

HCK CAPITAL GROUP BERHAD
(formerly known as GOLSTA SYNERGY BERHAD)
(Company no: 484964-H)

Unaudited Condensed Consolidated Statements of Comprehensive Income
For the Second Quarter Ended 30 June 2014

	<u>3 Months Ended</u>		<u>6 Months Ended</u>	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
	RM '000	RM '000	RM '000	RM '000
Revenue	19,371	6,138	34,529	18,999
Cost of sales	(11,427)	(4,653)	(21,482)	(14,954)
Gross Profit	7,944	1,485	13,047	4,045
Other operating income	81	63	153	129
Administrative and general expenses	(4,217)	(4,636)	(6,834)	(5,952)
Sales and marketing expenses	(69)	(91)	(183)	(223)
Forex gain (realised)	47	76	100	133
Forex gain/(loss) (unrealised)	(90)	(94)	(109)	16
Profit from operations	3,696	(3,197)	6,174	(1,852)
Finance cost	(92)	11	(91)	(14)
Profit before tax	3,604	(3,186)	6,083	(1,866)
Tax expense	(584)	346	(1,429)	(167)
Profit after tax	3,020	(2,840)	4,654	(2,033)
Profit for the period	3,020	(2,840)	4,654	(2,033)
Attributable to:				
Owners of the parent	2,938	(2,906)	4,068	(2,056)
Non-controlling interests	82	66	586	23
	3,020	(2,840)	4,654	(2,033)
Earnings per share attributable to equity holders of the parent:				
- basic	6.36	(6.58)	8.81	(4.65)
- diluted	N/A	N/A	N/A	N/A

The above condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

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For the Second Quarter Ended 30 June 2014

	<u>3 Months Ended</u>		<u>6 Months Ended</u>	
	<u>30/06/2014</u>	<u>30/06/2013</u>	<u>30/06/2014</u>	<u>30/06/2013</u>
	<u>RM '000</u>	<u>RM '000</u>	<u>RM '000</u>	<u>RM '000</u>
Profit for the period	3,020	(2,840)	4,654	(2,033)
Currency translation differences arising from consolidation	-	-	-	-
Total comprehensive income	<u>3,020</u>	<u>(2,840)</u>	<u>4,654</u>	<u>(2,033)</u>
Total comprehensive (loss)/income attributable to:				
Owners of the parent	2,938	(2,906)	4,068	(2,056)
Non-controlling interests	82	66	586	23
	<u>3,020</u>	<u>(2,840)</u>	<u>4,654</u>	<u>(2,033)</u>

The above condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

HCK CAPITAL GROUP BERHAD
(formerly known as GOLSTA SYNERGY BERHAD)
(Incorporated in Malaysia)

Unaudited Condensed Consolidated Statements of Financial Position
For the Second Quarter Ended 30 June 2014

	AS AT 30/06/2014 RM' 000 Unaudited	AS AT 31/12/2013 RM' 000 Audited
ASSETS		
Non-current assets		
Property, plant and equipment	19,946	20,112
Investment property	27,834	27,930
Intangible assets	-	-
Deferred tax assets	451	149
Total non-current assets	48,231	48,191
Current assets		
Inventories	14,501	20,605
Trade receivables	35,731	21,585
Other receivables, deposits and prepayments	2,932	2,005
Tax recoverable	322	812
Short term investment	-	1,451
Cash and bank balances	20,226	16,780
Total current assets	73,712	63,238
TOTAL ASSETS	121,943	111,429
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	46,200	46,200
Share premium	12,897	12,897
Other Reserve	2,609	2,609
Accumulated losses	5,144	1,076
	66,850	62,782
Non-controlling interests	1,441	2,705
Total equity	68,291	65,487
Non-current liabilities		
Deferred tax liabilities	1,635	1,919
Long term borrowings	1,405	1,548
Total non-current liabilities	3,040	3,467
Current liabilities		
Trade payables	29,874	28,606
Other payables and accruals	16,443	8,412
Short term borrowings	251	3,276
Taxation	4,044	2,181
Total current liabilities	50,612	42,475
Total liabilities	53,652	45,942
TOTAL EQUITY AND LIABILITIES	121,943	111,429
Net assets per share attributable to equity holders of the Company (RM)	1.45	1.36

