

**CME GROUP BERHAD**

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 MARCH 2018**

(The figures have not been audited)

	Unaudited At 31/03/2018 RM '000	Audited At 31/12/2016 RM '000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	18,402	19,013
Land held for property development	27,373	37,457
Investment properties	47,095	51,260
Other financial assets	483	1,491
TOTAL NON-CURRENT ASSETS	93,353	109,221
CURRENT ASSETS		
Inventories	715	909
Amount due from contract customers	17,788	721
Trade receivables and other receivables	8,526	19,511
Tax recoverable	578	518
Cash and bank balances	3,558	1,120
TOTAL CURRENT ASSETS	31,165	22,779
TOTAL ASSETS	124,518	132,000
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Issued capital	46,316	44,110
ICULS	31,370	31,370
Reserves	(18,810)	(10,470)
TOTAL EQUITY	58,876	65,010
NON-CURRENT LIABILITIES		
Hire-purchase payables	500	599
Amount owing to third parties	495	1,779
Long-term loan	1,438	1,803
Deferred tax liabilities	1,238	1,238
TOTAL NON-CURRENT LIABILITIES	3,671	5,419
CURRENT LIABILITIES		
Trade payables and other payables	24,170	33,098
Amount due to contract customers	-	6,780
Hire-purchase payables	185	168
Bank borrowings	37,598	21,480
Tax liabilities	18	45
TOTAL CURRENT LIABILITIES	61,971	61,571
TOTAL LIABILITIES	65,642	66,990
TOTAL EQUITY AND LIABILITIES	124,518	132,000
Net Tangible Assets Per RM0.10 Share	0.121	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.)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE CURRENT QUARTER AND CUMULATIVE 15-MONTH PERIOD ENDED 31 MARCH 2018**

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	(3 months) Current year quarter 31/03/2018 (RM '000)	Preceding year corresponding quarter 31/03/2017 (RM '000)	(15 months) Current Year-to-date 31/03/2018 (RM '000)	Preceding year corresponding period (RM '000)
Revenue	10,253	9,772	51,733	N/A
Cost of sales	(7,845)	(7,524)	(40,508)	N/A
Gross profit	2,408	2,248	11,225	N/A
Other gains	(479)	7	442	N/A
Fair value loss on available-for-sale financial assets	43	(432)	(1,008)	N/A
Administrative expenses	(1,777)	(1,810)	(9,111)	N/A
Other expenses	(379)	(199)	(4,064)	N/A
Finance costs	(390)	(470)	(2,393)	N/A
Loss before tax	(574)	(656)	(4,909)	N/A
Income tax expense	-	22	-	N/A
Loss for the period	(574)	(634)	(4,909)	N/A
Other comprehensive (loss)/ income				
Foreign currency translation	(1,806)	772	(3,431)	N/A
Gain on revaluation of property, plant and equipment	-	-	-	N/A
Other comprehensive loss	-	-	-	N/A
	(1,806)	772	(3,431)	N/A
Total comprehensive (loss)/ income for the period	(2,380)	138	(8,340)	N/A
Loss for the period attributable to:-				
Equity holders of the parent	(574)	(634)	(4,909)	N/A
Non-controlling interests	-	-	-	N/A
	(574)	(634)	(4,909)	N/A
Total comprehensive (loss)/ income attributable to:-				
Equity holders of the parent	(2,380)	138	(8,340)	N/A
Non-controlling interests	-	-	-	N/A
	(2,380)	138	(8,340)	N/A
Loss per share RM0.10 shares				
Basic (sen):-				
• Before mandatory conversion of Irredeemable Convertible Unsecured Loan Stocks 2014/2024 ("ICULS")	-0.118	-0.144	-1.012	N/A
• After mandatory conversion of ICULS	-0.072	-0.084	-0.614	N/A
Diluted (sen)	-0.118	-0.144	-1.012	N/A

(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 15-MONTH PERIOD ENDED 31 MARCH 2018**

(The figures have not been audited)

