

All terms and abbreviations used herein shall have the same meanings as those defined in the "Definitions" section of this Abridged Prospectus unless stated otherwise.

THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

If you have sold or transferred all your HCK Shares, you should at once hand this Abridged Prospectus, and the accompanying NPA and RSF to the agent/ broker through whom you effected the sale or transfer for onward transmission to the purchaser or transferee. All enquiries concerning the Rights Issue of Warrants should be addressed to our Share Registrar, Symphony Share Registrars Sdn Bhd (Company No. 378993-D) at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan.

A copy of this Abridged Prospectus has been registered with the SC. The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue of Warrants or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of this Abridged Prospectus, and the accompanying NPA and RSF have also been lodged with the Registrar of Companies who takes no responsibility for the contents of these documents.

The approval from our shareholders for the Rights Issue of Warrants was obtained at our EGM held on 11 July 2017. The approval from Bursa Securities has also been obtained vide its letter dated 2 June 2017 for the admission of the Warrants to the Official List and the listing of and quotation for the Warrants and the new HCK Shares to be issued arising from the exercise of the Warrants on the Main Market of Bursa Securities. However, this is not an indication that Bursa Securities recommends the Rights Issue of Warrants. The admission of the Warrants to the Official List and the listing of and quotation for all the said new securities on the Main Market of Bursa Securities are in no way reflective of the merits of the Rights Issue of Warrants. Bursa Securities does not take any responsibility for the correctness of statements made or opinions expressed in this Abridged Prospectus. The admission of the Warrants to the Official List and the listing of and quotation for all the said new securities will commence after the receipt of confirmation from Bursa Depository that all the CDS Accounts of the successful Entitled Shareholders and/ or their renounee(s) (if applicable) have been duly credited and notices of allotment have been despatched to them.

Our Directors have seen and approved all the documentation relating to this Rights Issue of Warrants. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make the statements in these documents false or misleading.

This Abridged Prospectus, and the accompanying NPA and RSF are only despatched to our Entitled Shareholders whose names appear on our Record of Depositors and who have provided our Share Registrar with a registered address in Malaysia not later than 5.00 p.m. on Monday, 28 August 2017. This Abridged Prospectus, and the accompanying NPA and RSF are not intended to be (and will not be) issued, circulated or distributed in countries or jurisdictions other than Malaysia and no action has been or will be taken to ensure that the Rights Issue of Warrants complies with the laws of any countries or jurisdictions other than the laws of Malaysia. Entitled Shareholders and/ or their renounee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers and/ or other professional advisers as to whether the acceptance and/ or renunciation (as the case may be) of all or any part of their entitlements to the Warrants would result in a contravention of any laws of such countries or jurisdictions. Neither we, RHBIB nor any other professional advisers shall accept any responsibility or liability in the event that any acceptance and/ or renunciation (as the case may be) of the entitlements to the Warrants made by the Entitled Shareholders and/ or their renounee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in any such countries or jurisdictions.

RHBIB, being our Adviser for the Rights Issue of Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue of Warrants.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH YOU SHOULD CONSIDER, PLEASE REFER TO SECTION 6 OF THIS ABRIDGED PROSPECTUS.



HCK CAPITAL GROUP BERHAD

(Company No.: 484964-H)

(Incorporated in Malaysia under the Companies Act, 1965)

RENOUNCEABLE RIGHTS ISSUE OF 210,585,820 WARRANTS IN HCK CAPITAL GROUP BERHAD ("WARRANT(S)") ON THE BASIS OF ONE (1) WARRANT FOR EVERY TWO (2) ORDINARY SHARES IN HCK HELD AS AT 5.00 P.M. ON MONDAY, 28 AUGUST 2017 AT AN ISSUE PRICE OF RM0.05 PER WARRANT

Adviser

RHB InvestmentBank

RHB Investment Bank Berhad

(Company No. 19663-P)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

IMPORTANT RELEVANT DATES AND TIME:-

Entitlement Date	: Monday, 28 August 2017 at 5.00 p.m.
Last date and time for sale of provisional allotment of rights	: Wednesday, 6 September 2017 at 5.00 p.m.
Last date and time for transfer of provisional allotment of rights	: Monday, 11 September 2017 at 4.00 p.m.
Last date and time for acceptance and payment	: Thursday, 14 September 2017 at 5.00 p.m.
Last date and time for excess application and payment	: Thursday, 14 September 2017 at 5.00 p.m.

This Abridged Prospectus is dated 28 August 2017

All terms and abbreviations used herein shall have the same meanings as those defined in the "Definitions" section of this Abridged Prospectus unless stated otherwise.

THIS ABRIDGED PROSPECTUS HAS BEEN REGISTERED WITH THE SC. THE REGISTRATION OF THIS ABRIDGED PROSPECTUS SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE RIGHTS ISSUE OF WARRANTS OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE OR OPINION OR REPORT EXPRESSED IN THIS ABRIDGED PROSPECTUS.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS ABRIDGED PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ABRIDGED PROSPECTUS.

BURSA SECURITIES HAS APPROVED THE ADMISSION OF THE WARRANTS TO THE OFFICIAL LIST AND THE LISTING OF AND QUOTATION FOR THE WARRANTS AND THE NEW HCK SHARES TO BE ISSUED ARISING FROM THE EXERCISE OF THE WARRANTS ON THE MAIN MARKET OF BURSA SECURITIES. HOWEVER, THIS IS NOT AN INDICATION THAT BURSA SECURITIES RECOMMENDS THE RIGHTS ISSUE OF WARRANTS.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT IN THE WARRANTS. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE AND MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS ABRIDGED PROSPECTUS ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE OF WARRANTS FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

THIS ABRIDGED PROSPECTUS TOGETHER WITH THE NPA AND RSF HAVE BEEN PREPARED AND PUBLISHED SOLELY FOR THE RIGHTS ISSUE OF WARRANTS UNDER THE LAWS OF MALAYSIA. WE AND OUR ADVISERS HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THESE DOCUMENTS.

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Abridged Prospectus, the NPA and the RSF:-

- "Abridged Prospectus" : This abridged prospectus dated 28 August 2017
- "Act" : The Companies Act, 2016 of Malaysia as may be amended from time to time and any re-enactment thereof
- "Additional Undertaking" : Additional irrevocable and unconditional written undertaking from HESB to subscribe for additional Warrants of up to 67,048,245 Warrants not taken up by other Entitled Shareholders and/ or their renounee(s) by way of excess application.
- For shareholders' information, only in the event of a shortfall in the number of Warrants subscribed for by the Entitled Shareholders' and/ or their renounee(s) pursuant to their respective entitlements and any excess Warrants applied for as at the closing date and time of receipt of applications, the Additional Undertaking shall then crystallise whereby HESB shall apply via the excess Warrants application (in addition to its Entitlement Undertaking) to subscribe for additional Warrants not taken up by other Entitled Shareholders and/ or their renounee(s), if any.
- For the avoidance of doubt, the Entitled Shareholders and/ or their renounee(s), if any (excluding HESB pursuant to its Additional Undertaking) shall be given first priority and shall first be allocated with the Excess Warrants applied for, if any. Thereafter, HESB shall then be allocated the remaining number of undersubscribed Warrants, if any, pursuant to its Additional Undertaking.
- "Board" : The Board of Directors of HCK
- "Bursa Depository" : Bursa Malaysia Depository Sdn Bhd (165570-W)
- "Bursa Securities" : Bursa Malaysia Securities Berhad (635998-W)
- "CDS" : Central Depository System
- "CDS Account" : A securities account established by Bursa Depository for a depositor pursuant to the Securities Industry (Central Depository) Act, 1991 and the Rules of Bursa Depository for the recording of deposits of securities and for dealings in such securities by the depositor
- "CMSA" : The Capital Markets and Services Act, 2007 of Malaysia as may be amended from time to time and any re-enactment thereof
- "Corporate Exercises" : The Subdivision and the Rights Issue of Warrants, collectively
- "Deed Poll" : The deed poll dated 9 August 2017, constituting the Warrants
- "Director(s)" : The director(s) of HCK and shall have the meaning given in Section 2(1) of the Act and Section 2(1) of the CMSA
- "EGM" : Extraordinary general meeting
- "Entitled Shareholder(s)" : Our shareholders who are registered as a member and whose names appear in the Record of Depositors of the Company on the Entitlement Date

DEFINITIONS (CONT'D)

"Entitlement Date"	:	At 5.00 p.m. on Monday, 28 August 2017, being the time and date on which the names of our Entitled Shareholders must be registered as a member and whose names appear in the Record of Depositors of the Company in order to participate in the Rights Issue of Warrants
"Entitlement Undertaking"	:	Irrevocable and unconditional written undertaking from HESB to subscribe in full for its entitlement under the Rights Issue of Warrants based on its shareholding in HCK as at the Entitlement Date
"EPS/ (LPS)"	:	Earnings per share/ (Loss per share)
"Excess Warrants"	:	Warrants which are not taken up or not validly taken up by our Entitled Shareholders and/ or their renouncee(s) (if applicable) prior to excess application pursuant to the Rights Issue of Warrants
"FPE"	:	Financial period ended
"FYE"	:	Financial year ended/ ending
"HCK" or the "Company"	:	HCK Capital Group Berhad (484964-H)
"HCK Group" or the "Group"	:	HCK and its subsidiary companies, collectively
"HCK Share(s)" or "Share(s)"	:	Ordinary share(s) in HCK
"HESB"	:	HiiChiiKok Equities Sdn Bhd (357078-M), a substantial shareholder and holding company of HCK
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	9 August 2017, being the latest practicable date prior to the registration of this Abridged Prospectus with the SC
"Market Day(s)"	:	Any day from Mondays to Fridays (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for the trading of securities
"NA"	:	Net assets
"NPA"	:	Notice of provisional allotment
"Official List"	:	A list specifying all securities which have been admitted for listing on Bursa Securities and not removed
"PAT/ (LAT)"	:	Profit after taxation/ (Loss after taxation)
"PBT/ (LBT)"	:	Profit before taxation/ (Loss before taxation)
"Provisional Warrants"	:	Warrants provisionally allotted to the Entitled Shareholders
"Record of Depositors"	:	A record consisting of names of depositors established by Bursa Depository under the Rules of Bursa Depository

DEFINITIONS (CONT'D)

"RHBIB" or "Adviser"	the	:	RHB Investment Bank Berhad (19663-P)
"Rights Warrants"	Issue of	:	The renounceable rights issue of 210,585,820 Warrants on the basis of one (1) Warrant for every two (2) HCK Shares held on the Entitlement Date at an issue price of RM0.05 per Warrant
"RM" and "sen"		:	Ringgit Malaysia and sen, respectively
"RSF"		:	Rights Subscription Form
"SC"		:	Securities Commission Malaysia
"Subdivision"		:	The subdivision of shares involving the subdivision of every one (1) ordinary share in HCK, held as at 5.00 p.m. on 4 August 2017, into five (5) ordinary shares in HCK. The Subdivision was completed on 7 August 2017
"Undertakings"		:	The Entitlement Undertaking and the Additional Undertaking, collectively
"Warrant(s)"		:	210,585,820 warrants in HCK to be issued pursuant to the Rights Issue of Warrants

All references to "our Company" and "HCK" in this Abridged Prospectus are made to HCK Capital Group Berhad (484964-H) and references to "our Group" or "HCK Group" are made to our Company and our subsidiary companies. All references to "we", "us", "our" and "ourselves" are made to our Company, or where the context requires, our Group or any of our subsidiary companies. All references to "you" in this Abridged Prospectus are made to our Entitled Shareholders.

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Abridged Prospectus to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Abridged Prospectus shall be a reference to Malaysian time, unless otherwise specified.

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CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name	Address	Nationality	Profession
Tan Sri Clement Hii Chii Kok <i>(Executive Chairman)</i>	No. 6, Jalan 19/1B, Section 19 46300 Petaling Jaya Selangor Darul Ehsan	Malaysian	Company Director
Tan Sri Prof. Dato' Dr. Marimuthu a/l Thangaveloo <i>(Senior Independent Non- Executive Director)</i>	69, Jalan Setiakasih Bukit Damansara 50490 Kuala Lumpur	Malaysian	Company Director
Emeritus Professor Dr. Muhamad Bin Awang <i>(Independent Non-Executive Director)</i>	No. 1, Lorong Jelutong Kanan Damansara Heights 50490 Kuala Lumpur	Malaysian	Company Director/ Emeritus Professor
Clifford Hii Toh Leong <i>(Executive Director)</i>	No. 6, Jalan 19/1B, Section 19 46300 Petaling Jaya Selangor Darul Ehsan	Malaysian	Company Director
Leong Choong Wah <i>(Executive Director)</i>	1, Jalan SS14/8D 47500 Subang Jaya Selangor Darul Ehsan	Malaysian	Company Director
Lee Kok Cheng <i>(Executive Director)</i>	20, Jalan Kantan 13 Bandar Botanic 41200 Klang Selangor Darul Ehsan	Malaysian	Company Director
Stephen Wan Yeng Leong <i>(Independent Non-Executive Director)</i>	19, Lorong PJU 3/23D Sunway Damansara 47810 Petaling Jaya Selangor Darul Ehsan	Malaysian	Company Director/ Auditor
Ong Chooi Lee <i>(Independent Non-Executive Director)</i>	No. 11, Jalan SS 14/5A 47500 Subang Jaya Selangor Darul Ehsan	Malaysian	Company Director

AUDIT COMMITTEE

Name	Designation	Directorship
Tan Sri Prof. Dato' Dr. Marimuthu a/l Thangaveloo	Chairman	Senior Independent Non-Executive Director
Stephen Wan Yeng Leong	Member	Independent Non-Executive Director
Ong Chooi Lee	Member	Independent Non-Executive Director

CORPORATE DIRECTORY (CONT'D)

- COMPANY SECRETARIES** : Leong Choong Wah (MIA 12057)
Adeline Hii Siew Ching (MIA 38679)
Wisma HCK
No. 6, Jalan 19/1B, Section 19
46300 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7968 8668
Fax: 03-7954 2152
- REGISTERED OFFICE AND PRINCIPAL OFFICE** : Wisma HCK
No. 6, Jalan 19/1B, Section 19
46300 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7968 8668
Fax: 03-7954 2152
Website: www.hckgroup.my
E-mail: investor@hckcapitalgroup.com
- SHARE REGISTRAR** : Symphony Share Registrars Sdn Bhd (378993-D)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7849 0777
Fax: 03-7841 8151
- AUDITORS AND REPORTING ACCOUNTANTS** : Crowe Horwath (AF 1018)
Chartered Accountants
Level 16, Tower C, Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel: 03-2788 9999
Fax: 03-2788 9998
- PRINCIPAL BANKERS** : AmBank (M) Berhad (8515-D)
Level 18, Menara Dion
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: 03-2026 3939
Fax: 03-2026 6855
- RHB Bank Berhad (6171-M)
Level 7, Tower Three, RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Tel: 03-9287 8888
Fax: 03-9280 6167
- OCBC Bank (Malaysia) Berhad (295400-W)
Menara OCBC, 18 Jalan Tun Perak
50050 Kuala Lumpur
Tel: 03-8317 5200
Fax: 03-2098 1411

CORPORATE DIRECTORY (CONT'D)

Malaysia Building Society Berhad (9417-K)
11th Floor, Wisma MBSB
No. 48, Jalan Dungun
Damansara Heights
50490 Kuala Lumpur
Tel: 03-2096 3000
Fax: 03-2094 1332

DUE DILIGENCE SOLICITORS : Messrs Tan, Goh & Associates
Unit 821, 8th Floor, Block A, Lift Lobby 6
Damansara Intan, No. 1 Jalan SS20/27
47400 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7727 7228
Fax: 03-7731 9238

ADVISER : RHB Investment Bank Berhad (19663-P)
Level 9, Tower One, RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Tel: 03-9287 3888
Fax: 03-9287 4770

STOCK EXCHANGE LISTED AND LISTING SOUGHT : Main Market of Bursa Securities

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HCK CAPITAL GROUP BERHAD

(Company No.: 484964-H)

(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office

Wisma HCK
No. 6, Jalan 19/1B, Section 19
46300 Petaling Jaya
Selangor Darul Ehsan

28 August 2017

Board of Directors

Tan Sri Clement Hii Chii Kok (*Executive Chairman*)
Tan Sri Prof. Dato' Dr. Marimuthu a/l Thangaveloo (*Senior Independent Non-Executive Director*)
Emeritus Professor Dr. Muhamad Bin Awang (*Independent Non-Executive Director*)
Clifford Hii Toh Leong (*Executive Director*)
Leong Choong Wah (*Executive Director*)
Lee Kok Cheng (*Executive Director*)
Stephen Wan Yeng Leong (*Independent Non-Executive Director*)
Ong Chooi Lee (*Independent Non-Executive Director*)

To: Our Entitled Shareholders

Dear Sir/ Madam,

RENOUNCEABLE RIGHTS ISSUE OF 210,585,820 WARRANTS ON THE BASIS OF ONE (1) WARRANT FOR EVERY TWO (2) HCK SHARES HELD AS AT 5.00 P.M. ON MONDAY, 28 AUGUST 2017 AT AN ISSUE PRICE OF RM0.05 PER WARRANT

1. INTRODUCTION

On 7 April 2017, RHBIB had, on behalf of our Board, announced that the Company proposes to undertake the Corporate Exercises.

On 5 June 2017, RHBIB had, on behalf of our Board, announced that Bursa Securities had, vide its letter dated 2 June 2017, approved the following:-

- i. The Subdivision;
- ii. Admission of up to 210,585,820 Warrants to the Official List pursuant to the Rights Issue of Warrants;
- iii. Listing of and quotation for up to 210,585,820 Warrants to be issued pursuant to the Rights Issue of Warrants on the Main Market of Bursa Securities; and
- iv. Listing of and quotation for up to 210,585,820 new shares to be issued arising from the exercise of the Warrants on the Main Market of Bursa Securities,

subject to the following conditions:-

Conditions	Status of compliance
(a) HCK and RHBIB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Corporate Exercises;	Noted
(b) HCK and RHBIB to inform Bursa Securities upon the completion of the Corporate Exercises;	To be complied
(c) HCK to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Corporate Exercises are completed;	To be complied
(d) HCK and RHBIB are required to make the relevant announcements pursuant to Paragraph 6.56(2)(b)(ii) and (iii) and Paragraph 13.10(2) of the Listing Requirements;	Complied
(e) HCK to furnish Bursa Securities with a certified true copy of the resolutions passed by the shareholders at the EGM approving the Corporate Exercises prior to the listing and quotation of the subdivided shares and Warrants; and	Complied
(f) Payment of additional listing fees based on the final issue price of the subdivided shares and Warrants together with a copy of the computation of the amount of listing fees payable, if relevant. In this respect, HCK is required 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 details of computation of the listing fees payable.	To be complied

On 11 July 2017, our shareholders had approved the Corporate Exercises at our EGM. A certified true extract of the resolutions pertaining to the Corporate Exercises which was passed at the aforesaid EGM, is set out in Appendix I of this Abridged Prospectus.

On 21 July 2017, RHBIB had, on behalf of our Board, announced that the entitlement date for the Subdivision has been fixed as at 5.00 p.m. on 4 August 2017. Subsequently, on 7 August 2017, RHBIB had, on behalf of our Board, announced the completion of the Subdivision.

On 9 August 2017, RHBIB had, on behalf of our Board, announced that the issue price and the exercise price of the Warrants have been fixed at RM0.05 and RM0.96 per Warrant, respectively. Subsequently, on 14 August 2017, RHBIB had also, on behalf of our Board, announced the Entitlement Date along with other relevant dates pertaining to the Rights Issue of Warrants.

The admission of the Warrants to the Official List and the listing of and quotation for the Warrants to be issued pursuant to the Rights Issue of Warrants will commence after, amongst others, receipt of confirmation from Bursa Depository that all the CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to them.

No person is authorised to give any information or to make any representation not contained in this Abridged Prospectus in connection with the Rights Issue of Warrants and if given or made, such information or representation must not be relied upon as having been authorised by us or RHBIB.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. DETAILS OF THE RIGHTS ISSUE OF WARRANTS

2.1 Rights Issue of Warrants

The Rights Issue of Warrants entails the issuance of 210,585,820 Warrants on a renounceable basis of one (1) Warrant for every two (2) HCK Shares held by the Entitled Shareholders on the Entitlement Date at an issue price of RM0.05 per Warrant.

Based on the total number of 421,171,640 HCK Shares in issue as at the LPD, a total of 210,585,820 Warrants will be issued pursuant to the Rights Issue of Warrants. In addition, assuming all the 210,585,820 Warrants are exercised, a total of 210,585,820 new HCK Shares will be issued therefrom.

The Warrants will be issued in registered form and constituted by the Deed Poll.

The Rights Issue of Warrants is renounceable in full or in part. If the Entitled Shareholders decide to accept only part of their Warrants entitlements, they shall then be entitled to the Warrants in the proportion of their acceptance of their Warrants entitlements. Any unsubscribed Warrants will be made available to other Entitled Shareholders and/ or their renounee(s) (if applicable) under the Excess Warrants application. Fractional entitlements of the Warrants arising from the Rights Issue of Warrants, if any, shall be dealt with in such manner as our Board shall in their absolute discretion deem fit and expedient, and to be in the best interest of our Company. It is the intention of our Board to allocate the Excess Warrants, if any, on a fair and equitable manner, and on the basis as set out in Section 10.8 of this Abridged Prospectus.

The Rights Issue of Warrants has been structured based on the full subscription level basis via the Entitlement Undertaking from HESB, a substantial shareholder and holding company of HCK, to subscribe in full for its entitlement under the Rights Issue of Warrants as well as the Additional Undertaking from HESB to subscribe for all the remaining Warrants not taken up by other Entitled Shareholders and/ or their renounee(s), if any, by way of excess application, details of which has been set out in Section 4 of this Abridged Prospectus.

As the Warrants are prescribed securities, your CDS Account will be duly credited with the number of Provisional Warrants which you are entitled to subscribe for in full or in part under the terms of the Rights Issue of Warrants. You will find enclosed in this Abridged Prospectus, a NPA notifying you of the crediting of such securities into your CDS Account and a RSF to enable you to subscribe for the Provisional Warrants, as well as to apply for the Excess Warrants if you choose to do so.

Any dealing in our securities will be subject to, inter-alia, the provisions of the Securities Industry (Central Depositories) Act, 1991, the Rules of Bursa Depository and any other relevant legislation. Accordingly, the Warrants and the new HCK Shares to be allotted and issued arising from the exercise of the Warrants will be credited directly into the respective CDS Accounts of the successful applicants and the shareholders who exercise the Warrants (as the case may be). No physical share or warrant certificates will be issued.

We will allot and issue the Warrants, despatch notices of allotment to the successful applicants and make an application for the quotation for the Warrants within eight (8) Market Days from the last date for acceptance of and payment for the Warrants or such other period as may be prescribed by Bursa Securities. The Warrants will then be quoted on the Main Market of Bursa Securities two (2) Market Days after the application for quotation is made to Bursa Securities.

2.2 Basis and justification of determining the issue price of the Warrants

On 9 August 2017, RHBIB had, on behalf of our Board, announced that our Board has fixed the issue price of the Warrants at RM0.05 per Warrant. The issue price of the Warrants was determined and fixed by our Board after taking into consideration the following:-

- i. The amount to be raised from the Rights Issue of Warrants of approximately RM10.53 million which will be channelled towards the proposed utilisation of proceeds as set out in Section 5 of this Abridged Prospectus. The Rights Issue of Warrants shall enable our Company to raise the aforesaid immediate proceeds from the issuance of Warrants without incurring interest expenses as compared to bank borrowings; and
- ii. The issue price of the Warrants shall be deemed sufficiently attractive to encourage the subscription of the Warrants by the Entitled Shareholders and/ or their renounee(s). The Rights Issue of Warrants provides an avenue for shareholders to subscribe for the Warrants at the pre-determined price of RM0.05 per Warrant and to exercise the Warrants into new HCK Shares at the exercise price of RM0.96 per Warrant. The shareholders who successfully subscribe for the Warrants may have an opportunity to further participate in the future prospects of HCK Group and/ or any potential capital appreciation in the Warrants and HCK Shares, as and when the Warrants are exercised over the tenure of the Warrants of ten (10) years.

Further, based on the issue price of RM0.05 per Warrant, Our Group is able to raise the gross amount of approximately RM10.53 million to be utilised for the purposes as set out in Section 5 of this Abridged Prospectus. Our Board has taken note that the Rights Issue of Warrants will be undertaken on the full subscription level basis structured based on the Undertakings, details of which are set out in Section 4 of this Abridged Prospectus, and that no underwriting arrangement will be procured for Rights Issue of Warrants. Nevertheless, it is the intention of our Board to set the issue price of the Warrants at a sufficiently attractive price to encourage other shareholders to also subscribe for their respective entitlement.

2.3 Basis and justification of determining the exercise price of the Warrants

On 9 August 2017, RHBIB had, on behalf of our Board, announced that our Board has fixed the exercise price of the Warrants at RM0.96 per Warrant. The exercise price of the Warrants was determined and fixed by our Board after taking into consideration the following:-

- i. The Warrants will be issued at RM0.05 per Warrant to the Entitled Shareholders and/ or their renounee(s) who successfully subscribe for the Warrants; and
- ii. The historical trading prices of HCK Shares for the past 12 months and the ex-split price of HCK Shares after the Subdivision, based on the five (5)-day weighted average market price ("WAMP") of HCK Shares immediately preceding the price-fixing date on 9 August 2017 of RM0.96 per HCK Share. Our Board had fixed the exercise price of the Warrants at the five (5)-day WAMP of HCK Shares immediately preceding the price-fixing date on 9 August 2017 of RM0.96 per HCK Share and as such, there is no discount to the ex-split price.

Further, our Board has taken note of the premium of the issue price of RM0.05 per Warrant as the exercise price of the Warrants has been fixed at the ex-split price of HCK Shares after the Subdivision of RM0.96, based on the five (5)-day WAMP of HCK Shares immediately preceding the price-fixing date on 9 August 2017 of RM0.96 per HCK Share. It is the intention of our Board to set the exercise price of the Warrants at a sufficiently attractive price to entice the shareholders to subscribe for the Warrants and also with the exercise price being set at attractive level, this may possibly encourage Warrant holders to exercise their Warrants into new HCK Shares in the future, which in turn will raise additional funds for our Group going forward.

2.4 Ranking of the new HCK Shares to be issued arising from the exercise of the Warrants

The new HCK Shares to be issued arising from the exercise of the Warrants will, upon allotment and issuance, rank *pari passu* in all respects with the existing HCK Shares, save and except that the new HCK Shares to be issued arising from the exercise of the Warrants will not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of such new HCK Shares.

2.5 Principal terms of the Warrants

The principal terms of the Warrants are set out below:-

- Issue size : 210,585,820 Warrants
- Form : The Warrants will be issued in registered form and constituted by the Deed Poll
- Exercise period : The Warrants may be exercised at any time within ten (10) years commencing on and including the date of issuance of the Warrants ("Issue Date") and ending at the close of business at 5.00 p.m. in Kuala Lumpur on a date preceding the tenth (10th) anniversary of the Issue Date, and if such a day is not a Market Day, on the immediately preceding Market Day. Any Warrants not exercised during the exercise period will thereafter lapse and cease to be valid
- Mode of exercise : The registered holder of the Warrant is required to lodge a subscription form, as set out in the Deed Poll, with our Company's registrar, duly completed and signed together with payment of the exercise price by bankers' draft or cashier's order drawn on a bank operating in Malaysia or a money order or postal order issued by a post office in Malaysia in accordance with the Deed Poll
- Mode of transfer : The transfer of the Warrants shall be subject to the provisions of the Securities Industry (Central Depositories) Act 1991, the Rules of Central Depository and any other relevant legislation
- Exercise price : RM0.96 per Warrant
- Exercise rights : Each Warrant carries the entitlement, at any time during the exercise period, to subscribe for one (1) new HCK Share at the exercise price, subject to the terms and conditions of the Deed Poll

- Board lot : For the purpose of trading on Bursa Securities, one (1) board lot of Warrants shall comprise 100 Warrants carrying the right to subscribe for 100 new HCK Shares at any time during the exercise period, or such other denomination as determined by Bursa Securities
- Participating rights of the holders of Warrants in any distribution and/ or offer of further securities : The holders of the Warrants are not entitled to vote in any general meeting and/ or to participate in any dividends, rights, allotments and/ or any other forms of distribution other than on winding-up, compromise or arrangement of HCK as set out below and/ or in any offer of further securities in our Company unless and until the holder of the Warrants becomes a shareholder of HCK by exercising his/ her Warrants into new HCK Shares or unless otherwise resolved by HCK in a general meeting
- Adjustments in the exercise price and/ or number of Warrants : The exercise price and/ or number of unexercised Warrants shall be adjusted in the event of alteration to the share capital of our Company, capital distribution or issue of shares in accordance with the provisions of the Deed Poll. If our Company in any way modify the rights attached to any share or loan capital so as to convert or make convertible such share or loan capital into, or attached thereto any rights to acquire or subscribe for new shares, our Company must appoint the adviser or the auditors (who shall act as experts) to consider whether any adjustment is appropriate, and if the Directors after such consultation determines that any adjustment is appropriate, the exercise price or the number of Warrants or both, will be adjusted accordingly
- Rights in the event of winding-up, liquidation, compromise and/ or arrangement : Where a resolution has been passed for a members' voluntary winding-up of our Company, or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of our Company or the amalgamation of our Company with one (1) or more companies, then every holder of the Warrants shall be entitled upon and subject to the provisions of the Deed Poll at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding-up of our Company or six (6) weeks after the granting of the court order approving the compromise or arrangement, by the irrevocable surrender of his/ her Warrants to our Company, elect to be treated as if he/ she had immediately prior to the commencement of such winding-up, compromise or arrangement exercised the exercise rights represented by his/ her Warrants to the extent specified in the relevant subscription forms and be entitled to receive out of the assets of our Company which would be available in liquidation as if he/ she had on such date been the holder of the new HCK Shares to which he/ she would have been entitled to pursuant to such exercise
- Listing status : The Warrants shall be listed and quoted on the Main Market of Bursa Securities. HCK shall ensure that there shall be at least 100 holders of the Warrants holding not less than one (1) board lot of the Warrants each

Modifications : Save for manifest error, any modification, amendment, deletion or addition to the Deed Poll shall require the approval of the holders of Warrants sanctioned by special resolution and may be effected only by the Deed Poll, executed by our Company and expressed to be supplemental hereto and subject to the approval of the relevant authorities, if necessary

Constitution : The Warrants will be constituted by the Deed Poll

Governing law : Laws and regulations of Malaysia

2.6 Details of other corporate exercises

As at the LPD, save for the Rights Issue of Warrants, our Board confirms that there are no other corporate exercises which have been announced and/ or approved by the regulatory authorities but pending completion.

3. RATIONALE AND JUSTIFICATION FOR THE RIGHTS ISSUE OF WARRANTS

Our Board, after taking into consideration other avenue of fund raising such as bank borrowings which will result in our Group incurring interest expense, is of the view that the Rights Issue of Warrants is the most appropriate avenue for raising funds for the purposes stated in Section 5 of this Abridged Prospectus. Further, the Rights Issue of Warrants shall:-

- i. Enable our Company to raise immediate proceeds from the issuance of Warrants and further proceeds as and when the Warrants are exercised without incurring interest expenses as compared to bank borrowings;
- ii. Allow the existing shareholders of our Company to further participate in the future prospects and growth of our Company and/ or any potential capital appreciation in the Warrants and HCK Shares, as and when the Warrants are exercised;
- iii. Provide the existing shareholders of our Company with an opportunity to further increase their equity participation in our Company at a pre-determined price during the tenure of the Warrants; and
- iv. Strengthen our Company's capital base and shareholders' funds as and when the Warrants are exercised.

4. IRREVOCABLE AND UNCONDITIONAL UNDERTAKINGS AND UNDERWRITING ARRANGEMENT

Our Board has determined to undertake the Rights Issue of Warrants on a full subscription level basis via the issuance of 210,585,820 Warrants. The full subscription level has been determined by our Board after taking into consideration the level of funds that we wish to raise from the Rights Issue of Warrants, which will be channelled towards the proposed utilisation of proceeds as set out in Section 5 of this Abridged Prospectus. In this regard, our Board intends to raise gross proceeds of approximately RM10.53 million.

The substantial shareholder and holding company of HCK, namely HESB, had vide its letter dated 7 April 2017, provided its irrevocable and unconditional Undertakings for the following:-

- i. Entitlement Undertaking, in which HESB will subscribe in full for its entitlement under the Rights Issue of Warrants based on its shareholding as at the Entitlement Date; and
- ii. Additional Undertaking, in which HESB will subscribe for additional Warrants of up to 67,048,245 Warrants not taken up by other Entitled Shareholders and/ or their renounee(s) by way of excess application.

For shareholders' information, only in the event of a shortfall in the number of Warrants subscribed for (including the Entitled Shareholders' and/ or their renounee(s)' respective entitlements and any excess Warrants applied for but excluding the Additional Undertaking) as at the closing date and time of receipt of applications, the Additional Undertaking shall then crystallise whereby HESB shall apply via the excess Warrants application (to fulfil its obligation under the Additional Undertaking) to subscribe for additional Warrants not taken up by other Entitled Shareholders and/ or their renounee(s), if any.

For the avoidance of doubt, the Entitled Shareholders and/ or their renounee(s), if any (excluding HESB pursuant to its Additional Undertaking) shall be given first priority and shall first be allocated with the Excess Warrants applied for, if any. Upon the completion of the allocation of such Excess Warrants to the Entitled Shareholders and/ or their renounee(s), if any (excluding HESB pursuant to its Additional Undertaking), and if there are any remaining Warrants which are not subscribed for, HESB shall then be allocated the remaining number of undersubscribed Warrants pursuant to its Additional Undertaking. In other words, all Warrants and any Excess Warrants applied for by the Entitled Shareholders and/ or their renounee(s) (excluding HESB pursuant to its Additional Undertaking) shall be allocated based on their respective applications and thereafter, HESB shall be allocated the balance number of undersubscribed Warrants, if any, pursuant to its Additional Undertaking.

