



**Interim Financial Statement  
For the Financial Period Ended 30 September 2016**

**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 Period Ended 30 September 2016**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>30.09.2016</u>	<u>30.09.2015</u>	<u>30.09.2016</u>	<u>30.09.2015</u>
	<u>RM '000</u>	<u>RM '000</u>	<u>RM '000</u>	<u>RM '000</u>
<b>Continuing Operations</b>				
Revenue	2,284	7,729	12,276	23,974
Cost of sales	(1,921)	(1,503)	(4,418)	(6,245)
<b>Gross Profit</b>	<b>363</b>	<b>6,226</b>	<b>7,858</b>	<b>17,729</b>
Other operating income	12	344	29	352
Administrative and general expenses	(4,063)	(4,699)	(11,461)	(10,660)
Sales and marketing expenses	(10)	(1,046)	(389)	(1,524)
<b>(Loss)/Profit from operations</b>	<b>(3,698)</b>	<b>825</b>	<b>(3,963)</b>	<b>5,897</b>
Interest income	3	96	113	374
Interest expense	(13)	(42)	(42)	(340)
<b>(Loss)/Profit before taxation</b>	<b>(3,708)</b>	<b>879</b>	<b>(3,892)</b>	<b>5,931</b>
Tax expense	(39)	(135)	167	(1,128)
<b>(Loss)/Profit after taxation from Continuing Operations</b>	<b>(3,747)</b>	<b>744</b>	<b>(3,725)</b>	<b>4,803</b>
<b>Discontinued Operations</b>				
Profit after taxation from Discontinued Operations	-	875	-	1,509
<b>(Loss)/Profit after taxation</b>	<b>(3,747)</b>	<b>1,619</b>	<b>(3,725)</b>	<b>6,312</b>
<b>Attributable to:</b>				
Owners of the parent	(3,719)	1,782	(3,575)	6,158
Non-controlling interests	(28)	(163)	(150)	154
	<b>(3,747)</b>	<b>1,619</b>	<b>(3,725)</b>	<b>6,312</b>
<b>Basic (loss)/earnings per share attributable to equity holders of the parent:</b>				
Continuing Operations	(6.71)	1.87	(6.45)	11.39
Discontinued Operations	-	1.80	-	0.08
	<b>(6.71)</b>	<b>3.67</b>	<b>(6.45)</b>	<b>11.47</b>

*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 year ended 31 December 2015 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 Profit or Loss and Other Comprehensive Income****For the Financial Period Ended 30 September 2016**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>30.09.2016</u>	<u>30.09.2015</u>	<u>30.09.2016</u>	<u>30.09.2015</u>
	<u>RM '000</u>	<u>RM '000</u>	<u>RM '000</u>	<u>RM '000</u>
(Loss)/Profit after taxation for the period	(3,747)	1,619	(3,725)	6,312
<b>Other comprehensive income</b>				
<b>Item that may not be subsequently reclassified to profit or loss</b>	-	-	-	-
<b>Total comprehensive (expenses)/income</b>	<u>(3,747)</u>	<u>1,619</u>	<u>(3,725)</u>	<u>6,312</u>
<b>Total comprehensive (expenses)/Income attributable to:</b>				
Owners of the parent	(3,719)	1,782	(3,575)	6,158
Non-controlling interests	(28)	(163)	(150)	154
	<u>(3,747)</u>	<u>1,619</u>	<u>(3,725)</u>	<u>6,312</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 year ended 31 December 2015 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 Period Ended 30 September 2016**

	<b>AS AT</b> <b>30.09.2016</b> <b>RM' 000</b> Unaudited	<b>AS AT</b> <b>31.12.2015</b> <b>RM' 000</b> Audited
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	2,862	2,211
Investment property	28,000	28,000
Intangible assets	638	651
	<u>31,500</u>	<u>30,862</u>
<b>Current assets</b>		
Inventories	72,628	59,609
Property development costs	15,169	-
Trade receivables	20,029	21,032
Other receivables, deposits and prepayments	4,388	3,024
Current tax assets	923	199
Short term fund	87	15,599
Cash and bank balances	231	1,266
	<u>113,455</u>	<u>100,729</u>
<b>TOTAL ASSETS</b>	<u>144,955</u>	<u>131,591</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	55,440	55,440
Share premium	25,099	25,591
Retained earnings	17,646	21,221
	<u>98,185</u>	<u>102,252</u>
<b>Non-controlling interests</b>	5,133	5,298
<b>Total equity</b>	<u>103,318</u>	<u>107,550</u>
<b>Non-current liabilities</b>		
Deferred tax liabilities	406	406
Long term borrowings	26,860	13,311
	<u>27,266</u>	<u>13,717</u>
<b>Current liabilities</b>		
Trade payables	495	1,393
Other payables and accruals	13,563	8,340
Short term borrowings	243	84
Current tax liabilities	70	507
	<u>14,371</u>	<u>10,324</u>
<b>Total liabilities</b>	<u>41,637</u>	<u>24,041</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>144,955</u>	<u>131,591</u>
Net assets per share attributable to equity holders of the Company (RM)	1.77	1.84