The above condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

HCK CAPITAL GROUP BERHAD
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Unaudited Condensed Consolidation Statements of Changes in Equity
For the Second Quarter Ended 30 June 2014

RM'000	Attributable to owners of parent				Total RM'000	Non- controlling interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Asset Revaluation Reserves RM'000	Retained earnings /(Accumulated losses) RM'000			
As at 1 Jan 2013	42,000	11,175	2,609	(4,405)	51,379	-	51,379
The comprehensive income/(loss) for the period	-	-	-	(2,056)	(2,056)	23	(2,033)
Others comprehensive income for the period	-	-	-	-	-	1,029	1,029
Issuance of ordinary shares	4,200	1,722	-	-	5,922	-	5,922
As at 30 June 2013	46,200	12,897	2,609	(6,461)	55,245	1,052	56,297
As at 1 Jan 2014	46,200	12,897	2,609	1,076	62,782	2,705	65,487
The comprehensive income for the period	-	-	-	4,068	4,068	586	4,654
Additional investment in subsidiary	-	-	-	-	-	(2,328)	(2,328)
Shares issue to non-controlling interests	-	-	-	-	-	478	478
Others comprehensive income/(loss) for the period	-	-	-	-	-	-	-
As at 30 June 2014	46,200	12,897	2,609	5,144	66,850	1,441	68,291

The above condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

HCK CAPITAL GROUP BERHAD
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Unaudited Condensed Consolidated Statement of Cash Flow
For the Second Quarter Ended 30 June 2014

	6 Months Ended	
	30/06/2014	30/06/2013
	RM' 000	RM' 000
Profit before tax	6,083	(1,866)
<u>Adjustments for :</u>		
Amortisation of investment properties	96	-
Dilution of interest in a subsidiary	89	-
Depreciation of property, plant and equipment	363	373
Impairment on intangible assets	534	-
Impairment of goodwill on consolidation	18	-
Impairment loss on trade receivables	-	1,906
Unrealised loss/(gain) on foreign exchange	109	(16)
Interest expenses	117	81
Interest Income	(25)	(67)
Total adjustment	1,301	2,277
Operating cash flow before changes in working capital	7,384	411
<u>Changes in working capital</u>		
Decrease in inventories	6,104	4,597
Increase in receivables	(14,945)	(2,983)
Increase in payables	9,148	15,005
Total changes in working capital	307	16,619
Cash flow from operations	7,691	17,030
Interest paid	(117)	(81)
Tax paid	(490)	(276)
Tax refund	856	-
Net cash flows from operating activities	7,940	16,673
<u>Investing activities</u>		
Interest received	25	67
Additional investment in a subsidiary	(2,328)	-
Issuance of ordinary shares to Non-controlling interest	390	-
Net inflow on acquisition of subsidiary	73	1,029
Purchases of property, plant and equipment	(197)	(371)
Purchase of intangible asset	(534)	-
Upliftment of short term investment	1,451	-
Issuance of ordinary shares	-	5,922
Purchases of investment properties	-	(20,930)
Net cash flows used in investing activities	(1,120)	(14,283)
<u>Financing activities</u>		
Repayment of finance leases	(100)	(96)
Repayment of loans and borrowing	(3,069)	(2,451)
Net cash flows used in financing activities	(3,169)	(2,547)
Net increase/(decrease) in cash and cash equivalents	3,651	(157)
Effect of exchange rate changes	(205)	192
Cash and cash equivalents at beginning of year	16,780	13,512
	20,226	13,547
<u>Composition of cash and cash equivalents:</u>		
Cash and bank balances	20,226	13,547
Cash and cash equivalents at end of period	20,226	13,547

The above condensed consolidated statements of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2014

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

A1. Basis of Preparation

These condensed consolidated interim financial statements, for the period ended 30 June 2014, have been prepared in accordance with FRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. For the periods up to and including the financial year ending 31 December 2014, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS").

These condensed consolidated interim financial statements do not include all of the information required for annual financial statements for the year ending 31 December 2014. They should be read in conjunction with the audited financial statements for the year ended 31 December 2013.

The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2013.

A2. Significant Accounting Policies

The audited financial statements of the Group for the year ended 31 December 2013 were prepared in accordance with FRS. The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2013.