	< -----Non-distributable----- >						Total equity
	Share capital	ICULS	Accumulated losses	Fair value reserve	Revaluation reserve	Foreign currency translation reserve	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
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	-	-	(4,909)	-	-	-	(4,909)
Other comprehensive loss for the period	-	-	-	-	-	(3,431)	(3,431)
Total comprehensive loss for the period	2,206	-	(4,909)	-	-	(3,431)	6,134
Balance as at 31 March 2018	46,316	31,370	(29,837)	-	10,721	306	58,876

(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 15-MONTH PERIOD ENDED 31 MARCH 2018**
(The figures have not been audited)

	Unaudited 15 months 31/03/2018 RM'000	Audited 12 months 31/12/2016 RM'000
CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES		
Loss for the period	(4,909)	(14,829)
Adjustments for:		
Allowance for slow moving inventories	-	20
Depreciation of property, plant and equipment	788	587
Fair value loss on available-for-sale financial assets	1,008	3,668
Finance costs	2,393	2,477
Impairment loss on land held for property development	-	4,103
Impairment loss on trade receivables	49	101
Impairment of goodwill	-	121
Income tax expense recognised in profit or loss	-	110
Loss on debt settlement by investment properties	201	-
Loss on disposal of land held for property development	583	-
Provision for forbearance payment	-	1,372
Provision for warranty and free services	-	870
Unrealised currency translation on land held for property development	2,417	-
Fair value gain on investment properties	-	(15)
Gain on disposal of assets held for sale	-	(60)
Impairment loss on trade receivables no longer required	(330)	-
Unrealised gain on foreign exchange	-	(88)
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Operating profit/ (loss) before working capital changes	2,200	(1,563)
Changes in working capital		
Net changes in current assets	(5,607)	(3,470)
Net changes in current liabilities	(14,322)	10,841
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Cash (used in)/ from operations	(17,729)	5,808
Income tax paid	(162)	(88)
Warranty and free services paid	-	(803)
Income tax refunded	132	82
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Net cash (used in)/ from operating activities	(17,759)	4,999
CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES		
Additions to investment properties	-	(3,700)
Consideration paid on acquisition of business units	-	(1,510)
Debt settlement by investment properties	3,964	-
Purchase of property, plant and equipment	(177)	(255)
Proceed from disposal of assets held for sale	-	960
Proceed from disposal of land held for property development	7,084	-
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Net cash from/ (used in) investing activities	10,871	(4,505)
CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES		
(Decrease)/ Increase in amount owing to third parties	(521)	3,385
Interest expense paid	(2,393)	(2,477)
Proceed from bank borrowings	20,487	463
Repayment of hire purchase payables	(82)	(144)
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Net cash from financing activities	17,491	1,227
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NET CHANGE IN CASH AND CASH EQUIVALENTS	10,603	1,721

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
 FOR THE 15-MONTH PERIOD ENDED 31 MARCH 2018 (Cont.)**

(The figures have not been audited)

	Unaudited 15 months 31/03/2018 RM'000	Audited 12 months 31/12/2016 RM'000
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(17,445)	(19,224)
Effects of exchange rate changes on cash and cash equivalents	(3,431)	58
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CASH AND CASH EQUIVALENTS AT END OF PERIOD	(10,273)	(17,445)
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Cash and Cash Equivalents are as follows:-		
Cash and bank balances	3,558	1,120
Bank overdrafts	(13,831)	(18,565)
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	(10,273)	(17,445)
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(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

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.

**CME GROUP BERHAD***(Company No. 52235-K)
(Incorporated in Malaysia)***A COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134, INTERM FINANCIAL REPORTING AND BURSA LISTING REQUIREMENTS (CONT.)****8 Dividends paid**

There was no dividend paid/ declared by the Company for the current quarter ended 31 December 2017 (2016: Nil.).