A summary of the irrevocable and unconditional Undertakings is set out below:-

	Shareholding as at the LPD		Entitlement Undertaking ^{*1}		Additional Undertaking ^{*1}		Total Undertakings ^{*1}	
	No. of Shares	%	No. of Warrants	% ^{*2}	No. of Warrants	% ^{*2}	No. of Warrants	% ^{*2}
HESB	287,075,150	68.16	143,537,575	68.16	67,048,245	31.84	210,585,820	100.00

Notes:-

*1 The funding requirements for the subscription of Warrants computed based on the issue price of RM0.05 per Warrant are set out below:-

	<i>Entitlement Undertaking</i>	<i>Additional Undertaking</i>	<i>Total Undertakings</i>
<i>No. of Warrants</i>	143,537,575	67,048,245	210,585,820
<i>Funding requirements (RM)</i>	7,176,879	3,352,412	10,529,291

*2 Computed based on 210,585,820 Warrants available for subscription under the Rights Issue of Warrants.

HESB had, vide its letter dated 7 April 2017, provided its confirmation that it has sufficient financial resources to subscribe for its irrevocable and unconditional Undertakings. The said confirmation has been verified by RHBIB, the Adviser for the Rights Issue of Warrants.

As the Rights Issue of Warrants will be undertaken on the full subscription level basis structured based on the Undertakings, HCK will not procure any underwriting arrangement for the remaining portion of the Warrants for which no irrevocable written undertaking to subscribe for the Warrants has been obtained from other shareholders of HCK. For the avoidance of doubt, the Undertakings will not give rise to any mandatory general offer obligation pursuant to the Rules of Take-overs, Mergers and Compulsory Acquisitions.

Further, in the event all the Entitled Shareholders (including HESB) subscribe in full for their respective entitlement under the Rights Issue of Warrants and exercise all their respective Warrants held, HESB's proforma shareholding shall then be 430,612,725 HCK Shares, representing approximately 68.16% of the enlarged number of issued shares of HCK. However, in the event only HESB subscribes for the Warrants based on its Entitlement Undertaking coupled with its Additional Undertaking and exercises all its Warrants held, its proforma shareholding shall then be 497,660,970 HCK Shares, representing approximately 78.77% of the enlarged number of issued shares of HCK. In such event the public shareholding spread of HCK is expected to fall below the minimum public shareholding spread of 25% pursuant to Paragraph 8.02(1) of the Listing Requirements. However, HESB is mindful of the public shareholding spread requirement and in this respect, HESB endeavours to monitor and ensure that its dealings in the exercise of Warrants into new HCK Shares, if any and as and when during the tenure of the Warrants, would not result in HCK being in breach of the public shareholding spread requirement.

5. UTILISATION OF PROCEEDS

Based on the issue price of RM0.05 per Warrant, the total gross proceeds that are expected to be raised from the Rights Issue of Warrants and the intended utilisation are set out below:-

Details of utilisation	Time frame for utilisation	Amount RM'000
Working capital ^{*1}	Within 24 months upon completion	9,929
Estimated expenses in relation to the Corporate Exercises ^{*2}	Upon completion	600
Total		<u>10,529</u>

Notes:-

*1 The proceeds earmarked for working capital will be utilised to finance the day-to-day operations of our Group and is expected to be utilised in the following manner:-

	RM'000
a) Property-related acquisitions which may include, among others, acquisition of land banks and property projects for the property trading, investment and development businesses of our Group. At this juncture, we are still seeking and exploring options for suitable property-related acquisitions. There is no firm arrangement of any potential property-related acquisition by our Group as at the LPD. We are not able to provide breakdown for the acquisition of land banks and property projects as we are still in the midst of identifying suitable property-related acquisitions for our Group. We endeavour to conduct thorough property planning and market study prior to entering into any transaction for property-related acquisition by our Group	6,000
b) Selling and marketing expenses which include commission payout to external real estate agencies, roadshows, promotional events and marketing brochures	2,500
c) General expenses such as upkeeping of our property units held for trading, our office premises and vehicles	1,429
Total	<u>9,929</u>

- *2 The gross proceeds earmarked for estimated expenses in relation to the Corporate Exercises shall be utilised as set out below:-

	RM'000
Professional fees (i.e. adviser, reporting accountants and solicitors)	400
Regulatory fees	100
Other incidental expenses in relation to the Corporate Exercises	100
Total	<u>600</u>

The gross proceeds to be raised from the exercise of the Warrants is dependent on the total number of Warrants exercised during the tenure of the Warrants. For illustrative purpose only, the gross proceeds that is expected to be raised upon full exercise of the Warrants based on the exercise price of RM0.96 per Warrant is approximately RM202.16 million. The proceeds to be raised from the exercise of the Warrants will be utilised as additional working capital of our Group. The proceeds may be utilised to finance, amongst others, acquisition of land banks and property projects, selling and marketing expenses, and general expenses such as upkeep of our property units held for trading, our office premises and vehicles. The breakdown of the utilisation of proceeds in respect of each of the additional working capital is not available at this juncture as the actual amount to be utilised by each component of working capital may differ subject to the operating requirements at the time of utilisation as well as the actual number and timing of the exercise of the Warrants.

Pending utilisation of the proceeds from the Rights Issue of Warrants for the above purposes, the proceeds will be placed in deposits with financial institutions or short-term money market instruments. The interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as additional working capital of our Group.

6. RISK FACTORS

Our Group is principally engaged in property trading, investment, development, and project management services as well as other operations, namely operations of food and beverage outlets, and investment holding. Our revenue were mainly derived from property project management services for the past three (3) financial years up to the FYE 31 December 2016. For clarification purpose, we have not commenced any of our own property development projects as of to-date as they are still under planning stage.

It is important for you and/ or your renounee(s) (if applicable) to understand our Group's revenue streams before subscribing for or investing in the Warrants. Therefore, we have provided below the breakdown of the revenue contribution from each operating segment of our Group for the past three (3) financial years up to the FYE 31 December 2016, and we wish to highlight the risk factors relating to our operating segments as set out below. We have also included the risk factors relating to property development activities below as our property development projects may contribute to our Group's revenue in the coming years after commencement.

	-----Audited----->					
	<-----FYE 31 December----->					
	2014 [#]		2015 [#]		2016	
	RM'000	%	RM'000	%	RM'000	%
Revenue from operating segments						
Property project management services ^{*1}	17,521	46.30	20,294	61.07	14,729	71.55
Property trading ^{*2}	17,019	44.97	8,543	25.71	-	-
Property investment	2,808	7.42	2,808	8.45	3,168	15.39
Food and beverage ^{*3}	494	1.31	1,553	4.67	2,598	12.62
Others	-	-	34	0.10	90	0.44
Total	37,842	100.00	33,232	100.00	20,585	100.00

Notes:-

- # Excluding revenue contribution from discontinued operations pursuant to the disposal of Golsta Sdn Bhd and its subsidiary companies, namely Foundry Engineering Corporation Sdn Bhd and Golsta Resources Sdn Bhd, during the FYE 31 December 2015 which was completed on 15 September 2015.
- *1 Comprising revenue contribution from property project management services to external third parties for their property projects which include liaising and coordinating with external consultants, conducting feasibility studies, procuring relevant approvals for development projects, monitoring the development projects, sales and marketing strategies and activities, credit administration services, and after-sales customer services.
- *2 Comprising revenue contribution from the trading of our own property units. Further details of our Group's current property trading projects are set out in Section 7.4 of this Abridged Prospectus.
- *3 Comprising revenue contribution from operations of food and beverage outlets. For shareholders' information, we currently hold the Malaysia region licence to operate Jamaica Blue, an Australian coffee chain.

In addition to other information contained elsewhere in this Abridged Prospectus, you and/ or your renouncee(s) (if applicable) should consider carefully the following risk factors (which may not be exhaustive) which may have an impact on the future performance of our Group before subscribing for or investing in the Warrants.

6.1 Risks relating to the industry we operate in**6.1.1 Business and operational risks**

Our financial performance is largely dependent on the performance of the property market in Malaysia. Any material developments affecting the property markets such as changes in demographic trends, employment and income level, economic uncertainties, changes in the Government policies, the deterioration in property demand and the property rental market may have an impact on our business operations and financial performance.

Furthermore, the performance of the property market is also affected by the regulatory environment. The Government has introduced several cooling measures to curb speculation in the property market in its effort to promote a more stable and sustainable property market. Please refer to Section 6.1.9 of this Abridged Prospectus for further details.

The abovementioned measures may affect the demand for properties which in turn may impact our property trading and development projects. Our Group seeks to minimise the abovementioned risks through, amongst others, careful selection of the property trading and development projects to be undertaken by our Group, offering competitively priced properties as well as continuously monitoring the developments in the Malaysia property market.

6.1.2 Competition risks for our property trading units, investment property, property project management services and property development projects

Our Group faces competition from both local and international property developers in terms of pricing, design, quality, location, facilities and supporting infrastructure of the properties as well as the sale and marketing of properties. Nevertheless, we expect to remain competitive due to the strategic location of our property units and the generally high cost of entry into the property business. While we seek to remain competitive in terms of pricing and innovative selling and marketing strategies, there is no assurance that our proactive measures can effectively mitigate the potential adverse effects of competition on our financial performance.

6.1.3 Risk of property overhang and/ or unsold properties

We are susceptible to the risk of property overhang and/ or unsold properties which are commonly caused by oversupply and/ or low take-up rate of new property launches. Other factors contributing to property overhang may include economic downturn and unfavourable market conditions. Any prolonged rise in the property overhang situation and increase in the number of unsold properties in the property market may also be due to other factors such as weak response to the launched properties, location of the development and changes in consumers' preferences.

Our Group seeks to minimise the abovementioned risk through, amongst others, careful selection of the property trading and development projects to be undertaken by our Group, offering competitively priced properties as well as continuously monitoring the developments in the Malaysian property market.

Although our Group takes such measures into account in planning our new projects and managing on-going projects, there can be no assurance that the risk of property overhang will not have a material impact on our financial performance.

6.1.4 Timely completion of property trading and development projects

Timely completion and delivery of our property trading units are critical in ensuring costs are contained and our Group's reputation is safeguarded. However, delays in completion may result from unforeseen circumstances such as delays in the hand-over of our property units from the property developer, adverse weather conditions, natural disasters and/ or other unforeseen circumstances. In addition, delays in completion of our property development projects may also result from unforeseen circumstances such as shortage of construction materials, major labour disputes, unsatisfactory performance of building contractors appointed for our development projects, delays in obtaining the necessary approvals from local authorities, and major changes in government/ local authorities' approval policies.

If any of the abovementioned circumstances occur for a prolonged period, our purchasers may take legal recourse against our Group and these could have adverse effect on our Group's reputation and may subsequently result in a penalty to our Group. We seek to mitigate these risks by closely monitoring the work progress in order to ensure the timely completion of our property trading and development units. In addition, we also seek to mitigate these risks by carrying out tender process to appoint main contractors with proven track record and adequate financial resources for construction works in our Group's property development projects.

6.1.5 Dependence on approvals/ licences from authorities

The ability of our Group to continue with our property development projects is highly reliant on our ability to obtain approvals and renewals of major licenses, such as development orders, building plans approvals, developer licenses, advertising permits, location permits and license to build issued by the respective local authorities. The revocation of these approvals or licenses would adversely affect the ability of our Group to generate future revenue stream and profits which will in turn impact the financial performance of our Group.

However, we will endeavour to obtain the necessary licenses to carry out our property development projects and will ensure compliance with the conditions of any such licences. However, there can be no assurance that our Group will be successful in securing the relevant approvals and licences for our property development projects. Further, there is also no assurance that the regulatory authorities will not attempt to vary, modify or impose further conditions or revoke any of the licenses, permits and approvals.

6.1.6 Construction costs overrun

Our property development projects are under application stage and/ or planning stage at this juncture. Our property development projects during the construction stage may be subject to increases in construction costs due to reasons including possible fluctuations in commodity prices, shortage of construction materials such as cement and steel bars as well as shortage of labour. Any major and unexpected increase in construction material costs or labour costs may reduce our profit margin if we are unable to pass the increased costs to customers in the form of higher selling prices. Selling prices of properties are largely determined by product differentiation in terms of location, quality, design and conditions of the property market in Malaysia.

While reasonable care is taken to address the possibility of the increase in construction costs by setting contingency provisions in our project development budgeting, there is no assurance that unforeseeable significant increase in construction costs in our property development projects will not have a material impact on our financial performance.

6.1.7 Compulsory land acquisition by the Government

The Government has the power to compulsorily acquire any land in Malaysia pursuant to the provisions of the Land Acquisition Act, 1960. If all or any portion of our Group's development or project lands are compulsorily acquired by the Government at any point in time, the amount of compensation to be awarded to our Group will be computed based on the First Schedule of the Land Acquisition Act, 1960.

In such an event, the amount of compensation paid to our Group may be lesser than the market value of the lands and/ or the purchase consideration that our Group has paid in acquiring such lands. This may in turn adversely affect our Group's business, financial condition, results of operations and prospects.

6.1.8 Risks relating to the food and beverages market

The food and beverages market in Malaysia is competitive and our Group competes with many other well-established chains of café and coffee outlets in terms of pricing, services, ambience, location and quality of food and beverages. Our management believes that competition from our competitors is mitigated by us leveraging on the coffee brand that we sell in our café outlets, namely the Jamaica Blue coffee.

Our continued success in the food and beverages market is also dependent on our ability to anticipate and introduce new menu items that would appeal to the changing tastes, dietary habits and preferences of customers. Nevertheless, as we are holding the Malaysia region licence to operate Jamaica Blue, we will be required to strictly conform to the terms and conditions of our regional licence which include the offerings of food and beverages items in our menu. Hence, we would need to seek prior consultation and approval from our licensor prior to any such introduction of new menu items in our outlet. Further, the development and marketing of new menu items or improving our existing recipes may not necessary yield positive response from our customers. In order to mitigate such risk, our Group continuously gathers survey data to be updated with our customers' preferences.

Further, any outbreak of diseases or contamination in any materials or raw ingredients used by our Group in the making of our food and beverages may have an adverse impact on our café outlets in terms of loss in customers and demand for our products. In order to mitigate such risk, our Group has been taking prudent measures in selecting our materials and raw ingredients and complying with food safety and hygiene standards in our operations.

6.1.9 Political, economic and regulatory risks

Any adverse development in the political situation and economic uncertainties in Malaysia could materially and adversely affect the financial performance of our Group despite our Group taking necessary measures, including but not limited to, keeping abreast with local policies and laws as well as seeking professional legal advice prior to committing to new projects.

Any change in the political situation and/ or government policies in Malaysia may also affect the business of our Group. Political or regulatory changes, imposition of capital controls and changes in interest rates or taxes may impact our Group's business, financial condition, results of operations and prospects. Other adverse political situations include the risks of wars, terrorism, nationalisation and expropriation which may also affect the performance of our Group.

In 2010, Bank Negara Malaysia ("BNM") had introduced a maximum loan-to-value ratio of 70% with regards to third home purchases. Under the ruling, potential third home purchasers are only able to obtain loan-financing facility of up to 70% of the value of their proposed third home purchases. This ruling was introduced with the aim of discouraging speculation in the property market. In November 2013, BNM issued a ruling that banks are required to give out property loans based on net selling price of the properties, which excludes rebates and discounts as opposed to the gross selling price of the subject properties.

As announced in the Malaysian Budget 2014, effective 1 January 2014, the real property gains tax rates for the disposal of properties have been revised as follows:-

Disposal period	Companies	Individuals (citizens and permanent residents)	Individuals (non-citizens)
Within 3 years	30%	30%	30%
In the 4th year	20%	20%	30%
In the 5th year	15%	15%	30%
In the 6th and subsequent years	5%	0%	5%

The Government had also imposed different minimum threshold of purchase price on properties purchasable by foreigners in different states of Malaysia as part of the Government's plans to restrict speculative activities in the property market.

In addition, banks can no longer provide financing for projects with developer interest bearing schemes ("DIBS"), which is generally a form of promotional incentive offered to potential purchasers in a bid by property developers to attract property buyers. Under DIBS, interests on the loan undertaken by the buyers are borne by the property developers until the property has been constructed. Any further introduction of cooling measures by the Government or BNM to control price levels of the Malaysian property market may impact our property development business in Malaysia.

The above measures may affect the demand for properties which in turn may impact our property trading and development projects. Our Group seeks to minimise the abovementioned risks through, amongst others, careful selection of the property trading and development projects to be undertaken by our Group, offering competitively priced properties as well as continuously monitoring the developments in the Malaysia property market.

6.2 Risks relating to our Group

6.2.1 Ability to secure commercially viable properties for trading and land banks

Our property trading business is largely dependent on our ability to secure commercially viable properties for trading at strategic locations in Malaysia with good potential. Our Group's current property trading projects are The Duo and The Cubiz at USJ 1, Subang Jaya, Selangor, details of which are set out in Section 7.4 of this Abridged Prospectus. Both projects are currently under construction. There is no assurance that our Group will be able to identify and acquire new properties for trading at strategic locations at commercially viable prices. Such risk may have an adverse effect on our Group's financial performance as our main operation at this juncture is property trading. Notwithstanding the above, we will closely monitor our current properties under construction and continuously source for potential properties for trading at strategic locations at commercially viable prices.

Further, our land banks of a total of approximately 79.66 acres which comprise of 35.25 acres of freehold land in Semenyih, Selangor for residential/ commercial development, 14.41 acres of leasehold land in Selangor Cyber Valley, Selangor for residential/ commercial development and 30.00 acres of leasehold land in Demak Laut Industrial Park, Kuching, Sarawak for industrial development, are currently under planning stage. However, there is no assurance that our Group would be able to replenish our land banks by acquiring commercially viable lands with development potential to deliver sustainable growth and profitability. Our Group faces competition from other property developers in identifying and acquiring strategically located land banks at commercially viable prices. Such competition has created scarcity in strategically located lands, which may in turn result in higher land acquisition costs and potentially affect the profitability of our Group. Notwithstanding the above, our Group will continuously source for land banks at strategic locations in Malaysia with development potential. However, there can be no assurance that our Group will succeed in expanding its land banks with parcels of land at strategic locations and with development potential.

6.2.2 Borrowings and financing risks and fluctuations in interest rates

Our total outstanding bank borrowings as at LPD amounted to approximately RM144.15 million, all of which are interest-bearing borrowings and denominated in RM. As such, any additional borrowings and/ or increase in interest rates may result in an increase in interest expense, which may affect our profitability.

Our Group's gearing stood at 0.71 times as at 31 December 2016 and 0.76 times as at 31 March 2017, and all our borrowings are interest-bearing obligations. Any interest rate hike may affect our business and hence, we manage the net exposure to interest rate risks by maintaining sufficient lines of credits to obtain acceptable lending costs and by monitoring the exposure to such risks on an ongoing basis. As at the LPD, we have not encountered any default in payment on the bank borrowings.

Our credit facilities may also be subject to periodic review by the banks or financiers and contain certain covenants which may limit our operating and financing flexibility. Any act or omission by us that breaches such covenants may give the rights to the banks or financiers to terminate the relevant credit facilities and/ or enforce any security granted in relation to those credit facilities. This may in turn causes a cross default of other credit facility agreements. As these covenants are commonly contained in the credit facility agreements in Malaysia, we will endeavour to monitor the compliance with all such covenants.

Nevertheless, There can be no assurance that current interest rates will be maintained in the future and/ or that any increase in our borrowings will not have any material effect on our financial performance. Further, there can also be no assurance that our performance will not be adversely affected should we breach such covenants of any of our credit facility agreements.

6.2.3 Dependence on third party contractors

Our property development projects are under application stage and/ or planning stage at this juncture. Our property development projects during the construction stage may be dependent on the availability and quality of work of third party contractors to ensure the satisfactory completion of the work in accordance with their contractual obligations. Any unsatisfactory and/ or non-performing contractors and/ or their inability to supply sufficient labour will inevitably disrupt our property development projects which may have an adverse effect on the operations and profitability of our Group.

As such, we will ensure to implement stringent selection criteria that only competent contractors with adequate financial resources and proven track record are engaged to undertake construction work for our property development projects. We will also ensure to closely monitor the contractors' work progress to ensure timely completion of our property development projects.

6.2.4 Risks relating to our licence to operate Jamaica Blue in Malaysia

We currently hold the Malaysia region licence to operate Jamaica Blue for an initial term of up to 15 years commencing from August 2014, subject to the terms and conditions contained in the regional licence agreement which we have entered into. As of to-date, we have our two (2) operating Jamaica Blue Fine Coffees outlets located within shopping malls in Klang Valley. As such, we are highly dependent on the terms of the said regional licence agreement for the operations of our Jamaica Blue café outlets in Malaysia. We may also be able to extend the said initial term to a further term of up to an additional 15 years as well as a final term of up to another 15 years, subject to the terms and conditions contained therein. In the event that our regional licence agreement is terminated or if we are not able to extend our initial term to up to the aforementioned further term and/ or final term, we will not be able to continue our Jamaica Blue operations in Malaysia. Nevertheless, our Group has been using our best endeavours to ensure compliance with the terms and conditions of our regional licence agreement.

Further, we have in January 2017 obtained the approval for registration as a franchisee of a foreign franchisor with the Ministry of Domestic Trade, Cooperatives and Consumerism of Malaysia to sub-operate Jamaica Blue outlets in Malaysia. As of to-date, we have sub-licensed the operations of outlets to four (4) independent sub-operators located within Klang Valley and Seremban area. We seek to continuously supervise the operations of these sub-operators upon the commencement of their outlets. There is no assurance that they would be able to operate the outlets in a manner consistent with our terms and requirements. Any such event, if occurs, may have adverse effect to the reputation of our Group as customers visiting the Jamaica Blue outlets in Malaysia may not be able to differentiate the outlets owned by our Group and those managed by the independent sub-operators. Nevertheless, we seek to mitigate such risks by having in place strict standards and requirements which are consistent with our Group's standards and requirements and the requirements under our regional licence agreement, and will constantly conduct routine visits to the sub-operators outlets.

6.2.5 Breakout of fire, energy crisis and other emergency crisis

The operations of our café outlets may be affected by a breakout of fire, interruptions due to power supply and/ or other emergency crisis. We believe that we have adequate safety and fire-fighting equipment installed at our premises to ensure that the risk of fire is contained. Our employees have been educated on safety measures particularly during fire or other emergency drills organised by ourselves. As our two (2) Jamaica Blue café outlets are currently located within shopping malls in Klang Valley, we are required to conform to the fire hazard safety plan of the respective shopping malls. In addition, in the event of a power disruption, we will be dependent on the respective shopping mall's power back-up arrangement.

6.2.6 Exposure to retention and succession risk of our Group's key personnel

The performance and success of our Group's business and operations are dependent, among others, on the skills, abilities, experience, competencies and on-going efforts of our Group's key management and personnel. The loss of and failure to recruit suitable candidates to timely replace any such key management or personnel may adversely affect our Group's business and operations.

In order to mitigate this risk, our Group has taken into consideration effective human resource management and development which includes competitive remuneration packages and training to attract and retain our key management and personnel as well as experienced and competent staff.

6.3 Risks relating to the Rights Issue of Warrants

6.3.1 Market risks and no prior market for the Warrants

The price of the Warrants when traded on Bursa Securities may fluctuate due to factors such as, amongst others, the prevailing market sentiments, the volatility of the stock market, the outlook of the industry which we operate in and our financial performance. In view of this, there can be no assurance that the Warrants will trade at or above the issue price of the Warrants after the listing of and quotation for the Warrants on the Main Market of Bursa Securities.

Shareholders should also consider carefully that each Warrant derives its value from giving its holder the right to subscribe for new HCK Shares at a predetermined exercise price over the exercise period. The Warrants have a finite lifespan during which tenure the holders can exercise the subscription rights comprised in the Warrant. If the sum of the price of the Warrants as quoted on Bursa Securities and the exercise price of the Warrants is higher than the market price of HCK Shares, the Warrants are deemed to be 'out-of-the-money'. The value of the Warrants is directly related to the market price of HCK Shares. The higher the market price of HCK Shares exceeds the exercise price of the Warrants, the higher the value of the Warrants will be. Shareholders are reminded, however, that other factors may also affect the market price of our Warrants or the market price of our Shares. Other than the fundamentals of our Group, the future price performance of the Warrants will also depend on various external factors as mentioned above.

As the Warrants are a new type of securities issued by our Company, there can also be no assurance that an active market for the Warrants will develop upon their listing on Bursa Securities or if developed, that it will sustain.

Accordingly, there can be no assurance that the market price of our Warrants will be at a level that meets the specific investment objectives or targets of any holders of the Warrants.

6.3.2 Delay in or abortion of the implementation of Rights Issue of Warrants

The Rights Issue of Warrants is exposed to the risk that it may be delayed or aborted on the occurrence of any material adverse change of events/circumstances, unfavourable changes in the government's policies such as licensing regulations as well as other force majeure events, which are beyond the control of our Company and RHBIB, arising prior to or during the implementation of the Rights Issue of Warrants.

Nevertheless, our Group will endeavour to ensure the successful listing of the Warrants. However, there can be no assurance that the abovementioned events will not occur and cause a delay in or abortion of the Rights Issue of Warrants. In the event the Rights Issue of Warrants is aborted, our Group will repay without interest all monies received in respect of the accepted application for the subscription of the Warrants pursuant to the Rights Issue of Warrants and if such monies are not repaid within 14 days after we become liable to repay, we will repay such monies with interest at the rate of 10% per annum or at such other rate as may be prescribed by the SC in accordance with Section 243(2) of the CMSA.

6.4 Forward-looking statements

Certain statements in this Abridged Prospectus are based on historical information which may not be reflective of the future results, whilst others are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements contained in this Abridged Prospectus are based on assumptions made by our Company, unless stated otherwise. Although our Board believes that these forward-looking statements are reasonable, the statements are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include, inter-alia, the risk factors as set out in this section. In view of these uncertainties, the inclusion of any forward-looking statements in this Abridged Prospectus should not be regarded as a representation or warranty by our Company that the plans and objectives of our Group will be achieved.

7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS OF OUR GROUP

7.1 Overview and outlook of the Malaysian economy

The Malaysian economy registered a growth of 4.2% in 2016. Domestic demand continued to anchor growth, supported mainly by private sector spending. Private consumption growth, in particular, was sustained at 6.1%, supported by continued employment and wage growth following the increase in minimum wage and civil servant salaries. Government measures to boost disposable income such as the temporary reduction in employees' contribution to the Employees Provident Fund, higher Bantuan Rakyat 1Malaysia payouts and tax relief to lower-income tax payers also supported household spending. Public consumption growth moderated to 1.0% following the expenditure rationalisation adopted by the Government in early 2016 given the lower petroleum-related revenue because of low crude oil prices. Public investment recorded a smaller rate of decline in 2016 due to the smaller contraction in spending on fixed assets by public corporations given the higher investment in the downstream oil and gas industry, and the transportation and utilities sub-sectors.

On the supply side, all economic sectors continued to expand in 2016, with the exception of the agriculture sector. Agriculture production declined by 5.1%, as crude palm oil output was affected by the El Niño weather phenomenon. While growth in the services sector was higher at 5.6% following sustained demand in the consumer-related sectors, other sectors expanded more moderately.

Positive prospects for the Malaysian economy in 2017 are premised upon expectations of an improving global economy and the continued growth in domestic demand. The Malaysian economy is projected to register growth of 4.3%-4.8% in 2017. The improvement in global growth is expected to generate positive spillovers to the domestic economy through the trade, investment and income channels. Malaysia's export performance will benefit from higher growth among key trading partners and the projected recovery in commodity prices. On the domestic front, investment activity is expected to be underpinned by capital expenditure in the export-oriented industries, particularly in the manufacturing sector. This, together with the continued roll-out of large-scale infrastructure projects will support investment activity going forward. Meanwhile, private consumption will be sustained by continued wage growth and recent pro-growth Government measures. For the public sector, the Government remains committed to fiscal consolidation, which will be achieved through the reprioritization of public spending and lower expenditure on non-critical items. Despite this, the public sector is still projected to contribute positively to growth through public investment in selected sectors.

(Source: Bank Negara Malaysia Annual Report 2016)

7.2 Overview and outlook of the property market

The residential subsector grew 10.4% during the first half of 2016 supported by steady growth in incoming supply at 13.1% to 816,174 units. Klang Valley, accounting for 26.2%, continued to contribute the most of the incoming supply mainly due to increasing affordable housing schemes. However, during the period, new approvals declined significantly by 32% to 44,389 units as developers are clearing unsold properties, while buyers are more cautious amid increasing uncertainties in the global environment. Likewise, housing starts declined 16.8% to 60,378 units. Of which, terrace houses and condominiums/apartments accounted for 43.6% (26,324 units) and 29.9% (18,070 units), respectively, while low-end houses 11% (6,617 units). The take-up rate for residential units was lower at 25.6% in the first half of 2016 largely reflecting softer demand for high-end units.

During the first half of 2016, a total of 102,096 residential properties valued at RM32.7 billion were transacted, accounting for 62.4% of total property transactions. Residential properties transacted in Kuala Lumpur recorded a marked contraction of 20.1%, followed by Selangor (-14.1%), Pulau Pinang (-13.5%), and Johor (-10.9%). The softening of the transaction was partly due to the buyers' cautious sentiment and measures to contain the accelerating house prices. The residential overhang increased 63.1% to 13,438 units with a total value of RM7.6 billion during the first half of 2016 with Johor accounting for the highest overhang units at 21.1%.

Malaysia House Price Index continues to moderate reflecting implementation of various measures to contain spiralling prices. The Malaysia House Price Index stood at 235.4 points (at base year 2000) during the second quarter of 2016, increasing 5.3%, the lowest since the fourth quarter of 2009. All states recorded a positive growth except Kelantan (-0.2%) and Sabah (-0.6%). Johor registered the highest increase of 7%, followed by Kuala Lumpur (6.9%), Selangor (6.6%), Kedah (6.5%) and Negeri Sembilan (6.2%). The average all-house price increased to RM326,241 in the second quarter of 2016 relative to RM309,705 for the corresponding period in 2015, with detached houses recording the highest increase at 6.5%, followed by high rise units (6%) and terrace houses (5.7%).

Construction activity in the non-residential subsector grew at a moderate pace of 3%. This was mainly due to a further decline in construction starts, particularly in the industrial (-77.1%), shopping complexes (-43.6%) and shops (-36.5%) segments. The Purpose-Built Office segment improved with the incoming supply rebounding 28.4% to 2 million square metres ("sm"), while planned supply increased sharply by 56% to 1 million sm.

Shop segment recorded 6,513 transactions worth RM4.7 billion during the first half of 2016, constituting 56% of total commercial property transactions. Johor contributed the highest market volume of 17.5% followed by Selangor (16.1%). The shop overhang increased 22.6% to 5,024 units valued at RM2.5 billion during the period following a more cautious sentiment among businesses. However, demand for commercial buildings remained favourable with the average occupancy rate of retail space at 82.2% and office (83.5%), reflecting sustained demand for commercial space in prime areas. As at end-June 2016, the existing stock of shopping complexes and industrial segment stood at 14.2 million sm and 106,453 units, respectively. The Purpose-Built Office Rent Index Wilayah Persekutuan Kuala Lumpur increased 4% to 128.7 points in the second quarter of 2016. Kuala Lumpur City Center recorded the highest rental increase of 4.2% to RM4.73 per square feet ("psf"), surpassing the average rate of RM4.62 psf in Wilayah Persekutuan Kuala Lumpur.

(Source: Chapter 3: Economic Performance and Reports, Economic Report 2016/ 2017, Ministry of Finance Malaysia)

During the first quarter of 2017, the construction sector increased 6.5% driven by higher civil engineering activities. The subsector grew 12.1% supported by petrochemical and transportation-related projects. The residential buildings subsector expanded 7%, attributed to construction of high-end service apartments and affordable housing projects, particularly in Klang Valley and Johor. The specialised construction activities subsector grew 4.2%, reflecting activity for electrical system installation and transportation-related earthworks. During the first quarter of 2017, the total value of construction work done rose 9.7% to RM35 billion involving 9,572 projects. The expansion in total value was driven by civil engineering and residential segments which grew by 16% and 9.5%, respectively accounting for 64.3% of total value. For the ownership of the projects, private sector continued to propel the construction activity (63.5%) as compared with public sector (36.5%).

(Source: Quarterly Update on the Malaysian Economy, First Quarter 2017, Ministry of Finance Malaysia)

Growth in the construction sector is projected to expand at a faster pace in 2017, driven mainly by new and existing civil engineering projects in the utilities, transportation and petrochemical segments.

(Source: Bank Negara Malaysia Annual Report 2016)

7.3 Overview and outlook of the food and beverages market

The food and beverages segment expanded 7.9% during the first quarter of 2017.

(Source: Quarterly Update on the Malaysian Economy, First Quarter 2017, Ministry of Finance Malaysia)

Private consumption grew by 6.6% during the first quarter of 2017. Household spending remained supported by continued expansion in employment and wage growth. The implementation of selected Government measures, including the higher amount of Bantuan Rakyat 1Malaysia cash transfers, also provided additional impetus to household spending.

(Source: Quarterly Bulletin, First Quarter of 2017, Bank Negara Malaysia)

Private consumption is projected to expand by 6.0% for the full 2017. While households are likely to make further expenditure adjustments in response to rising inflationary pressure, consumption spending is expected to remain sustained, supported by a stable labour market and continued wage growth. The implementation of selected Government measures are also expected to increase household disposable income. These measures include the higher amount of Bantuan Rakyat 1Malaysia cash transfers, reduction in employees' contribution to Employees Provident Fund by 3 percentage points until December 2017 as well as the special assistance to all civil servants (RM500) and retirees (RM250). The higher commodity prices are also expected to support incomes, particularly for rural households.

The services sector is projected to expand, albeit at a more moderate pace. In particular, the performance of consumption-related services such as retail trade, food and beverages and accommodation will be underpinned by stable labour market conditions and continued wage growth.