*The above condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 Period Ended 30 September 2016**

	← Attributable to Owners of the Parent →						Non- controlling interests RM'000	Total Equity RM'000
	← Non-Distributable →			Distributable				
	Share Capital RM'000	Share Premium RM'000	Revaluation Reserves RM'000	Retained earnings RM'000	Total RM'000			
<b>As at 1 Jan 2015</b>	55,440	25,591	2,609	7,069	90,709	1,846	92,555	
Changes in subsidiaries' ownership interest	-	-	(2,609)	2,609	-	-	-	
Total comprehensive income	-	-	-	6,158	6,158	154	6,312	
<b>As at 30 Sep 2015</b>	55,440	25,591	-	15,836	96,867	2,000	98,867	
<b>As at 1 Jan 2016</b>	55,440	25,591	-	21,221	102,252	5,298	107,550	
Total comprehensive expenses	-	-	-	(3,575)	(3,575)	(150)	(3,725)	
Acquisition of subsidiary companies	-	-	-	-	-	(12)	(12)	
Partially disposed a subsidiary to non-controlling interest	-	-	-	-	-	(3)	(3)	
Corporate exercise expenses	-	(492)	-	-	(492)	-	(492)	
<b>As at 30 Sep 2016</b>	55,440	25,099	-	17,646	98,185	5,133	103,318	

*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 2015 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 Period Ended 30 September 2016**

	<u>Cumulative Quarter</u>	
	30.09.2016	30.09.2015
	RM' 000	RM' 000
<b>(Loss)/Profit before taxation</b>		
Continuing Operations	(3,892)	5,931
Discontinued Operations	-	2,053
	<u>(3,892)</u>	<u>7,984</u>
<b><u>Adjustments for :</u></b>		
Non-cash items	739	2,850
Non-operating items	(113)	(1,464)
<b>Total adjustment</b>	<u>626</u>	<u>1,386</u>
<b>Operating cash flow before changes in working capital</b>	<b>(3,266)</b>	<b>9,370</b>
<b><u>Changes in working capital</u></b>		
Changes in inventories	(13,019)	(477)
Changes in property development costs	(15,169)	-
Changes in trade and other receivables	(361)	(6,300)
Changes in trade and other payables	(1,481)	24,580
<b>Total changes in working capital</b>	<u>(30,030)</u>	<u>17,803</u>
<b>Cash flow (used in)/from operations</b>	<b>(33,296)</b>	<b>27,173</b>
Interest paid	(42)	(428)
Tax paid	(994)	(2,129)
<b>Net cash flows (used in)/from operating activities</b>	<u><b>(34,332)</b></u>	<u><b>24,616</b></u>
<b><u>Investing activities</u></b>		
Acquisition of subsidiaries, net of cash and cash equivalents acquired	1	(29,912)
Net cash flow from the disposal of subsidiaries	-	(1,518)
Interest received	113	374
Proceeds from disposal of plant and equipment	-	23
Purchase of intangible assets	(25)	-
Purchase of plant and equipment	(464)	(770)
<b>Net cash flows used in investing activities</b>	<u><b>(375)</b></u>	<u><b>(31,803)</b></u>
<b><u>Financing activities</u></b>		
Corporate exercise expenses paid	(492)	-
Advances from/(Repayment to) directors	5,777	(3,083)
Government grant received	-	30
Repayment of finance leases	(170)	(455)
Drawdown/(Repayment) of term loans	13,045	(12,091)
<b>Net cash flows from/(used in) financing activities</b>	<u><b>18,160</b></u>	<u><b>(15,599)</b></u>
Net decrease in cash and cash equivalents	(16,547)	(22,786)
Effect of exchange rate changes	-	-
Cash and cash equivalents at beginning of year	16,865	41,810
	<u><b>318</b></u>	<u><b>19,024</b></u>
<b><u>Composition of cash and cash equivalents:</u></b>		
Short term fund	87	17,913
Cash & bank balances	231	1,111
<b>Cash and cash equivalents at end of period</b>	<u><b>318</b></u>	<u><b>19,024</b></u>

*The above condensed consolidated statements of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 PERIOD ENDED 30 SEPTEMBER 2016

#### 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 2015 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 year ended 31 December 2014 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 2016.