9 Segmental reporting**15 month ended****31.03.2018**

	Invest. Holding RM ‘000	Manufacturing RM ‘000	Trading RM ‘000	Others RM ‘000	Elimination RM ‘000	Consolidated RM ‘000
Revenue						
External sales	1,315	41,675	8,743	-	-	51,733
Inter-segment sales	-	22,359	2,065	-	(24,424)	-
Total revenue	1,315	64,034	10,808	-	(24,424)	51,733

Results

Segment results	(4,082)	3,774	523	(2,731)	-	2,516
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Finance costs						(2,393)
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Loss before tax						(4,909)
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Income tax credit						-
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Loss for the period						(4,909)
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Other information

Capital additions	10	167	-	-	-	177
Depreciation	28	354	404	2	-	788

Consolidated Balance Sheet**Assets**

Segment assets	132,806	68,384	27,270	32,751	(137,176)	124,035
Other investment	483	-	-	-	-	483

Consolidated total assets	133,289	68,384	27,270	32,751	(137,176)	124,518
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Liabilities

Segment Liabilities	63,649	49,867	25,408	55,437	(128,719)	65,642
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12 months ended**31.12.2016****Revenue**

External sales	1,219	20,201	3,339	-	-	24,759
Inter-segment sales	-	8,009	2,754	-	(10,763)	-
Total revenue	1,219	28,210	6,093	-	(10,763)	24,759

Results

Segment results	(5,761)	432	(190)	(5,586)	(1,137)	(12,242)
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Finance costs						(2,477)
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Loss before tax						(14,719)
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Income tax expense						(110)
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Loss for the period						(14,829)
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Other information

Capital additions	13	394	58	-	-	465
Depreciation	21	267	297	2	-	587

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

9 Segmental reporting (Cont.)

12 months ended	Invest.					
31.12.2016	Holding	Manufacturing	Trading	Others	Elimination	Consolidated
	RM ‘000	RM ‘000	RM ‘000	RM ‘000	RM ‘000	RM ‘000
Consolidated Balance Sheet						
Assets						
Segment assets	131,255	64,612	29,015	35,203	(129,576)	130,509
Other investment	1,491	-	-	-	-	1,491
Consolidated total assets	132,746	64,612	29,015	35,203	(129,576)	132,000
Liabilities						
Segment Liabilities	59,963	48,757	27,661	51,728	(121,119)	66,990

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

10 Valuation of property, plant and equipment

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

11 Material Subsequent Events

There were no material events subsequent to 31 March 2018 that have not been reflected in the interim financial report.

12 Material Uncertainty Related to Going Concern

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

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

“Material Uncertainty Related to Going Concern

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

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

“BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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).

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 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.

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 raised fund for the working capital and repayment of bank borrowings by 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.

On 29 August 2017, The Group and CMEA had entered into a Deed of Settlement with Prime Capital Securities Pty Ltd, to finalise and settle the Loan, the Mortgage and Deed of Forbearance arising from a registered mortgage to Prime over the Lands of CMEA to secure the repayment of a Development Loan. This Deed of Settlement constitutes a full and final settlement of all debts, liabilities or claims arising out of or in any way connected with the Development Loan.

CME has disposed a leasehold land located at Mukim Kuala Kuantan, Tempat Bandar Indera Mahkota, District of Kuantan, Pahang Darul Makmur, for a total cash consideration of RM7,084,252, which was received on 27 December 2017.

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.)

On 22 December 2017, CME is proposing to issue up to 846,307,143 Rights Shares on the basis of 2 Rights Shares for every 3 existing CME Shares held on an entitlement date to be determined later (“Entitlement Date”), together with up to 1,057,883,928 Warrants on the basis of 5 Warrants for every 4 Rights Shares subscribed for by the shareholders of CME whose name appear in the Record of Depositors of the Company as at the close of business on the Entitlement Date (“Entitled Shareholders”) (refer to Note B6(ii) of this report).

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 current quarter results showed Group revenue of RM10.3 million and a loss before tax of RM0.6 million as compared to a revenue of RM9.8 million and loss before tax of RM0.7 million in the corresponding quarter in the previous financial year, mainly due to the revenue generated during the current quarter by Fire Suppression and Prevention (“FSP”) Division.

Meanwhile, for the financial period ended 31 March 2018, which covers a 15 months period, the current year results showed Group revenue of RM51.7 million and a loss before tax of RM4.9 million. The Group’s revenue were mainly from Specialised Mobility Vehicles (“SMV”) Division which amounting to RM41.7 million, followed by FSP Division of RM8.7 million and Investment Holding Division of RM1.3 million. The loss before tax was mainly contributed from administrative expenses and other expenses that comprise of staff costs, professional fees, legal fees, forbearance deed payment and rental expenses incurred by retail businesses.