(Source: Bank Negara Malaysia Annual Report 2016)

7.4 Future prospects of our Group

Our Group is principally engaged in property trading, investment, development, and project management services as well as other operations, namely operations of food and beverage outlets, and investment holding. As set out in Section 6 of this Abridged Prospectus, our main revenue contribution for the past three (3) financial years up to the FYE 31 December 2016 was derived from our property segment. Our Group's current on-going projects in property trading and development, with a combined total estimated gross development value ("GDV") of RM2.10 billion, are set out below:-

i. Property trading

Project	Status	Location	Type of development	Estimated GDV RM'million
The Duo	Under construction Expected completion: Mid 2019	USJ 1, Subang Jaya, Selangor (next to the Cubiz project)	415 units of serviced office suites	284
The Cubiz	Under construction Expected completion: End 2018	USJ 1, Subang Jaya, Selangor (next to the Duo project)	12-storey unit office building	105
Pacific Place @ Ara Damansara	Completed	Ara Damansara, Petaling Jaya, Selangor	11 units of shop lots and 8 units of residential units	15
Total				404

ii. Property development

Project	Status	Location	Type of development	Estimated GDV RM'million
EduSphere@ Cyberjaya	Under planning (application stage to relevant authorities) ^{*1} Expected completion: End 2024	Cyberjaya, Selangor	Mixed development comprising condominiums, office block and shop lots ^{*1}	1,500

Project	Status	Location	Type of development	Estimated GDV RM'million
Greenfield Matang	Under planning (applications have yet to be submitted to relevant authorities) ^{*2} Expected completion: End 2022	Demak Laut Industrial Park, Kuching, Sarawak	Residential development comprising apartments, terrace houses and semi-detached houses ²	201
Total				1,701

Notes:-

- *1 The EduSphere@Cyberjaya project is at application stage to the relevant authorities at this juncture. The abovementioned proposed launches for this project may be subject to changes due to various factors, amongst others, changes in market and economic conditions and changes in feasibility of the proposed launches.
- *2 The Greenfield Matang project is at planning stage at this juncture and applications to the relevant authorities have yet to be submitted. The abovementioned proposed launches for this project may be subject to changes due to various factors, amongst others, changes in market and economic conditions and changes in feasibility of the proposed launches.

In addition, our Group's land banks of a total of approximately 79.66 acres which comprise of 35.25 acres of freehold land in Semenyih, Selangor for residential/ commercial development, 14.41 acres of leasehold land in Selangor Cyber Valley, Selangor for residential/ commercial development and 30.00 acres of leasehold land in Demak Laut Industrial Park, Kuching, Sarawak for industrial development, are currently under planning stage. Our Group endeavours to conduct thorough property planning and market study pertaining to the intended development projects on its land banks.

Further, our Group will continuously seek for suitable and viable property-related acquisition opportunities in strategic locations which may include, among others, acquisition of land banks and property projects to further expand the property trading, property investment and property development businesses of our Group.

In our food and beverages operations, we hold the Malaysia region licence to operate Jamaica Blue, an Australian coffee chain, for an initial term of up to 15 years commencing from August 2014, subject to the terms and conditions contained in the regional licence agreement which we have entered into. We may also be able to extend the said initial term to a further term of up to an additional 15 years as well as a final term of up to another 15 years, subject to the terms and conditions contained therein. As of to-date, we operate two (2) Jamaica Blue Fine Coffees outlets located within shopping malls in Klang Valley. It is our Group's intention to continuously nurture our Jamaica Blue operations. Further, we have in January 2017 obtained the approval for registration as a franchisee of a foreign franchisor with the Ministry of Domestic Trade, Cooperatives and Consumerism of Malaysia to sub-operate Jamaica Blue outlets in Malaysia. Moving forward, we also endeavour to expand our food and beverages segment through sub-operating the Jamaica Blue outlets in Malaysia in order to leverage on economies of scale, marketing and branding.

Our Board, after having considered all the relevant aspects including the above-mentioned prospects as well as the outlook of the property market and food and beverages market as set out in Sections 7.2 and 7.3 of this Abridged Prospectus, respectively, is optimistic of the future prospects of our Group.

8. FINANCIAL EFFECTS OF THE RIGHTS ISSUE OF WARRANTS

8.1 Issued share capital

The proforma effects of the Rights Issue of Warrants on our issued share capital as at the LPD are set out below:-

	No. of shares	RM
Issued share capital as at the LPD	421,171,640	84,234,328
Shares to be issued assuming full exercise of the Warrants	210,585,820	202,162,387 ^{*1}
Reversal of net warrants reserve to share capital assuming full exercise of the Warrants	-	9,929,291 ^{*2}
Enlarged issued share capital	631,757,460	296,326,006

Notes:-

- *1 Calculated based on the exercise price of the Warrants of RM0.96 per Warrant.
- *2 Calculated based on the issue price of Warrants of RM0.05 per Warrant and after deducting estimated expenses RM0.60 million in relation to the Corporate Exercises.

8.2 NA per Share and gearing

Based on the audited consolidated statements of financial position of our Group as at 31 December 2016, and after taking into consideration the Subdivision, the proforma effects of the Rights Issue of Warrants on the NA per Share and gearing of our Group are set out below:-

	Audited as at 31 December 2016 RM'000	I After adjusting for the Subdivision RM'000	II After I and the Rights Issue of Warrants RM'000	III After II and assuming full exercise of the Warrants RM'000
Share capital	84,234	84,234	84,234	296,325 ^{*2}
Share premium	69,486	69,486	69,486	69,486
Warrants reserve	-	-	9,929 ^{*1}	-
Retained profits	22,726	22,726	22,726	22,726
Shareholders' funds/ NA	176,446	176,446	186,375	388,537
Number of Shares in issue ('000)	84,234	421,172	421,172	631,757
NA per Share (RM)	2.09	0.42	0.44	0.62
Total borrowings (RM'000)	124,970	124,970	124,970	124,970
Gearing ratio (times)	0.71	0.71	0.67	0.32

Notes:-

- *1 After recognising warrants reserve of approximately RM10.53 million arising from the issuance of 210,585,820 Warrants at the issue price of RM0.05 per Warrant and after deducting estimated expenses of RM0.60 million in relation to the Corporate Exercises.

- *2 After adjusting for the increase in share capital of approximately RM202.16 million pursuant to the full exercise of the Warrants at the exercise price of RM0.96 per Warrant and the reversal of net warrants reserve of approximately RM9.93 million to the share capital account.

8.3 Earnings and EPS

The Rights Issue of Warrants, which is expected to be completed by the third quarter of 2017, is not expected to have any material effect on the earnings of our Group for the FYE 31 December 2017. However, the EPS of our Group may be diluted as a result of the increase in the number of HCK Shares in issue as and when the Warrants issued pursuant to the Rights Issue of Warrants are exercised into new HCK Shares.

For illustrative purpose only, assuming the Subdivision and the Rights Issue of Warrants had been completed and all the Warrants had been exercised into new HCK Shares on 1 January 2016, being the beginning of the FYE 31 December 2016, the proforma dilution effect on the basic EPS of our Group as a result of the increase in number of HCK Shares in issue, is set out below:-

	Audited FYE 31 December 2016	I After adjusting for the Subdivision	II After I and the Rights Issue of Warrants	III After II and full exercise of the Warrants
PAT attributable to the equity holders of the Company (RM'000)	1,502	1,502	1,502	1,502
Number of Shares in issue ('000)*1	84,234	421,172	421,172	631,757
Basic EPS (sen)	1.78	0.36	0.36	0.24

Note:-

- *1 Being the proforma number of Shares in issue as set out in Section 8.1 of this Abridged Prospectus.

9. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

9.1 Working capital

Our Board is of the opinion that, after taking into consideration the cash flow position of our Group, current cash in hand and banking facilities available as well as the proceeds from the Rights Issue of Warrants, our Group will have sufficient working capital for the next 12 months from the date of this Abridged Prospectus.

9.2 Borrowings

As at the LPD, our Group has total outstanding borrowings of approximately RM144.15 million. All the borrowings are denominated in local currency, interest-bearing and comprise the following:-

	Total RM'000
Short term borrowings:-	
• Revolving credit	10,000
• Term loans	7,873
• Hire purchase payables	264
	<u>18,137</u>
Long term borrowings:-	
• Term loans	125,434
• Hire purchase payables	581
	<u>126,015</u>
Total	<u>144,152</u>

As at the LPD, our Group does not have any non-interest bearing borrowings from local and foreign financial institutions.

There has been no default on payments of either interest and/ or principal sums in respect of any borrowings during the FYE 31 December 2016 and the subsequent financial period up to the LPD.

9.3 Contingent liabilities

Save as disclosed below, as at the LPD, our Board confirms that there are no other contingent liabilities incurred or known to be incurred by our Group which, upon becoming enforceable, may have a material impact on the financial result/ position of our Group:-

	RM'000
Corporate guarantees given to banks and other financial institutions for credit facilities granted to subsidiary companies	<u>208,723</u>

9.4 Material commitments

Save as disclosed below, as at the LPD, our Board confirms that there are no material commitments for capital expenditure incurred or known to be incurred by our Group that have not been provided for which, upon becoming enforceable, may have a material impact on the financial results/ position of our Group:-

	RM'000
Contracted but not provided for	
Purchase of a piece of leasehold land in Mukim Dengkil, Daerah Sepang, Selangor Darul Ehsan	<u>780</u>

The anticipated source of funds needed to fulfil the above commitment is from bank borrowing.

10. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE/ TRANSFER AND EXCESS APPLICATION FOR THE RIGHTS ISSUE OF WARRANTS

10.1 General

As an Entitled Shareholder, your CDS Account will be duly credited with the number of Provisional Warrants which you are entitled to subscribe for in full or in part, under the terms of the Rights Issue of Warrants. You will find enclosed with this Abridged Prospectus, the NPA notifying you of the crediting of such Provisional Warrants into your CDS Account and the RSF to enable you to subscribe for such Provisional Warrants, as well as to apply for the Excess Warrants if you choose to do so.

10.2 NPA

The Provisional Warrants are prescribed securities pursuant to Section 14(5) of the Securities Industry (Central Depositories) Act, 1991 and therefore, all dealings in the Provisional Warrants will be by book entries through the CDS Accounts and will be governed by the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Depository. As an Entitled Shareholder, you and/ or your renounee(s) (if applicable) are required to have valid and subsisting CDS Accounts when making your applications.

10.3 Last date and time for acceptance and payment

The last date and time for acceptance of and payment for the Provisional Warrants is **5.00 p.m on Thursday, 14 September 2017.**

10.4 Procedures for acceptance and payment

Acceptance of and payment for the Provisional Warrants to you as an Entitled Shareholder or your renounee(s) (if applicable) must be made on the RSF enclosed with this Abridged Prospectus and must be completed in accordance with the notes and instructions contained in the RSF. Acceptances which do not strictly conform to the terms of this Abridged Prospectus, the NPA or the RSF or the notes and instructions contained therein or which are illegible may not be accepted at the absolute discretion of our Board.

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL WARRANTS, EXCESS WARRANTS AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU AND/ OR YOUR RENOUNCEE(S) (IF APPLICABLE) WISH TO SELL/ TRANSFER ALL OR ANY PART OF YOUR ENTITLEMENT ARE SET OUT IN THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN.

YOU AND/ OR YOUR RENOUNCEE(S) (IF APPLICABLE) ARE ADVISED TO READ THIS ABRIDGED PROSPECTUS, THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN CAREFULLY.

If you and/ or your renounee(s) (if applicable) wish to accept either in full or in part of the Provisional Warrants of your entitlement, please complete Parts I(a) and II of the RSF in accordance with the notes and instructions contained in the RSF. Each completed and signed RSF together with the relevant payment must be sent to our Share Registrar using the envelope provided (at your own risk) by **ORDINARY POST, COURIER or DELIVERED BY HAND** at the following address:-

**FOR DELIVERY BY HAND AND/ OR
COURIER:-**

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Tel: 03-7849 0777
Fax: 03-7841 8151

FOR DELIVERY BY ORDINARY POST:-

Symphony Share Registrars Sdn Bhd
Peti Surat 9150
Pejabat Pos Kelana Jaya
46785 Petaling Jaya
Selangor Darul Ehsan
Malaysia

so as to arrive **not later than 5.00 p.m.** on **Thursday, 14 September 2017**, being the last date and time for acceptance of and payment for the Provisional Warrants.

If you and/ or your renounee(s) (if applicable) lose, misplace or for any other reasons require another copy of the RSF, you and/ or your renounee(s) (if applicable) may obtain additional copies from your stockbroker, our Share Registrar at the address stated above, our Registered Office or the website of Bursa Securities (<http://www.bursamalaysia.com>).

One (1) RSF can only be used for acceptance of Provisional Warrants standing to the credit of one (1) CDS Account. Separate RSF(s) must be used for the acceptance of Provisional Warrants standing to the credit of more than one (1) CDS Account(s). If successful, the Warrants subscribed for will be credited into your CDS Account(s) as stated in the completed RSF(s).

A reply envelope is enclosed in this Abridged Prospectus. To facilitate the processing of the RSF(s) by our Share Registrar, you are advised to use one (1) reply envelope for each completed RSF.

The minimum number of Warrants that can be subscribed for or accepted is one (1) Warrant. However, you and/ or your renounee(s) (if applicable) should take note that a trading board lot for the Warrants comprises of 100 Warrants. Fractions of Warrants, if any, shall be dealt with in such manner as our Board shall in their absolute discretion deem fit and expedient, and to be in the best interest of our Company.

If acceptance of and payment for the Provisional Warrants allotted to you and/ or your renounee(s) (if applicable) is not received by our Share Registrar by **5.00 p.m.** on **Thursday, 14 September 2017**, being the last date and time for acceptance of and payment for the Provisional Warrants, you and/ or your renounee(s) (if applicable) will be deemed to have declined the provisional entitlement made to you and it will be cancelled. Proof of time of postage shall not constitute proof of time of receipt by our Share Registrar.

In the event that the Warrants are not fully taken up by such applicants, our Board will then have the right to allot such Warrants to the applicants who have applied for the Excess Warrants in the manner as set out in Section 10.8 of this Abridged Prospectus. Our Board reserves the right to accept any application in full or in part only without assigning any reasons.

EACH COMPLETED RSF MUST BE ACCOMPANIED BY THE APPROPRIATE REMITTANCE MADE IN RM FOR THE FULL AMOUNT PAYABLE FOR THE WARRANTS ACCEPTED IN THE FORM OF BANKER'S DRAFT(S), CASHIER'S ORDER(S), MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY", MADE PAYABLE TO "HCK RIGHTS WARRANTS ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME AND CDS ACCOUNT NUMBER IN BLOCK LETTERS SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR NOT LATER THAN THE LAST DATE AND TIME FOR ACCEPTANCE AND PAYMENT AS SET OUT IN THE COVER PAGE OF THIS ABRIDGED PROSPECTUS.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE RIGHTS ISSUE OF WARRANTS. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPACHED TO YOU BY ORDINARY POST TO THE ADDRESS AS SHOWN IN OUR RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT YOUR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE OF AND PAYMENT FOR THE WARRANTS OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.

APPLICANTS SHOULD NOTE THAT THE RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

WHERE AN APPLICATION IS NOT ACCEPTED OR IS ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPACHED TO THE APPLICANT BY ORDINARY POST TO THE ADDRESS AS SHOWN IN OUR RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT YOUR OWN RISK WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE OF AND PAYMENT FOR THE WARRANTS.

10.5 Procedures for part acceptance by Entitled Shareholders

You are entitled to accept part of your entitlement to the Provisional Warrants provided always that the minimum number of Warrants that can be subscribed for or accepted is one (1) Warrant.

You must complete both Part I(a) of the RSF by specifying the number of the Warrants which you are accepting and Part II of the RSF and deliver the completed and signed RSF together with the relevant payment to our Share Registrar in the manner set out in Section 10.4 of this Abridged Prospectus.

YOU ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN.

The portion of the Provisional Warrants that have not been accepted shall be allotted to any other persons allowed under the law, regulations or rules to accept the transfer of the Provisional Warrants.

10.6 Procedures for sale/ transfer of Provisional Warrants

As the Provisional Warrants are prescribed securities, you may sell or transfer all or part of your entitlement to the Provisional Warrants to one (1) or more person(s) through your stockbroker for the period up to the last date and time for sale/ transfer of such Provisional Warrants, without first having to request for a split of the Provisional Warrants standing to the credit of your CDS Account. To sell or transfer all or part of your entitlement to the Provisional Warrants, you may sell such entitlement on the open market or transfer such entitlement to such persons as may be allowed under the Rules of Bursa Depository. If you have sold or transferred only part of the Provisional Warrants, you may still accept the balance of the Provisional Warrants by completing Parts I(a) and II of the RSF. Please refer to Section 10.4 of this Abridged Prospectus for the procedures of acceptance and payment.

In selling or transferring all or part of your Provisional Warrants, you need not deliver any document including the RSF, to your stockbroker. However, you must ensure that there is sufficient Provisional Warrants standing to the credit of your CDS Account that is available for settlement of the sale or transfer.

Purchaser(s) or transferee(s) of the Provisional Warrants may obtain a copy of this Abridged Prospectus and the RSF from his/ her/ their stockbrokers, our Share Registrar, our Registered Office or the website of Bursa Securities (<http://www.bursamalaysia.com>).

10.7 Procedures for acceptance by renounees

Renounees who wish to accept the Provisional Warrants must obtain a copy of the RSF from their stockbrokers, our Share Registrar, our Registered Office or the website of Bursa Securities (<http://www.bursamalaysia.com>), complete the RSF and submit the same together with the remittance to our Share Registrar at the above-stated address in accordance with the notes and instructions printed therein.

The procedure for acceptance and payment applicable to the Entitled Shareholders as set out in Section 10.4 of this Abridged Prospectus also applies to renounees who wish to accept the Provisional Warrants.

RENOONEES ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENTS OF THIS ABRIDGED PROSPECTUS AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THIS ABRIDGED PROSPECTUS AND THE RSF.

10.8 Procedures for application of Excess Warrants

You and/ or your renounee(s) (if applicable) may apply for additional Warrants in excess of your entitlement by completing Part I(b) of the RSF (in addition to Parts I(a) and II and forwarding it with a **separate remittance made in RM** for the full amount payable for the Excess Warrants applied for, to our Share Registrar **not later than 5.00 p.m. on Thursday, 14 September 2017**, being the last date and time for application of and payment for Excess Warrants.

PAYMENT FOR THE EXCESS WARRANTS APPLIED FOR SHOULD BE MADE IN THE SAME MANNER AS DESCRIBED IN SECTION 10.4 OF THIS ABRIDGED PROSPECTUS, AND IN THE FORM OF BANKER'S DRAFT(S), CASHIER'S ORDER(S), MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY", MADE PAYABLE TO "HCK EXCESS RIGHTS WARRANTS ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME AND CDS ACCOUNT NUMBER IN BLOCK LETTERS SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR FOR THE RIGHTS ISSUE OF WARRANTS.

It is the intention of our Board to allot the Excess Warrants, if any, on a fair and equitable basis and in the following priority:-

- i. Firstly, to minimise the incidence of odd lots;
- ii. Secondly, for allocation to Entitled Shareholders who have applied for Excess Warrants, on a pro-rata basis and in board lot, calculated based on their respective shareholdings in our Company as at the Entitlement Date;
- iii. Thirdly, for allocation to Entitled Shareholders who have applied for Excess Warrants, on a pro-rata basis and in board lot, calculated based on the quantum of their respective Excess Warrants applied for; and
- iv. Finally, for allocation to renounee(s) who have applied for Excess Warrants, on a pro-rata basis and in board lot, calculated based on the quantum of their respective Excess Warrants applied for.

In the event there is any remaining balance of the Excess Warrants applied for by the Entitled Shareholders and/ or renounee(s) who have applied for the Excess Warrants after carrying out steps (i)-(iv) as set out above, steps (ii)-(iv) will be repeated to allocate the remaining balance of the Excess Warrants to the Entitled Shareholders and/ or renounee(s) who have applied for the Excess Warrants until such balance is fully allocated.

For clarity purposes, the above situation is only applicable in the event that there is over-subscription in the number of Warrants subscribed for (including the Entitled Shareholders and/ or renounee(s)' respective entitlements and any Excess Warrants applied for but excluding the Additional Undertaking), the steps (i)-(iv) above will be carried out in which the Entitled Shareholders and/ or their renounee(s) shall be given the first priority and shall be allocated with the Excess Warrants applied for excluding the Additional Undertaking, and accordingly, the Additional Undertaking shall not crystallise.

In the event that there is an under-subscription in the number of Warrants subscribed for (including the Entitled Shareholders and/ or renounee(s)' respective entitlements and any Excess Warrants applied for but excluding the Additional Undertaking), the steps (i)-(iv) above will not be carried out and accordingly, the Additional Undertaking shall then crystallise whereby all Warrants and Excess Warrants applied for by the Entitled Shareholders and/ or their renounee(s) shall be allocated based on their respective application and thereafter HESB shall apply via Excess Warrants application to subscribe for additional Warrants not taken up by other Entitled Shareholders and/ or their renounee(s), if any.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR EXCESS APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE EXCESS WARRANTS. HOWEVER, IF YOUR EXCESS APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPACHED TO YOU BY ORDINARY POST TO THE ADDRESS AS SHOWN IN OUR RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT YOUR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR APPLICATION AND PAYMENT FOR THE EXCESS WARRANTS OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

WHERE AN APPLICATION FOR THE EXCESS WARRANTS IS NOT ACCEPTED OR IS ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPACHED TO THE APPLICANT BY ORDINARY POST TO THE ADDRESS SHOWN IN OUR RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT YOUR OWN RISK WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR APPLICATION OF AND PAYMENT FOR THE EXCESS WARRANTS.

10.9 Form of issuance

Bursa Securities has prescribed our Shares listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Warrants are prescribed securities and as such, all dealings in the Warrants will be subject to the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Depository.

Failure to comply with the specific instructions for applications or inaccuracy in the CDS Account number may result in the application being rejected. No physical share or warrant certificates will be issued to you under the Rights Issue of Warrants. The Warrants which you have successfully subscribed for will be credited directly into your CDS account.

A notice of allotment will be despatched to you and/ or your renounee(s) (if applicable) by ordinary post to the address shown in our Record of Depositors provided by Bursa Depository at your own risk within eight (8) Market Days from the last date for acceptance of and payment for the Warrants.

10.9.1 Subscription for the Warrants by Entitled Shareholders

Where the Warrants are provisionally allotted to you as an Entitled Shareholder in respect of your existing HCK Shares standing to the credit to your CDS Account on the Entitlement Date, the acceptance by you of the Provisional Warrants shall mean that you consent to receive such Provisional Warrants as prescribed or deposited securities which will be credited directly into your CDS Account.

10.9.2 Subscription for the Warrants by renounees

Any person who has purchased the Provisional Warrants or to whom the Provisional Warrants has been transferred and intends to subscribe for the Warrants must state his/ her CDS Account number in the space provided in the RSF. The Warrants will be credited directly as prescribed or deposited securities into his/ her CDS Account upon allotment and issuance.

10.9.3 Application for the Excess Warrants by Entitled Shareholders and/ or renounees

The Excess Warrants, if allotted to the successful applicant who applies for the Excess Warrants, will be credited directly as prescribed securities into the CDS Account of the successful applicant. The allocation of the Excess Warrants will be made on a fair and equitable basis as disclosed in Section 10.8 of this Abridged Prospectus.

10.10 Laws of foreign country or jurisdiction

This Abridged Prospectus, and the accompanying NPA and RSF have not been (and will not be) made to comply with the laws of any foreign country or jurisdiction, and have not been (and will not be) lodged, registered or approved under any legislation (or with or by any regulatory authorities or other relevant bodies) of any foreign country or jurisdiction. The Rights Issue of Warrants will not be made or offered for subscription in any foreign country or jurisdiction.

Accordingly, this Abridged Prospectus, and the accompanying NPA and RSF will not be sent to the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) who do not have a registered address in Malaysia. However, the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) may collect this Abridged Prospectus, and the accompanying NPA and RSF from our Share Registrar for the Rights Issue of Warrants, in which event our Share Registrar for the Rights Issue of Warrants shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting these documents relating to the Rights Issue of Warrants.

The foreign Entitled Shareholders and/ or their renounee(s) (if applicable) may accept or renounce (as the case may be) all or any part of their entitlements and exercise any other rights in respect of the Rights Issue of Warrants only to the extent that it would be lawful to do so. RHBIB, our Company, our Directors and officers and other professional advisers would not, in connection with the Rights Issue of Warrants, be in breach of the laws of any country or jurisdiction to which the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) are or may be subject to. The foreign Entitled Shareholders and/ or their renounee(s) (if applicable) shall solely be responsible to seek advice from their legal advisers and/ or other professional advisers as to the laws of the countries or jurisdictions to which they are or may be subject to. RHBIB, our Company, our Directors and officers and other professional advisers shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any foreign Entitled Shareholders and/ or their renounee(s) (if applicable), is or shall become unlawful, unenforceable, voidable or void in any such country or jurisdiction.

The foreign Entitled Shareholders and/ or their renounee(s) (if applicable) will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such country or jurisdiction and we shall be entitled to be fully indemnified and held harmless by such foreign Entitled Shareholders and/ or their renounee(s) (if applicable) for any issue, transfer or other taxes or other requisite payments that such person may be required to pay in any country or jurisdiction. They will have no claims whatsoever against us and/ or RHBIB in respect of their rights and entitlements under the Rights Issue of Warrants. Such foreign Entitled Shareholders and/ or their renounee(s) (if applicable) should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the Rights Issue of Warrants.

By signing the RSF, the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) RHBIB, our Company, our Directors and officers and other professional advisers that:-

- i. we would not, by acting on the acceptance or renunciation in connection with the Rights Issue of Warrants, be in breach of the laws of any jurisdiction to which the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) are or may be subject to;
- ii. the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation of the Provisional Warrants;
- iii. the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) are not nominees or agents of a person in respect of whom we would, by acting on the acceptance or renunciation of the Provisional Warrants, be in breach of the laws of any jurisdiction to which that person is or may be subject to;

- iv. the foreign Entitled Shareholders and/ or their renouncee(s) (if applicable) are aware that the Warrants can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;
- v. the foreign Entitled Shareholders and/ or their renouncee(s) (if applicable) have received a copy of this Abridged Prospectus, had access to such financial and other information and have been provided the opportunity to ask such questions to our representatives and receive answers thereto as they deem necessary in connection with their decision to subscribe for or purchase the Warrants; and
- vi. the foreign Entitled Shareholders and/ or their renouncee(s) (if applicable) have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Warrants, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Warrants.

Persons receiving this Abridged Prospectus, and the accompanying NPA and RSF (including without limitation custodians, nominees and trustees) must not, in connection with the offer, distribute or send it into any country or jurisdiction, where to do so would or might contravene local securities, exchange control or relevant laws or regulations. If this Abridged Prospectus, and the accompanying NPA and RSF are received by any persons in such country or jurisdiction, or by the agent or nominee of such a person, he must not seek to accept the offer unless he has complied with and observed the laws of the relevant country or jurisdiction in connection herewith.

Any person who does forward this Abridged Prospectus, and the accompanying NPA and RSF to any foreign country or jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section and we reserve the right to reject a purported acceptance of the Warrants from any such application by foreign Entitled Shareholders and/ or their renouncee(s) (if applicable) in any jurisdiction other than Malaysia.

We reserve the right, in our absolute discretion, to treat any acceptance of the Warrants as invalid if it is believed that such acceptance may violate any applicable legal or regulatory requirements.

11. TERMS AND CONDITIONS

The issuance of the Warrants pursuant to the Rights Issue of Warrants is governed by the terms and conditions set out in this Abridged Prospectus, and the accompanying NPA and RSF.

12. FURTHER INFORMATION

You are advised to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board
HCK CAPITAL GROUP BERHAD



TAN SRI CLEMENT HII CHII KOK
Executive Chairman

CERTIFIED TRUE EXTRACT OF THE RESOLUTIONS PERTAINING TO THE CORPORATE EXERCISES PASSED AT OUR EGM HELD ON 11 JULY 2017

HCK CAPITAL GROUP BERHAD
(Company No. 484964-H)
[Incorporated in Malaysia]

CERTIFIED TRUE COPY

ADELINE HII SIEW CHING
(MLA 38679)
COMPANY SECRETARY

CERTIFIED EXTRACTS OF MINUTES OF EXTRAORDINARY GENERAL MEETING
OF THE COMPANY HELD ON 11 JULY 2017

1. SPECIAL RESOLUTION
PROPOSED SUBDIVISION INVOLVING THE SUBDIVISION OF EVERY ONE (1) EXISTING ORDINARY SHARE IN HCK, HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER, INTO FIVE (5) ORDINARY SHARES IN HCK (“SUBDIVIDED SHARE(S)”) (“PROPOSED SUBDIVISION”)

The following Special Resolution was proposed:-

THAT, subject to the approvals of all relevant authorities being obtained, where required, approval be and is hereby given to the Board of Directors of HCK (“Board”) to subdivide each of the existing ordinary shares in HCK, held by the shareholders of HCK whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined and announced later by the Board, into five (5) ordinary shares in HCK;

THAT the Subdivided Shares will, upon allotment and issuance, rank pari passu in all respects with each other, except that the Subdivided Shares will not be entitled to any dividends, rights, allotments and/or other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of the Subdivided Shares;

AND THAT the Directors of the Company be and are hereby authorised to sign and execute all documents, do all things and acts as may be required to give effect to the Proposed Subdivision with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all such acts and things in any manner as they may deem fit, necessary and/or expedient to implement, finalise and give full effect to the Proposed Subdivision.

2. ORDINARY RESOLUTION
PROPOSED RENOUNCEABLE RIGHTS ISSUE OF 210,585,820 WARRANTS IN HCK (“WARRANT(S)”) AT AN INDICATIVE ISSUE PRICE OF RM0.05 PER WARRANT ON THE BASIS OF ONE (1) WARRANT FOR EVERY TWO (2) SUBDIVIDED SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER AFTER THE PROPOSED SUBDIVISION (“PROPOSED RIGHTS ISSUE OF WARRANTS”)

The following Ordinary Resolution was proposed:-

THAT, subject to the passing of Special Resolution and the approvals of all relevant authorities being obtained, where required, approval be and is hereby given to the Directors of the Company for the following:-

- i. to provisionally allot and issue by way of a renounceable rights issue of 210,585,820 Warrants at an indicative issue price of RM0.05 per Warrant on the basis of one (1) Warrant for every two (2) Subdivided Shares held by the entitled shareholders whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined and announced later by the Board after the Proposed Subdivision;
- ii. to determine the final issue price of the Warrants and the exercise price of the Warrants after taking into consideration the basis and justification for determining such prices, as set out in the Circular;
- iii. wherein each of the Warrant will carry the right to subscribe, subject to any adjustment in accordance with the deed poll constituting the Warrants ("Deed Poll"), at any time during the exercise period, for one (1) new Subdivided Share at an exercise price to be determined and fixed at a later date by the Board;
- iv. to allot and issue such number of new Subdivided Shares arising from the exercise of the Warrants, from time to time during the tenure of the Warrants, in accordance with the provisions of the Deed Poll;
- v. to allot and issue such further Warrants and new Subdivided Shares arising from the exercise of such further Warrants as a consequence of any adjustment in accordance with the provisions of the Deed Poll and/or as may be required by the relevant authorities; and
- vi. to do all such acts and things including but not limited to the application to Bursa Malaysia Securities Berhad for the listing of and quotation for the new Subdivided Shares which may from time to time be allotted and issued arising from the exercise of the Warrants.

THAT any fractional entitlements of the Warrants arising from the Proposed Rights Issue of Warrants shall be dealt with in such manner as the Board shall in their absolute discretion deem fit and expedient, and to be in the best interest of the Company;

THAT the new Subdivided Shares arising from the exercise of the Warrants will, upon allotment and issuance, rank *pari passu* in all respects with the existing Subdivided Shares after the Proposed Subdivision, save and except that the new Subdivided Shares to be issued arising from the exercise of the Warrants will not be entitled to any dividends, rights, allotments and/or other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of the said new Subdivided Shares;

THAT the Directors of the Company be and are hereby authorised to enter into and execute the Deed Poll with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required by the relevant authorities or deemed necessary by the Directors of the Company, and with full powers to implement and give effect to the terms and conditions of the Deed Poll;

AND THAT, the Directors of the Company be and are hereby authorised to sign and execute all documents, do all things and acts as may be required to give effect to the

Proposed Rights Issue of Warrants with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all such acts and things in any manner as they may deem fit, necessary and/or expedient to implement, finalise and give full effect to the Proposed Rights Issue of Warrants.

3. ANNOUNCEMENT OF POLL RESULTS

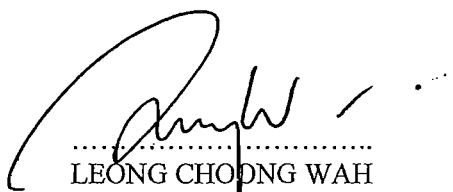
Based on the following poll results verified by the Scrutineer, the Chairman declared both the Special Resolution and Ordinary Resolution tabled at the Extraordinary General Meeting carried.

Resolutions	For		Against	
	No. of Shares	% of votes	No. of Shares	% of votes
Special Resolution	77,930,430	100	0	0
Ordinary Resolution	77,930,430	100	0	0

CERTIFIED TRUE AND CORRECT



.....
 TAN SRI HII CHII KOK @ HII CHEE KOK
 Executive Chairman



.....
 LEONG CHOPNG WAH
 Executive Director/Company Secretary

Date : 12 July 2017

INFORMATION ON OUR COMPANY

1. HISTORY AND PRINCIPAL ACTIVITIES

Our Company was incorporated in Malaysia on 2 June 1999 under the Companies Act, 1965, as a private limited company under the name of Golsta Synergy Sdn Bhd. On 8 June 1999, we were converted to a public limited company and assumed the name of Golsta Synergy Berhad. We were listed on the Second Board of the Kuala Lumpur Stock Exchange (now known as the Main Market of Bursa Securities) on 21 August 2000. We subsequently changed our name to HCK Capital Group Berhad on 30 June 2014.

Our Company's principal activities are investment holding and provision of management services. Our subsidiary companies are principally engaged in property trading, investment, development, and project management services as well as other operations, namely operations of food and beverage outlets, and investment holding.

Further details on our subsidiary companies are set out in Section 5 of this Appendix.