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein referred as "Transitioning Entities").

Based on the MASB announcement on 30 September 2012 and 7 August 2013, Transitioning Entities will be allowed to defer the adoption of the new MFRS Framework from previous adoption date of 1 January 2013 to 1 January 2015. Consequently, the adoption of the MFRS Framework by the Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2015.

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 period 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 period under review.

A6. Debt and Equity Securities

There were no issuances, repurchases and repayments of debt and equity securities during the financial period.

A7. Dividend Paid

No dividend was paid during the current financial period.

A8. Segmental Information

	Industrial machine RM'000	Properties RM'000	Others RM'000	Elimination RM'000	Group RM'000
Results for 3 months ended 30 June 2014					
Revenue					
External	7,143	12,176	52	-	19,371
Inter-segment	109	12	480	(601)	-
Total	<u>7,252</u>	<u>12,188</u>	<u>532</u>	<u>(601)</u>	<u>19,371</u>
Results					
Operating profit / (loss)	<u>585</u>	<u>5,103</u>	<u>(1,992)</u>	<u>-</u>	<u>3,696</u>
Finance costs					<u>(92)</u>
Profit before tax					<u><u>3,604</u></u>
Results for 3 months ended 30 June 2013					
Revenue					
External	5,314	210	614	-	6,138
Inter-segment	438	12	-	(450)	-
Total	<u>5,752</u>	<u>222</u>	<u>614</u>	<u>(450)</u>	<u>6,138</u>
Results					
Operating profit / (loss)	(1,178)	(2,028)	9	-	(3,197)
Finance costs					<u>11</u>
Profit / (loss) before tax					<u><u>(3,186)</u></u>
Results for 6 months ended 30 June 2014					
Revenue					
External	17,105	16,463	961	-	34,529
Inter-segment	174	24	480	(678)	-
Total	<u>17,279</u>	<u>16,487</u>	<u>1,441</u>	<u>(678)</u>	<u>34,529</u>
Results					
Operating profit / (loss)	2,623	5,762	(2,211)	-	6,174
Finance costs					<u>(91)</u>
Profit / (loss) before tax					<u><u>6,083</u></u>
Results for 6 months ended 30 June 2013					
Revenue					
External	17,631	210	1,158	-	18,999
Inter-segment	558	12	26	(596)	-
Total	<u>18,189</u>	<u>222</u>	<u>1,184</u>	<u>(596)</u>	<u>18,999</u>
Results					
Operating profit / (loss)	837	(2,706)	17	-	(1,852)
Finance costs					<u>(14)</u>
Profit / (loss) before tax					<u><u>(1,866)</u></u>

A9. Material Events Subsequent to the End of Interim Period

There is no material event subsequent to the end of the financial period under review other than those disclosed in Note A10 and Note B7 to the interim financial statement.

A10. Changes in composition of the Group

There were no changes in the composition of the Group for the current financial period except for the following:

- i) On 12 May 2014, the Company, Golsta Synergy Berhad, incorporated a wholly owned subsidiary company, HCK Capital Holdings Sdn Bhd, with an issued and paid up capital of RM2.00 divided into 2 ordinary shares of RM1.00 each.
- ii) On 14th May 2014, the Company's wholly owned subsidiary company, HCK Capital Holdings Sdn Bhd, acquired the entire issued and paid-up share capital of HCK Food Sdn Bhd for a cash consideration of RM100,000.00 .
- iii) On 15th May 2014, the Group's wholly-owned subsidiary, Gemsia Sdn Bhd, incorporated a wholly owned subsidiary company, IGAR Worldwide Media Sdn Bhd ("IGAR"), with an issued and paid up capital of RM2.00 divided into 2 ordinary shares of RM1.00 each.
- iv) On 16th May 2014, the Group's wholly-owned subsidiary, Gemsia Sdn Bhd, acquired 2 ordinary shares of RM1.00 each, representing the entire issued and paid-up share capital of HCK Technologies Sdn Bhd, for a total cash consideration of RM2.00.
- v) On 19th May 2014, the Group's wholly-owned subsidiary, Gemsia Sdn Bhd, incorporated a subsidiary company, HCK Studios Sdn Bhd, with an issued and paid-up share capital comprising 100 ordinary shares of RM1.00 each, in which it holds 70% equity interest.
- vi) On 30 May 2014, the Group's wholly own subsidiary, Hyoxen Sdn Bhd, entered into a conditional share sale agreement with Katherine Khoo Sen Sen to acquire the remaining 900,000 ordinary shares, representing remaining 45% of the equity interest in Trilink Essential Sdn Bhd ("Trilink") for a purchase consideration of RM3,222,391 to be satisfied entirely by cash. The purchase consideration was then reduced to RM2,328,560 through a supplemental agreement entered on 25 June 2014. On 4 July 2014, all terms and conditions in the agreements have been fulfilled and hence, Trilink became wholly owned subsidiary of the Group.
- vii) On 16 June 2014, The Group's wholly owned subsidiary company, Hyoxen Sdn Bhd, incorporated a wholly owned subsidiary company, HCK Hospitality Sdn Bhd, with an issued and paid up capital of RM2.00 divided into 2 ordinary shares of RM1.00 each.
- viii) On 26 June 2014, the Group's wholly owned subsidiary company, HCK Food Sdn Bhd, incorporated a wholly owned subsidiary company, I Prefer Original Sdn Bhd, with an issued and paid up capital of RM2.00 divided into 2 ordinary shares of RM1.00 each.