Pursuant to the change of financial year end from 31 December 2017 to 30 June 2018, no comparative figures are presented for the corresponding cumulative period.

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

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

	31.03.18 <u>RM’000</u>	31.12.17 <u>RM’000</u>	← Variance → <u>RM’000</u>	→ <u>%</u>
Revenue	10,253	3,117	7,136	> 100.0
Loss before tax	(574)	(1,047)	473	> 45.2

For the current quarter ended 31 March 2018, the Group registered a revenue of RM10.3 million, an increase in revenue of 228.9% compared to the preceding quarter ended 31 December 2017.

The Group recorded a loss before tax of RM574,000 for the current quarter as compared to a loss before tax of RM1.0 million in the preceding quarter, mainly due to higher sales generated in current quarter ended 31 March 2018.

3 Commentary on Future Prospects

Whilst the operating environment is expected to remain challenging, the Group will continue its efforts to enhance operating efficiency to mitigate as much as possible the impact of higher commodity prices. On the other hand, the highly competitive domestic market for specialized mobility vehicles and fire fighting and safety vehicles is yet another challenge the Group needs to face.

The Board is cautious that the continued uncertainties in the global economic environment, escalation of costs due to inflationary pressure, volatility of global raw material prices and fluctuation of exchange rates are amongst factors that may impact the Group’s performance. 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 and FSP Divisions, in view that both Divisions are contributing positively to the Group.

Moving forward, the Group aims to drive business growth through expanding its product range as well as further strengthening its cost competitiveness via various cost efficiency programs. At the same time, the Group will constantly review its operations with a view to enhance profitability.

4 Profit forecast

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

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

5 Income tax expense

The Tax figures consist of the following :-	Current Quarter <i>RM '000</i>	Current Year to Date <i>RM '000</i>
Current year provision	-	-
	-	-

6 Corporate Proposals

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

(i) Proposed Rights Issue of Shares with Warrants

On 22 December 2017, CME is proposing to issue up to 846,307,143 Rights Shares on the basis of 2 Rights Shares for every 3 existing CME Shares held on an entitlement date to be determined later (“Entitlement Date”), together with up to 1,057,883,928 Warrants on the basis of 5 Warrants for every 4 Rights Shares subscribed for by the shareholders of CME whose name appear in the Record of Depositors of the Company as at the close of business on the Entitlement Date (“Entitled Shareholders”). (“Proposed Rights Issue of Shares with Warrants”)

The additional listing application in relation to the Proposed Rights Issue of Shares with Warrants has been submitted to Bursa Securities on 12 January 2018.

Bursa Securities had, vide its letter dated 25 January 2018, resolved to approve the following:

- (i) admission to the Official List of the Main Market of Bursa Securities and the listing and quotation of up to 1,057,883,928 Warrants to be issued pursuant to the Proposed Rights Issue of Shares with Warrants;
- (ii) the listing and quotation of up to 846,307,143 Rights Shares to be issued pursuant to the Proposed Rights Issue of Shares with Warrants; and
- (iii) the listing and quotation of up to 1,057,883,928 new CME Shares to be issued pursuant to the exercise of Warrants.

The approval by Bursa Securities for the Proposed Rights Issue of Shares with Warrants is subject to the following conditions:

- (i) CME and TA Securities must fully comply with the relevant provisions under the Main Market Listing Requirements pertaining to the implementation of the Proposed Rights Issue of Shares with Warrants;
- (ii) CME and TA Securities to inform Bursa Securities upon the completion of the Proposed Rights Issue of Shares with Warrants;
- (iii) CME and TA Securities to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities’ approval once the Proposed Rights Issue of Shares with Warrants is completed; and
- (iv) CME to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of Warrants as at the end of each quarter together with a detailed computation of listing fees payable.

On 19 February 2018, the circular to shareholders in relation to the Proposed Rights Issue of Shares with Warrants was despatched to the shareholders of CME.