2. SHARE CAPITAL

As at the LPD, our issued share capital is set out below:-

	No. of Shares	RM
Issued share capital	421,171,640	84,234,328

Save as disclosed below, there are no changes in our issued share capital for the past three (3) years preceding the LPD:-

Date of change	No. of shares allotted	Par value ^{*1} RM	Consideration/ Type of issue	Cumulative no. of shares	Cumulative issued share capital RM
10.12.2014	9,240,000	1.00	Cash consideration	55,440,000	55,440,000
15.12.2016	28,794,328	1.00	Otherwise than cash	84,234,328	84,234,328
07.08.2017	336,937,312	n.a.	Subdivision of shares	421,171,640	84,234,328

Note:-

*1 Prior to the commencement of the Act on 31 January 2017, the number of shares is the same as the issued share capital as the par value of HCK Shares was RM1.00. Arising from the migration to the no par value regime under the Act, par or nominal value is no longer relevant.

3. SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

The shareholdings of our substantial shareholders as at the LPD and after the Rights Issue of Warrants are set out below:-

Substantial shareholders	I			II		
	Shareholdings as at the LPD			After I and assuming full exercise of the Warrants ²		
	Direct	Indirect		Direct	Indirect	
	No. of Shares	No. of Shares	%	No. of Shares	No. of Shares	%
Tan Sri Clement Hii Chii Kok	-	287,075,150 ^{*1}	68.16	-	287,075,150 ^{*1}	68.16
HESB	287,075,150	-	68.16	287,075,150	-	68.16
Harmoni Genting Sdn Bhd	21,477,000	-	5.10	21,477,000	-	5.10
				430,612,725	430,612,725 ^{*1}	68.16

Notes:-

- *1 Deemed interest by virtue of his shareholding in HESB pursuant to Section 8(4)(c) of the Act.
- *2 In the event all the Entitled Shareholders (including HESB) subscribe in full for their respective entitlement under the Rights Issue of Warrants and exercise all their respective Warrants held, HESB's proforma shareholding shall then be 430,612,725 HCK Shares, representing approximately 68.16% of the enlarged number of issued shares of HCK. However, in the event only HESB subscribe for the Warrants based on its Entitlement Undertaking coupled with its Additional Undertaking and exercise all its Warrants held, its proforma shareholding shall then be 497,660,970 HCK Shares, representing approximately 78.77% of the enlarged number of issued shares of HCK. In such event the public shareholding spread of HCK is expected to fall below the minimum public shareholding spread of 25% pursuant to Paragraph 8.02(1) of the Listing Requirements. However, HESB is mindful of the public shareholding spread requirement and in this respect, HESB endeavours to monitor and ensure that its dealings in the exercise of Warrants into new HCK Shares, if any and as and when during the tenure of the Warrants, would not result in HCK being in breach of the public shareholding spread requirement.

4. DIRECTORS

The particulars of our Directors as at the LPD are set out below:-

Name	Address	Age	Nationality	Profession	Designation
Tan Sri Clement Hii Chii Kok	No. 6, Jalan 19/1B, Section 19 46300 Petaling Jaya Selangor Darul Ehsan	59	Malaysian	Company Director	Executive Chairman
Tan Sri Prof. Dato' Dr. Marimuthu a/l Thangaveloo	69, Jalan Setiakasih Bukit Damansara 50490 Kuala Lumpur	82	Malaysian	Company Director	Senior Independent Non-Executive Director
Emeritus Professor Dr. Muhamad Bin Awang	No. 1, Lorong Jelutong Kanan Damansara Heights 50490 Kuala Lumpur	68	Malaysian	Company Director/ Emeritus Professor	Independent Non-Executive Director
Clifford Hii Toh Leong	No. 6, Jalan 19/1B, Section 19 46300 Petaling Jaya Selangor Darul Ehsan	34	Malaysian	Company Director	Executive Director
Leong Choong Wah	1, Jalan SS14/8D 47500 Subang Jaya Selangor Darul Ehsan	49	Malaysian	Company Director	Executive Director
Lee Kok Cheng	20, Jalan Kantan 13 Bandar Botanic 41200 Klang Selangor Darul Ehsan	57	Malaysian	Company Director	Executive Director
Stephen Wan Yeng Leong	19, Lorong PJU 3/23D Sunway Damansara 47810 Petaling Jaya Selangor Darul Ehsan	49	Malaysian	Company Director/ Auditor	Independent Non-Executive Director
Ong Chooi Lee	No. 11, Jalan SS14/5A 47500 Subang Jaya Selangor Darul Ehsan	54	Malaysian	Company Director	Independent Non-Executive Director

The shareholdings of our Directors as at the LPD and after the Rights Issue of Warrants (assuming all the Directors fully subscribe to their respective entitlement, if any) are set out below:-

Directors	Shareholdings as at the LPD				I After the Rights Issue of Warrants				II After I and assuming full exercise of the Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Tan Sri Clement Hii Chii Kok	-	-	287,075,150 [†]	68.16	-	-	287,075,150 [†]	68.16	-	-	430,612,725 [†]	68.16
Tan Sri Prof. Dato' Dr. Marimuthu a/l Thangaveloo	-	-	-	-	-	-	-	-	-	-	-	-
Emeritus Professor Dr. Muhamad Bin Awang	-	-	-	-	-	-	-	-	-	-	-	-
Clifford Hii Toh Leong	-	-	-	-	-	-	-	-	-	-	-	-
Leong Choong Wah	-	-	-	-	-	-	-	-	-	-	-	-
Lee Kok Cheng	-	-	-	-	-	-	-	-	-	-	-	-
Stephen Wan Yeng Leong	-	-	-	-	-	-	-	-	-	-	-	-
Ong Chooi Lee	-	-	-	-	-	-	-	-	-	-	-	-

Note:-

*1 Deemed interest by virtue of his shareholding in HESB pursuant to Section 8(4)(c) of the Act.

5. SUBSIDIARY AND ASSOCIATE COMPANIES

As at the LPD, our subsidiary companies are set out below:-

Name of company	Date and place of incorporation	Issued share capital RM	Effective equity interest %	Principal activities
HCK Capital Holdings Sdn Bhd	12.05.2014 Malaysia	2	100	Investment holding and provision of management services
<i>Subsidiary companies of HCK Capital Holdings Sdn Bhd</i>				
HCK Communications Sdn Bhd	27.10.1998 Malaysia	100,000	100	Advance technology development projects advisory and related engineering works and investment holding
HCK Properties Sdn Bhd	28.01.2004 Malaysia	1,000,000	100	Project and property management consultants and investment holding
HCK Alliances Sdn Bhd	28.12.2012 Malaysia	50,000	100	Dormant
HCK Food Sdn Bhd	03.07.2013 Malaysia	100,000	100	Investment holding and management services
HCK Education Sdn Bhd	01.07.2016 Malaysia	2	100	Investment holding and provision of training and education services
<i>Subsidiary companies of HCK Communications Sdn Bhd</i>				
Portal Essential Sdn Bhd	14.09.2012 Malaysia	2	100	Development of software and information technology related services
IGAR Worldwide Sdn Bhd	15.05.2014 Malaysia	2	100	Research, maintenance, implementation and other information technology activities
HCK Studios Sdn Bhd	19.05.2014 Malaysia	100,000	70	Digital video and commercial production and digital content
HCK Technologies Sdn Bhd	20.09.2012 Malaysia	2	100	Information technology related products and services activities
<i>Subsidiary companies of HCK Properties Sdn Bhd</i>				
HCK Hospitality Sdn Bhd	16.06.2014 Malaysia	2	100	Hospitality management services
Symphony Approach Sdn Bhd	25.09.2012 Malaysia	2,100,000	51	Property investment
Trilink Essential Sdn Bhd	05.10.2012 Malaysia	2,000,000	100	Land and property investment

Name of company	Date and place of incorporation	Issued share capital RM	Effective equity interest %	Principal activities
Equal Straits Sdn Bhd	21.11.2012 Malaysia	30,732,451	100	Property trading
Aspen Entity Sdn Bhd	30.11.2015 Malaysia	300,000	70	Property development
Oval Bridge Sdn Bhd	16.02.2016 Malaysia	100	51	Dormant
HCK Premier Builders Sdn Bhd	28.11.2012 Malaysia	500,000	70	Property development
SA Alliances Sdn Bhd (formerly known as Viva Rising Sdn Bhd)	06.06.2016 Malaysia	2	100	Dormant
Andaman Daya Sdn Bhd	29.12.2005 Malaysia	15,000,000	100	Property investment and management
Fidelity Ventures Sdn Bhd	17.02.2009 Malaysia	2,500,000	100	Investment holding and property trading business
Usas Management Sdn Bhd	07.03.2013 Malaysia	2	100	Property investment, development and management
Binary Binajaya Sdn Bhd	23.08.2016 Malaysia	2	100	Dormant
<i>Subsidiary companies of HCK Food Sdn Bhd</i>				
JB Fine Coffee Sdn Bhd	27.06.2013 Malaysia	1,200,000	70	Operation of cafe outlet under the name of "Jamaicablue Fine Coffees"
I Prefer Original Sdn Bhd	26.06.2014 Malaysia	2	100	Developer of franchisor or franchisee of cafes and restaurants
<i>Subsidiary companies of HCK Education Sdn Bhd</i>				
HCK Education (PJ) Sdn Bhd	26.05.2017 Malaysia	2	100	Dormant
HCK Education (KL) Sdn Bhd	26.05.2017 Malaysia	2	100	Dormant
<i>Subsidiary company of Oval Bridge Sdn Bhd</i>				
Koridor Efektif Sdn Bhd	16.02.2016 Malaysia	100	67	Property development
<i>Subsidiary company of Fidelity Ventures Sdn Bhd</i>				
Joyview Properties Sdn Bhd	21.11.2012 Malaysia	5,000,000	100	Investment holding and property trading

Name of company	Date and place of incorporation	Issued share capital RM	Effective equity interest %	Principal activities
Subsidiary company of Binary Binajaya Sdn Bhd				
HCK Bestari Sdn Bhd	27.03.2017 Malaysia	100	70	Dormant

As at the LPD, our associate company is set out below:-

Name of company	Date and place of incorporation	Issued share capital RM	Effective equity interest %	Principal activities
Great Intent Sdn Bhd	20.08.2014 Malaysia	100	25	Dormant

6. PROFIT AND DIVIDEND RECORDS

The following table sets out a summary of our audited consolidated financial statements for the past three (3) financial years up to the FYE 31 December 2016 and the latest unaudited quarterly report of our Group for the three (3)-month FPE 31 March 2017:-

	<-----Audited----->			<-----Unaudited----->	
	<-----FYE 31 December----->			Three (3)-month FPE 31 March----->	
	2014 RM'000	2015 RM'000	2016 RM'000	2016 RM'000	2017 RM'000
CONTINUING OPERATIONS					
Revenue	37,842	33,232	20,585	4,658	5,967
Cost of sales	(12,853)	(9,704)	(5,293)	(1,308)	(1,189)
Gross profit	24,989	23,528	15,292	3,350	4,778
Other income	60	7,823	3,640	8	2
Selling and marketing expenses	(1,203)	(2,031)	(681)	(100)	(241)
Administrative expenses	(12,784)	(13,324)	(16,942)	(3,823)	(4,980)
Profit/ (Loss) from operations	11,062	15,996	1,309	(565)	(441)
Finance costs	(242)	(332)	(181)	80	(686)
Share of results in associates, net of tax	-	-	#	-	-
Profit/ (Loss) before taxation	10,820	15,664	1,128	(485)	(1,127)
Taxation	(2,962)	(2,228)	153	(59)	(42)
Profit/ (Loss) from continuing operations	7,858	13,436	1,281	(544)	(1,169)
DISCONTINUED OPERATIONS¹					
Profit/ (Loss) after taxation from discontinued operations	1,495	1,509	n.a.	n.a.	n.a.
Profit/ (Loss) after taxation	9,353	14,945	1,281	(544)	(1,169)

	<-----Audited----->			<-----Unaudited----->	
	<-----FYE 31 December----->			<-----Three (3)-month FPE 31 March----->	
	2014	2015	2016	2016	2017
	RM'000	RM'000	RM'000	RM'000	RM'000
Other comprehensive income	-	-	-	-	-
Total comprehensive income/ (expense)	9,353	14,945	1,281	(544)	(1,169)
Profit/ (Loss) after taxation attributable to:					
Owners of the Company	9,195	11,543	1,502	(506)	(1,095)
Non-controlling interests	158	3,402	(221)	(38)	(74)
	9,353	14,945	1,281	(544)	(1,169)
Total comprehensive income/ (expense) attributable to:					
Owners of the Company	9,195	11,543	1,502	(506)	(1,095)
Non-controlling interests	158	3,402	(221)	(38)	(74)
	9,353	14,945	1,281	(544)	(1,169)
Earnings/ (Loss) before interests, taxes, depreciation and amortisation	11,908	17,050	2,224	(340)	(205)
Weighted average number of shares in issue ('000)	46,757	55,440	56,781	55,440	63,881
Gross profit margin (%)	66.04	70.80	74.29	71.92	80.07
PAT/ (LAT) margin (%)	24.30	34.73	7.30	(10.86)	(18.35)
- Continuing operations	20.35	30.19	7.30	(10.86)	(18.35)
- Discontinued operations	3.95	4.54	n.a.	n.a.	n.a.
EPS/ (LPS) (sen)					
Basic:-					
- Continuing operations	16.47	18.10	2.65	(0.91)	(1.71)
- Discontinued operations	3.20	2.72	n.a.	n.a.	n.a.
Diluted:-					
- Continuing operations	n.a.	n.a.	n.a.	n.a.	n.a.
- Discontinued operations	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend paid (RM'000)	-	-	-	-	-

Notes:-

Amount is less than RM1,000.

*1 During the FYE 31 December 2015, our Group had on 30 April 2015 announced the disposal of its wholly-owned subsidiaries, Golsta Sdn Bhd and its subsidiary companies, namely Foundry Engineering Corporation Sdn Bhd and Golsta Resources Sdn Bhd (collectively referred to as the "Golsta Group"). The said disposal was completed on 15 September 2015. The results of Golsta Group are presented separately on the consolidated statements of profit or loss and other comprehensive income as "Profit after taxation from discontinued operations".

Commentary on past performance:-

FYE 31 December 2014

For the FYE 31 December 2014, our Group recorded revenue of approximately RM37.84 million which represents an increase of approximately RM21.06 million or 125.50% as compared to the preceding financial year of approximately RM16.78 million (after excluding Golsta Group). The increase in revenue was mainly attributable to the recognition of sales from the delivery of the shop lots held by our Group at the mixed commercial development known as Pacific Place @ Ara Damansara situated at Ara Damansara, Petaling Jaya, Selangor Darul Ehsan of approximately RM17.02 million from our property trading segment. The revenue contribution from our project management services and property investment had also increased by approximately RM1.82 million and RM1.97 million, respectively. The increase in revenue from project management services was mainly attributable to a new project secured for the selling and marketing of serviced office suites at a commercial development known as the Duo at the Empire Remix 2 at USJ 1, Subang Jaya, Selangor Darul Ehsan. Meanwhile, the increase in revenue from property investment was attributable to a full year rental contribution from our investment property, a 16-storey commercial building with lower ground level in Kota Damansara, Selangor Darul Ehsan as compared to only approximately 3.5 months of rental contribution from the same investment property during the previous financial year where the lease agreement was only entered into in the second half of 2013.

The gross profit margin for the financial year under review was approximately 66.04%, representing a decrease of approximately 5.51% as compared to the gross profit margin of the preceding financial year of approximately 71.55% (after excluding Golsta Group). The decrease in gross profit margin was mainly attributable to higher cost of sales incurred pursuant to the completion of the shop lots held by our Group at the Pacific Place @ Ara Damansara.

The selling and marketing expenses for the financial year under review were approximately RM1.20 million which represents an increase of approximately RM0.84 million or 233.33% as compared to the preceding financial year of approximately RM0.36 million (after excluding Golsta Group). The increase in selling and marketing expenses was mainly attributable to higher commission payout to external real estate agencies and marketing-related expenses such as promotions and marketing brochures.

The administrative expenses for the financial year under review were approximately RM12.78 million which represents an increase of approximately RM5.60 million or 77.99% as compared to the preceding financial year of approximately RM7.18 million (after excluding Golsta Group). The increase in administrative expenses was mainly attributable to higher staff costs and general expenses incurred such as upkeeping of our investment property in Kota Damansara.

Our Group recorded PBT of approximately RM10.82 million for the FYE 31 December 2014 which represents an increase of approximately RM5.60 million or 107.30% as compared to the preceding financial year of approximately RM5.22 million (after excluding Golsta Group). The increase in PBT was mainly attributable to the increase in revenue.

FYE 31 December 2015

For the FYE 31 December 2015, our Group recorded revenue of approximately RM33.23 million which represents a decrease of approximately RM4.61 million or 12.18% as compared to preceding financial year of approximately RM37.84 million (after excluding Golsta Group). The decrease in revenue was mainly attributable to lower recognition of sales of the shop lots held by our Group at the Pacific Place @ Ara Damansara by approximately RM8.48 million from our property trading segment. Notwithstanding the above, the revenue contribution from our project management services and food and beverages operations increased by approximately RM2.77 million and RM1.06 million, respectively. The increase in revenue from project management services was mainly attributable to higher revenue recognition from existing projects for the selling and marketing of our clients' residential units at Pacific Place @ Ara Damansara and serviced office suites at the Duo at Empire Remix 2 where the number of property units we sold for our clients increased during the financial year. Meanwhile, the increase in revenue from food and beverages was mainly attributable to the full year revenue contribution from our first Jamaica Blue café outlet which opened in August 2014 as well as the opening of our second outlet in October 2015 and third outlet in November 2015.

The gross profit margin for the financial year under review was approximately 70.80%, representing an increase of approximately 4.76% as compared to the gross profit margin of the preceding financial year of approximately 66.04% (after excluding Golsta Group). The increase in gross profit margin was mainly attributable to lower cost of sales incurred due to the decrease in the sales of our shop lots at the Pacific Place @ Ara Damansara. In addition, the increase in revenue contribution from our project management services, which incurred lower cost of sales as compared to property trading, had also contributed to the increase in our gross profit margin.

The selling and marketing expenses for the financial year under review were approximately RM2.03 million which represents an increase of approximately RM0.83 million or 68.83% as compared to the preceding financial year of approximately RM1.20 million (after excluding Golsta Group). The increase in selling and marketing expenses was mainly attributable to higher commission payout to external real estate agencies and marketing-related expenses such as promotions and marketing brochures.

The administrative expenses for the financial year under review were approximately RM13.32 million which represents an increase of approximately RM0.54 million or 4.22% as compared to the preceding financial year of approximately RM12.78 million (after excluding Golsta Group). The increase in administrative expenses was mainly attributable to higher staff costs and general expenses incurred such as rental of premises mainly due to the full year rental of our first Jamaica Blue café outlet during the financial year which was opened in August 2014 as well as the opening of two (2) additional Jamaica Blue café outlets at the end of 2015.

Our Group recorded PBT of approximately RM15.66 million for the FYE 31 December 2015 which represents an increase of approximately RM4.84 million or 44.73% as compared to the preceding financial year of approximately RM10.82 million (after excluding Golsta Group). The increase in PBT was attributable to the fair value gain of approximately RM7.00 million arising from the revaluation of our Group's investment property and was partially offset by the increase in selling and marketing expenses and administrative expenses incurred.

FYE 31 December 2016

For the FYE 31 December 2016, our Group recorded revenue of approximately RM20.59 million which represents a decrease of approximately RM12.65 million or 38.06% as compared to the preceding financial year of approximately RM33.23 million. The decrease in revenue was mainly attributable to no revenue contribution from our property trading project at Pacific Place @ Ara Damansara as our remaining 11 shop lots and 8 residential units remained unsold during the financial year, and the revenue from our project management services decreased by approximately RM5.56 million mainly attributable to lower revenue recognition from projects with our existing clients where we have sold the majority of our clients' residential units at the Pacific Place @ Ara Damansara during the previous financial year. Notwithstanding the above, the revenue contribution from our food and beverages operations had increased by approximately RM1.05 million mainly attributable to the full year revenue contribution from all of our Jamaica Blue café outlets during the financial year.

The gross profit margin for the financial year under review was approximately 74.29%, representing an increase of approximately 3.49% as compared to the gross profit margin of the preceding financial year of approximately 70.80%. The increase in gross profit margin was mainly attributable to lower cost of sales incurred as our remaining property units at Pacific Place @ Ara Damansara remained unsold during the financial year. In addition, our project management services and property investment, which incurred lower cost of sales as compared to property trading, contributed to approximately 86.94% of our Group's total revenue for the financial year.

The selling and marketing expenses for the financial year under review were approximately RM0.68 million which represents a decrease of approximately RM1.35 million or 66.47% as compared to the preceding financial year of approximately RM2.03 million. The decrease in selling and marketing expenses was mainly attributable to lower commission payout to external real estate agencies as our remaining property units at Pacific Place @ Ara Damansara remained unsold and our project management services decreased during the financial year.

The administrative expenses for the financial year under review were approximately RM16.94 million which represents an increase of approximately RM3.62 million or 27.15% as compared to the preceding financial year of approximately RM13.32 million. The increase in administrative expenses was mainly attributable to higher staff costs and general expenses incurred such as rental of premises mainly due to the full year rental of all our Jamaica Blue café outlets during the financial year.

Our Group recorded PBT of approximately RM1.13 million for the FYE 31 December 2016 which represents a decrease of approximately RM14.53 million or 92.78% as compared to the preceding financial year of approximately RM15.66 million. The decrease in PBT was mainly attributable to the decrease in revenue and the increase in administrative expenses incurred.

Three (3)-month FPE 31 March 2017

For the three (3)-month FPE 31 March 2017, our Group recorded revenue of approximately RM5.97 million which represents an increase of approximately RM1.31 million or 28.10% as compared to the corresponding period in the preceding financial year of approximately RM4.66 million. The increase in revenue was mainly attributable to higher revenue recognition for project management fees earned.

The gross profit margin for the financial period under review was approximately 80.07%, representing an increase of approximately 8.15% as compared to the gross profit margin of the corresponding period in the preceding financial year of approximately 71.92%. The increase in gross profit margin was mainly attributable to higher revenue recognition for our project management services, which incurred lower cost of sales as compared to property trading.

The selling and marketing expenses for the financial period under review were approximately RM0.24 million which represents an increase of approximately RM0.14 million or 141.00% as compared to the corresponding period in the preceding financial year of approximately RM0.10 million. The increase in selling and marketing expenses was mainly attributable to higher commission payout to external real estate agencies.

The administrative expenses for the financial period under review were approximately RM4.98 million which represents an increase of approximately RM1.16 million or 30.26% as compared to the corresponding period in the preceding financial year of approximately RM3.82 million. The increase in administrative expenses was mainly attributable to higher staff costs and general expenses incurred arising from new banking facilities secured.

Our Group recorded LBT of approximately RM1.13 million for the three (3)-month FPE 31 March 2017 which represents an increase in LBT of approximately RM0.64 million or 130.61% as compared to the corresponding period in the preceding financial year of approximately RM0.49 million. The increase in LBT was mainly attributable to higher interest expense incurred from funding secured for acquisition of land in Semenyih and Selangor Cyber Valley in Selangor and the increase in administrative expenses incurred.

7. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of our Shares as traded on Bursa Securities for the past 12 months from August 2016 to July 2017 are set out below:-

	High RM	Low RM
2016		
August	3.13	2.95
September	3.20	3.03
October	3.30	3.00
November	3.30	3.01
December	3.30	3.13
2017		
January	3.30	3.20
February	3.45	3.26
March	4.20	3.35
April	6.60	3.90
May	5.66	5.10
June	5.41	5.00
July	6.00	5.23

Last transacted market price of HCK Shares on 6 April 2017 (being the date prior to the announcement on the Corporate Exercises)	RM4.11
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Last transacted market price of HCK Shares on 1 August 2017 (being the date prior to the ex-date for the Subdivision)	RM5.40
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Last transacted market price of HCK Shares on 9 August 2017 (being the LPD)	RM0.99
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Last transacted market price of HCK Shares on 23 August 2017 (being the date prior to the ex-date for the Rights Issue of Warrants)	RM1.47
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(Source: Bloomberg Finance LP)

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2016 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON



Crowe Horwath AF 1018
Chartered Accountants
Member Crowe Horwath International

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Main +6 03 2788 9999
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www.crowehorwath.com.my
info@crowehorwath.com.my

Date: 14 August 2017

The Board of Directors
HCK Capital Group Berhad
Wisma HCK,
No. 6, Jalan 19/1B, Section 19,
46300 Petaling Jaya,
Selangor Darul Ehsan.

Dear Sir,

**HCK CAPITAL GROUP BERHAD ("HCK" OR "COMPANY")
REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION**

We have completed our assurance engagement to report on the compilation of Pro Forma Consolidated Statements of Financial Position of HCK and its subsidiaries (collectively referred to as the "Group") as at 31 December 2016 and the related notes (as set out in the Pro Forma Consolidated Statements of Financial Position which we have stamped for the purpose of identification) prepared by the Board of Directors of the Company ("Board of Directors") for inclusion in the Abridged Prospectus of HCK in connection with the renounceable rights issue of 210,585,820 warrants in HCK ("Warrant(s)") on the basis of one (1) Warrant for every two (2) ordinary shares in HCK held as at 5.00 p.m. on 28 August 2017 at an issue price of RM0.05 per Warrant ("Rights Issue of Warrants"), after the completion of the subdivision of HCK shares. The subdivision of every one (1) ordinary share in HCK, held as at 5.00 p.m. on 4 August 2017, into five (5) ordinary shares in HCK ("Subdivision") was completed on 7 August 2017. The Subdivision and the Rights Issue of Warrants are hereinafter collectively referred to as the "Corporate Exercises".

The applicable criteria on the basis of which the Board of Directors has compiled the Pro Forma Consolidated Statements of Financial Position are set out in Note 2 to this letter, and are specified in the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines").

The Pro Forma Consolidated Statements of Financial Position have been compiled by the Board of Directors to illustrate the effects of the Corporate Exercises had they been implemented and completed on 31 December 2016 on the Group's consolidated statements of financial position as at that date, which is set out in Note 3 of this letter.

As part of this process, information about the Group's consolidated statements of financial position have been extracted by the Board of Directors from the Group's latest audited consolidated statements of financial position as at 31 December 2016.

Page 1 of 4

Crowe Horwath Offices in Malaysia:

Kuala Lumpur • Klang • Penang • Johor Bahru • Melaka • Muar • Kuching • Sibu • Bintulu • Miri • Kota Kinabalu • Labuan



Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position

The Board of Directors is solely responsible for compiling the Pro Forma Consolidated Statements of Financial Position on the basis as set out in Note 2 of this letter and in accordance with the requirements of the Prospectus Guidelines.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 (ISQC 1), Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal regulatory requirements.

Our Responsibilities

Our responsibility is to express an opinion about whether the Pro Forma Consolidated Statements of Financial Position has been compiled, in all material respects, by the Board of Directors on the basis as set out in Note 2 of this letter and report our opinion to you based on our work.

We conducted our engagement in accordance with International Standard on Assurance Engagements ("ISAE") 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board of Directors has compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position on the basis as set out in Note 2 of this letter and in accordance with the requirements of the Prospectus Guidelines.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position.

The purpose of the Pro Forma Consolidated Statements of Financial Position included in the Abridged Prospectus of HCK is solely to illustrate the impact of the Corporate Exercises on unadjusted financial information of the entity as if the Corporate Exercises had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2016 would have been as presented.



Our Responsibilities (Cont'd)

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position has been compiled, in all material respects, on the basis as set out in Note 2 of this letter involve performing procedures to assess whether the applicable criteria on the basis used by the Board of Directors in the compilation of the Pro Forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Consolidated Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis as set out in Note 2 of this letter.



Other Matters

We understand that this letter will be used solely for the purpose of inclusion in the Abridged Prospectus of HCK in connection with the Rights Issue of Warrants. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully

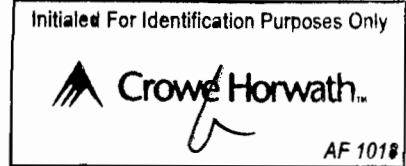
A handwritten signature in black ink, appearing to be the initials "CH".

Crowe Horwath
Firm No : AF 1018
Chartered Accountants

A handwritten signature in black ink, appearing to be "Chong Tuck Wai".

Chong Tuck Wai
Approval No : 03023/03/2019 J
Chartered Accountant

Kuala Lumpur



HCK CAPITAL GROUP BERHAD

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

1. CORPORATE EXERCISES

The Pro Forma Consolidated Statements of Financial Position of HCK Capital Group Berhad ("HCK" or "Company") and its subsidiaries (collectively referred to as the "Group") as at 31 December 2016, of which the Board of Directors of HCK ("Board of Directors") is solely responsible, has been prepared for illustrative purposes only on the assumption that the following Corporate Exercises had taken place on 31 December 2016:-

- i. Subdivision of every one (1) ordinary share in HCK, held as at 5.00 p.m. on 4 August 2017, into five (5) ordinary shares in HCK ("Subdivided Share(s)") ("Subdivision"). The Subdivision was completed on 7 August 2017; and
- ii. Renounceable rights issue of 210,585,820 warrants in HCK ("Warrant(s)") on the basis of one (1) Warrant for every two (2) Subdivided Shares held as at 5.00 p.m. on 28 August 2017 at an issue price of RM0.05 per Warrant ("Rights Issue of Warrants").

(Collectively hereinafter referred to as "Corporate Exercises")

2. BASIS OF PREPARATION

The Pro Forma Consolidated Statements of Financial Position of the Group, of which the Board of Directors is solely responsible, has been prepared in a manner consistent with both the format of the financial statements and the accounting policies adopted by HCK in the preparation of its audited consolidated financial statements of the Group for the financial year ended 31 December 2016.

The audited consolidated financial statements of the Group for the financial year ended 31 December 2016 used in the preparation of the Pro Forma Consolidated Statements of Financial Position was prepared in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards in Malaysia.

HCK CAPITAL GROUP BERHAD

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (CONT'D)

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

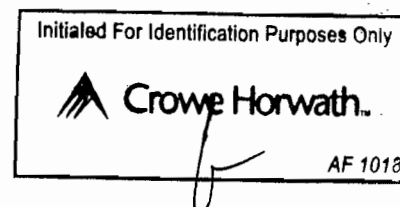
	Pro Forma I		Pro Forma II		Pro Forma III	
	Audited 31.12.2016 RM'000	After adjusting for the Subdivision RM'000	Adjustments RM'000	After Pro Forma I and the Rights Issue of Warrants RM'000	Adjustments RM'000	After Pro Forma II and assuming full exercise of the Warrants RM'000
ASSETS						
Non-current assets						
Property, plant and equipment	24,792	24,792	-	24,792	-	24,792
Investment properties	28,000	28,000	-	28,000	-	28,000
Land held for property development	61,277	61,277	-	61,277	-	61,277
Goodwill	4,454	4,454	-	4,454	-	4,454
Intangible assets	626	626	-	626	-	626
	119,149	119,149	-	119,149	-	119,149
Current assets						
Inventories	229,196	229,196	-	229,196	-	229,196
Trade and other receivables	20,496	20,496	-	20,496	-	20,496
Current tax assets	950	950	-	950	-	950
Short-term fund	78	78	-	78	-	78
Fixed deposits with a licensed bank	1,000	1,000	-	1,000	-	1,000
Cash and bank balances	2,963	2,963	9,929	12,892	202,162	215,054
	254,683	254,683	9,929	264,612	202,162	466,774
Total assets	373,832	373,832	9,929	383,761	202,162	585,923

HCK CAPITAL GROUP BERHAD

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (CONT'D)

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (CONT'D)

	Pro Forma I		Pro Forma II		Pro Forma III	
	Audited 31.12.2016 RM'000	After adjusting for the Subdivision RM'000	Adjustments RM'000	After Pro Forma I and the Rights Issue of Warrants RM'000	Adjustments RM'000	After Pro Forma II and assuming full exercise of the Warrants RM'000
EQUITY AND LIABILITIES						
Equity						
Share capital	84,234	84,234	-	84,234	212,091	296,325
Share premium	69,486	69,486	-	69,486	-	69,486
Warrants reserve	-	-	9,929	9,929	(9,929)	-
Retained profits	22,726	22,726	-	22,726	-	22,726
Equity attributable to the owners of the Company	176,446	176,446	9,929	186,375	202,162	388,537
Non-controlling interests	5,061	5,061	-	5,061	-	5,061
Total equity	181,507	181,507	9,929	191,436	202,162	393,598
Non-current liabilities						
Long term borrowings	112,787	112,787	-	112,787	-	112,787
Deferred tax liabilities	3,727	3,727	-	3,727	-	3,727
	116,514	116,514	-	116,514	-	116,514
Current liabilities						
Trade and other payables	63,556	63,556	-	63,556	-	63,556
Short-term borrowings	12,183	12,183	-	12,183	-	12,183
Current tax liabilities	72	72	-	72	-	72
	75,811	75,811	-	75,811	-	75,811
Total liabilities	192,325	192,325	-	192,325	-	192,325
Total equity and liabilities	373,832	373,832	9,929	383,761	202,162	585,923
No of HCK shares in issue ('000)	84,234	421,172		421,172		631,757
Net assets per HCK share (RM)	2.09	0.42		0.44		0.62
Total borrowings (RM'000)	124,970	124,970		124,970		124,970
Gearing ratio (times)	0.71	0.71		0.67		0.32



HCK CAPITAL GROUP BERHAD

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (CONT'D)

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (CONT'D)

3.1. PRO FORMA I

Pro Forma I incorporates the effects of the Subdivision.

Save for the subdivision of 84,234,328 ordinary shares into 421,171,640 Subdivided Shares, there is no financial impact to the Pro Forma Consolidated Statements of Financial Position as at 31 December 2016.

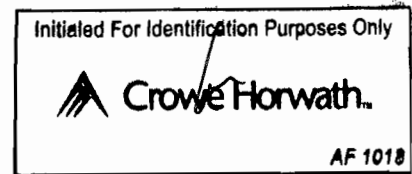
3.2. PRO FORMA II

Pro Forma II incorporates the effects of Pro Forma I and the Rights Issue of Warrants as follows:-

- i. Issuance of 210,585,820 Warrants at the issue price of RM0.05 per Warrant and the creation of warrants reserve arising therefrom;
- ii. The estimated expenses of RM600,000 in relation to the Corporate Exercises is deducted from the warrants reserve account; and
- iii. The gross proceeds of RM10,529,291 arising from the issuance of 210,585,820 Warrants at the issue price of RM0.05 per Warrant is intended to be utilised for the following:-

Details of utilisation	Time frame for utilisation	Amount RM'000
Property-related acquisitions	Within 24 months upon completion	6,000
Working capital	Within 24 months upon completion	3,929
Estimated expenses in relation to the Corporate Exercises	Upon completion	600
Total		10,529

Pending utilisation of the said proceeds for the above purposes, the proceeds is intended to be placed in deposits with financial institutions or short-term money market instruments.



