fifty Two And Cents Eleven (RM7,084,252.11) by taking into account a discount rate of 9% for a period of 4 years. In consideration of the early payment of CME’s Entitlement, CME shall transfer the Said Land on an “as is where is basis” subject to the express conditions and restrictions-in-interest affecting the title to the Said Land but otherwise free from all encumbrances and with vacant possession of the Said Land.

In the event this SA is not fulfilled, not completed or terminated for any reason whatsoever, the Parties hereby agree that the terms of the JVA shall remain in place and the Parties shall revert to the terms thereunder contained. In the event this SA is completed, the JVA shall be deemed completed and neither party shall have any further claims in relation to this SA and the JVA save and except for any antecedent breaches.

The SA is yet to complete as at the date of this report.

7 Group borrowings and debt securities

	As at 30/06/2017
	Secured
	<i>RM’000</i>
Amount payable within one year	
Bank borrowings	27,029
Finance leases	168
	<u>27,197</u>
Amount payable after one year	
Bank borrowings	1,558
Finance leases	522
	<u>2,080</u>
Total borrowings	<u>29,277</u>

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

8 Material litigation

Save as disclosed below, there were no material litigations against the Group or taken by the Group at the date of issuance of this Interim Financial Report.

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

The Company on 12 May 2014 had been served with the Writ and the Statement of Claim by the Kuala Lumpur High Court in relation to a claim filed by Bellajade Sdn Bhd (“Bellajade”). Bellajade commenced an action against the Company arising from disputes in relation to a Tenancy Agreement dated 21 February 2013 whereby the Company agreed to rent from Bellajade a 23-Storey Office Building known as Plaza Palas bearing the postal address Plaza Palas, Lorong Palas, Off Jalan Ampang, Kuala Lumpur, for a rental of RM1,018,750.00 per month commencing from 20 February 2013, for tenancy term of 3 years. Bellajade is claiming for an outstanding amount of RM8,401,756.85 as of 27 December 2013, rental payment for January 2014 and every subsequent monthly rental payment until the end of tenancy period of 3 years, interest and costs.

The Company has been informed by its solicitors that the Kuala Lumpur High Court had on 20th May 2015:

- (i) Dismissed the Bellajade’s claim against the Company;
- (ii) Allowed the Company’s Counterclaim that the Tenancy Agreement is void and Bellajade pay to the Company the sum of RM9,411,062.50 with interest of 4% on the pre judgment sum and 5% on post judgment sum (from the respective date of payment);
- (iii) Awarded costs of RM30,000 to the Company; and
- (iv) Costs of RM20,000 to the 2nd Defendant (others).

On 10 June 2015, the Company was informed by its solicitors that Bellajade's Solicitors had filed and served a Notice of Appeal on 3 June 2015.

On 16 July 2015, the Company has via its solicitors served the Statutory Notice of Demand Pursuant to Section 218 (1)(e) of the Companies Act, 1965 on Bellajade to pay to the sum of RM10,128,678.55 being the principle judgment sum, interest, costs and further interest accruing until full settlement pursuant to the Judgment dated 20 May 2015 obtained vide Civil Suit No. 22NCVC-19-01/2014 in the High Court of Malaya at Kuala Lumpur entered against Bellajade. Bellajade must secure or compound the same to the Company’s reasonable satisfaction within TWENTY ONE (21) days from the date of receipt of the demand, in default of which, Bellajade shall be deemed to be unable to pay their debts, in which event the Company shall proceed to petition to the Court that Bellajade be wound up.

On 7 August 2015, the Company was informed by its solicitors that the stay of execution of Judgment was granted on condition that Bellajade deposits within 14 days from 7 August 2015 a sum of RM10 million into a joint stakeholders account to be operated jointly by Bellajade's Solicitors and CME's Solicitors who shall place it in an interest bearing fixed deposit account and hold the same pending the disposal of Bellajade's appeal to the Court of Appeal, with no order as to costs.

Bellajade's Solicitors and CME's Solicitors on 26 August 2015 opened a joint account at CIMB Bank and the RM10 million deposited by Bellajade.

The Court of Appeal on 26 November 2015 upon reading the respective written submissions filed and hearing oral clarification, invited respective Counsel for the parties to file further submission on specific issues and a date for decision will be notified by the Registry of the Court of Appeal once the Grounds of Judgment is ready. The Company has since filed their further written submission and reply submission on 8-01-2016 and 4-02-2016 respectively.

The Court of Appeal has on 24 August 2016, upon reading the written submissions filed by the respective parties and hearing oral submission allowed the Appellant's (Bellajade) appeal and set aside the High Court Judgment dated 20-05-2015 and entered Judgment for the Plaintiff.