	Effective for financial periods beginning on or after
MFRSs, Amendments to MFRSs and IC Interpretations	
MFRS 14 Regulatory Deferral Accounts	01 January 2016
Amendments to MFRS 10 Consolidated Financial Statements, MFRS 12 Disclosure of Interests in Other Entities and MFRS 128 Investments in Associates and Joint Ventures - <i>Investment Entities: Applying the Consolidation Exception</i>	01 January 2016
Amendments to MFRS 11 Joint Arrangements - <i>Accounting for Acquisitions of Interests in Joint Operations</i>	01 January 2016
Amendments to MFRS 101 Presentation of Financial Statements - <i>Disclosure Initiative</i>	01 January 2016
Amendments to MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets - <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	01 January 2016
Amendments to MFRS 116 Property, Plant and Equipment and MFRS 141 Agriculture - <i>Bearer Plants</i>	01 January 2016
Amendments to MFRS 127 Consolidated and Separate Financial Statements - <i>Equity Method in Separate Financial Statements</i>	01 January 2016
Annual Improvements to MFRSs 2012 - 2014 Cycle	01 January 2016

The adoption of the all and above pronouncement did not have any significant impact on the financial statements of the Group.

## 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:

MFRSs, Amendments to MFRSs and IC Interpretations (Cont'd)	Effective for financial periods beginning on or after
Amendments to MFRS 107: Disclosure Initiative	01 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	01 January 2017
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	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: Revenue from Contracts with Customers and Clarifications to MFRS 15	01 January 2018
MFRS 16: Leases	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 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 goods or services underlying the particular performance obligation is transferred to the customers. In addition, extensive disclosures are required by MFRS 15. The Group anticipates that the application of MFRS 15 in the future may have a material 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.
- (ii) *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.

## 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 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 financial quarter and financial period under review.

**A7. Dividend Paid**

No dividend was paid during the current financial quarter and previous corresponding quarter.

**A8. Segmental Information**

	Properties RM'000	Food RM'000	Others RM'000	Continuing Operations RM'000	Discontinued Operations RM'000	Total RM'000
<b>Results for 3 months ended 30 September 2016</b>						
<b><u>Revenue</u></b>						
External	1,652	632	-	2,284	-	2,284
Inter-segment	1,350	-	710	2,060	-	2,060
	<u>3,002</u>	<u>632</u>	<u>710</u>	<u>4,344</u>	<u>-</u>	<u>4,344</u>
Consolidated adjustments and elimination				(2,060)	-	(2,060)
Consolidated revenue				<u>2,284</u>	<u>-</u>	<u>2,284</u>
<b><u>Results</u></b>						
Results before the following adjustments	(2,504)	(343)	(180)	(3,027)	-	(3,027)
Consolidated adjustments and elimination	21	-	(2)	19	-	19
Amortisation of intangible asset	(1)	(12)	-	(13)	-	(13)
Depreciation of property, plant and equipment	(107)	(110)	(1)	(218)	-	(218)
Direct operating expenses on investment property	(459)	-	-	(459)	-	(459)
Segment results	<u>(3,050)</u>	<u>(465)</u>	<u>(183)</u>	<u>(3,698)</u>	<u>-</u>	<u>(3,698)</u>
Interest income				3	-	3
Finance costs				(13)	-	(13)
Income tax expense				(39)	-	(39)
Consolidated loss after taxation				<u>(3,747)</u>	<u>-</u>	<u>(3,747)</u>