HCK CAPITAL GROUP BERHAD

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (CONT'D)

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (CONT'D)

3.2. PRO FORMA II (CONT'D)

It is assumed that the Rights Issue of Warrants will be fully subscribed based on the entitlement undertaking from HiiChiiKok Equities Sdn Bhd ("HESB"), a substantial shareholder of HCK, to subscribe in full for its entitlement under the Rights Issue of Warrants as well as the additional undertaking from HESB to subscribe for all the remaining Warrants not taken up by other entitled shareholders and/or their renouncee(s).

3.3. PRO FORMA III


Pro Forma III incorporates the effects of Pro Forma II and assuming the full exercise of the Warrants:-

- i. Issuance of 210,585,820 new Subdivided Shares arising from the full exercise of the Warrants at the exercise price of RM0.96 per Warrant which raise gross proceeds of RM202,162,387 and give rise to an increase in the issued share capital by RM202,162,387;
- ii. The reversal of net warrants reserve of RM9,929,291 to the share capital account; and
- iii. The gross proceeds of RM202,162,387 arising from the exercise of 210,585,820 Warrants at the exercise price of RM0.96 per Warrant is intended to be utilised for additional working capital purposes. Pending utilisation of the said proceeds, the proceeds is intended to be placed in deposits with financial institutions or short-term money market instruments.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE AUDITORS' REPORT THEREON

ATTESTED COPY

CERTIFIED TRUE COPY


.....
LEE KOK WAI
Partner
Crowe Horwath AF 1018
Chartered Accountants
Approval No : 0760/06/18 (J)

HCK CAPITAL GROUP BERHAD

(Incorporated in Malaysia)

Company No: 484964 - H

FINANCIAL REPORT

for the financial year ended 31 December 2016

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HCK CAPITAL GROUP BERHAD

(Incorporated in Malaysia)
Company No: 484964 - H

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and the provision of management services. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	The Group RM'000	The Company RM'000
Profit/(Loss) after taxation for the financial year	1,281	(1,977)
Attributable to:-		
Owners of the Company	1,502	(1,977)
Non-controlling interests	(221)	-
	1,281	(1,977)

DIVIDENDS

No dividend was paid since the end of the previous financial year and the directors do not recommend the payment of any dividend for the current financial year.

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

- (a) there were no changes in the authorised capital of the Company;
- (b) the Company increased its issued and paid-up share capital from RM55,440,000 to RM84,234,328 by the issuance of 28,794,328 new ordinary shares of RM1.00 each at an issue price of RM2.55 per ordinary share for the acquisition of shares in sub-subsidiaries; and
- (c) there were no issues of debentures by the Company.

HCK CAPITAL GROUP BERHAD

(Incorporated in Malaysia)
Company No: 484964 - H

DIRECTORS' REPORT

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, 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 impairment losses on receivables, and satisfied themselves that there are no known bad debts and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, 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 value as shown in the accounting records of the Group and of the Company, have 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 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 methods 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:-

- (a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

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

HCK CAPITAL GROUP BERHAD

(Incorporated in Malaysia)
Company No: 484964 - H

DIRECTORS' REPORT

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 AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, 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.

HOLDING COMPANY

The holding company is HiiChiiKok Equities Sdn. Bhd., a company incorporated in Malaysia.

DIRECTORS

The directors who served since the date of the last report are as follows:-

Tan Sri Clement Hii Chii Kok
Tan Sri Prof. Dato' Dr. Marimuthu a/l Thangaveloo
Emeritus Professor Dr. Muhamad bin Awang
Clifford Hii Toh Leong
Lee Kok Cheng
Ong Chooi Lee
Stephen Wan Yeng Leong
Leong Choong Wah

HCK CAPITAL GROUP BERHAD

(Incorporated in Malaysia)

Company No: 484964 - H

DIRECTORS' REPORT**DIRECTORS' INTERESTS**

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares in the Company and its related corporations during the financial year are as follows:-

	<----- Number of Ordinary Shares of RM1.00 Each ----->			
	At 1.1.2016	Bought	Sold	At 31.12.2016
<i>Indirect Interests in the Company</i>				
Tan Sri Clement Hii Chii Kok ⁽¹⁾	30,621,600	28,793,430	(2,000,000)	57,415,030

(1) *Deemed interested by virtue of his direct substantial shareholding in HiiChiiKok Equities Sdn. Bhd.*

By virtue of his interest in shares in the Company, Tan Sri Clement Hii Chii Kok is deemed to have interests in the shares in the Company and its related corporations during the financial year to the extent of the holding company's interest, in accordance with Section 8 of the Companies Act 2016.

The other directors holding office at the end of the financial year had no interest in shares and options over shares of the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than the benefits shown under the *Directors' Remuneration* section of our report) 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 except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 35 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose 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' REMUNERATION

The details of the directors' remuneration are disclosed in Note 34 to the financial statements

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

The auditors' reports on the financial statements of the subsidiaries did not contain any qualification.

None of the subsidiaries had any interest in shares in the Company during the financial year. Their interests in shares in other related corporations are disclosed in Note 6 to the financial statements.

HCK CAPITAL GROUP BERHAD

(Incorporated in Malaysia)
Company No: 484964 - H

DIRECTORS' REPORT

AUDITORS' REMUNERATION

During the financial year, the total amount paid to or receivable by the auditors as remuneration for their services rendered to the Group and the Company amounted to RM140,000 and RM38,000 respectively.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 41 to the financial statements.

SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The significant events occurring after the reporting period are disclosed in Note 42 to the financial statements.

HCK CAPITAL GROUP BERHAD

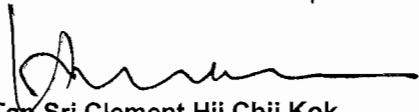
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Company No: 484964 - H

DIRECTORS' REPORT

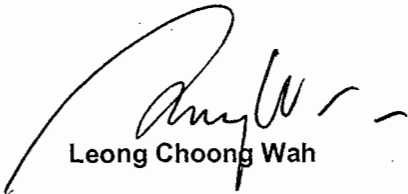
AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors dated 31 March 2017



Tan Sri Clement Hii Chii Kok



Leong Choong Wah

HCK CAPITAL GROUP BERHAD

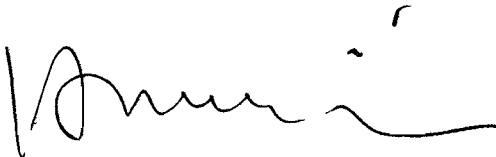
(Incorporated in Malaysia)
Company No: 484964 - H

**STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016**

We, Tan Sri Clement Hii Chii Kok and Leong Choong Wah, being two of the directors of HCK Capital Group Berhad, state that, in the opinion of the directors, the financial statements set out on pages 14 to 105 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2016 and of their financial performance and cash flows for the financial year ended on that date.

The supplementary information set out in Note 43, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the directors dated 31 March 2017



Tan Sri Clement Hii Chii Kok



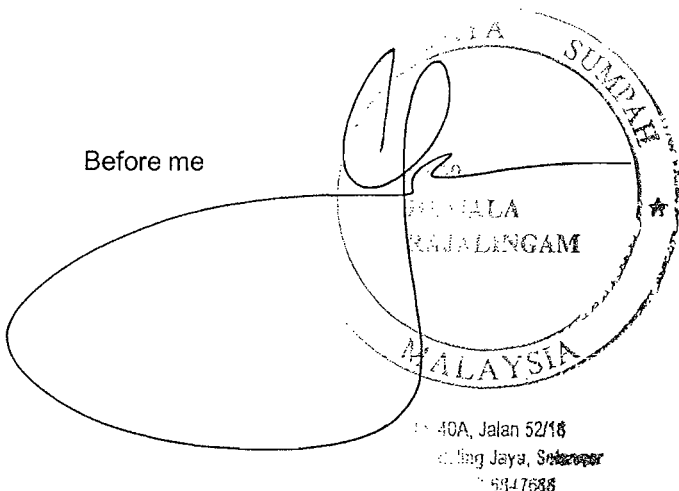
Leong Choong Wah

**STATUTORY DECLARATION
PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016**

I, Leong Choong Wah, being the director primarily responsible for the financial management of HCK Capital Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 14 to 105 are, to the best of my knowledge and belief, 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.

Subscribed and solemnly declared by
Leong Choong Wah, at Petaling Jaya
in State of Selangor
on this 31 March 2017

Before me



40A, Jalan 52/16
Petaling Jaya, Selangor
5947638



Leong Choong Wah



Crowe Horwath AF 1018
Chartered Accountants
Member Crowe Horwath International

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HCK CAPITAL GROUP BERHAD

(Incorporated in Malaysia)
Company No: 484964 - H

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of HCK Capital Group Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 14 to 105.

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 31 December 2016, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HCK CAPITAL GROUP BERHAD (CONT'D)

(Incorporated in Malaysia)

Company No: 484964 - H

Key Audit Matters (Cont'd)

We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter								
<p><u>Use of professional valuers to determine the carrying values of properties</u></p> <p>1. Acquisition of subsidiaries</p> <p>As disclosed in Note 30 to the financial statements, the Group acquired certain subsidiaries during the financial year with significant landed properties and properties under construction. These assets were initially measured at their fair values at the date of acquisition in accordance with MFRS 3 – <i>Business Combination</i> determined by an independent firm of professional valuers, a specialist engaged by the management. Thereafter, the fair values are regarded as the cost on initial measurement of landed properties and properties under construction.</p> <p>The carrying values of these assets as at 31 December 2016 are as follows:-</p> <table data-bbox="236 1261 938 1384"> <thead> <tr> <th></th> <th style="text-align: right;">RM'000</th> </tr> </thead> <tbody> <tr> <td>Leasehold land</td> <td style="text-align: right;">22,100</td> </tr> <tr> <td>Land held for property development</td> <td style="text-align: right;">46,070</td> </tr> <tr> <td>Inventories – properties under construction</td> <td style="text-align: right;">157,528</td> </tr> </tbody> </table> <p>2. Investment Properties</p> <p>As disclosed in Note 9 to the financial statements, the Group's investment properties are stated at fair value. The fair values of the investment properties were determined by an independent firm of professional valuers.</p> <p>The carrying value of investment properties as at 31 December 2016 amounted to RM28,000,000.</p> <p>We focused on the abovementioned areas in our audit due to the size of the carrying amounts of these assets which constituted approximately 68% of the Group's total assets as at 31 December 2016. In addition, the valuation of these assets involved significant judgments and estimates which are based on current and future market or economic conditions.</p>		RM'000	Leasehold land	22,100	Land held for property development	46,070	Inventories – properties under construction	157,528	<p>We performed the following audit procedures:-</p> <ol style="list-style-type: none"> 1. We evaluated the objectivity, independence and capabilities of the professional valuers; 2. We assessed the appropriateness of the valuation model, property related data, including estimates used by the professional valuers; and 3. We assessed the reasonableness of the assumptions used in the valuations and judgments made.
	RM'000								
Leasehold land	22,100								
Land held for property development	46,070								
Inventories – properties under construction	157,528								



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HCK CAPITAL GROUP BERHAD (CONT'D)

(Incorporated in Malaysia)

Company No: 484964 - H

Information Other than the Financial Statements and Auditors' Report Thereon

The directors are responsible for the other information. The other information comprises the Directors' Report (but does not include the financial statements of the Group and of the Company and our auditor's report thereon), which we obtained prior to the date of this auditors' report, and the annual report, which is expected to be made available to us after that date.

Our opinion on the financial statements 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

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.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HCK CAPITAL GROUP BERHAD (CONT'D)

(Incorporated in Malaysia)

Company No: 484964 - H

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

As a part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HCK CAPITAL GROUP BERHAD (CONT'D)

(Incorporated in Malaysia)

Company No: 484964 - H

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
HCK CAPITAL GROUP BERHAD (CONT'D)**

(Incorporated in Malaysia)

Company No: 484964 - H

Other Reporting Responsibilities

The supplementary information set out in Note 43 on page 106 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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

A handwritten signature in black ink, appearing to be "G. S. M.", written over the printed name of Crowe Horwath.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

31 March 2017

Kuala Lumpur

A handwritten signature in black ink, appearing to be "Lee Kok Wai", written over the printed name of Lee Kok Wai.

Lee Kok Wai
Approval No: 02760/06/2018 J
Chartered Accountant

HCK CAPITAL GROUP BERHAD

(Incorporated in Malaysia)

Company No: 484964 - H

STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2016

	Note	The Group		The Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	6	-	-	#	#
Investments in associates	7	-	-	#	-
Property, plant and equipment	8	24,792	2,211	2	-
Investment properties	9	28,000	28,000	-	-
Land held for property development	10	61,277	-	-	-
Goodwill	11	4,454	-	-	-
Intangible assets	12	626	651	-	-
		<u>119,149</u>	<u>30,862</u>	<u>2</u>	<u>#</u>
CURRENT ASSETS					
Inventories	13	229,196	59,609	-	-
Trade and other receivables	14	20,496	24,056	152,281	65,521
Current tax assets		950	199	-	-
Short-term fund	15	78	15,599	78	15,599
Fixed deposit with a licensed bank	16	1,000	-	-	-
Cash and bank balances		2,963	1,266	-	-
		<u>254,683</u>	<u>100,729</u>	<u>152,359</u>	<u>81,120</u>
TOTAL ASSETS		<u>373,832</u>	<u>131,591</u>	<u>152,361</u>	<u>81,120</u>
EQUITY AND LIABILITIES					
EQUITY					
Share capital	17	84,234	55,440	84,234	55,440
Share premium	18	69,486	25,591	69,486	25,591
Retained profits/(Accumulated losses)		22,726	21,221	(2,024)	(47)
Equity attributable to the owners of the Company		<u>176,446</u>	<u>102,252</u>	<u>151,696</u>	<u>80,984</u>
Non-controlling interests		5,061	5,298	-	-
TOTAL EQUITY		<u>181,507</u>	<u>107,550</u>	<u>151,696</u>	<u>80,984</u>
NON-CURRENT LIABILITIES					
Long term borrowings	19	112,787	13,311	-	-
Deferred tax liabilities	22	3,727	406	-	-
		<u>116,514</u>	<u>13,717</u>	<u>-</u>	<u>-</u>

- Amount less than RM1,000.

HCK CAPITAL GROUP BERHAD

(Incorporated in Malaysia)

Company No: 484964 - H

STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2016 (CONT'D)

	Note	The Group		The Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CURRENT LIABILITIES					
Trade and other payables	23	63,556	9,733	665	136
Short-term borrowings	24	12,183	84	-	-
Current tax liabilities		72	507	-	-
		<u>75,811</u>	<u>10,324</u>	<u>665</u>	<u>136</u>
TOTAL LIABILITIES		<u>192,325</u>	<u>24,041</u>	<u>665</u>	<u>136</u>
TOTAL EQUITY AND LIABILITIES		<u>373,832</u>	<u>131,591</u>	<u>152,361</u>	<u>81,120</u>

HCK CAPITAL GROUP BERHAD

(Incorporated in Malaysia)

Company No: 484964 - H

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	Note	The Group		The Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CONTINUING OPERATIONS					
REVENUE	25	20,585	33,232	1,843	167
COST OF SALES		(5,293)	(9,704)	-	-
GROSS PROFIT		15,292	23,528	1,843	167
OTHER INCOME		3,640	7,823	80	10,540
		18,932	31,351	1,923	10,707
SELLING AND MARKETING EXPENSES		(681)	(2,031)	-	-
ADMINISTRATIVE EXPENSES		(16,942)	(13,324)	(3,900)	(897)
FINANCE COSTS		(181)	(332)	-	-
SHARE OF RESULTS IN ASSOCIATES, NET OF TAX		#	-	-	-
PROFIT/(LOSS) BEFORE TAXATION	26	1,128	15,664	(1,977)	9,810
INCOME TAX EXPENSE	27	153	(2,228)	-	-
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		1,281	13,436	(1,977)	9,810
DISCONTINUED OPERATIONS					
PROFIT AFTER TAXATION FROM DISCONTINUED OPERATIONS	28	-	1,509	-	-
PROFIT/(LOSS) AFTER TAXATION		1,281	14,945	(1,977)	9,810
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE FINANCIAL YEAR		1,281	14,945	(1,977)	9,810

- Amount less than RM1,000.

HCK CAPITAL GROUP BERHAD

(Incorporated in Malaysia)

Company No: 484964 - H

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)**

	Note	The Group		The Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		1,502	11,543	(1,977)	9,810
Non-controlling interests		(221)	3,402	-	-
		<u>1,281</u>	<u>14,945</u>	<u>(1,977)</u>	<u>9,810</u>
TOTAL COMPREHENSIVE INCOME/(EXPENSES) ATTRIBUTABLE TO:-					
Owners of the Company		1,502	11,543	(1,977)	9,810
Non-controlling interests		(221)	3,402	-	-
		<u>1,281</u>	<u>14,945</u>	<u>(1,977)</u>	<u>9,810</u>
EARNINGS PER SHARE (SEN) 29					
Basic:					
- continuing operations		2.65	18.10		
- discontinued operations		N/A	2.72		
Diluted:					
- continuing operations		N/A	N/A		
- discontinued operations		N/A	N/A		

N/A - Not applicable

HCK CAPITAL GROUP BERHAD(Incorporated in Malaysia)
Company No: 484964 - H**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	Note	← Non-Distributable →			Distributable		Non-controlling Interests RM'000	Total Equity RM'000
		Share Capital RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Retained Profits RM'000	Attributable to Owners of the Company RM'000		
The Group								
Balance at 1.1.2015		55,440	25,591	2,609	7,069	90,709	1,846	92,555
Profit after taxation/Total comprehensive income for the financial year		-	-	-	11,543	11,543	3,402	14,945
Contribution by owners of the Company: - Acquisition of subsidiaries		-	-	-	-	-	50	50
Transfer of revaluation reserve upon disposal of properties		-	-	(2,609)	2,609	-	-	-
Balance at 31.12.2015/1.1.2016		55,440	25,591	-	21,221	102,252	5,298	107,550
Contributions by owners of the Company: - Issuance of shares	17	28,794	44,631	-	-	73,425	-	73,425
- Acquisition of subsidiaries		-	-	-	-	-	(13)	(13)
- Expenses related to shares issue		-	(736)	-	-	(736)	-	(736)
Profit/(Loss) after taxation/Total comprehensive income/(expenses) for the financial year		-	-	-	1,502	1,502	(221)	1,281
Changes in subsidiaries' ownership interests that do not result in a loss of control		-	-	-	3	3	(3)	#
Balance at 31.12.2016		84,234	69,486	-	22,726	176,446	5,061	181,507

- Amount less than RM1,000.

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

HCK CAPITAL GROUP BERHAD

(Incorporated in Malaysia)

Company No: 484964 - H

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)**

	Note	Share Capital RM'000	Non- Distributable Share Premium RM'000	Distributable Accumulated Losses RM'000	Total Equity RM'000
The Company					
Balance at 1.1.2015		55,440	25,591	(9,857)	71,174
Profit after taxation/Total comprehensive income for the financial year		-	-	9,810	9,810
Balance at 31.12.2015/1.1.2016		55,440	25,591	(47)	80,984
Contributions by owners of the Company:					
- Issuance of shares	17	28,794	44,631	-	73,425
- Expenses related to shares issue		-	(736)	-	(736)
Loss after taxation/Total comprehensive expenses for the financial year		-	-	(1,977)	(1,977)
Balance at 31.12.2016		84,234	69,486	(2,024)	151,696

HCK CAPITAL GROUP BERHAD

(Incorporated in Malaysia)

Company No: 484964 - H

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Profit/(Loss) before taxation				
- continuing operations	1,128	15,664	(1,977)	9,810
- discontinued operations	-	2,053	-	-
	<u>1,128</u>	<u>17,717</u>	<u>(1,977)</u>	<u>9,810</u>
Adjustments for:-				
Amortisation of intangible assets	50	49	-	-
Bad debts written off	-	58	-	-
Depreciation of property, plant and equipment	865	1,020	#	-
Equipment written off	2	-	-	-
Impairment loss on trade and other receivables	-	-	1,530	-
Interest expense	181	403	-	-
Write-down in value of inventories	1,004	-	-	-
Loss/(Gain) on disposal of subsidiaries	-	1,465	-	(10,083)
Share of results in associates	#	-	-	-
Fair value gain on investment properties	-	(7,000)	-	-
Interest income	(113)	(516)	(80)	(457)
Amortisation of government grant	(15)	(15)	-	-
Bargain purchase gain	(3,487)	(324)	-	-
Unrealised gain on foreign exchange	-	(766)	-	-
	<u>(385)</u>	<u>12,091</u>	<u>(527)</u>	<u>(730)</u>
Operating (loss)/profit before working capital changes	(385)	12,091	(527)	(730)
Increase in inventories	(13,063)	(7,263)	-	-
Decrease/(Increase) in trade and other receivables	14,746	7,270	(1,506)	(171)
Increase/(Decrease) in trade and other payables	8,038	12,047	529	(200)
	<u>9,336</u>	<u>24,145</u>	<u>(1,504)</u>	<u>(1,101)</u>
CASH FLOWS FROM/(FOR) OPERATIONS	9,336	24,145	(1,504)	(1,101)
Interest paid	(181)	(403)	-	-
Income tax paid	(1,031)	(2,240)	-	-
	<u>8,124</u>	<u>21,502</u>	<u>(1,504)</u>	<u>(1,101)</u>
NET CASH FROM/(FOR) OPERATING ACTIVITIES	8,124	21,502	(1,504)	(1,101)

- Amount less than RM1,000.

HCK CAPITAL GROUP BERHAD

(Incorporated in Malaysia)

Company No : 484964 - H

STATEMENTS OF CASH FLOWS**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)**

	Note	The Group		The Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CASH FLOWS FOR INVESTING ACTIVITIES					
Acquisition of subsidiaries, net of cash and cash equivalents acquired	30	470	(31,037)	-	-
Purchase of land held for property development		(15,207)	-	-	-
Proceeds from disposal of subsidiaries		-	-	-	34,475
Net cash outflow from the disposal of subsidiaries	31	-	(1,518)	-	-
Purchase of intangible assets		(25)	-	-	-
Purchase of equipment	32	(515)	(1,882)	(2)	-
Advances to subsidiaries		-	-	(13,359)	(37,461)
Proceeds from disposal of property, plant and equipment		-	22	-	-
Interest received		113	516	80	457
NET CASH FOR INVESTING ACTIVITIES		(15,164)	(33,899)	(13,281)	(2,529)
CASH FLOWS FOR FINANCING ACTIVITIES					
Net drawdown/(Net repayment) of term loans		12,903	(12,103)	-	-
Expenses for issuance of shares		(736)	-	(736)	-
Repayment of hire purchase obligations		(210)	(475)	-	-
Repayment to directors		(18,741)	-	-	-
Government grant received		-	30	-	-
NET CASH FOR FINANCING ACTIVITIES		(6,784)	(12,548)	(736)	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		(13,824)	(24,945)	(15,521)	(3,630)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		16,865	41,810	15,599	19,229
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	33	3,041	16,865	78	15,599

HCK CAPITAL GROUP BERHAD

(Incorporated in Malaysia)

Company No: 484964 - H

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is Malaysia. The registered office, which is also the principal place of business are at Wisma HCK, No. 6, Jalan 19/1B, Seksyen 19, 46300 Petaling Jaya, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 31 March 2017.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and provision of management services. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. HOLDING COMPANY

The holding company is HiiChiiKok Equities Sdn. Bhd., a company incorporated in Malaysia.

4. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

HCK CAPITAL GROUP BERHAD

(Incorporated in Malaysia)

Company No: 484964 - H

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****4. BASIS OF PREPARATION (CONT'D)**

- 4.1 During the current financial year, the Group has adopted the following new accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

MFRS 14 Regulatory Deferral Accounts

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities - Applying the Consolidation Exception

Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations

Amendments to MFRS 101: Disclosure Initiative

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 116 and MFRS 141: Agriculture - Bearer Plants

Amendments to MFRS 127: Equity Method in Separate Financial Statements

Annual Improvements to MFRSs 2012 - 2014 Cycle

The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) did not have any material impact on the Group's financial statements.

- 4.2 The Group has not applied in advance the following accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

	Effective Date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018

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**NOTES TO THE FINANCIAL STATEMENTS
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- 4.2 The Group has not applied in advance the following accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year (Cont'd):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 140 – Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:	
• Amendments to MFRS 12: Clarification of the Scope of Standard	1 January 2017
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:	
• Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters	
• Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018

The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application except as follows:-

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. Therefore, it is expected that the Group's investments in unquoted shares that are currently stated at cost less accumulated impairment losses will be measured at fair value through other comprehensive income upon the adoption of MFRS 9. The Group is currently assessing the financial impact of adopting MFRS 9.

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4. BASIS OF PREPARATION (CONT'D)

- 4.2 The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application except as follows (Cont'd):-

MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS 15 further clarify the concept of 'distinct' for the purposes of this accounting standard. In addition, extensive disclosures are also required by MFRS 15. The Group anticipates that the application of MFRS 15 in the future may have an impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 15 until the Group performs a detailed review.

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will replace the current guidance on lease accounting when it becomes effective. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their leased assets and the related lease obligations in the statements of financial position (with limited exceptions). The leased assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. The Group anticipates that the application of MFRS 16 in the future may have an impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 16 until the Group performs a detailed review.

The amendments to MFRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Accordingly, there will be no financial impact on the financial statements of the Group upon its initial application. However, additional disclosure notes on the statements of cash flows may be required.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)****(a) Depreciation of Property and Equipment**

The estimates for the residual values, useful lives and related depreciation charges for the property and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the year in which such determination is made.

(c) Impairment of Non-Financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value in use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(d) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(e) Classification between Investment Properties and Owner-Occupied Properties

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(e) **Classification between Investment Properties and Owner-Occupied Properties (Cont'd)**

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(f) **Impairment of Trade and Other Receivables**

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(g) **Revaluation of Properties**

Certain properties of the Group are reported at valuation which is based on valuations performed by independent professional valuers.

The independent professional valuers have exercised judgement in determining discount rates, estimates of future cash flows, capitalisation rate, terminal year value, market freehold rental and other factors used in the valuation process. Also, judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuation estimates.

(h) **Classification of Leasehold Land**

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(i) Impairment of Goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

(j) Fair Value Estimates for Certain Financial Assets and Financial Liabilities

The Group carries certain financial assets and financial liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

5.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**5.2 BASIS OF CONSOLIDATION (CONT'D)****(a) Business Combinations**

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(b) Non-Controlling Interests

Non-controlling interests are presented within equity in the consolidated statements of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(c) Changes in Ownership Interests in Subsidiaries without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.2 BASIS OF CONSOLIDATION (CONT'D)

(d) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

5.3 GOODWILL

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss.

In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.4 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency and has been rounded to the nearest thousand, unless otherwise stated.

(b) Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

5.5 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.5 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

(i) 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 asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

Financial assets at fair value through profit or loss could be presented as current assets or non-current assets. Financial assets that are held primarily for trading purposes are presented as current assets whereas financial assets that are not held primarily for trading purposes are presented as current assets or non-current assets based on the settlement date.

As at the end of the reporting period, there were no financial assets classified under this category.

(ii) Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with interest income recognised in profit or loss on an effective yield basis.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current assets.

As at the end of the reporting period, there were no financial assets classified under this category.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.5 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

(iii) Loans and Receivables Financial Assets

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

(iv) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.5 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

(iv) Available-for-sale Financial Assets (Cont'd)

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

As at the end of the reporting period, there were no financial assets classified under this category.

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value Through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

(ii) Other Financial Liabilities

Other financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(c) Equity Instruments

Equity instruments classified as equity are measured at cost and are not remeasured subsequently.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from proceeds.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.5 FINANCIAL INSTRUMENTS (CONT'D)

(c) Equity Instruments (Cont'd)

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. 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 equity 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 or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

5.6 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statements of financial position of the Company and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

5.7 INVESTMENTS IN ASSOCIATES

An associate is an entity in which the Group and the Company have a long-term equity interest and where it exercises significant influence over the financial and operating policies

Investments in associates are stated at cost in the statements of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investment includes transaction costs.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.7 INVESTMENTS IN ASSOCIATES (CONT'D)

The investment in an associate is accounted for in the consolidated financial statements using the equity method based on the financial statements of the associate made up to the end of the reporting period. The Group's share of the post acquisition profits and other comprehensive income of the associate is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. The Group's interest in the associate is carried in the consolidated statement of financial position at cost plus the Group's share of the post acquisition retained profits and reserves. The cost of investment includes transaction costs.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation.

Unrealised gains on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered.

When the Group ceases to have significant influence over an associate and the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 139. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that associate into profit or loss when the equity method is discontinued.

5.8 LAND HELD FOR PROPERTY DEVELOPMENT

Land held for property development consists of land on which no significant development work has been undertaken other than earthwork, infrastructure work and professional fees incurred to put the land ready for development or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at the lower of cost and net realisable value.

Costs associated with the acquisition of land include the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

Net realised value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

Land held for property development is transferred to property development costs (under current assets) when development activities have commenced and where the development activities can be completed within the Group's normal operating cycle.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.9 PROPERTY DEVELOPMENT COSTS

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Property development costs that are not recognised as an expense are recognised as an asset and are carried at the lower of cost and net realisable value.

When the financial outcome of a development activity can be reliably estimated, the amount of property revenues and expenses recognised in the profit or loss are determined by reference to the stage of completion of development activity at the end of each reporting period.

When the financial outcome of a development activity cannot be reliably estimated, the property development revenue is recognised only to the extent of property development costs incurred that will be recoverable. The property development costs on the development units sold are recognised as an expense in the period in which they are incurred.

Where it is probable that property development costs will exceed property development revenue, any expected loss is recognised as an expense immediately, including costs to be incurred over the defects liability period.

5.10 PROPERTY AND EQUIPMENT

Property and equipment other than leasehold land are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Leasehold land	over the lease period
Other assets	3 - 10 years

Capital work-in-progress included in property and equipment are not depreciated as these assets are not yet available for use.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property and equipment.

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

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.10 PROPERTY AND EQUIPMENT (CONT'D)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss. The revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the asset.

5.11 INVESTMENT PROPERTIES

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Initially investment properties are measured at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property or inventories, the fair value at the date of change becomes the cost for subsequent accounting purposes. If owner-occupied property becomes an investment property, such property shall be accounted for in accordance with the accounting policy for property and equipment up to date of change in use.

5.12 INTANGIBLE ASSETS

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.12 INTANGIBLE ASSETS (CONT'D)

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

5.13 IMPAIRMENT

(a) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period 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 asset.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**5.13 IMPAIRMENT (CONT'D)****(b) Impairment of Non-Financial Assets**

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow using a pre-tax discount rate. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rate basis.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

5.14 LEASED ASSETS**(a) Finance Assets**

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and 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. The corresponding liability is included in the statements of financial position as hire purchase payables.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.14 LEASED ASSETS (CONT'D)

(a) Finance Assets (Cont'd)

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

Leasehold land which in substance is a finance lease is classified as property and equipment.

(b) Operating Lease

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the Group's statement of financial position.

Payments made under operating leases are recognised as an expense in the profit or loss on a straight-line method over the term of the lease. Lease incentives received are recognised as a reduction of rental expense over the lease term on a straight-line method. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

5.15 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis and comprises the purchase price, production or conversion costs and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated cost of completion and the estimated costs necessary to make the sale.

5.16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.17 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

5.18 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they are incurred.

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

5.19 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.19 INCOME TAXES (CONT'D)

(b) Deferred Tax (Cont'd)

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are 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 the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Where investment properties are carried at their fair value, 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 with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

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 transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

(c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of GST. However, when the GST incurred are related to purchases of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

Receivables and payables are stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****5.20 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

Non-current assets (or disposal group comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the non-current assets (or the disposal group) are remeasured in accordance with the Group's accounting policies. Upon classification as held for sale, the non-current assets (the disposal group) are not depreciated and are measured at the lower of their previous carrying amount and fair value less cost to sell. Any differences are recognised in profit or loss. In addition, equity accounting of equity-accounted associates ceases once classified as held for sale or distribution.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statements of profit or loss and other comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

5.21 EMPLOYEE BENEFITS**(a) Short-term Benefits**

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in the profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

5.22 RELATED PARTIES

A party is related to an entity (referred to as the "reporting entity") if:-

- (a) A person or a close member of that person's family is related to a reporting entity if that person:-
- (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the reporting entity.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.22 RELATED PARTIES (CONT'D)

(b) An entity is related to a reporting entity if any of the following conditions applies:-

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
- (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly, including any director (whether executive or otherwise) of that entity.

5.23 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.24 OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

5.25 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

5.26 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For 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.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

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

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.27 REVENUE AND OTHER INCOME

(a) **Sale of Goods**

Revenue is measured at fair value of the consideration received or receivable and is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns, GST, cash and trade discounts.

(b) **Property Trading**

(i) **Property Under Construction**

Revenue from trading of property under construction is measured at fair value of the consideration received or receivable and is recognised upon delivery of vacant possession of the property and where applicable, net of goods and services tax, returns, cash and trade discounts.

(ii) **Completed Properties**

Revenue from sales of completed property is recognised on the same basis as sale of goods.

(c) **Property Management**

This represents agency fee derived from sales of property and is recognised when the sale and purchase agreements are signed and when the outcome of the transaction can be reliably measured.

(d) **Services**

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably by reference to the stage of completion at the end of the reporting period. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(e) **Rental Income**

Rental income is accounted for on a straight-line method over the lease term.

(f) **Interest Income**

Interest income is recognised on an accrual basis using the effective interest method.

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5.27 REVENUE AND OTHER INCOME (CONT'D)

(g) Royalty Income

Royalty income is recognised on an accrual basis.

(h) Management Services

Management services is recognised on an accrual basis.

(i) Government Grant

Government grants are recognised at their fair value when there is reasonable assurance that they will be received and all conditions attached will be met.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis over the period necessary to match them with the related expenses which they are intended to compensate for. These grants are presented as other income in profit or loss.