The Plaintiff had, among others, sought the following relief:-

- (1) The sum of RM8,401,756.85 as at 27-12-2013;
- (2) Monthly rental for January 2014 and the following months until expiry of the 3 year tenancy;
- (3) Interest at the rate of 10% per annum for the outstanding rentals to be calculated from the 22nd day of each said rental month until the full settlement;
- (4) Interest at the rate of 5% per annum on paragraph (1) from date of judgement until date of full settlement.

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

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

The Court of Appeal further awarded costs of RM50,000.00 (for the appeal and High Court) to be paid to Bellajade and the deposit is to be refunded to the Appellant. The Court, however, stayed the Judgment granted in favour of Bellajade pending disposal of CME's Motion for Leave to Appeal to the Federal Court to be filed. CME's Motion for leave to appeal was filed on 22 September 2016.

The Notice of Motion for Leave to Appeal to the Federal Court is fixed for hearing on 13 November 2017.

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

The Company and its wholly owned subsidiary, CME Properties (Australia) Pty Ltd ("Plaintiffs"), had on 25 September 2015 served a Writ and Indorsement of Claim against Ruark No 11 Pty Ltd ("Ruark" or "Defendant") through a firm of lawyers based in Perth, Australia. CME commenced the legal action against Ruark arising from the disputes in relation to a Joint Venture Agreement dated 12 August 2014 entered originally with Ruark Properties Pty Ltd ATF the Oasis Unit Trust, later substituted by Ruark No 11 Pty Ltd ATF the Oasis Unit Trust ("Ruark" or "Defendant"), and Central Park (Qld) Pty Ltd ("Central Park") ATF the Increase Discretionary Trust to carry out a mixed development of the property situate at 170 Mandurah Terrace, Mandurah and 20 Henson Street, Mandurah ("the Properties").

On 19 October 2015, Ruark entered an appearance in response to CME's writ notifying that Ruark will be defending the claim. The Parties are summonsed to appear in the Supreme Court of Western Australia on 2 December 2015 for a status conference.

On 7 December 2015, the Plaintiffs filed a Statement of Claim in the Supreme Court of Western Australia and the Statement of Claim was served on the Defendant on 8 December 2015.

Pursuant to the Statement, the Plaintiffs claim against the Defendant the following:-

(a) a declaration that:-

- (i) the Joint Venture Agreement was validly terminated by the Plaintiffs;
- (ii) pursuant to the terms of the Joint Venture Agreement, the development relating to the Joint Venture now vests in the Plaintiffs.

(b) payment of the sum of A\$2,115,051.41.

(c) in the alternative:-

- (i) an account of the Prime loan monies received by the Defendant or paid out to third parties by the Defendant; and
- (ii) an order for the payment by the Defendant to the Plaintiffs of the amount found due to the Plaintiffs under the Joint Venture Agreement or otherwise on the taking of the such account.

(d) further and in the alternative, damages suffered by the Plaintiffs on account of the Defendant's breaches of the Joint Venture Agreement and the termination of the Joint Venture Agreement.

(e) alternatively equitable compensation.

(f) interest on such sum found due to the Plaintiffs at such rate and for such period as the Honourable Court deems fit.

(g) such further or other relief as the Honourable Court deems just.

(h) costs.

On 4 January 2016, the Defendant's lawyers filed and served their defence in relation to the Statement of Claim. On 14 January 2016, the Plaintiffs' lawyers wrote to the Defendant's lawyers seeking further and better particulars in relation to the defence.

On 12 April 2016, the Supreme Court of Western Australia had ordered that:-

1. It is declared that:
 - i. the Joint Venture Agreement dated 12 August 2014 between the parties as varied by the Joint Venture Agreement Deed of Variation dated 18 December 2014 ("the Joint Venture Agreement") was validly terminated by the Plaintiffs on 21 September 2015.
 - ii. the development described in the Joint Venture Agreement vests in the First and Second Plaintiff.
2. The Defendant pay to the Plaintiffs the sum A\$2,115,051.41.

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

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

3. The Defendant pay to the Plaintiffs interest on the sum of A\$2,115,051.41 at the rate of 6% per annum from the date of judgment.
4. The Defendant pay the Plaintiffs' costs of the action and the application for summary judgment, including any reserved costs, such costs to be taxed if not agreed.
5. The Plaintiffs have liberty to apply for damages to be paid by the Defendant to be assessed.