The Proposed Rights Issue of Shares with Warrants was approved by shareholders at the Extraordinary General Meeting held on 13 March 2018.

The Rights Issue of Shares with Warrants was allotted to the Entitled Shareholders on 2 May 2018 and has been completed with the listing of 99,026,435 Rights Shares together with 123,783,023 Warrants on the Main Market of Bursa Securities on 14 May 2018.

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

6 Corporate Proposals (Cont.)

(ii) Proposed Trust Deed Amendments and Proposed By-Laws Amendments

On 30 January 2018, CME is proposing to undertake the following proposals:

(i) proposed amendments to the Trust Deed dated 15 October 2014 (“Trust Deed”) constituting the ten (10)-years, zero coupon irredeemable convertible unsecured loan stocks at 100% of the nominal value of RM0.04 each in CME (“ICULS”) (“Proposed Trust Deed Amendments”); and

(ii) proposed amendments to the by-laws governing the existing employee share option scheme of CME (“ESOS”) (“By-Laws”) (“Proposed By-Laws Amendments”),

(collectively referred to as “Proposed Amendments”).

The circular to the ICULS holders and shareholders of CME in relation to the Proposed Amendments was despatched on 19 February 2018.

The Proposed Trust Deed Amendments was approved by ICULS Holder at the ICULS Holder meeting held on 13 March 2018. The Proposed Amendments was approved by shareholders at the Extraordinary General Meeting held on the same day.

7 Group borrowings and debt securities

	As at 31/03/2018
	Secured
	<i>RM'000</i>
Amount payable within one year	
Bank borrowings	37,598
Finance leases	185
	<u>37,783</u>
Amount payable after one year	
Bank borrowings	1,438
Finance leases	500
	<u>1,938</u>
Total borrowings	<u>39,721</u>

8 Material litigation

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

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

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

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

(i) Dismissed the Bellajade’s claim against the Company;

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

8 Material litigation (Cont.)

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

(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; and

(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.

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 Federal Court had on 13 November 2017 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.

Subsequently, the Notice of Appeal and Record of Appeal have been filed in the Federal Court and the hearing date for the appeal has been fixed on 12 March 2018.

The Company has been informed by its solicitors that the Federal Court had on 12 March 2018 having heard full submissions from Counsel for CME Group Berhad and Bellajade Sdn Bhd reserved their decision to date to be notified by court.

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

8 Material litigation (Cont.)

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

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.
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.

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

9 Dividend

No dividend had been declared for the financial period ended 31 March 2018.

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/ period 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	
	(3 months) Current year quarter 31/03/2018 (RM '000)	Preceding year corresponding quarter 31/03/2017 (RM '000)	(15 months) Current Year-to-date 31/03/2018 (RM '000)	Preceding year corresponding period (RM '000)
Loss attributable to equity holders of the parent	(574)	(634)	(4,909)	N/A
Weighted average number of ordinary shares	485,210	441,100	485,210	N/A
Adjustment for assumed conversion of ICULS	313,700	313,700	313,700	N/A
Adjusted weighted average number of ordinary shares	798,910	754,800	798,910	N/A
Basic per RM0.10 shares (sen):-				
• Before mandatory conversion of ICULS	-0.118	-0.144	-1.012	N/A
• After mandatory conversion of ICULS	-0.072	-0.084	-0.614	N/A
Diluted per RM0.10 shares (sen)	-0.118	-0.144	-1.012	N/A

11 Loss before tax

	15 months ended 31/03/2018 RM'000	As at 31/12/2016 RM'000
This is arrived at after charging/ (crediting):-		
Allowance for slow moving inventories	-	20
Audit fee	145	126
Depreciation on property, plant and equipment	788	587
Finance costs	2,393	2,477
Impairment loss on land held for property development	-	4,103
Impairment loss on trade receivables	49	101
Loss on debt settlement by investment properties	201	-
Loss on disposal of land held for property development	583	-
Provision for warranty and free services	-	870
Gain on disposal of assets held for sale	-	(60)
Realised gain on foreign exchange	(326)	(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

Azlan Omry Bin Omar
Executive Director

Subang Jaya, Selangor Darul Ehsan
30 May 2018