Grants that compensate the Group for the cost of an asset are recognised as deferred grant income in the statement of financial position and are amortised to profit or loss on a systematic basis over the expected useful life of the relevant asset.

6. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2016 RM'000	2015 RM'000
Unquoted shares in Malaysia, at cost:		
At 1 January	#	22,059
Disposal during the financial year	#	(22,059)
At 31 December	#	#

- Amount less than RM1,000.

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The details of the subsidiaries, which have their principal place of business and country of incorporation in Malaysia, are as follows:-

Name of Subsidiary	Percentage of Issued Share Capital Held by Parent		Principal Activities
	2016 %	2015 %	
HCK Capital Holdings Sdn. Bhd. ("HCK Capital Holdings")	100	100	Investment holding and provision of management services.
Subsidiaries of HCK Capital Holdings			
HCK Communications Sdn. Bhd. ("HCK Communications")	100	100	Advance technology development projects advisory and related engineering works and investment holding.
HCK Properties Sdn. Bhd. ("HCK Properties")	100	100	Project and property management consultants and investment holding.
HCK Alliances Sdn. Bhd. ^	100	100	Dormant.
HCK Food Sdn. Bhd. ("HCK Food") ^	100	100	Investment holding and management services.
HCK Education Sdn. Bhd. ("HCK Education") ^	100	-	Investment holding and provision of training and education services.
Subsidiaries of HCK Communications			
Portal Essential Sdn. Bhd. ("Portal Essential")	100	100	Development of software and information technology related services.
IGAR Worldwide Sdn. Bhd. ("IGAR Worldwide")	100	100	Research, maintenance, implementation and other information technology activities.
HCK Studios Sdn. Bhd.	70	70	Digital video and commercial production and digital content.
HCK Technologies Sdn. Bhd. ^	100	100	Information technology related products and services activities.

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The details of the subsidiaries, which have their principal place of business and country of incorporation in Malaysia, are as follows (Cont'd):-

Name of Subsidiary	Percentage of Issued Share Capital Held by Parent		Principal Activities
	2016 %	2015 %	
Subsidiaries of HCK Properties			
HCK Hospitality Sdn. Bhd.	100	100	Hospitality management services.
Symphony Approach Sdn. Bhd. ("Symphony Approach")	51	51	Property investment.
Trilink Essential Sdn. Bhd.	100	100	Land and property investment.
Equal Straits Sdn. Bhd. ^	100	100	Property trading.
Aspen Entity Sdn. Bhd. ("Aspen Entity") ^	70	100	Property development.
Oscar Springs Development Sdn. Bhd. ("Oscar Springs") ^	75	-	Property development.
Oval Bridge Sdn. Bhd. ("Oval Bridge") ^	51	-	Dormant.
HCK Premier Builders Sdn. Bhd. ("HCK Premier Builders") ^	70	-	Property development.
SA Alliances Sdn. Bhd. (formerly known as Viva Rising Sdn. Bhd.) ("SA Alliances") ^	100	-	Dormant.
Andaman Daya Sdn. Bhd. ("Andaman Daya")	100	-	Property investment and management.
Fidelity Ventures Sdn. Bhd. ("Fidelity Ventures") ^	100	-	Investment holding and property trading business.
Usas Management Sdn. Bhd. ("Usas Management") ^	100	-	Property investment, development and management.

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The details of the subsidiaries, which have their principal place of business and country of incorporation in Malaysia, are as follows (Cont'd):-

Name of Subsidiary	Percentage of Issued Share Capital Held by Parent		Principal Activities
	2016 %	2015 %	
Subsidiaries of HCK Food			
JB Fine Coffee Sdn. Bhd. ^	70	70	Operation of cafe outlet under the name of "Jamaicablue Fine Coffees".
I Prefer Original Sdn. Bhd.	100	100	Developer of franchisor or franchisee of cafes and restaurants.
Subsidiary of Aspen Entity			
Oscar Springs Development Sdn. Bhd. ("Oscar Springs") ^	-	75	Property development.
Subsidiary of Oval Bridge			
Koridor Efektif Sdn. Bhd. ("Koridor Efektif") ^	67	-	Property development.
Subsidiary of Fidelity Ventures			
Joyview Properties Sdn. Bhd. ("Joyview Properties") ^	100	-	Investment holding and property trading.

^ - These subsidiaries are audited by other firms of chartered accountants.

(a) During the financial year:-

- (i) HCK Capital Holdings incorporated a wholly-owned subsidiary, namely HCK Education with 2 issued and fully paid-up ordinary shares of RM 1 each;
- (ii) HCK Properties subscribed for 51 ordinary shares of RM1 each representing 51% equity interest in Oval Bridge for a total cash consideration of RM51;
- (iii) Oval Bridge subscribed for 67 ordinary shares of RM1 each representing 67% equity interest in Koridor Efektif for a total cash consideration of RM67;

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(a) During the financial year (Cont'd):-

- (iv) HCK Properties subscribed for 700 ordinary shares of RM1 each representing 70% equity interest in HCK Premier Builders for a total cash consideration of RM700;
- (v) HCK Properties acquired 2 ordinary shares of RM 1 each representing 100% equity interest in SA Alliances for a total cash consideration of RM2;
- (vi) HCK Properties has further subscribed for 698 ordinary shares of RM1 each representing approximately 70% of the increased paid-up share capital of RM998 in Aspen Entity. As a result, HCK Properties' interest was diluted from 100% to 70%;
- (vii) HCK Properties entered into a Deed of Novation with Aspen Entity and a third party to acquire 400,000 ordinary shares of RM1 each representing 100% equity interest in Oscar Springs. Under this Novation, an initial 300,000 ordinary shares representing 75% equity interest in Oscar Springs were transferred upon Novation. The remaining balances of 100,000 ordinary shares representing 25% equity interest in Oscar Springs shall be transferred to HCK Properties upon fulfillment of all the conditions of the conditional Share Sale Agreement ("SSA");
- (viii) HCK Properties acquired 15,000,000 ordinary shares of RM1 each representing 100% equity interest in Andaman Daya for a total purchase consideration of RM11,581,039 via the issuance of 4,541,583 ordinary shares of RM1 each in the Company at an issue price of RM2.55 per share. The details of the acquisition are disclosed in Note 30 to the financial statements;
- (ix) HCK Properties acquired 2,500,000 ordinary shares of RM1 each representing 100% equity interest in Fidelity Ventures for a total purchase consideration of RM2,290,517 via issuance of 898,242 ordinary shares of RM1 each in the Company at an issue price of RM2.55 per share, with an assumption of advances owing to a director of Fidelity Ventures' wholly-owned subsidiary, namely Joyview Properties of RM54,839,983 via the issuance of 21,505,875 ordinary shares of RM1 each in the Company at an issue price of RM2.55 per share. The details of the acquisition are disclosed in Note 30 to the financial statements; and
- (x) HCK Properties acquired 2 ordinary shares of RM1 each representing 100% equity interest in Usas Management for a total cash consideration of RM2, with an assumption of advances owing to a director of Usas Management of RM4,714,000 via the issuance of 1,848,628 ordinary shares of RM1 each in the Company at an issue price of RM2.55 per share. The details of the acquisition are disclosed in Note 30 to the financial statements.

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(b) The non-controlling interests at the end of the reporting period comprise the following:-

	Effective Equity Interest		The Group	
	2016 %	2015 %	2016 RM'000	2015 RM'000
Symphony Approach	49	49	5,515	5,121
Oval Bridge Group	49	-	(2)	-
Other individually immaterial subsidiaries			(452)	177
			<u>5,061</u>	<u>5,298</u>

(c) The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows:-

	Oval Bridge Group	Symphony Approach	
	2016 RM'000	2016 RM'000	2015 RM'000
<u>At 31 December</u>			
Non-current assets	15,207	28,000	28,000
Current assets	2	808	434
Non-current liability	-	(350)	(350)
Current liabilities	(15,219)	(17,202)	(17,633)
Net assets	<u>(10)</u>	<u>11,256</u>	<u>10,451</u>
<u>Financial Year Ended 31 December</u>			
Revenue	-	3,168	2,808
(Loss)/Profit after taxation	(10)	805	7,458
Total comprehensive (expenses)/income	<u>(10)</u>	<u>805</u>	<u>7,458</u>
Total comprehensive (expenses)/income attributable to non-controlling interests	<u>(2)</u>	<u>394</u>	<u>3,654</u>
Net cash flows (for)/from operating activities	(4)	725	(7,055)
Net cash flows for investing activities	(15,207)	(385)	(65)
Net cash flows from/(for) financing activities	15,213	(693)	7,392

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**NOTES TO THE FINANCIAL STATEMENTS
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	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unquoted shares, at cost	#	-	#	-
Share of post-acquisition losses	#	-	-	-
	-	-	#	-

- Amount less than RM1,000.

The details of the associates are as follows:-

Name of Associate	Principal Place of Business	Effective Equity Interest		Principal Activities
		2016 %	2015 %	
Great Intent Sdn. Bhd. ("Great Intent")	Malaysia	25	-	Dormant
Associate of HCK Properties				
Binary Binajaya Sdn. Bhd. ("Binary Binajaya") ^	Malaysia	50	-	Dormant

^ - This associate is audited by other firm of chartered accountants.

Summarised financial information has not been presented as the associates are not individually material to the Group and the Company.

The Group has not recognised losses relating to the associates, where its share of losses exceeds the Group's interest in these associates. The Group's share of unrecognised losses for the current financial year was approximately RM1,000. The Group has no obligation in respect of these losses.

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**NOTES TO THE FINANCIAL STATEMENTS
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The Group	At 1.1.2016 RM'000	Additions (Note 32) RM'000	Written off RM'000	Reclassification RM'000	Depreciation Charge RM'000	Acquisition of subsidiaries (Note 30) RM'000	At 31.12.2016 RM'000
2016							
<i>Net Book Value</i>							
Leasehold land	-	-	-	-	-	22,100	22,100
Plant and machinery, factory equipment and mould	361	-	-	(361)	-	-	-
Other assets **	1,850	1,348	(2)	361	(865)	-	2,692
	2,211	1,348	(2)	-	(865)	22,100	24,792

The Group	At 1.1.2015 RM'000	Additions (Note 32) RM'000	Disposal of subsidiaries (Note 31) RM'000	Disposal RM'000	Depreciation Charge RM'000	At 31.12.2015 RM'000
2015						
<i>Net Book Value</i>						
Leasehold land	7,383	-	(7,242)	-	(141)	-
Factory buildings	10,652	-	(10,553)	-	(99)	-
Condominium	115	-	(113)	-	(2)	-
Plant and machinery, factory equipment and mould	758	440	(705)	(22)	(110)	361
Other assets **	2,196	2,182	(1,860)	-	(668)	1,850
	21,104	2,622	(20,473)	(22)	(1,020)	2,211

The Group	At Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
2016			
Leasehold land	22,100	-	22,100
Other assets **	4,134	(1,442)	2,692
	26,234	(1,442)	24,792
2015			
Plant and machinery, factory equipment and mould	416	(55)	361
Other assets **	2,373	(523)	1,850
	2,789	(578)	2,211

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**NOTES TO THE FINANCIAL STATEMENTS
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	At 1.1.2016 RM'000	Additions (Note 32) RM'000	Depreciation Charge RM'000	At 31.12.2016 RM'000
The Company				
<i>Net Book Value</i>				
2016				
Other assets **	-	2	#	2

	At Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
The Company			
2016			
Other assets **	2	#	2

- Amount less than RM1,000.

** - Other assets consist of motor vehicles, kitchen equipment, office equipment, furniture and fittings, computer equipment, electrical fittings, outlet equipment, renovation, signboard and capital work-in-progress.

- (a) Included in the assets of the Group at the end of the reporting period were motor vehicles with a total net book value of RM1,171,000 (2015 - RM460,000), which were acquired under hire purchase terms. These leased assets have been pledged as security for the related finance lease liabilities of the Group.
- (b) The leasehold land has been pledged to a licensed bank as security for banking facilities granted to the Group as disclosed in Note 21 to the financial statements.

9. INVESTMENT PROPERTIES

	At 1.1.2016 RM'000	Fair Value Adjustment RM'000	At 31.12.2016 RM'000
The Group			
Long-term leasehold land and buildings, at fair value	28,000	-	28,000

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****9. INVESTMENT PROPERTIES (CONT'D)**

	At 1.1.2015 RM'000	Disposal RM'000	Fair Value Adjustment (Note 26) RM'000	At 31.12.2015 RM'000
The Group				
Long-term leasehold land and buildings, at fair value	27,930	(6,930)	7,000	28,000

(a) The title of the leasehold land and building at fair value of RM28,000,000 (2015 - RM28,000,000) is in the process of being issued to the Group by the relevant authority.

(b) The details of the Group's investment properties carried at fair values are analysed as follows:-

The Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2016				
Long-term leasehold land and building	-	-	28,000	28,000
2015				
Long-term leasehold land and buildings	-	-	28,000	28,000

(c) The level 3 fair value of the leasehold land and building has been determined using discounted cash flow approach performed by independent valuers based on the following significant unobservable inputs:-

<u>Unobservable Inputs</u>	<u>Relationship of Unobservable Inputs To Fair Value</u>
(i) Future rental cash inflow with monthly rental of RM292,500 based on the next 88 years' projection	Based on the location, type and quality of the property and supported by the terms of any existing lease or external evidences such as current market rents for similar property. The higher the rental income, the higher the fair value.

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**NOTES TO THE FINANCIAL STATEMENTS
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- (c) The level 3 fair value of the leasehold land and building has been determined using discounted cash flow approach performed by independent valuers based on the following significant unobservable inputs (Cont'd):-

<u>Unobservable Inputs</u>		<u>Relationship of Unobservable Inputs To Fair Value</u>
(ii)	Discount rates of 9.0% and 9.5%	Reflects current market assessments of the uncertainty in the amount and timing of cash flows. The higher of discount rate, the lower of fair value.
(iii)	Estimated vacancy rates of 5% of annual rental	Based on current and expected future market conditions after expiry of any current lease. The higher of vacancy rate, the lower of fair value.
(iv)	Maintenance costs and capital expenditures	Including necessary investments to maintain functionality of the property for its expected useful life; average of 35% of monthly rental. The higher the maintenance costs, the lower the fair value.

No reconciliation of level 3 fair value was provided as there is no change in the fair value of the investment properties during the financial year.

10. LAND HELD FOR PROPERTY DEVELOPMENT

	The Group	
	2016 RM'000	2015 RM'000
Freehold land held for development	46,070	-
Leasehold land held for development	13,500	-
Property development costs	1,707	-
	61,277	-

The freehold land has been pledged to a licensed bank as security for banking facilities granted to the Group as disclosed in Note 21 to the financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS
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	The Group	
	2016 RM'000	2015 RM'000
Cost:-		
At 1 January	19	715
Acquisition of subsidiaries (Note 30)	4,454	-
Disposal of subsidiaries (Note 31)	-	(696)
	4,473	19
Accumulated impairment losses:-		
At 1 January	(19)	(715)
Disposal of subsidiaries (Note 31)	-	696
	(19)	(19)
At 31 December	4,454	-

The amount of goodwill recognised during the financial year relates to the Group's property segment. The goodwill arose from the investment in a subsidiary and is reviewed for impairment annually.

The Group has assessed the recoverable amount of goodwill, and determined that no impairment is required. The recoverable amount of the cash-generating unit is computed using the value-in-use approach, and this is derived from the present value of the future cash flows from the property segment based on the projections approved by management covering the period of the proposed development over 5 years. The key assumptions used in the determination of the recoverable amount are as follows:-

- (i) Budgeted gross profit margin Based on the expected selling prices and projected costs of the proposed development.
- (ii) Discount rate Reflects specific risks relating to the relevant operating segment.

The values assigned to the key assumptions represent management's assessment of future trends in the cash-generating unit and are based on both external sources and internal historical data.

The directors believe that there is no possible change in the above key assumptions applied that is likely to materially cause the cash generating unit's carrying amount of the goodwill to exceed its recoverable amount.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****12. INTANGIBLE ASSETS**

	The Group	
	2016 RM'000	2015 RM'000
Cost:-		
At 1 January	726	726
Addition during the financial year	25	-
At 31 December	751	726
Accumulated amortisation:-		
At 1 January	(75)	(26)
Amortisation during the financial year (Note 26)	(50)	(49)
At 31 December	(125)	(75)
	626	651

Intangible assets represent the licensing rights and technical knowhow for the operation of "Jamaicablue fine coffees" cafes and outlets, and trademarks for "IGAR" website. The intangible assets are amortised over 15 and 10 years respectively.

13. INVENTORIES

	The Group	
	2016 RM'000	2015 RM'000
At costs:-		
Finished goods	212	217
Properties under construction	214,079	43,483
Unsold completed properties	8,604	15,909
	222,895	59,609
At net realisable value:-		
Unsold completed properties	6,301	-
	229,196	59,609

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****13. INVENTORIES (CONT'D)**

	The Group	
	2016 RM'000	2015 RM'000
Recognised in profit or loss:-		
Inventories recognised as cost of sales	963	4,522

The properties under construction are pledged as security for banking facilities granted to the Group as disclosed Note 21 to the financial statements.

14. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade receivables:				
Third parties	6,035	21,032	-	-
Amount owing by subsidiaries	-	-	1,674	167
	6,035	21,032	1,674	167
Allowance for impairment losses:				
- third parties	-	-	-	-
	6,035	21,032	1,674	167
Allowance for impairment losses:-				
At 1 January	-	(9,114)	-	-
Disposal of subsidiaries (Note 31)	-	9,114	-	-
At 31 December	-	-	-	-

HCK CAPITAL GROUP BERHAD(Incorporated in Malaysia)
Company No: 484964 - H**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****14. TRADE AND OTHER RECEIVABLES (CONT'D)**

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other receivables:				
Other receivables	3,996	921	-	-
Deposits	529	922	1	1
Prepayments	9,936	1,181	3	4
Amount owing by subsidiaries	-	-	152,742	65,958
	<u>14,461</u>	<u>3,024</u>	<u>152,746</u>	<u>65,963</u>
Allowance for impairment losses:				
- amount owing by subsidiaries	-	-	(2,139)	(609)
	<u>14,461</u>	<u>3,024</u>	<u>150,607</u>	<u>65,354</u>
Allowance for impairment losses:-				
At 1 January	-	(92)	(609)	(609)
Addition	-	-	(1,530)	-
Disposal of subsidiaries (Note 31)	-	92	-	-
At 31 December	<u>-</u>	<u>-</u>	<u>(2,139)</u>	<u>(609)</u>
Total trade and other receivables	<u>20,496</u>	<u>24,056</u>	<u>152,281</u>	<u>65,521</u>

The Group's normal credit terms for trade receivables range from 30 to 90 (2015 - 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

The amount owing by subsidiaries is subject to trade credit terms ranging from 60 to 180 days (2015 - 60 to 180 days). The amount owing is unsecured and is to be settled in cash.

Included in the prepayments are the following:-

- (i) an amount of RM7,796,000 was paid for the acquisition of a piece of leasehold land. The transaction is pending the fulfillment of certain terms and conditions of the agreement; and
- (ii) an amount of RM974,000 being a premium paid for a piece of land to be developed under a Joint Venture Agreement.

The amounts owing by subsidiaries are unsecured, interest-free and receivable on demand. The amounts owing are to be settled in cash.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****15. SHORT-TERM FUND**

	The Group/The Company	
	2016	2015
	RM'000	RM'000
Fair value through profit and loss:		
- Short-term money market fund in Malaysia	78	15,599
	<u>78</u>	<u>15,599</u>
Market value of short-term money market fund	78	15,599
	<u>78</u>	<u>15,599</u>

The short-term fund of RM78,000 (2015 - RM15,599,000) represents investment in highly liquid money market, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

The short-term fund bore an effective interest rate of 2.66% (2015 - 2.79%) per annum at the end of the reporting period.

16. FIXED DEPOSIT WITH A LICENSED BANK

The fixed deposit with a licensed bank has been pledged to a licensed bank as security for banking facilities granted to the Group as disclosed in Note 21 to the financial statements.

17. SHARE CAPITAL

The movements in the authorised and paid-up share capital of the Company are as follows:-

	The Group/The Company			
	2016	2015	2016	2015
	Number Of Shares ('000)		RM'000	RM'000
Ordinary shares of RM1 each:-				
Authorised				
At 1 January/31 December	100,000	100,000	100,000	100,000
Issued and Fully Paid-Up				
At 1 January	55,440	55,440	55,440	55,440
Issuance of new shares	28,794	-	28,794	-
At 31 December	<u>84,234</u>	<u>55,440</u>	<u>84,234</u>	<u>55,440</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company.

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**NOTES TO THE FINANCIAL STATEMENTS
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The share premium represents the premium paid on subscription of ordinary shares in the Company over and above the par value of the shares issued, net of transaction costs (if any). The share premium is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act 1965.

19. LONG-TERM BORROWINGS

	The Group	
	2016 RM'000	2015 RM'000
Hire purchase payables (Note 20)	729	267
Term loans (Note 21)	112,058	13,044
	112,787	13,311

20. HIRE PURCHASE PAYABLES (SECURED)

	The Group	
	2016 RM'000	2015 RM'000
Minimum hire purchase payments:		
- not later than 1 year	288	100
- later than 1 year and not later than 5 years	782	286
	1,070	386
Future finance charges	(96)	(35)
	974	351
<u>Non-current</u> (Note 19):		
- later than 1 year and not later than 5 years	729	267
<u>Current</u> (Note 24):		
- not later than 1 year	245	84
	974	351

- (a) The hire purchase payables of the Group are secured by the Group's motor vehicles under hire purchase.
- (b) The hire purchase payables of the Group at the end of the reporting period bore effective interest rates ranging from 4.92% to 5.05% (2015 - 4.92% to 5.01%) per annum. The interest rates are fixed at the inception of the hire purchase arrangements.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****21. TERM LOANS (SECURED)**

	The Group	
	2016 RM'000	2015 RM'000
<u>Non-current</u> (Note 19):		
- later than 1 year and not later than 2 years	20,479	-
- later than 2 years and not later than 5 years	53,963	13,044
- later than 5 years	37,616	-
	112,058	13,044
<u>Current</u> (Note 24):		
- not later than 1 year	11,938	-
	123,996	13,044

Details of the term loans are as follows:-

Term Loan	Number of Monthly Instalments	Monthly Instalment Amount RM'000	Date of Commencement of Repayment	The Group Amount Outstanding	
				2016 RM'000	2015 RM'000
1	108	(a)	Note 1	26,089	13,044
2	60	276	October 2015	12,142	-
3	60	(b)	Note 2	2,304	-
4	120	(c)	Note 3	53,461	-
5	84	500	January 2018	30,000	-
				123,996	13,044

Note 1 - The first instalment will commence 1 month after full release of the loan or on the 37th month after the date when the first loan was released, whichever is earlier.

Note 2 - The first instalment will commence 1 month after full release of the loan.

Note 3 - The first instalment will commence on the 36th month after the date when the first loan was released or principal repayment by way of unit redemption at redemption rate of 60% of the unit's re-selling price and balance outstanding will be converted into a 7 year term loan and to be repaid via fixed instalments at an amount to be advised later, whichever is earlier.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

21. TERM LOANS (SECURED) (CONT'D)

- (a) Term loan 1 bore an effective interest rate of 5.30% (2015 - 5.65%) per annum at the end of the reporting period and is secured by:-
- (i) an assignment of rights over one block of 12-storey office suites of the Group;
 - (ii) a first or third party memorandum of deposit for RM5,000,000 fixed deposit placement;
 - (iii) a first party charge over non-checking account opened with the Bank for purposes of Developers Interest Bearing Scheme; and
 - (iv) a personal guarantee of a director of the Company.

Term loan 1 has not been fully drawn down at the end of the reporting period and will be repayable in 108 instalments.

- (b) Term loans 2 and 3 bore effective interest rates ranging from 6.15% to 6.65% (2015 - Nil) per annum at the end of the reporting period and are secured by:-
- (i) a legal charge over a leasehold land of the Group; and
 - (ii) a personal guarantee of a director of the Company.

Term loan 3 has not been fully draw down at the end of the reporting period and will be repayable in 60 instalments.

- (c) Term loan 4 bore an effective interest rate 8.00% (2015 - Nil) per annum at the end of the reporting period and is secured by:-
- (i) a facility agreement for the sum of RM150,000,000;
 - (ii) an assignment of rights over two blocks of 28-storey office suites of the Group;
 - (iii) a debenture incorporating fixed and floating charges over all assets of the Company; and
 - (iv) a personal guarantee of a director of the Company.
- (d) Term loan 5 bore an effective interest rate of 6.65% (2015 - Nil) per annum at the end of the reporting period and is secured by:-
- (i) a facility agreement for the sum of RM30,000,000;
 - (ii) a legal charge over the freehold land of the Group;
 - (iii) a debenture incorporating fixed and floating charges over all assets of the Company;
 - (iv) a deed of subordination to be executed, subordinating all advances to the Company;
 - (v) a joint and several guarantee of directors of the Company; and
 - (vi) a pledge of minimum of deposit for RM1,000,000.

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**NOTES TO THE FINANCIAL STATEMENTS
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	The Group	
	2016 RM'000	2015 RM'000
At 1 January	406	1,737
Recognised in profit or loss (Note 27)	-	351
Acquisition of subsidiaries (Note 30)	3,321	-
Disposal of subsidiaries (Note 31)	-	(1,682)
	3,727	406

Deferred tax liabilities are attributable to the following:-

Accelerated capital allowances over depreciation	55	55
Fair value gain on:		
- Investment properties	351	351
- Leasehold land	169	-
- Properties under construction	3,152	-
	3,727	406

23. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade payables				
Third parties	19,189	1,393	-	-
Other payables and accruals				
Other payables and accruals	17,493	4,336	665	136
Deferred income	-	20	-	-
Deposits from customers	24	9	-	-
Government grant	-	15	-	-
Progress billings	15,125	-	-	-
Amount owing to directors	11,716	2,809	-	-
Amount owing to related parties	9	1,151	-	-
	44,367	8,340	665	136
Total trade and other payables	63,556	9,733	665	136

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****23. TRADE AND OTHER PAYABLES (CONT'D)**

The trade payables' normal trade credit terms granted to the Group range from 1 to 120 (2015 - 15 to 120) days.

Progress billings represent deposit sum and proceeds from purchasers of properties sold.

The amount owing to directors is unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

The amount owing to related parties represents unsecured interest-free advances granted to the Group by companies in which a director of the Company has controlling interests. The amount is repayable on demand. The amount owing is to be settled in cash.

24. SHORT-TERM BORROWINGS

	The Group	
	2016 RM'000	2015 RM'000
Hire purchase payables (Note 20)	245	84
Term loans (Note 21)	11,938	-
	12,183	84

25. REVENUE

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Food and beverage	2,598	1,522	-	-
Trading and services	90	34	-	-
Property management services	14,729	20,294	-	-
Property trading	-	8,543	-	-
Rental income	3,168	2,808	-	-
Royalty income	-	31	-	-
Management services	-	-	1,843	167
	20,585	33,232	1,843	167

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****26. PROFIT/(LOSS) BEFORE TAXATION**

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit/(Loss) before taxation is arrived at after charging/ (crediting):-				
Amortisation of intangible assets (Note 12)	50	49	-	-
Auditors' remuneration:				
- audit fees:				
- current financial year	129	107	35	35
- under/(over)provision in previous financial year	8	(5)	-	(10)
- non-audit fees:				
- Crowe Horwath in Malaysia	3	3	3	3
Depreciation of property, plant and equipment	865	352	#	-
Directors remuneration (Note 34)	2,215	1,015	1,532	97
Direct operating expenses on investment properties	1,410	1,402	-	-
Equipment written off	2	-	-	-
Impairment loss on trade and other receivables	-	-	1,530	-
Interest expense on financial liability not at fair value through profit or loss:				
- hire purchase	51	19	-	-
- term loans	130	313	-	-
Preliminary expenses	5	2	-	-
Realised loss on foreign exchange	6	2	-	-
Rental of equipment	76	29	-	-
Rental of motor vehicles	8	-	-	-
Rental of premises	1,765	1,162	-	-
Royalty expenses	-	32	-	-
Staff costs (including other key management personnel as disclosure in Note 34)				
- salaries and other benefits	9,568	7,627	646	157
- defined contribution plan	1,028	851	43	34
Write-down in value of inventories	1,004	-	-	-
Amortisation of government grant	(15)	(15)	-	-
Bargain purchase gain (Note 30)	(3,487)	(324)	-	-

- Amount less than RM1,000

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****26. PROFIT/(LOSS) BEFORE TAXATION (CONT'D)**

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit/(Loss) before taxation is arrived at after charging/ (crediting) (Cont'd):-				
Loss/(Gain) on disposal of subsidiaries	-	1,465	-	(10,083)
Fair value gain on investment properties (Note 9)	-	(7,000)	-	-
Interest income	(113)	(471)	(80)	(457)
Rental income	(3,168)	(2,817)	-	-
	<u>(3,281)</u>	<u>(8,823)</u>	<u>(880)</u>	<u>(10,540)</u>

27. INCOME TAX EXPENSE

	The Group	
	2016 RM'000	2015 RM'000
Current tax:		
- for the financial year	255	1,635
- (over)/underprovision in previous financial year	(408)	242
	<u>(153)</u>	<u>1,877</u>
Deferred tax liabilities (Note 22)	-	351
	<u>(153)</u>	<u>2,228</u>

Portal Essential has been granted the MSC Malaysia status, which qualifies the company for the Pioneer Status incentive under the Promotion of Investments Act 1986. The company will enjoy full exemption from income tax on its statutory income from pioneer activities for a period of five (5) years, from 31 October 2013 to 30 October 2018.

IGAR Worldwide has been granted the MSC Malaysia status, which qualifies the company for the Pioneer Status incentive under the Promotion of Investments Act 1986. The company will enjoy full exemption from income tax on its statutory income from pioneer activities for a period of five (5) years, from 16 October 2014 to 15 October 2020.

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**NOTES TO THE FINANCIAL STATEMENTS
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The reconciliation of income tax expense applicable to the profit/(loss) before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company are as follows:-

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit/(Loss) before taxation	1,128	15,664	(1,977)	9,810
Tax at the statutory tax rate of 24% (2015 - 25%)	271	3,916	(475)	2,453
Tax effects of:-				
Non-taxable income	(896)	(195)	-	(2,635)
Non-deductible expenses	681	799	372	184
Deferred tax asset not recognised during the financial year	1,286	155	103	-
Effect of income subject to real property gains tax	-	(1,400)	-	-
Tax-exempt income	(1,080)	(1,289)	-	-
Utilisation of deferred tax assets previously not recognised	(7)	-	-	(2)
(Over)/Underprovision in the previous financial year	(408)	242	-	-
Income tax expense for the financial year	(153)	2,228	-	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015 – 25%) of the estimated assessable profit for the financial year.

No deferred tax assets are recognised in respect of the following items:-

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unutilised tax losses	7,321	1,960	575	-
Unabsorbed capital allowances	472	261	-	-
	7,793	2,221	575	-

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****28. PROFIT AFTER TAXATION FROM DISCONTINUED OPERATIONS**

In the previous financial year, the Group had on 30 April 2015 announced the disposal of its wholly-owned subsidiaries, Golsta and its subsidiaries ("Golsta Group") which have been underperforming for the past few financial years. The decision is consistent with the Group's strategy to focus on property-related businesses. The disposal was completed on 15 September 2015. The results of Golsta Group are presented separately on the consolidated statements of profit or loss and other comprehensive income as "Profit after taxation from discontinued operations".

An analysis of the results of the discontinued operations is as follows:

	The Group 2015 RM'000
Revenue	14,470
Cost of sales	(10,367)
	<hr/>
Gross Profit	4,103
Other income	1,061
	<hr/>
Selling and marketing expenses	5,164
Administrative expenses	(2,597)
Finance costs	(426)
	<hr/>
Profit before taxation from discontinued operations	(88)
Income tax expense	2,053
	<hr/>
Profit after taxation from discontinued operations	(544)
	<hr/>
	1,509
	<hr/>
Attributable to:-	
Owners of the Company	1,509
	<hr/>

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**NOTES TO THE FINANCIAL STATEMENTS
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(a) Included in profit before taxation from the discontinued operations are the following:-

	The Group 2015 RM'000
Audit fee	17
Bad debts written off	58
Depreciation of property, plant and equipment	668
Directors remuneration	952
Interest expense:	
- hire purchase	35
- term loan	36
Rental of equipment	2
Staff cost:	
- salaries and other benefits	3,042
- defined contribution plans	187
Gain on foreign exchange:	
- realised	(64)
- unrealised	(766)
Interest income	(45)
Rental income	(185)

(b) The cash flows attributable to the discontinued operations are the following:-

	The Group 2015 RM'000
Net cash from operating activities	15,394
Net cash used in investing activities	(590)
Net cash used in financing activities	(13,546)
	<u>1,258</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****29. EARNINGS PER SHARE**

	The Group	
	2016	2015
Continuing operations		
Profit after taxation attributable to owners of the Company (RM'000)	1,502	10,034
Weighted average number of ordinary shares in issued ('000):-		
Ordinary shares at 1 January	55,440	55,440
Effect of new ordinary shares issued	1,341	-
Weighted average number of ordinary shares at 31 December	56,781	55,440
Basic earnings per share (Sen)	2.65	18.10

The Company has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

	The Group	
	2016	2015
Discontinued Operations		
Profit after taxation attributable to owners of the Company (RM'000)	-	1,509
Weighted average number of ordinary shares in issue (as above) ('000)	-	55,440
Basic earnings per share (Sen)	-	2.72

30. ACQUISITION OF SUBSIDIARIES

During the financial year, the Group acquired the following subsidiaries:

- (a) HCK Capital Holdings incorporated a wholly-owned subsidiary, namely HCK Education with 2 issued and fully paid-up ordinary shares of RM 1 each;
- (b) HCK Properties subscribed for 51 ordinary shares of RM1 each representing 51% equity interest in Oval Bridge for a total cash consideration of RM51;
- (c) Oval Bridge subscribed for 67 ordinary shares of RM1 each representing 67% equity interest in Koridor Efektif for a total cash consideration of RM67;

HCK CAPITAL GROUP BERHAD(Incorporated in Malaysia)
Company No: 484964 - H**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****30. ACQUISITION OF SUBSIDIARIES (CONT'D)**

During the financial year, the Group acquired the following subsidiaries (Cont'd):

- (d) HCK Properties subscribed for 700 ordinary shares of RM1 each representing 70% equity interest in HCK Premier Builders for a total cash consideration of RM700;
- (e) HCK Properties acquired 2 ordinary shares of RM 1 each representing 100% equity interest in SA Alliances for a total cash consideration of RM2;
- (f) HCK Properties acquired 15,000,000 ordinary shares of RM1 each representing 100% equity interest in Andaman Daya for a total purchase consideration of RM11,581,039 via the issuance of 4,541,583 ordinary shares of RM1 each in the Company at an issue price of RM2.55 per share;
- (g) HCK Properties acquired 2,500,000 ordinary shares of RM1 each representing 100% equity interest in Fidelity Ventures for a total purchase consideration of RM2,290,517 via issuance of 898,242 ordinary shares of RM1 each in the Company at an issue price of RM2.55 per share, with an assumption of advances owing to a director of Fidelity Ventures' wholly-owned subsidiary, namely Joyview Properties of RM54,839,983 via the issuance of 21,505,875 ordinary shares of RM1 each in the Company at an issue price of RM2.55 per share; and
- (h) HCK Properties acquired 2 ordinary shares of RM1 each representing 100% equity interest in Usas Management for a total cash consideration of RM2, with an assumption of advances owing to a director of Usas Management of RM4,714,000 via the issuance of 1,848,628 ordinary shares of RM1 each in the Company at an issue price of RM2.55 per share.