A11. Changes in Contingent liabilities/Contingent assets

As at the reporting date, other than those disclosed below, there have been no changes in the contingent liabilities/assets since the last annual reporting date.

	RM'000
Trade pruposes guarantee	<u>30</u>

The Company has a contingent asset arising from the legal action against a trade debtor. The trade debt amounts to RM5,719,047, in which there is a likelihood for recoverability. Adequate provision for doubtful debts has been made to this particular debt amount.

A12. Capital Commitment

There is no capital commitment not provided for in the interim financial statements as at the reporting date.

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2014

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

B1. Performance Review

Review of results for the quarter

The Group's revenue increased 216% compared to the corresponding quarter of preceding year. The increase was mainly due to revenue contributed from the property segment where it recorded an increase of RM12.0 million compared to the corresponding quarter of preceding year. The industrial machine and engineering segment contributed RM7.1 million sales in second quarter of 2014 compared to RM5.3 million in second quarter of 2013.

The Group achieved RM3.6 million profits before taxation compared to a loss before tax of RM3.1million during the same period last year. The profits were mainly contributed from property and industrial machine segment in line with their increased in revenue. The loss in previous year was mainly due to impairment loss on trade receivables of RM1.9 million.

Review of results for the financial period to date

The Group recorded revenue of RM34.5 million, an increased of 82% as compared to the revenue of RM19 million recorded in 2013. The increase was mainly due to higher revenue recorded by the property segment, which represented more than 100% increased in revenue as compared to revenue in 2013. The revenue increase in property segment was offset by lower revenue recorded by industrial machine segment which contributed RM17.3 million sales during the financial period under review, a decrease of 5% as compared to RM18.2 million in 2013.

The Group achieved RM6.1 million profits before taxation compared to loss before tax of RM1.9 million in 2013. The profits were mainly derived from the property segment. The loss in previous year was mainly due to impairment loss on trade receivables of RM1.9 million.

B2. Material Change in Profit Before Taxation of Current Quarter Compared with Preceding Quarter

The Group achieved RM3.6 million profits before taxation compared to RM2.5 million in the preceding quarter. The higher profit was mainly contributed from property segment which was in line with the higher revenue achieved in the current quarter under review.

B3. Future Prospects

Bank Negara Malaysia had on 10 July 2014 raised its benchmark overnight policy rate by 25 basis points as part of the measure to curb rising household debts. The rising interest rate trend, together with other measures undertaken to curb excessive speculation activities and rising prices, is expected to result in a dampened demand for properties in the short-term. However, in the medium to longer term, this is expected to lead to a more sustainable property market.

At the same time, the Malaysian economy is expected to maintain a steady growth path of 4.5%-5.5% supported by domestic demand which continues to drive growth with moderate pace and anticipated improvement in the external sector. As such, the Group remains cautiously optimistic on the financial performance for the remaining quarters of current financial year.