**A8. Segmental Information (Cont'd)**

	Properties RM'000	Food RM'000	Others RM'000	Continuing Operations RM'000	Discontinued Operations RM'000	Total RM'000
<b>Results for 3 months ended 30 September 2015</b>						
<b><u>Revenue</u></b>						
External	7,454	258	17	7,729	3,371	11,100
Inter-segment	2,649	-	(506)	2,143	133	2,276
	<u>10,103</u>	<u>258</u>	<u>(489)</u>	<u>9,872</u>	<u>3,504</u>	<u>13,376</u>
Consolidated adjustments and elimination				(2,143)	(133)	(2,276)
Consolidated revenue				<u>7,729</u>	<u>3,371</u>	<u>11,100</u>
<b><u>Results</u></b>						
Results before the following adjustments	3,354	(205)	9,858	13,007	1,018	14,025
Consolidated adjustments and elimination	50	1	(11,538)	(11,487)	2	(11,485)
Amortisation of intangible asset	-	(13)	-	(13)	-	(13)
Bad debts written off	-	-	-	-	(55)	(55)
Depreciation of property, plant and equipment	(45)	(27)	(2)	(74)	(223)	(297)
Direct operating expenses on investment property	(935)	-	-	(935)	-	(935)
Gain on disposal of equipment	-	3	-	3	-	3
Bargain purchase gain	324	-	-	324	-	324
Unrealised gain on foreign exchange	-	-	-	-	140	140
Segment results	<u>2,748</u>	<u>(241)</u>	<u>(1,682)</u>	<u>825</u>	<u>882</u>	<u>1,707</u>
Interest income				96	15	111
Finance costs				(42)	(20)	(62)
Income tax expense				(135)	(2)	(137)
Consolidated profit after taxation				<u>744</u>	<u>875</u>	<u>1,619</u>
<b>Results for 9 months ended 30 September 2016</b>						
<b><u>Revenue</u></b>						
External	10,205	1,981	90	12,276	-	12,276
Inter-segment	5,850	-	2,189	8,039	-	8,039
	<u>16,055</u>	<u>1,981</u>	<u>2,279</u>	<u>20,315</u>	<u>-</u>	<u>20,315</u>
Consolidated adjustments and elimination				(8,039)	-	(8,039)
Consolidated revenue				<u>12,276</u>	<u>-</u>	<u>12,276</u>
<b><u>Results</u></b>						
Results before the following adjustments	(541)	(1,058)	(387)	(1,986)	-	(1,986)
Consolidated adjustments and elimination	50	-	(78)	(28)	-	(28)
Amortisation of intangible asset	(2)	(36)	-	(38)	-	(38)
Depreciation of property, plant and equipment	(314)	(329)	(3)	(646)	-	(646)
Direct operating expenses on investment property	(1,265)	-	-	(1,265)	-	(1,265)
Segment results	<u>(2,072)</u>	<u>(1,423)</u>	<u>(468)</u>	<u>(3,963)</u>	<u>-</u>	<u>(3,963)</u>
Interest income				113	-	113
Finance costs				(42)	-	(42)
Income tax expense				167	-	167
Consolidated loss after taxation				<u>(3,725)</u>	<u>-</u>	<u>(3,725)</u>

**A8. Segmental Information (Cont'd)**

	Properties	Food	Others	Continuing Operations	Discontinued Operations	Total
<b>Results for 9 months ended 30 September 2015</b>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>						
External	23,086	818	70	23,974	14,470	38,444
Inter-segment	5,974	13	1,547	7,534	1,967	9,501
	<u>29,060</u>	<u>831</u>	<u>1,617</u>	<u>31,508</u>	<u>16,437</u>	<u>47,945</u>
Consolidated adjustments and elimination				(7,534)	(1,967)	(9,501)
Consolidated revenue				<u>23,974</u>	<u>14,470</u>	<u>38,444</u>
<b>Results</b>						
Results before the following adjustments	9,760	(522)	9,123	18,361	2,054	20,415
Consolidated adjustments and elimination	20	(11)	(11,551)	(11,542)	2	(11,540)
Amortisation of intangible asset	-	(37)	-	(37)	-	(37)
Bad debts written off	-	-	-	-	(58)	(58)
Depreciation of property, plant and equipment	(123)	(82)	(3)	(208)	(668)	(876)
Direct operating expenses on investment property	(1,004)	-	-	(1,004)	-	(1,004)
Gain on disposal of equipment	-	3	-	3	-	3
Bargain purchase gain	324	-	-	324	-	324
Unrealised gain on foreign exchange	-	-	-	-	766	766
Segment results	<u>8,977</u>	<u>(649)</u>	<u>(2,431)</u>	<u>5,897</u>	<u>2,096</u>	<u>7,993</u>
Interest income				374	45	419
Finance costs				(340)	(88)	(428)
Income tax expense				(1,128)	(544)	(1,672)
Consolidated profit after taxation				<u>4,803</u>	<u>1,509</u>	<u>6,312</u>

**A9. Material Events Subsequent to The End of Interim Period**

There is no material event subsequent to the end of the financial period.