The acquisitions of these subsidiaries are to enable the Group to further expand its property-related businesses.

The following summarises the major classes of consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

(a) The Fair Value of Purchase Consideration

	Andaman Daya RM'000	Fidelity Ventures Group RM'000	Usas Management RM'000	Other individually immaterial business combinations RM'000	The Group RM'000
2016					
Cash	-	-	#	1	1
5,439,827 ordinary shares issued at RM2.55 per share (determined based on the 5- day weighted average market price)	11,581	2,291	-	-	13,872
Total purchase consideration	11,581	2,291	#	1	13,873

- Amount less than RM1,000

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****30. ACQUISITION OF SUBSIDIARIES (CONT'D)****(b) Identifiable Assets Acquired and Liabilities Assumed**

	Andaman Daya RM'000	Fidelity Ventures Group RM'000	Usas Management RM'000	Other individually immaterial business combinations RM'000	The Group RM'000
2016					
Leasehold land	22,100	-	-	-	22,100
Land held for property development	-	-	46,070	-	46,070
Inventories	-	157,528	-	-	157,528
Trade receivables	-	825	-	-	825
Other receivables, deposits and prepayments	8,175	2,186	-	-	10,361
Current tax assets	-	2	-	-	2
Fixed deposit with a licensed bank	-	-	1,000	-	1,000
Cash and bank balances	9	259	202	1	471
Trade payables	-	(19,066)	-	-	(19,066)
Other payables and accruals	(1,277)	(16,149)	(388)	(13)	(17,827)
Amount owing to a director	(3,266)	(63,195)	(20,740)	-	(87,201)
Term loans	(14,589)	(53,460)	(30,000)	-	(98,049)
Deferred tax liabilities	(169)	(3,152)	-	-	(3,321)
Fair value of net identifiable assets acquired/(liabilities assumed)	10,983	5,778	(3,856)	(12)	12,893

(c) Cash Flows Arising from Acquisition

	Andaman Daya RM'000	Fidelity Ventures Group RM'000	Usas Management RM'000	Other individually immaterial business combinations RM'000	The Group RM'000
2016					
Purchase consideration settled in cash and cash equivalents (item (a) above)	-	-	#	1	1
Less: Cash and bank balances of subsidiaries acquired (item (b) above)	(9)	(259)	(202)	(1)	(471)
Net cash inflow from acquisition of subsidiaries	(9)	(259)	(202)	#	(470)

- Amount less than RM1,000

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****30. ACQUISITION OF SUBSIDIARIES (CONT'D)****(d) Goodwill Arising from Acquisition**

	Andaman Daya RM'000	Fidelity Ventures Group RM'000	Usas Management RM'000	Other individually immaterial business combinations RM'000	The Group RM'000
2016					
Total consideration transferred (item (a) above)	11,581	2,291	#	1	13,873
Less: Fair value of identifiable net (assets)/liabilities (item (b) above)	(10,983)	(5,778)	3,856	12	(12,893)
Non-controlling interests (item (d)(i) below)	-	-	-	(13)	(13)
Bargain purchase gain (Note 26)	-	3,487	-	-	3,487
Goodwill from the acquisition of subsidiaries (Note 11)	598	-	3,856	-	4,454

- Amount less than RM1,000

- (i) The non-controlling interests are measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net liabilities at the date of acquisition.
- (ii) The Group has incurred acquisition-related costs of RM65,000 related to external legal fees and due diligence costs. These expenses were deducted against share premium.
- (iii) The goodwill is attributable mainly to its future property development as well as the synergies expected to be achieved from integrating the subsidiaries into the Group's existing property segment. The goodwill is not deductible for tax purposes.

(e) Impact of Acquisition on the Group's Results

The acquired subsidiaries have contributed the following results to the Group:-

	The Group 2016 RM'000
Revenue	-
Loss after taxation	(500)

If the acquisition had taken place at the beginning of the financial year, the Group's results for the financial year would have been a loss after taxation of RM1,897,000.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****30. ACQUISITION OF SUBSIDIARIES (CONT'D)**

In the previous financial year, the Group acquired the following subsidiaries:

- (a) On 4 September 2015, HCK Properties acquired the entire equity interest in Equal Straits for a total cash consideration of RM30,000,000 from certain directors of the Company;
- (b) On 7 December 2015, HCK Properties acquired the entire equity interest in Aspen Entity for a total cash consideration of RM2; and
- (c) On 9 December 2015, Aspen Entity entered into a conditional SSA with a third party to acquire 400,000 ordinary shares of RM1 each representing 100% equity interest in Oscar Springs for a total cash consideration of RM1,500,000. Simultaneously upon the signing of the SSA and the partial payment of the purchase consideration to the third party, 300,000 ordinary shares representing 75% equity interest in Oscar Springs was transferred to Aspen Entity. The remaining balance of 100,000 ordinary shares representing 25% equity interest in Oscar Springs shall be transferred to Aspen Entity upon the fulfillment of all the conditions of the SSA.

The acquisitions of these subsidiaries are to enable the Group to further expand its property-related businesses.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	The Group 2015 RM'000
Inventories	43,483
Other receivables, deposits and prepayments	201
Cash and bank balances	88
Other payables and accruals	(203)
Term loan	(13,044)
	<hr/>
Net identifiable assets acquired	30,525
Less: Non-controlling interests, measured at the proportionate share of the fair value of the net identifiable assets	(50)
Less: Bargain purchase gain (Note 26)	(324)
Add: Prepayment on land proprietary entitlement (Note 14)	974
	<hr/>
Total purchase consideration	31,125
Less: Cash and cash equivalents of subsidiaries acquired	(88)
	<hr/>
Net cash outflow on acquisition of subsidiaries	<u>31,037</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****30. ACQUISITION OF SUBSIDIARIES (CONT'D)**

The acquired subsidiaries have contributed the following results to the Group:-

	2015 RM'000
Revenue	-
Loss after taxation	(8)

If the acquisition had taken place at the beginning of the financial year, the Group's profit after taxation for the financial year would have been RM13,192,000.

31. DISPOSAL OF SUBSIDIARIES

In the previous financial year, the Company had on 15 September 2015 disposed of its entire equity interest in Golsta Group for a total cash consideration of approximately RM34,475,000 (included the settlement of amount owing by Golsta Group of approximately RM2,333,000).

The financial effects of the disposal at the date of disposal are summarised below:-

	The Group 2015 RM'000	The Company 2015 RM'000
Goodwill (Note 11)	-	-
Property, plant and equipment (Note 8)	20,473	-
Investments in subsidiaries (Note 6)	-	22,059
Investment properties (Note 9)	6,930	-
Inventories	6,587	-
Trade receivables	5,358	-
Other receivables, deposits and prepayments	4,889	-
Current tax assets	117	-
Short-term deposits with licensed banks	267	-
Cash and bank balances	35,778	-
Deferred tax liabilities	(1,682)	-
Trade payables	(5,043)	-
Other payables and accruals	(35,536)	-
Amount owing to immediate holding company	(2,333)	-
Hire purchase payables	(1,191)	-
Term loans	(826)	-
Current tax liabilities	(181)	-
Carrying amount of net assets disposed of	<u>33,607</u>	<u>22,059</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****31. DISPOSAL OF SUBSIDIARIES (CONT'D)**

The financial effects of the disposal at the date of disposal are summarised below:-

	The Group 2015 RM'000	The Company 2015 RM'000
Carrying amount of net assets disposed of (Loss)/Gain on disposal of subsidiaries (Note 26)	33,607 (1,465)	22,059 10,083
Consideration received, satisfied in cash Add: Settlement of amount owing by a subsidiary	32,142 2,333	32,142 2,333
	34,475	34,475
Less: Cash and cash equivalents of subsidiaries disposed of *	(35,993)	-
Net cash (outflow)/inflow from the disposal of subsidiaries	(1,518)	34,475

* - Excluded short-term deposit pledged of RM52,000 which is held in trust by the directors of the company.

32. PURCHASE OF EQUIPMENT

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cost of equipment purchased (Note 8)	1,348	2,622	2	-
Amount financed through hire purchase	(833)	(740)	-	-
Cash disbursed for purchase of equipment	515	1,882	2	-

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****33. CASH AND CASH EQUIVALENTS**

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fixed deposit with a licensed bank	1,000	-	-	-
Short-term fund	78	15,599	78	15,599
Cash and bank balances	2,963	1,266	-	-
	<u>4,041</u>	<u>16,865</u>	<u>78</u>	<u>15,599</u>
Less: Fixed deposit pledged to a licensed bank (Note 16)	(1,000)	-	-	-
	<u>3,041</u>	<u>16,865</u>	<u>78</u>	<u>15,599</u>

34. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include Executive Directors and Non-Executive Directors of the Company and certain members of senior management of the Group and of the Company.

(a) The key management personnel compensation during the financial year are as follows:-

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors				
<u>Directors of the Company</u>				
<i>Executive Directors</i>				
Short-term employee benefits:				
- salaries, bonus and other benefits	1,645	580	1,261	-
Defined contribution plan	197	70	151	-
	<u>1,842</u>	<u>650</u>	<u>1,412</u>	<u>-</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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- (a) The key management personnel compensation during the financial year are as follows (Cont'd):-

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors				
<u>Directors of the Company</u>				
<i>Non-Executive Directors</i>				
Short-term employee benefits:				
- fees	120	75	120	75
- current financial year				
- overprovision in previous financial year	-	(5)	-	(5)
- other benefits	-	27	-	27
	120	97	120	97
	1,962	747	1,532	97
<u>Directors of the Subsidiaries</u>				
<i>Executive Directors</i>				
Short-term employee benefits				
- salaries, bonuses and other benefits	226	239	-	-
Defined contribution plan	27	29	-	-
	253	268	-	-
Total directors' remuneration (Note 26)	2,215	1,015	1,532	97
Discontinued operations				
<i>Executive Directors</i>				
Short-term employee benefits:				
- fee	-	371	-	-
- salaries, bonuses and other benefits	-	524	-	-
	-	895	-	-
Benefits-in-kind	-	57	-	-
	-	952	-	-

HCK CAPITAL GROUP BERHAD(Incorporated in Malaysia)
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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****34. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)**

- (a) The key management personnel compensation during the financial year are as follows (Cont'd):-

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other Key Management Personnel				
Short-term employee benefits	2,335	1,626	325	83
Defined contribution plan	277	195	39	10
	<u>2,612</u>	<u>1,821</u>	<u>364</u>	<u>93</u>
Total compensation for other key management personnel	<u>2,612</u>	<u>1,821</u>	<u>364</u>	<u>93</u>

- (b) The number of the Company's directors with total remuneration falling in bands of RM50,000 are as follows:-

	The Group		The Company	
	2016 Number of Directors	2015 Number of Directors	2016 Number of Directors	2015 Number of Directors
Executive Directors:				
- Below RM50,000	-	1	-	-
- RM200,001 to RM250,000	-	2	-	-
- RM250,001 to RM300,000	1	1	-	-
- RM300,001 to RM350,000	-	1	-	-
- RM350,001 to RM400,000	-	1	-	-
- RM400,001 to RM450,000	1	1	-	-
- above RM1,000,000 to RM1,500,000	1	-	1	-
Non-Executive Directors:				
Below RM50,000	5	5	5	5
	<u>8</u>	<u>12</u>	<u>6</u>	<u>5</u>

35. RELATED PARTY DISCLOSURES**(a) Identities of Related Parties**

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, holding company key management personnel and entities within the same group of companies.

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**NOTES TO THE FINANCIAL STATEMENTS
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Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following transactions with the related parties during the financial year:-

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Management service charges to subsidiaries	-	-	1,843	167
Acquisition of subsidiaries from directors	13,870	30,000	-	-
Rental income from a non-controlling interest	3,168	2,808	-	-
Royalty income from a related party	-	31	-	-
	<u>-</u>	<u>31</u>	<u>-</u>	<u>-</u>

The significant outstanding balances of the related parties (including the allowance for impairment loss made) together with their terms and conditions are disclosed in the respective notes to the financial statements.

36. OPERATING SEGMENTS

For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into 2 main reportable segments as follows:-

- Properties management and trading services - fees derived from successful completion of sales of property, income derived from sales of properties and letting of properties.
- Others - operations of food and beverage outlets, investment holding and royalty fee income. However, the trading in waste materials has been discontinued in the previous financial year.
- Industrial Machine – design, fabrication, installation of industrial machine (discontinued in the previous financial year).

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****36. OPERATING SEGMENTS (CONT'D)**

Management monitors the operating results of its business unit separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

- (a) Borrowings and investment-related activities are managed on a group basis by the central treasury function and are not allocated to reportable segments.
- (b) Each reportable segment assets is measured based on all assets (including goodwill) of the segment other than investments in associates and tax-related assets.
- (c) Each reportable segment liabilities is measured based on all liabilities of the segment other than borrowings and tax-related liabilities.
- (d) Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the reportable segments are presented under unallocated items. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters) and head office expenses.

Transactions between reportable segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation.

BUSINESS SEGMENTS

	Properties RM'000	Others RM'000	Group RM'000
2016			
Revenue			
External revenue	17,897	2,688	20,585
Inter-segment revenue	7,050	2,967	10,017
	24,947	5,655	30,602
Consolidation adjustments			(10,017)
Consolidation revenue			20,585

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**NOTES TO THE FINANCIAL STATEMENTS
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	Properties RM'000	Others RM'000	Group RM'000
2016			
Results			
Results before following adjustments	(2,450)	(6,429)	(8,879)
Consolidation adjustments and eliminations	5,718	4,201	9,919
Amortisation of intangible assets	(2)	(48)	(50)
Depreciation of property, plant and equipment	(421)	(444)	(865)
Direct operating expenses on investment properties	(1,410)	-	(1,410)
Equipment written off	(2)	-	(2)
Write-down in value of inventories	(1,004)	-	(1,004)
Bargain purchase gain	3,487	-	3,487
Segment results	3,916	(2,720)	1,196
Interest income			113
Finance costs			(181)
Share of results in associates			#
Income tax expenses			153
Consolidation profit after taxation			1,281
Assets			
Segment assets	370,294	2,588	372,882
Unallocated assets:			
- current tax assets	943	7	950
Consolidated total assets	371,237	2,595	373,832
Additions to non-currents other than financial instruments are:-			
Property, plant and equipment	1,273	75	1,348
Property development expenditure	15,207	-	15,207
Intangible assets	25	-	25
	16,505	75	16,580

- Amount less than RM1,000.

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**NOTES TO THE FINANCIAL STATEMENTS
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BUSINESS SEGMENTS (CONT'D)

	Properties RM'000	Others RM'000	Group RM'000
2016			
Liabilities			
Segment liabilities	186,961	1,565	188,526
Unallocated liabilities:			
- current tax liabilities	72	-	72
- deferred tax liabilities	3,727	-	3,727
	<u>190,760</u>	<u>1,565</u>	<u>192,325</u>

	Continuing operations		Discontinued operations	Group
	Properties RM'000	Others RM'000	Industrial Machine RM'000	RM'000
2015				
Revenue				
External revenue	31,645	1,587	14,470	47,702
Inter-segment revenue	7,645	1,349	1,967	10,961
	<u>39,290</u>	<u>2,936</u>	<u>16,437</u>	<u>58,663</u>
Consolidation adjustments				(10,961)
Consolidated revenue				<u>47,702</u>

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BUSINESS SEGMENTS (CONT'D)

	Continuing operations		Discontinued operations	Group RM'000
	Properties RM'000	Others RM'000	Industrial Machine RM'000	
2015				
Results				
Results before following adjustments	12,413	8,475	1,996	22,884
Consolidation adjustments and eliminations	568	(11,452)	2	(10,882)
Amortisation of intangible asset	-	(49)	-	(49)
Depreciation of plant and equipment	(172)	(180)	(668)	(1,020)
Direct operating expenses on investment properties	(1,402)	-	-	(1,402)
Fair value gain on revaluation of investment properties	7,000	-	-	7,000
Bargain purchase gain	324	-	-	324
Unrealised foreign exchange loss	-	-	766	766
Segment results	18,731	(3,206)	2,096	17,621
Interest income				516
Finance costs				(420)
Income tax expense				(2,772)
Consolidated profit after taxation				14,945
Assets				
Segment assets	112,793	18,599	-	131,392
Unallocated assets:				
- current tax assets	186	13	-	199
Consolidated total assets	112,979	18,612	-	131,591
Additions to non-current assets other than financial instruments are:-				
Property, plant and equipment	432	1,137	1,053	2,622

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**NOTES TO THE FINANCIAL STATEMENTS
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BUSINESS SEGMENTS (CONT'D)

	Continuing operations		Discontinued operations	Group RM'000
	Properties RM'000	Others RM'000	Industrial Machine RM'000	
2015				
Liabilities				
Segment liabilities	20,419	2,709	-	23,128
Unallocated liabilities:				
- current tax liabilities	507	-	-	507
- deferred tax liabilities	406	-	-	406
Consolidated total liabilities	21,332	2,709	-	24,041

BUSINESS SEGMENT AND GEOGRAPHICAL INFORMATION

The Group operates predominantly in one business segment in Malaysia. Accordingly, the information by business and geographical segments is not presented.

MAJOR CUSTOMERS

The following are major customers with revenue equal to or more than 10% of Group total revenue:-

	Revenue		Segment
	2016 RM'000	2015 RM'000	
Customer #1	-	6,366	Properties
Customer #2	6,746	11,605	Properties
Customer #3	3,253	-	Properties
Customer #4	3,000	-	Properties
Customer #5	3,168	-	Properties
	16,167	17,971	

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**NOTES TO THE FINANCIAL STATEMENTS
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	The Group	
	2016	2015
	RM'000	RM'000
Authorised but not Contracted for		
Motor vehicles	-	833
Contracted but not Provided for		
Acquisition of remaining equity interest in a subsidiary	700	1,000
Purchase of a piece of leasehold land	7,796	-
	<u>8,496</u>	<u>1,000</u>

38. OPERATING LEASE COMMITMENTS**38.1 LEASES AS LESSEE**

The future minimum lease payments under the non-cancellable operating leases are as follows:-

	The Group	
	2016	2015
	RM'000	RM'000
Not more than 1 year	591	848
Later than 1 year and not later than 5 years	47	642
	<u>638</u>	<u>1,490</u>

38.2 LEASES AS LESSOR

The Group has entered into a non-cancellable operating lease agreement with a non-controlling interest, Symphony Diversified Sdn. Bhd., in respect of the leases of the investment property. The lease has non-cancellable terms of 3 years, with a renewal option of 3 years included in the lease agreement, at the option of the lessee.

The future minimum lease payments under the non-cancellable operating leases are as follows:-

	The Group	
	2016	2015
	RM'000	RM'000
Not more than 1 year	3,681	936
Later than 1 year and not later than 5 years	5,130	-
	<u>8,811</u>	<u>936</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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The applicable closing foreign exchange rate used (expressed on the basis of one unit of foreign currency to RM equivalent) for the translation of foreign currency balances at the end of the reporting period was as follows:-

	2016 RM	2015 RM
Australian Dollar ("AUD")	3.240	3.141

40. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

40.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk**(i) Foreign Currency Risk**

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currency giving rise to this risk is primarily AUD. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) that based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

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40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)**(i) Foreign Currency Risk (Cont'd)***Foreign Currency Exposure*

The Group	AUD RM'000	RM RM'000	Total RM'000
2016			
<u>Financial Assets</u>			
Trade receivables	-	6,035	6,035
Other receivables and deposits	-	4,525	4,525
Short-term fund	-	78	78
Fixed deposit with a licensed bank	-	1,000	1,000
Cash and bank balances	-	2,963	2,963
	-	14,601	14,601
<u>Financial Liabilities</u>			
Hire purchase payables	-	974	974
Term loans	-	123,996	123,996
Trade payables	-	19,189	19,189
Other payables and accruals	168	44,199	44,367
	168	188,358	188,526
Net financial liabilities	(168)	(173,757)	(173,925)
Less: Net financial liabilities denominated in the respective entities' functional currency	-	173,757	173,757
Currency Exposure	(168)	-	(168)

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40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

The Group	AUD RM'000	RM RM'000	Total RM'000
2015			
<u>Financial Assets</u>			
Trade receivables	-	21,032	21,032
Other receivables and deposits	-	1,843	1,843
Short-term fund	-	15,599	15,599
Cash and bank balances	-	1,266	1,266
	-	39,740	39,740
<u>Financial Liabilities</u>			
Hire purchase payables	-	351	351
Term loan	-	13,044	13,044
Trade payables	-	1,393	1,393
Other payables and accruals	165	8,140	8,305
	165	22,928	23,093
Net financial (liabilities)/assets	(165)	16,812	16,647
Less: Net financial assets denominated in the respective entities' functional currency	-	(16,812)	(16,812)
Currency Exposure	(165)	-	(165)

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40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Company does not have any transactions or balances denominated in foreign currencies. Hence, it is not exposed to foreign currency risk.

Foreign Currency Risk Sensitivity Analysis

Any reasonably possible change in the foreign currency exchange rate at the end of the reporting period against the respective functional currencies of the entities within the Group does not have material impact on the profit/loss after taxation and other comprehensive income of the Group and hence, no sensitivity analysis is presented.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's fixed deposit with a licensed bank and hire purchase payables are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 7 since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk that based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Notes 15 and 21 to the financial statements.

Interest Rate Risk Sensitivity Analysis

Any reasonably possible change in the interest rates of floating rate term loans at the end of the reporting period does not have material impact on the profit/loss after taxation and other comprehensive income of the Group and of the Company and hence, no sensitivity analysis is presented.

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40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(iii) Equity Price Risk

The Group's principal exposure to equity price risk arises mainly from changes in quoted investment prices. The Group manages its exposure to equity price risk by maintaining a portfolio of equities with different risk profiles.

Equity Price Risk Sensitivity Analysis

Any reasonably possible change in the prices of quoted investments at the end of the reporting period does not have material impact on the profit/loss after taxation and other comprehensive income of the Group and of the Company and hence, no sensitivity analysis is presented.

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Groups uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 60 days, which are deemed to have higher credit risk, are monitored individually.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified (where applicable). Impairment is estimated by management based on prior experience and the current economic environment.

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40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)**(i) Credit Risk Concentration Profile**

The Group's major concentration of credit risk relates to the amounts owing by 2 customers which constituted approximately 73% (2015 - 88%) of its trade receivables (including related parties) at the end of the reporting period.

(ii) Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

(iii) Ageing Analysis

The ageing analysis trade receivables is as follows:-

The Group	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Value RM'000
2016				
Not past due	3,864	-	-	3,864
Past due:				
- less than 1 month	450	-	-	450
- 1 to 2 months	897	-	-	897
- over 2 months	824	-	-	824
	6,035	-	-	6,035
2015				
Not past due	6,410	-	-	6,410
Past due:				
- less than 1 month	8,084	-	-	8,084
- 1 to 2 months	219	-	-	219
- over 2 months	6,319	-	-	6,319
	21,032	-	-	21,032

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40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)**(iii) Ageing Analysis (Cont'd)**

The Group believes that no impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) :-

	Contractual Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	Over 5 Years RM'000
The Group						
2016						
<u>Non-derivative</u>						
<u>Financial</u>						
<u>Liabilities</u>						
Hire purchase payables	4.92 - 5.05	974	1,070	288	782	-
Term loans	5.30 - 8.00	123,996	144,375	14,774	88,474	41,127
Trade payables	-	19,189	19,189	19,189	-	-
Other payables and accruals	-	44,367	44,367	44,367	-	-
		188,526	209,001	78,618	89,256	41,127

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40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)*Maturity Analysis (Cont'd)*

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

	Contractual Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	Over 5 Years RM'000
The Group						
2015						
<u>Non-derivative</u>						
<u>Financial</u>						
<u>Liabilities</u>						
Hire purchase payables	4.92 - 5.01	351	386	100	286	-
Term loan	5.65	13,044	13,044	-	13,044	-
Trade payables	-	1,393	1,393	1,393	-	-
Other payables and accruals	-	8,305	8,305	8,305	-	-
		23,093	23,128	9,798	13,330	-
The Company						
2016						
<u>Non-derivative</u>						
<u>Financial Liability</u>						
Other payables and accruals	-	665	665	665	-	-
2015						
<u>Non-derivative</u>						
<u>Financial Liability</u>						
Other payables and accruals	-	136	136	136	-	-

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40. FINANCIAL INSTRUMENTS (CONT'D)**40.2 CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholder(s) value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as total borrowings from financial institutions divided by total equity. Capital includes equity attributable to the owners of the parent and non-controlling interest. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	The Group	
	2016	2015
	RM'000	RM'000
Hire purchase payables (Note 20)	974	351
Term loans (Note 21)	123,996	13,044
	<hr/>	<hr/>
Total borrowings	124,970	13,395
	<hr/>	<hr/>
Total equity	181,507	107,550
	<hr/>	<hr/>
Debt-to-equity ratio	0.69	0.12
	<hr/>	<hr/>

There was no change in the Group's approach to capital management during the financial year.

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	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Financial Assets				
<u>Loans and Receivables Financial Assets</u>				
Trade receivables (Note 14)	6,035	21,032	1,674	167
Other receivables and deposits (Note 14)	4,525	1,843	150,604	65,350
Fixed deposit with a licensed bank (Note 16)	1,000	-	-	-
Cash and bank balances	2,963	1,266	-	-
	<u>14,523</u>	<u>24,141</u>	<u>152,278</u>	<u>65,517</u>
<u>Fair Value Through Profit or Loss:</u>				
<u>Held-for-trading</u>				
Short-term fund (Note 15)	78	15,599	78	15,599
	<u>78</u>	<u>15,599</u>	<u>78</u>	<u>15,599</u>
Financial Liabilities				
<u>Other Financial Liabilities</u>				
Hire purchase payables (Note 20)	974	351	-	-
Term loans (Note 21)	123,996	13,044	-	-
Trade payables (Note 23)	19,189	1,393	-	-
Other payables and accruals (Note 23)	44,367	8,305	665	136
	<u>188,526</u>	<u>23,093</u>	<u>665</u>	<u>136</u>

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The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

The Group	2016	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments Not Carried at Fair Value			Total Fair Value	Carrying Amount
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Financial Asset</u>									
Short-term fund		78	-	-	-	-	-	78	78
<u>Financial Liabilities</u>									
Hire purchase payables		-	-	-	-	974	-	974	974
Term loans		-	-	-	-	123,996	-	123,996	123,996

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The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period (Cont'd):-

The Group	2015	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments Not Carried at Fair Value			Total Fair Value	Carrying Amount
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Financial Asset</u>									
Short-term fund		15,599	-	-	-	-	-	15,599	15,599
<u>Financial Liabilities</u>									
Hire purchase payables		-	-	-	-	351	-	351	351
Term loan		-	-	-	-	13,044	-	13,044	13,044

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40. FINANCIAL INSTRUMENTS (CONT'D)

40.4 FAIR VALUE INFORMATION (CONT'D)

(a) Fair Value of Financial Instruments Carried at Fair Value

- (i) The fair value of short-term fund is measured at its quoted closing bid prices at the end of the reporting period.
- (ii) There were no transfer between level 1 and level 2 during the financial year.

(b) Fair Value of Financial Instruments not Carried at Fair Value

The fair values, which are for disclosure purposes, have been determined using the following basis:-

- (i) The fair values of the Group's term loans that carrying floating interest rates approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date.
- (ii) The fair values of hire purchase payables that carrying fixed interest rates are determined by discounting the relevant future contractual cash flows using current market interest rates for similar instruments ranging from 4.92% to 5.05% (2015 - 4.92% to 5.01%).

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41. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the financial year:-

- (i) HCK Capital Holdings incorporated a wholly-owned subsidiary, namely HCK Education with 2 issued and fully paid-up ordinary shares of RM 1 each;
- (ii) HCK Properties subscribed for 51 ordinary shares of RM1 each representing 51% equity interest in Oval Bridge for a total cash consideration of RM51;
- (iii) Oval Bridge subscribed for 67 ordinary shares of RM1 each representing 67% equity interest in Koridor Efektif for a total cash consideration of RM67;
- (iv) HCK Properties subscribed for 700 ordinary shares of RM1 each representing 70% equity interest in HCK Premier Builders for a total cash consideration of RM700;
- (v) HCK Properties acquired 2 ordinary shares of RM 1 each representing 100% equity interest in SA Alliances for a total cash consideration of RM2;
- (vi) HCK Properties has further subscribed for 698 ordinary shares of RM1 each representing approximately 70% of the increased paid-up share capital of RM998 in Aspen Entity. As a result, HCK Properties' interest was diluted from 100% to 70%;
- (vii) HCK Properties entered into a Deed of Novation with Aspen Entity and a third party to acquire 400,000 ordinary shares of RM1 each representing 100% equity interest in Oscar Springs. Under this Novation, an initial 300,000 ordinary shares representing 75% equity interest in Oscar Springs were transferred upon Novation. The remaining balances of 100,000 ordinary shares representing 25% equity interest in Oscar Springs shall be transferred to HCK Properties upon fulfillment of all the conditions of the conditional SSA;
- (viii) HCK Properties acquired 15,000,000 ordinary shares of RM1 each representing 100% equity interest in Andaman Daya for a total purchase consideration of RM11,581,039 via the issuance of 4,541,583 ordinary shares of RM1 each in the Company at an issue price of RM2.55 per share;
- (ix) HCK Properties acquired 2,500,000 ordinary shares of RM1 each representing 100% equity interest in Fidelity Ventures for a total purchase consideration of RM2,290,517 via issuance of 898,242 ordinary shares of RM1 each in the Company at an issue price of RM2.55 per share, with an assumption of advances owing to a director of Fidelity Ventures' wholly-owned subsidiary, namely Joyview Properties of RM54,839,983 via the issuance of 21,505,875 ordinary shares of RM1 each in the Company at an issue price of RM2.55 per share;

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

41. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

During the financial year (Cont'd):-

- (x) HCK Properties acquired 2 ordinary shares of RM1 each representing 100% equity interest in Usas Management for a total cash consideration of RM2, with an assumption of advances owing to a director of Usas Management of RM4,714,000 via the issuance of 1,848,628 ordinary shares of RM1 each in the Company at an issue price of RM2.55 per share;
- (xi) The Company acquired 25 ordinary shares of RM1 each representing 25% equity interest in Great Intent for a total cash consideration of RM25; and
- (xii) HCK Properties acquired 1 ordinary shares of RM1 each representing 50% equity interest in Binary Binajaya for a total cash consideration of RM1.

42. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

- (a) The Companies Act 2016 came into effect on 31 January 2017 (except for Section 241 and Division 8 of Part III of the said Act) and replaces the existing Companies Act 1965.

Amongst the key changes introduced under the Companies Act 2016 that will affect the financial statements of the Company upon its initial adoption are:-

- (i) Removal of the authorised share capital;
- (ii) Ordinary shares will cease to have par value; and
- (iii) Share premium account will become part of the share capital.

The adoption of the Companies Act 2016 is to be applied prospectively. Therefore, the changes in the accounting policies and the possible impacts on the financial statements upon its initial adoption will be disclosed in the financial statements of the Company for the financial year ending 31 December 2017.

- (b) On 13 March 2017, HCK Properties subscribed for 1 ordinary share of RM1 each representing the remaining 50% equity interest in Binary Binajaya for a total cash consideration of RM1. Consequently, Binary Binajaya became a wholly owned subsidiary by HCK Properties.
- (c) On 27 March 2017, Binary Binajaya incorporated a wholly-owned subsidiary, namely HCK Bestari Sdn. Bhd. with 70 issued and fully paid-up ordinary shares of RM70 each.

HCK CAPITAL GROUP BERHAD

(Incorporated in Malaysia)

Company No: 484964 - H

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****43. SUPPLEMENTARY INFORMATION - DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES**

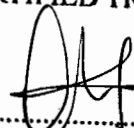
The breakdown of the retained profits/(accumulated losses) of the Group and of the Company at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained profits/ (accumulated losses) of the Company and its subsidiaries:				
- realised	23,237	13,699	(2,024)	(47)
- unrealised	(3,727)	6,594	-	-
	19,510	20,293	(2,024)	(47)
Total share of accumulated loss of associates:				
- realised	#	-	-	-
	19,510	20,293	(2,024)	(47)
Less: Consolidation adjustments	3,216	928	-	-
At 31 December	22,726	21,221	(2,024)	(47)

- Amount less than RM1,000.