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 3 months ended		Cumulative quarter 6 months ended	
	30/06/2014 RM '000	30/06/2013 RM '000	30/06/2014 RM '000	30/06/2013 RM '000
Current income tax				
- Malaysia income tax	1,247	(380)	2,160	129
- Over provision in prior year	(173)	-	(173)	-
	<u>1,074</u>	<u>(380)</u>	<u>1,987</u>	<u>129</u>
Deferred taxation				
- Origination and reversal of temporary difference	(234)	34	(302)	38
- Over provision in prior year	(256)	-	(256)	-
	<u>584</u>	<u>(346)</u>	<u>1,429</u>	<u>167</u>

Income tax expense is recognized in each interim period based on the best estimate of the income tax payable for the full financial year. The effective income tax rate for the current period was lower than statutory tax rate, principally due to utilisation of previous unutilised tax losses.

B7. Status of Corporate Proposals

i) On 30 May 2014, the Group's wholly own subsidiary, Hyoxen Sdn Bhd, entered into a conditional share sale agreement with Katherine Khoo Sen Sen to acquire the remaining 900,000 ordinary shares, representing remaining 45% of the equity interest in Trilink Essential Sdn Bhd ("Trilink") for a purchase consideration of RM3,222,391 to be satisfied entirely by cash. The purchase consideration was then reduced to RM2,328,560 through a supplemental agreement entered on 25 June 2014. On 4 July 2014, all terms and conditions in the agreements have been fulfilled and hence, Trilink has become wholly owned subsidiary of the Group.

ii) On 30 May 2014, the Group announced the following proposals:

- a) A private placement of up to 20% of the issued and paid-up share capital of the Company;
- b) An increase in the authorised share capital of the Company from RM50,000,000 comprising 50,000,000 ordinary shares to RM100,000,000 comprising 100,000,000 ordinary shares; and
- c) Amendment to the Memorandum of Association of the Company.
(collectively referred to as "Proposals")

The Proposals were approved by :

- (i) Bursa Malaysia Securities Berhad on 3 July 2014 but subject to terms and conditions that were announced on 4 July 2014.
- (ii) Shareholders in the extraordinary general meeting held on 20 August 2014.

The Proposals are pending completion.

B8. Borrowings and Debt Securities

The Group's borrowings as at 30 June 2014:

	30/06/2014 RM'000
(a) Short term (secured)	
- Hire purchases	178
- Term loan	73
	<hr/> 251
(b) Long term (secured)	
- Term loan	859
- Hire purchases	546
	<hr/> <hr/> 1,656

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 quarter and the previous corresponding quarter.

B11. Earnings per share

There was no dividend proposed in the current quarter and the previous corresponding quarter.

	3 Months Ended		6 Months Ended	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
Profit / (loss) attributable to ordinary equity owners of the parent (RM'000)	2,938	(2,906)	4,068	(2,056)
Weighted average number of ordinary shares in issue ('000)	46,200	44,186	46,200	44,186
Basic earnings per share (sen)	6.36	(6.58)	8.81	(4.65)

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 year ended 31 December 2013 was not qualified.

B13. Breakdown of Realised and Unrealised Profits or Losses

	6 Months Ended	
	30/06/2014 RM'000	30/06/2013 RM'000
Retained earnings / (accumulated losses)		
Realised	21,047	9,410
Unrealised	(2,066)	(2,816)
	<hr/> 18,981	<hr/> 6,594
Less: Consolidation adjustments	(13,837)	(13,055)
Total Group's retained earnings / (accumulated losses)	<hr/> <hr/> 5,144	<hr/> <hr/> (6,461)

B14. Breakdown of Realised and Unrealised Profits or Losses

	3 Months Ended		6 Months Ended	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
	RM'000	RM'000	RM'000	RM'000
Interest income	(5)	(32)	(25)	(67)
Interest expense	99	21	117	81
Depreciation of property, plant and equipment	189	184	363	373
Amortisation of investment properties	58	-	96	-
Impairment on goodwill on consolidation	18	-	18	-
Impairment on intangible assets	534	-	534	-
Impairment loss on trade receivables	-	1,906	-	1,906
Bad debts recovered	-	-	-	(5)
Gain on foreign exchange - realised	(47)	(77)	(100)	(134)
Loss / (gain) on foreign exchange - unrealised	90	94	109	(16)