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

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

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

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

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

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

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

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

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

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

On 29 August 2017, CME and CMEPA entered into a Deed of Settlement with Prime, whereby the parties agreed to finalise and settle the Loan, the Mortgage, the winding up application and the Supreme Court proceedings. Each party signed a discontinuance of the Supreme Court action and a dismissal of the winding up application with no order as to costs. Prime provided a signed discharge of Mortgage in relation to the Properties to CMEPA which has been lodged with the Western Australian Land Titles Office (Landgate). This litigation is now concluded.

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

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

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

CMEPA commenced the legal action against Prime arising from:-

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

The Plaintiffs claimed against the Defendant the following:-

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

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

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

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

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

On 29 August 2017, CME and CMEPA entered into a Deed of Settlement with Prime, whereby the parties agreed to finalise and settle the Loan, the Mortgage, the winding up application and the Supreme Court proceedings. Each party signed a discontinuance of the Supreme Court action and a dismissal of the winding up application with no order as to costs. Prime provided a signed discharge of Mortgage to CMEPA in relation to the Properties which has now been lodged with the Western Australian Land Titles Office (Landgate). This litigation is now concluded.

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

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

CME sought for the following reliefs:-

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

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

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

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

The Defendant counterclaims against the Plaintiff for an order:

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

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

9 Dividend

No dividend had been declared for the financial period ended 30 June 2017.

10 Loss Per Share

The basic loss per share of the Group has been computed by dividing the loss attributable to equity holders of the parent for the financial quarter/ year by the weighted average number of ordinary shares in issue during the financial quarter, assuming full conversion of 784,250,715 ICULS into ordinary shares at a conversion price of RM0.10 per share.

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Current year quarter 30/06/2017 (RM '000)	Preceding year corresponding quarter 30/06/2016 (RM '000)	Current Year-to-date 30/06/2017 (RM '000)	Preceding year corresponding period 30/06/2016 (RM '000)
Loss attributable to equity holders of the parent	(2,376)	(1,381)	(3,010)	(1,769)
Weighted average number of ordinary shares	485,210	441,100	485,210	441,100
Adjustment for assumed conversion of ICULS	313,700	313,700	313,700	313,700
Adjusted weighted average number of ordinary shares	798,910	754,800	798,910	754,800
Basic per RM0.10 shares (sen):-				
• Before mandatory conversion of ICULS	-0.490	-0.313	-0.620	-0.401
• After mandatory conversion of ICULS	-0.297	-0.183	-0.377	-0.234
Diluted per RM0.10 shares (sen)	-0.490	-0.313	-0.620	-0.401

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

11 Realised And Unrealised Profits/Losses Disclosure

On 25 March 2010, Bursa Malaysia issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits and losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the prescribed format of disclosure.

The breakdown of accumulated losses of the Group as of 30 June 2017 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	As at 30/06/2017 RM'000	As at 31/12/2016 RM'000
Total accumulated losses of the Company and its subsidiaries		
- Realised	(43,014)	(41,915)
- Unrealised	15,062	17,424
	<u>(27,952)</u>	<u>(24,491)</u>
Less: Consolidation Adjustments	14	(437)
	<u>(27,938)</u>	<u>(24,928)</u>

The determination of realised and unrealised profits or losses is based on Guidance of Special Matter No. 1 “Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements” as issued by the Malaysian Institute of Accountants on December 20, 2010. A charge or a credit to the profit or loss of a legal entity is deemed realised when it is resulted from the consumption of resource of all types and form, regardless of whether it is consumed in the ordinary course of business or otherwise. A resource may be consumed through sale or use. Where a credit or a charge to the profit or loss upon initial recognition or subsequent measurement of an asset or a liability is not attributed to consumption of resource, such credit or charge should not be deemed as realised until the consumption of resource could be demonstrated.

This supplementary information have been made solely for complying with the disclosure requirements as stipulated in the directives of Bursa Malaysia Securities Berhad and is not made for any other purposes.

12 Loss before tax

	As at 30/06/2017 RM'000	As at 31/12/2016 RM'000
This is arrived at after charging/ (crediting):-		
Allowance for slow moving inventories	-	20
Audit fee	83	126
Depreciation on property, plant and equipment	319	587
Finance costs	1,028	2,477
Impairment loss on land held for property development	-	4,103
Impairment loss on trade receivables	-	101
Provision for warranty and free services	-	870
Gain on disposal of assets held for sale	-	(60)
Realised gain on foreign exchange	(24)	(38)
Unrealised gain on foreign exchange	-	(88)

Other disclosure items pursuant to Note 16 of the Appendix 9B of the Main Market Listing requirements are not applicable.

BY ORDER OF THE BOARD
CME GROUP BERHAD

Lim Bee Hong
Executive Director

Subang Jaya, Selangor Darul Ehsan
29 August 2017