**A10. Changes in Composition of the Group**

- On 1 March 2016, HCK Properties Sdn. Bhd. ("HCK Properties") subscribed for 51 ordinary shares of RM1 each representing 51% equity interest in Oval Bridge Sdn. Bhd. ("Oval Bridge") for a total cash consideration of RM51;
- On 1 March 2016, Oval Bridge subscribed for 67 ordinary shares of RM1 each representing 67% equity interest in Koridor Efektif Sdn. Bhd. for a total cash consideration of RM67;
- On 11 March 2016, HCK Properties subscribed for 700 ordinary shares of RM1 each representing 70% equity interest in HCK Premier Builders Sdn. Bhd. for a total cash consideration of RM700;
- On 3 May 2016, the Company subscribed for 25 ordinary shares of RM1 each representing 25% equity interest in Great Intend Sdn. Bhd. for a total consideration of RM25;
- On 1 July 2016, a wholly-owned subsidiary, HCK Capital Holdings Sdn. Bhd. acquired the entire equity interest in HCK Education Sdn. Bhd. for a total cash consideration of RM2;
- On 15 July 2016, HCK Properties Sdn. Bhd. acquired the entire equity interest in SA Alliances Sdn. Bhd. (formerly known as Viva Rising Sdn. Bhd.) for a total cash consideration of RM2; and
- On 19 September 2016, HCK Properties Sdn. Bhd. subscribed for 1 ordinary shares of RM1 each representing 50% equity interest in Binary Binajaya Sdn. Bhd. for a total cash consideration of RM1.

### 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 30/09/2016 RM'000	As at 31/12/2015 RM'000
<u>Authorised but not contracted for:</u>		
Motor vehicles	-	833
<u>Contracted but not provided for:</u>		
Acquisition of remaining equity interest in a subsidiary	730	1,000
Acquisition of subsidiary companies	73,426	-
	<u>74,156</u>	<u>1,000</u>

### A13. Operating Lease Commitments

	As at 30/09/2016 RM'000	As at 31/12/2015 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	754	848
Later than 1 year and not later than 5 years	-	642
	<u>754</u>	<u>1,490</u>

#### i) 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.

The future minimum lease payments under the non-cancellable operating leases are as follows:-

	As at 30/09/2016 RM'000	As at 31/12/2015 RM'000
Not more than 1 year	3,556	936
Later than 1 year and not later than 5 years	6,091	-
	<u>9,647</u>	<u>936</u>

## HCK CAPITAL GROUP BERHAD

(Incorporated in Malaysia)

(Company no: 484964-H)

### CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016

#### 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 period ended 30 September 2016, the Group achieved a revenue of RM12.3 million which is lower by RM11.7 million in comparison to the corresponding period ended 30 September 2015.

The Group recorded a loss before taxation for the financial period ended 30 September 2016 of RM3.9 million as compared to profit before taxation of RM5.9 million in the corresponding period ended 30 September 2015.

##### B2. Comment on financial results (current quarter compared with the preceding quarter)

	3 months ended	
	30/09/2016	30/06/2016
	RM'000	RM'000
Revenue	2,284	5,334
(Loss)/Profit before taxation	(3,708)	301

The Group recorded lower revenue and a loss before taxation for the quarter ended 30 September 2016 as final project billings were recorded in the preceding quarter ended 30 June 2016.

##### 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 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	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM '000	RM '000	RM '000	RM '000
<b>Continuing Operations</b>				
Current income tax				
- Malaysia income tax	39	135	(167)	1,128
<b>Discontinued Operations</b>				
Current income tax				
- Malaysia income tax	-	2	-	544
	<u>39</u>	<u>137</u>	<u>(167)</u>	<u>1,672</u>

Income tax expense is recognised 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 year to date and current quarter was lower than statutory tax rate, principally due to tax incentives giving.