UNAUDITED QUARTERLY REPORT OF OUR GROUP FOR THE THREE (3)-MONTH FPE 31
MARCH 2017

CERTIFIED TRUE COPY



.....
ADELINE HII SIEW CHING
(MIA 38679)
COMPANY SECRETARY



Interim Financial Statement
For the Financial Quarter Ended 31 March 2017

HCK CAPITAL GROUP BERHAD

(Incorporated in Malaysia)

(Company no: 484964-H)

**Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income
For the Financial Quarter Ended 31 March 2017**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	RM '000	RM '000	RM '000	RM '000
Continuing Operations				
Revenue	5,967	4,658	5,967	4,658
Cost of sales	(1,189)	(1,308)	(1,189)	(1,308)
Gross Profit	4,778	3,350	4,778	3,350
Other operating income	2	8	2	8
Administrative and general expenses	(4,980)	(3,823)	(4,980)	(3,823)
Sales and marketing expenses	(241)	(100)	(241)	(100)
Loss from operations	(441)	(565)	(441)	(565)
Interest income	36	95	36	95
Interest expense	(722)	(15)	(722)	(15)
Loss before taxation	(1,127)	(485)	(1,127)	(485)
Tax expense	(42)	(59)	(42)	(59)
Loss after taxation	(1,169)	(544)	(1,169)	(544)
Attributable to:				
Owners of the parent	(1,095)	(506)	(1,095)	(506)
Non-controlling interests	(74)	(38)	(74)	(38)
	(1,169)	(544)	(1,169)	(544)
Basic loss per share attributable to equity holders of the parent (sen):				
	(1.71)	(0.91)	(1.71)	(0.91)

The above condensed consolidated statements of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

HCK CAPITAL GROUP BERHAD

(Incorporated in Malaysia)

(Company no: 484964-II)

**Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Financial Quarter Ended 31 March 2017**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	RM '000	RM '000	RM '000	RM '000
Loss after taxation for the period	(1,169)	(544)	(1,169)	(544)
Other comprehensive income				
Item that may not be subsequently reclassified to profit or loss	-	-	-	-
Total comprehensive expenses	<u>(1,169)</u>	<u>(544)</u>	<u>(1,169)</u>	<u>(544)</u>
Total comprehensive expenses attributable to:				
Owners of the parent	(1,095)	(506)	(1,095)	(506)
Non-controlling interests	(74)	(38)	(74)	(38)
	<u>(1,169)</u>	<u>(544)</u>	<u>(1,169)</u>	<u>(544)</u>

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

HCK CAPITAL GROUP BERHAD

(Incorporated in Malaysia)

(Company no: 484964-H)

**Unaudited Condensed Consolidated Statements of Financial Position
For the Financial Quarter Ended 31 March 2017**

	AS AT 31.03.2017 RM' 000 Unaudited	AS AT 31.12.2016 RM' 000 Audited
ASSETS		
Non-current assets		
Property, plant and equipment	24,596	24,792
Land held for property development	61,277	61,277
Investment property	28,000	28,000
Goodwill	4,454	4,454
Intangible assets	613	626
	<u>118,940</u>	<u>119,149</u>
Current assets		
Inventories	229,438	229,196
Trade and other receivables	20,431	20,496
Assets held for sale	800	-
Current tax assets	1,115	950
Short term fund	158	78
Fixed deposit with a licensed bank	1,033	1,000
Cash and bank balances	203	2,963
	<u>253,178</u>	<u>254,683</u>
TOTAL ASSETS	<u><u>372,118</u></u>	<u><u>373,832</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	84,234	84,234
Share premium	69,471	69,486
Retained earnings	21,631	22,726
	<u>175,336</u>	<u>176,446</u>
Non-controlling interests	4,987	5,061
Total equity	<u>180,323</u>	<u>181,507</u>
Non-current liabilities		
Deferred tax liabilities	3,727	3,727
Long term borrowings	110,317	112,787
	<u>114,044</u>	<u>116,514</u>
Current liabilities		
Trade and other payables	54,517	63,556
Short term borrowings	23,186	12,183
Current tax liabilities	48	72
	<u>77,751</u>	<u>75,811</u>
Total liabilities	<u>191,795</u>	<u>192,325</u>
TOTAL EQUITY AND LIABILITIES	<u><u>372,118</u></u>	<u><u>373,832</u></u>
Net assets per share attributable to owners of the parent (RM)	<u>2.08</u>	<u>2.09</u>

The above condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

HCK CAPITAL GROUP BERHAD

(Incorporated in Malaysia)

(Company no: 484964-H)

**Unaudited Condensed Consolidation Statements of Changes in Equity
For the Financial Quarter Ended 31 March 2017**

	← Attributable to Owners of the Parent →		Retained earnings RM'000	Total RM'000	Non- controlling interests RM'000	Total Equity RM'000
	Non-Distributable	Distributable				
	Share Capital RM'000	Share Premium RM'000				
As at 1 January 2016	55,440	25,591	21,221	102,252	5,298	107,550
Acquisition of subsidiaries	-	-	-	-	(11)	(11)
Total comprehensive expenses	-	-	(506)	(506)	(38)	(544)
As at 31 March 2016	<u>55,440</u>	<u>25,591</u>	<u>20,715</u>	<u>101,746</u>	<u>5,249</u>	<u>106,995</u>
As at 1 January 2017	84,234	69,486	22,726	176,446	5,061	181,507
Total comprehensive expenses	-	-	(1,095)	(1,095)	(74)	(1,169)
Corporate exercise expenses	-	(15)	-	(15)	-	(15)
As at 31 March 2017	<u>84,234</u>	<u>69,471</u>	<u>21,631</u>	<u>175,336</u>	<u>4,987</u>	<u>180,323</u>

The above condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

HCK CAPITAL GROUP BERHAD

(Incorporated in Malaysia)

(Company no: 484964-H)

**Unaudited Condensed Consolidated Statement of Cash Flow
For the Financial Quarter Ended 31 March 2017**

	<u>Cumulative Quarter</u>	
	31.03.2017	31.03.2016
	RM' 000	RM' 000
Loss before taxation	(1,127)	(485)
<u>Adjustments for :</u>		
Non-cash items	964	263
Non-operating items	(36)	(95)
Total adjustment	928	168
Operating cash flow before changes in working capital	(199)	(317)
<u>Changes in working capital</u>		
Changes in inventories	(242)	61
Changes in land held for property development	-	(269)
Changes in trade and other receivables	(735)	(5,384)
Changes in trade and other payables	734	(2,563)
Total changes in working capital	(243)	(8,155)
Cash flow used in operations	(442)	(8,472)
Interest paid	(722)	(15)
Tax paid	(231)	(145)
Net cash flows used in operating activities	(1,395)	(8,632)
<u>Investing activities</u>		
Interest received	36	95
Placement of fixed deposit with a licensed bank	(33)	-
Proceeds from disposal of equipment	6	-
Purchase of equipment	(39)	(293)
Net cash flows used in investing activities	(30)	(198)
<u>Financing activities</u>		
Corporate exercise expenses paid	(15)	-
Repayment to directors	(9,773)	(2,809)
Repayment of hire purchases	(81)	(56)
Drawdown of revolving credit	10,000	-
Repayment to term loans	(1,386)	-
Net cash flows used in financing activities	(1,255)	(2,865)
Net decrease in cash and cash equivalents	(2,680)	(11,695)
Cash and cash equivalents at beginning of year	3,041	16,865
	361	5,170
<u>Composition of cash and cash equivalents:</u>		
Short term fund	158	2,434
Cash & bank balances	203	2,736
Cash and cash equivalents at end of period	361	5,170

The above condensed consolidated statements of cash flow should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

HCK CAPITAL GROUP BERHAD

(Incorporated in Malaysia)

(Company no: 484964-H)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2017****PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134****A1. Basis of Preparation**

The unaudited interim financial report has been prepared in accordance with the reporting requirement as set out in Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached herein for a better understanding of changes in financial position and performance of the Group.

The significant accounting policies adopted in the preparation the unaudited interim financial report are consistent with those followed in the preparation of the Group's audited financial statements for the financial year ended 31 December 2016 except for the adoption of all MFRSs which are in effective and the following new MFRSs and Interpretations and amendments to certain MFRSs and Interpretations with effect from 1 January 2017.

MFRSs and Amendments to MFRSs	Effective for financial periods beginning on or after
Amendments to MFRS 107 Statement of Cash Flows: <i>Disclosure Initiative</i>	01 January 2017
Amendments to MFRS 112 Income Taxes: <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	01 January 2017
Annual Improvements to MFRS Standards 2014 - 2016 Cycles:	01 January 2017
• <i>Amendments to MFRS 12: Clarification of the Scope of Standard</i>	

The adoption of the all and above pronouncement did not have any significant impact on the financial statements of the Group.

As at the date of authorisation of the unaudited interim financial report, the following Standards were issued but not yet effective and have not been adopted by the Group:

MFRSs, Amendments to MFRSs and IC Interpretations	Effective for financial periods beginning on or after
Amendments to MFRS 2: <i>Classification and Measurement of Share-based Payment Transactions</i>	01 January 2018
Amendments to MFRS 4: <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	01 January 2018
MFRS 9 Financial Instruments (International Financing Reporting Standards ("IFRS") 9 as issued by International Accounting Standards Board ("IASB") in July 2014)	01 January 2018
MFRS 15: <i>Revenue from Contracts with Customers</i>	01 January 2018
Amendments to MFRS 15: Effective Date of MFRS 15	01 January 2018
Amendments to MFRS 15: <i>Clarifications to MFRS 15 'Revenue from Contracts with Customers'</i>	01 January 2018
Amendments to MFRS 140: <i>Transfers of Investment Property</i>	01 January 2018
IC Interpretation 22: <i>Foreign Currency Transactions and Advance Consideration</i>	01 January 2018
Annual Improvements to MFRS Standards 2014 - 2016 Cycles	01 January 2018
• <i>Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters</i>	
• <i>Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value</i>	

A1. Basis of Preparation (Cont'd)

As at the date of authorisation of the unaudited interim financial report, the following Standards were issued but not yet effective and have not been adopted by the Group (Cont'd):

MFRSs, Amendments to MFRSs and IC Interpretations (Cont'd)	Effective for financial periods beginning on or
MFRS 16: <i>Leases</i>	01 January 2019
Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures - <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred until further notice

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have significant impact to the financial statements of the Group except for the following MFRSs where the Group is currently assessing their potential impacts.

(i) MFRS 9: Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. Therefore, it is expected that the Group's investments in unquoted shares that are currently stated at cost less accumulated impairment losses will be measured at fair value through other comprehensive income upon the adoption of MFRS 9. The Group is currently assessing the financial impact of adopting MFRS 9.

(ii) MFRS 15: Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS 15 further clarify the concept of 'distinct' for the purposes of this accounting standard. In addition, extensive disclosures are also required by MFRS 15. The Group anticipates that the application of MFRS 15 in the future may have an impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 15 until the Group performs a detailed review.

(iii) MFRS 16: Leases

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will replace the current guidance on lease accounting when it becomes effective. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their leased assets and the related lease obligations in the statements of financial position (with limited exceptions). The leased assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. The Group anticipates that the application of MFRS 16 in the future may have an impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 16 until the Group performs a detailed review.

(iv) Amendments to MFRS 107 Statement of Cash Flows: Disclosure Initiative

The amendments to MFRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Accordingly, there will be no financial impact on the financial statements of the Group upon its initial application. However, additional disclosure notes on the statements of cash flows may be required.

A2. Valuation of Property, Plant and Equipment and Investment Properties

There were no changes in the valuation on property, plant and equipment and investment properties in the current financial quarter under review.

A3. Seasonal or Cyclical Factors

The Group's performance is not materially affected by any seasonal or cyclical factors.

A4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial quarter under review.

A5. Changes in Estimates

There were no changes in estimates that have had any material effect on the result for the current financial quarter and financial period under review.

A6. Debt and Equity Securities

There were no issuances, repurchases and repayments of debt and equity securities during the current financial quarter and financial period under review.

A7. Dividend Paid

No dividend was paid during the current financial quarter and previous corresponding financial quarter.

A8. Segmental Information

	Properties RM'000	Food RM'000	Others RM'000	Total RM'000
Results for 3 months ended 31 March 2017				
<u>Revenue</u>				
External	5,382	585	-	5,967
Inter-segment	1,200	-	1,000	2,200
	<u>6,582</u>	<u>585</u>	<u>1,000</u>	<u>8,167</u>
Consolidated adjustments and elimination				<u>(2,200)</u>
Consolidated revenue				<u>5,967</u>
<u>Results</u>				
Results before the following adjustments	767	(235)	(344)	188
Consolidated adjustments and elimination	22	-	(1)	21
Amortisation of intangible asset	(1)	(12)	-	(13)
Depreciation of property and equipment	(112)	(110)	(1)	(223)
Direct operating expenses on investment property	<u>(414)</u>	<u>-</u>	<u>-</u>	<u>(414)</u>
Segment results	<u>262</u>	<u>(357)</u>	<u>(346)</u>	<u>(441)</u>
Interest income				36
Interest expense				(722)
Tax expense				<u>(42)</u>
Consolidated loss after taxation				<u>(1,169)</u>

A8. Segmental Information (Cont'd)

	Properties RM'000	Food RM'000	Others RM'000	Total RM'000
Results for 3 months ended 31 March 2016				
Revenue				
External	3,852	716	90	4,658
Inter-segment	2,250	-	818	3,068
	<u>6,102</u>	<u>716</u>	<u>908</u>	<u>7,726</u>
Consolidated adjustments and elimination				(3,068)
Consolidated revenue				<u>4,658</u>
Results				
Results before the following adjustments	545	(342)	(68)	135
Consolidated adjustments and elimination	9	-	(78)	(69)
Amortisation of intangible asset	-	(12)	-	(12)
Depreciation of equipment	(102)	(110)	(1)	(213)
Direct operating expenses on investment property	(406)			(406)
Segment results	<u>46</u>	<u>(464)</u>	<u>(147)</u>	<u>(565)</u>
Interest income				95
Interest expense				(15)
Tax expense				(59)
Consolidated loss after taxation				<u>(544)</u>

A9. Material Events Subsequent to The End of Interim Period

On 6 April 2017, HCK Properties Sdn. Bhd. ("HCK Properties") had entered into a Share Sale Agreement with a third party for the disposal of 300,000 ordinary shares representing 75% of the issued and paid-up capital of Oscar Springs Development Sdn. Bhd. ("Oscar Springs") for a total cash consideration of RM800,000.

Upon completion of the disposal, Oscar Springs ceased to be a subsidiary of HCK Properties.

A10. Changes in Composition of the Group

(a) On 13 March 2017, HCK Properties Sdn. Bhd. ("HCK Properties") acquired 1 ordinary share representing the remaining 50% equity interest in Binary Binajaya Sdn. Bhd. ("Binary Binajaya") for a total consideration of RM1. Consequently, Binary Binajaya became a wholly owned subsidiary of HCK Properties.

(b) On 27 March 2017, Binary Binajaya incorporated a wholly-owned subsidiary, namely HCK Bestari Sdn. Bhd. with 70 ordinary shares representing 100% equity interest for a total cash consideration of RM70.

A11. Changes in Contingent Assets and Contingent Liabilities

There were no changes in contingent assets and contingent liabilities since the end of the previous financial year.

A12. Capital Commitments

As at
31/03/2017
RM'000

Contracted but not provided for:

Purchase of a piece of leasehold land

7,796

A13. Operating Lease Commitments

As at
31/03/2017
RM'000

(i) Leases as Lessee

The future minimum lease payments under the non-cancellable operating leases are as follows:-

Not more than 1 year

404

Later than 1 year and not later than 5 years

23

427

(ii) Leases as Lessor

The Group has entered into a non-cancellable operating lease agreement with a non-controlling interest, in respect of the leases of the investment property. The lease has non-cancellable term of 3 years, with a renew option of 3 years included in the lease agreement, at the option of the lessee.

As at
31/03/2017
RM'000

The future minimum lease payments under the non-cancellable operating leases are as follows:-

Not more than 1 year

3,806

Later than 1 year and not later than 5 years

4,168

7,974

HCK CAPITAL GROUP BERHAD

(Incorporated in Malaysia)

(Company no: 484964-H)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2017****PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD****B1. Review of performance**

For the financial quarter ended 31 March 2017, the Group achieved a revenue of RM6.0 million which is higher by RM1.3 million in comparison to the corresponding financial quarter ended 31 March 2016.

The Group recorded a loss before taxation ("LBT") for the current financial quarter of RM1.1 million as compared to LBT of RM0.5 million in the corresponding financial quarter due to interest expense incurred by new subsidiary companies (acquired in December 2016) to fund their land acquisitions.

B2. Comment on financial results (current quarter compared with the preceding quarter)

	3 months ended	
	31/03/2017	31/12/2016
	RM'000	RM'000
Revenue	5,967	8,309
(Loss)/Profit before taxation	(1,127)	5,035

In the preceding quarter ended 31 December 2016, on completion the acquisition of new subsidiary companies, the Group recorded an one-off bargain purchase gain of RM3.5 million.

B3. Future Prospects

The Malaysian property market in the short term is generally affected by the financial institutions' stricter lending requirements due to the tightening of domestic liquidity conditions. Nevertheless, the medium term prospects of the Malaysian property market and economy remain favourable.

Notwithstanding the above, the Group is cautiously optimistic its property division in the near future will contribute positively to the Group's results given the strategic location of its projects, innovative sales and marketing strategies.

B4. Profit Forecast or Profit Guarantee

The Group has not provided any profit forecast in a public document.

B5. Variance from profit forecast or profit guarantee

Not applicable.

B6. Taxation

	Current quarter		Cumulative quarter	
	31/03/2017	31/03/2016	31/03/2017	31/03/2016
	RM '000	RM '000	RM '000	RM '000
Current income tax				
- Malaysia income tax	42	59	42	59

Income tax expense is recognised in each interim period based on the best estimate of the income tax payable for the full financial year.

B7. Status of Corporate Proposals

On 7 April 2017, the Company had announced it proposes to undertake the following corporate proposals:-

- (i) A share split involving the subdivision of every one (1) existing ordinary share in the Company ("HCK"), held on an entitlement date to be determined later, into five (5) ordinary shares in HCK ("Split Share(s)") ("Proposed Share Split"); and
- (ii) A renounceable rights issue of 210,585,820 warrants in HCK ("Warrant(s)") at an indicative issue price of RM0.05 per Warrant on the basis of one (1) Warrant for every two (2) Split Shares held on an entitlement date to be determined later after the Proposed Share Split.

The above corporate proposals are pending approvals from the relevant parties.

B8. Borrowings and Debt Securities

Details of Group's borrowings as at 31 March 2017 are as follows:

	31/03/2017	31/12/2016
	RM'000	RM'000
a) Current (secured)		
- Revolving credit	10,000	-
- Hire purchases	249	245
- Term loans	12,937	11,938
	<u>23,186</u>	<u>12,183</u>
b) Non-current (secured)		
- Hire purchases	644	729
- Term loans	109,673	112,058
	<u>110,317</u>	<u>112,787</u>
	<u>133,503</u>	<u>124,970</u>

All loans and borrowings are denominated in Ringgit Malaysia ("RM").

B9. Changes in Material litigation

There was no material litigation against the Group as at the reporting date.

B10. Proposed Dividend

There was no dividend proposed in the current financial quarter and the previous corresponding financial quarter.

B11. Basic Loss per Ordinary share

	Individual Quarter		Cumulative Quarter	
	31/03/2017	31/03/2016	31/03/2017	31/03/2016
Loss after taxation attributable to ordinary equity owners of the parent (RM'000)	(1,095)	(506)	(1,095)	(506)
Weighted average number of ordinary shares in issue ('000)	63,881	55,440	63,881	55,440
Basic loss per share (sen)	<u>(1.71)</u>	<u>(0.91)</u>	<u>(1.71)</u>	<u>(0.91)</u>

The Group does not have in issue any financial instrument or other contract that may entitle its holder to ordinary shares and which may dilute its basic earnings per share.

B12. Auditors' report on preceding annual financial statement

The auditors' report on the financial statements for the financial year ended 31 December 2016 was not qualified.

B13. Breakdown of Realised and Unrealised Profits or Losses

The determination of realised and unrealised profits is based on the Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad's Main Market Listing Requirements*, issued by the Malaysian Institute of Accountants.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

	Cumulative Quarter	
	31/03/2017	31/12/2016
	RM'000	RM'000
Retained earnings		
Realised	22,142	23,237
Unrealised	<u>(3,727)</u>	<u>(3,727)</u>
	18,415	19,510
Less: Consolidation adjustments	3,216	3,216
Group's retained earnings	<u>21,631</u>	<u>22,726</u>

B14. Loss for the period

	Individual Quarter		Cumulative Quarter	
	31/03/2017	31/03/2016	31/03/2017	31/03/2016
	RM'000	RM'000	RM'000	RM'000
This is arrived at after charging/(crediting):				
Interest income	(36)	(95)	(36)	(95)
Interest expense	722	15	722	15
Amortisation of intangible assets	13	12	13	12
Depreciation of property, plant and equipment	223	213	223	213
Loss on disposal of equipment	6	-	6	-

B15. Authorised for Issue

The condensed consolidated financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 24 May 2017.

DIRECTORS' REPORT



Registered Office:-

Wisma HCK
No. 6, Jalan 19/1B, Section 19
46300 Petaling Jaya
Selangor Darul Ehsan

Date: 17 AUG 2017

To: The Shareholders of HCK Capital Group Berhad ("HCK" or the "Company")

On behalf of the Board of Directors of HCK ("Board"), I wish to report that after making due enquiries in relation to HCK and its subsidiary companies ("Group") during the period between 31 December 2016, being the date to which the latest audited consolidated financial statements of our Group have been made up, and the date of this letter, being a date not earlier than 14 days before the date of this Abridged Prospectus:-

- i. In the opinion of the Board, the business of our Group has been satisfactorily maintained;
- ii. In the opinion of the Board, no circumstances have arisen since the latest audited consolidated financial statements of our Group which have adversely affected the trading or the value of the assets of our Group;
- iii. The current assets of our Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- iv. Save as disclosed in this Abridged Prospectus, there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by our Group;
- v. There has been no default or any known event that could give rise to a default situation in respect of payment of either interest and/ or principal sums in relation to any borrowings in our Group since the latest audited consolidated financial statements of our Group; and
- vi. Save as disclosed in this Abridged Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the profits of our Group since the latest audited consolidated financial statements of our Group.

Yours faithfully,
For and on behalf of the Board
HCK CAPITAL GROUP BERHAD

TAN SRI CLEMENT HII CHII KOK
Executive Chairman

ADDITIONAL INFORMATION**1. SHARE CAPITAL**

- i. Save for the Warrants and the new HCK Shares to be issued arising from the exercise of the Warrants, no securities in our Company will be allotted or issued on the basis of this Abridged Prospectus later than 12 months after the date of this Abridged Prospectus.
- ii. As at the date of this Abridged Prospectus, there is no founder, management, deferred shares or preference shares in the share capital of our Company. There is only one (1) class of shares in our Company, namely the ordinary shares, all of which rank *pari passu* with one another.
- iii. As at the date of this Abridged Prospectus, save for the Provisional Warrants, no person has been or is entitled to be granted an option to subscribe for any of our securities.
- iv. All the new HCK Shares to be issued arising from the exercise of the Warrants shall, upon allotment and issuance, rank *pari passu* in all respects with the existing HCK Shares, save and except that such Shares will not be entitled to any dividends, rights, allotments and/ or other forms of distribution that may be declared, made or paid prior to the relevant date of allotment and issuance of such Shares.

2. DIRECTORS' REMUNERATION

The provisions in our Company's Constitution in relation to the remuneration of our Directors are set out below:-

"Article 92

The Directors shall be paid by way of fees for their services, such fixed sum (if any) as shall from time to time be determined by the Company in general meeting and such fees shall be divided among the Directors in such proportions and manner as the Directors may determine, PROVIDED ALWAYS that:-

- (a) *fee payable to Directors who hold no executive office in the Company shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover.*
- (b) *salaries and other emoluments payable to Directors who hold an executive office in the Company pursuant to a contract of service need not be determined by the Company in general meeting but such salaries and emoluments may not include a commission on or percentage of turnover.*
- (c) *fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting where notice of the proposed increase has been given in the notice convening the meeting.*
- (d) *any fee paid to an alternate Director shall be such as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.*

Article 93

- (1) *The Directors shall be paid all their travelling, hotel and other expenses properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending meetings of the Directors or any committee of the Directors of the Company.*
- (2) *If any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Directors so doing either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) as may be determined by the Board provided that in the case of non-executive Directors of the Company, the said remuneration shall not include a commission on or percentage of profits or turnover. In the case of an Executive Director, such fee may be either in addition to or in substitution for his share in the fee from time to time provided for the Directors."*

3. MATERIAL CONTRACTS

Save as disclosed below, our Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the two (2) years preceding the date of this Abridged Prospectus:-

- i. Sale and purchase agreement dated 13 February 2012 as supplemented by a supplemental sale and purchase agreement dated 20 May 2014 all entered into between Perbadanan Kemajuan Negeri Selangor as vendor and Andaman Daya Sdn Bhd as purchaser in respect of the sale and purchase of a piece of 99 year leasehold land measuring approximately 14.41 acres forming part of Block Title H.S.(D) 11759 PT 20979, Mukim Dengkil, Daerah Sepang, Negeri Selangor Darul Ehsan ("Selangor Cyber Valley Land") for a purchase consideration of RM37,669,816.80 upon terms and conditions therein contained. The individual document of title to the Selangor Cyber Valley Land has been issued and is currently pending for presentation of registration of transfer in favour of Andaman Daya Sdn Bhd;
- ii. Share Sale Agreement dated 30 April 2015 entered into between Tan Sri Clement Hii Chii Kok and Clifford Hii Toh Leong both as vendors and HCK Properties Sdn Bhd as purchaser for the acquisition by HCK Properties Sdn Bhd of 30,732,451 ordinary shares of RM1.00 each in Equal Straits Sdn Bhd, representing 100% of the equity interest in Equal Straits Sdn Bhd, for a total purchase consideration of RM30,000,000 which was satisfied entirely by cash upon terms and conditions therein contained. The acquisition was completed on 4 September 2015;
- iii. Share Sale Agreement dated 30 April 2015 entered into between HCK as vendor and Chua Boon Hiong and Ng Lai Keow (collectively as the purchasers) for the disposal by HCK of 3,000,000 ordinary shares of RM1.00 each in Golsta Sdn Bhd, formerly a wholly-owned subsidiary company of HCK, representing 100% of the equity interest in Golsta Sdn Bhd, for a total disposal consideration of RM34,475,159 which was satisfied entirely by cash upon terms and conditions therein contained. The disposal was completed on 15 September 2015;

- iv. Sale and purchase agreement dated 26 June 2015 entered into between Popular Esprit Sdn Bhd as vendor and Usas Management Sdn Bhd as purchaser in respect of the sale and purchase of a piece of freehold land measuring approximately 35.25 acres held under H.S.(D) 167687, PT No. 42293, Mukim Semenyih, Daerah Ulu Langat, Negeri Selangor free of encumbrance on an 'as is where is' basis and with vacant possession for a purchase consideration of RM46,066,415 of which RM5,000,000 was satisfied by the transfer of shares in a public listed company to the vendor and RM41,066,415 was satisfied in cash upon terms and conditions therein contained. The acquisition was completed on 20 January 2016;
- v. Share Sale Agreement dated 9 December 2015 entered into between Aspen Entity Sdn Bhd, an indirect wholly-owned subsidiary company of HCK, as purchaser and Ideal Management & Services Sdn Bhd as the vendor for the acquisition by Aspen Entity Sdn Bhd of 400,000 ordinary shares representing 100% of the equity interest in Oscar Springs Development Sdn Bhd ("OSDSB"), for a cash consideration of RM1,500,000 upon terms and conditions therein contained.

Further, a Novation Agreement dated 27 July 2016 was entered into between Aspen Entity Sdn Bhd, HCK Properties Sdn Bhd and Ideal Management & Services Sdn Bhd whereby Aspen Entity Sdn Bhd agreed to assign and novate all the rights, interest, obligation, liabilities and benefit in and to the OSDSB shares under the Share Sale Agreement dated 9 December 2015 to HCK Properties Sdn Bhd. The acquisition of 75% of OSDSB shares by HCK Properties Sdn Bhd was completed on 27 July 2016 (without the remaining 15%) and HCK Properties Sdn Bhd's entire shareholding in OSDSB was subsequently disposed on 6 April 2017 vide a Share Sale Agreement dated 6 April 2017 entered into between HCK Properties Sdn Bhd as vendor and Axventure Interior Sdn Bhd as purchaser for cash consideration of RM800,000. The disposal was completed on 6 April 2017.
- vi. Deed of Novation Agreement dated 6 April 2016 between Koridor Efektif Sdn Bhd, an indirect subsidiary company of HCK, and CTR Prefab System Sdn Bhd as the assignor and Admuda Services Sdn Bhd as the vendor for the acquisition by Koridor Efektif Sdn Bhd from Admuda Services Sdn Bhd a 12.14 hectares of industrial land in Demak Laut Industrial Park, Lot 1154, Block 8 Muara Tebas Land District, Kuching, Sarawak for a total consideration of RM13,500,000 or RM450,000.00 per acre which was satisfied entirely by cash upon terms and conditions therein contained. The acquisition was completed on 15 April 2016;
- vii. Share Sale and Purchase Agreement dated 3 June 2016 between Tan Sri Clement Hii Chii Kok and Clifford Hii Toh Leong as vendors, HCK Properties Sdn Bhd as purchaser and HCK for the acquisition of 100% of Andaman Daya Sdn Bhd for a purchase consideration of RM11,581,039 which was satisfied by the issuance of 4,541,583 new HCK Shares. The acquisition was completed on 16 December 2016;
- viii. Share Sale and Purchase Agreement dated 3 June 2016 between HCK Assets Sdn Bhd as vendor and HCK Properties Sdn Bhd as purchaser for the acquisition of 100% of Usas Management Sdn Bhd for a purchase consideration of RM2.00 which was satisfied in cash upon terms and conditions therein contained. The acquisition was completed on 16 December 2016;
- ix. Deed of Assignment dated 3 June 2016 between HCK and HCK Properties Sdn Bhd and Tan Sri Clement Hii Chii Kok whereby Tan Sri Clement Hii Chii Kok assigned to HCK Properties Sdn Bhd the amount of advances owing to Tan Sri Clement Hii Chii Kok by Usas Management Sdn Bhd of RM4,714,000 for a consideration of RM4,714,000 which was satisfied by the issuance of 1,848,628 new HCK Shares. The assignment was completed on 16 December 2016;

- x. Share Sale and Purchase Agreement dated 3 June 2016 between Tan Sri Clement Hii Chii Kok and Liew Ik Ling as vendors, HCK Properties Sdn Bhd as purchaser and HCK for the acquisition of 100% of Fidelity Ventures Sdn Bhd for a purchase consideration of RM2,290,517 which was satisfied by the issuance of 898,242 new HCK Shares. The acquisition was completed on 16 December 2016;
- xi. Deed of Assignment dated 3 June 2016 between HCK, Tan Sri Clement Hii Chii Kok and HCK Properties Sdn Bhd whereby Tan Sri Clement Hii Chii Kok assigned to HCK Properties Sdn Bhd the amount of advances owing to Tan Sri Clement Hii Chii Kok by Joyview Properties Sdn Bhd of RM54,839,983 for a consideration of RM54,839,983 which was satisfied by the issuance of 21,505,875 new HCK Shares. The assignment was completed on 16 December 2016; and
- xii. The Deed Poll.

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and after having made all reasonable enquiries, our Board is not aware and does not have any knowledge of any such proceedings pending or threatened against our Group or of any facts which is likely to give rise to any proceedings which may materially or adversely affect the financial position or business of our Group.

5. GENERAL

- i. There is no existing or proposed service contract entered or to be entered into by our Group with any Director or proposed Director, other than those which are expiring or determinable by the employing company without payment of compensation (other than statutory compensation) within one (1) year from the date of this Abridged Prospectus.
- ii. Save as disclosed in this Abridged Prospectus, after having made all reasonable enquiries and to the best knowledge of our Board, the financial conditions and operations of our Group are not affected by any of the following:-
 - (a) known trends, demands, commitments, events or uncertainties that will or are likely to materially increase or decrease the liquidity of our Group;
 - (b) material commitments for capital expenditure of our Group, the purpose of such commitments and the source(s) of funding;
 - (c) unusual, infrequent events or transactions or significant economic changes which materially affect the amount of reported income from the operations of our Group;
 - (d) known trends or uncertainties which have had, or will have, a material favourable or unfavourable impact on the revenue or operating income of our Group;
 - (e) substantial increase in revenues; and
 - (f) material information, including special trade factors or risks, which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group.

6. CONSENTS

Our Adviser, Company Secretaries, Share Registrar, Principal Bankers, Due Diligence Solicitors for the Rights Issue of Warrants and Bloomberg Finance LP have given and have not subsequently withdrawn their written consents for the inclusion in this Abridged Prospectus of their names and all references thereto in the form and context in which they appear in this Abridged Prospectus.

Our Auditors and Reporting Accountants have given and have not subsequently withdrawn their written consent for the inclusion in this Abridged Prospectus of their names, the proforma consolidated statements of financial position of our Group as at 31 December 2016 together with the reporting accountants' letter thereon, the audited consolidated financial statements of our Group for the FYE 31 December 2016 together with the auditors' report thereon, and all references thereto in the form and context in which they appear in this Abridged Prospectus.

7. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of our Company at Wisma HCK, No. 6, Jalan 19/1B, Section 19, 46300 Petaling Jaya, Selangor Darul Ehsan, during normal business hours (except public holidays) for a period of 12 months from the date of this Abridged Prospectus:-

- i. Our Constitution;
- ii. The proforma consolidated statements of financial position of our Group as at 31 December 2016 together with the reporting accountants' letter thereon, as set out in Appendix III of this Abridged Prospectus;
- iii. Our audited consolidated financial statements for the past two (2) financial years up to the FYE 31 December 2016;
- iv. Our latest unaudited quarterly report for the three (3)-month FPE 31 March 2017, as set out in Appendix V of this Abridged Prospectus;
- v. The Directors' Report, as set out in Appendix VI of this Abridged Prospectus;
- vi. The letters of consent referred to in Section 6 of this Appendix VII;
- vii. The irrevocable and unconditional undertaking letters as referred to in Section 4 of this Abridged Prospectus; and
- viii. The material contracts referred to in Section 3 of this Appendix VII.

8. RESPONSIBILITY STATEMENT

This Abridged Prospectus together with the accompanying NPA and RSF have been seen and approved by our Board. They collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make any statement herein false or misleading.

RHBIB, being our Adviser for the Rights Issue of Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning this Rights Issue of Warrants.