## B7. Status of Corporate Proposals

On 3 June 2016, the Company ("HCK") has announcement to proposed acquisition as follows:-

- (i) A indirect wholly-owned subsidiary has entered into a conditional share sale agreement with certain directors of the HCK, to proposed acquisition of 15,000,000 shares in Andaman Daya Sdn Bhd ("ADSB"), representing 100% of the equity interest in ADSB, for a total purchase consideration of RM11,581,039 to be satisfied entirely via the issuance of 4,541,583 new HCK Share at an issue price of RM2.55 per HCK Share;
- (ii) A indirect wholly-owned subsidiary has entered into a conditional share sale agreement with a director of HCK and a third party to proposed acquisition of 2,500,000 share in Fidelity Ventures Sdn Bhd ("FVSB"), representing 100% of the equity interest in FVSB and the assumption of advances owing to a director of FVSB's wholly-owned subsidiary company, Joyview Properties Sdn Bhd ("JPSB"), for a total consideration of RM57,130,500 ("FVSB Total Consideration") to be satisfied entirely via the issuance of 898,242 new HCK Shares of RM2,55 per HCK Share and the assumption of advances owing to a director of JPSB, a director of HCK, of RM54,839,983 ("Advances in JPSB") to be satisfied entirely via the issuance of 21,505,875 new HCK Shares at an issue price of RM2.55 per HCK Share; and
- (iii) A indirect wholly-owned subsidiary has entered into a conditional share sale agreement with certain directors of HCK to proposed acquisition of 2 share in Usas Management Sdn Bhd ("UMSB"), representing 100% of the equity interest in UMSB, for a cash consideration of RM2, HCK and a indirect wholly-owned subsidiary had entered into a deed of assignment with a director for the assumption of advances owing to a director of UMSB, of RM4,714,000 to be satisfied entirely via the issuance of 1,848,628 new HCK Share at an issue price of RM2.55 per HCK Share.

The proposals are deemed as related party transactions under Paragraph 10.08 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad in view that the Proposals involve the interests of certain directors of HCK. The Proposals will be tabled for shareholders' approval at the forthcoming Extraordinary General Meeting scheduled to be held on 2 December 2016.

**B8. Borrowings and Debt Securities**

Details of Group's borrowings as at 30 September 2016 are as follows:

	30/09/2016 RM'000	31/12/2015 RM'000
a) Current (secured)		
- Hire purchases	243	84
- Term loan	-	-
	<u>243</u>	<u>84</u>
b) Non-current (secured)		
- Hire purchases	771	267
- Term loan	26,089	13,044
	<u>26,860</u>	<u>13,311</u>
	<u>27,103</u>	<u>13,395</u>

All loans and borrowings are denominated in Ringgit Malaysia ("RM").

**B9. Changes in Material litigation**

There was no other 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. (Loss)/Earnings per share**

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

	Individual Quarter		Cumulative Quarter	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
(Loss)/Profit attributable to ordinary equity owners of the parent (RM'000)				
Continuing Operations	(3,719)	907	(3,575)	6,114
Discontinued Operations	-	875	-	44
	<u>(3,719)</u>	<u>1,782</u>	<u>(3,575)</u>	<u>6,158</u>
Weighted average number of ordinary shares in issue ('000)	55,440	48,529	55,440	53,668
Basic (loss)/earnings per share (sen)				
Continuing Operations	(6.71)	1.87	(6.45)	11.39
Discontinued Operations	-	1.80	-	0.08
	<u>(6.71)</u>	<u>3.67</u>	<u>(6.45)</u>	<u>11.47</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 year ended 31 December 2015 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	
	30/09/2016	31/12/2015
	RM'000	RM'000
Retained earnings		
Realised	17,156	13,699
Unrealised	(406)	6,594
	<u>16,750</u>	<u>20,293</u>
Less: Consolidation adjustments	896	928
Group's retained earnings	<u><u>17,646</u></u>	<u><u>21,221</u></u>

**B14. (Loss)/Profit for the period**

	Individual Quarter		Cumulative Quarter	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
	RM'000	RM'000	RM'000	RM'000
<b>Continuing Operations</b>				
Interest income	(3)	(96)	(113)	(374)
Interest expense	13	42	42	340
Amortisation of intangible assets	13	13	38	37
Depreciation of property, plant and equipment	218	74	646	208
Impairment on goodwill	-	-	27	-
Gain on disposal of equipment	-	(3)	-	(3)
Bargain purchase gain	-	(324)	-	(324)
<b>Discontinued Operations</b>				
Interest income	-	(15)	-	(45)
Interest expense	-	20	-	88
Bad debts written off	-	55	-	58
Depreciation of property, plant and equipment	-	223	-	668
Gain on foreign exchange - realised	-	(27)	-	(64)
Gain on foreign exchange - unrealised	-	(140)	-	(766)

**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 29 November 2016.