



**Interim Financial Statement
For the Financial Quarter Ended 30 September 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 30 September 2017**

	Note	<u>Current Quarter</u>		<u>Cumulative Quarter</u>	
		<u>30.09.2017</u>	<u>30.09.2016</u>	<u>30.09.2017</u>	<u>30.09.2016</u>
		RM '000	RM '000	RM '000	RM '000
Continuing Operations					
Revenue		6,096	2,284	19,774	12,276
Cost of sales		(843)	(1,617)	(3,268)	(4,114)
Gross Profit		5,253	667	16,506	8,162
Other operating income		96	12	106	29
Administrative and general expenses		(4,834)	(4,062)	(14,614)	(11,458)
Sales and marketing expenses		(139)	(314)	(665)	(693)
Profit/(Loss) from operations		376	(3,697)	1,333	(3,960)
Interest income		-	3	38	113
Interest expense		(948)	(13)	(2,751)	(42)
Loss before taxation	B14	(572)	(3,707)	(1,380)	(3,889)
Tax expense	B6	(136)	(39)	(136)	167
Loss from continuing operations		(708)	(3,746)	(1,516)	(3,722)
 DISCONTINUED OPERATIONS					
Loss after taxation from discontinued operations		-	(1)	(6)	(3)
Loss after taxation		(708)	(3,747)	(1,522)	(3,725)
 Attributable to:					
Owners of the parent		(674)	(3,719)	(1,205)	(3,575)
Non-controlling interests		(34)	(28)	(317)	(150)
		(708)	(3,747)	(1,522)	(3,725)
 Basic loss per share attributable to equity holders of the parent (sen):					
Continuing Operations		(0.22)	(1.34)	(0.31)	(1.29)
Discontinued Operations		-	(0.00)	(0.00)	(0.00)
	B11	(0.22)	(1.34)	(0.31)	(1.29)

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-H)

**Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Financial Quarter Ended 30 September 2017**

	<u>Current Quarter</u>		<u>Cumulative Quarter</u>	
	<u>30.09.2017</u>	<u>30.09.2016</u>	<u>30.09.2017</u>	<u>30.09.2016</u>
	<u>RM '000</u>	<u>RM '000</u>	<u>RM '000</u>	<u>RM '000</u>
Loss after taxation for the period	(708)	(3,747)	(1,522)	(3,725)
Other comprehensive income				
Item that may not be subsequently reclassified to profit or loss	-	-	-	-
Total comprehensive expenses	<u>(708)</u>	<u>(3,747)</u>	<u>(1,522)</u>	<u>(3,725)</u>
Total comprehensive expenses attributable to:				
Owners of the parent	(674)	(3,719)	(1,205)	(3,575)
Non-controlling interests	(34)	(28)	(317)	(150)
	<u>(708)</u>	<u>(3,747)</u>	<u>(1,522)</u>	<u>(3,725)</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 30 September 2017

		AS AT 30.09.2017 RM' 000 Unaudited	AS AT 31.12.2016 RM' 000 Audited
ASSETS			
Non-current assets			
Property, plant and equipment		39,220	24,792
Land held for property development		63,593	61,277
Investment property		28,000	28,000
Goodwill		4,454	4,454
Intangible assets		587	626
		<u>135,854</u>	<u>119,149</u>
Current assets			
Inventories		230,409	229,196
Trade and other receivables		14,197	20,496
Current tax assets		1,457	950
Short term fund		60	78
Fixed deposit with a licensed bank		1,033	1,000
Cash and bank balances		1,727	2,963
		<u>248,883</u>	<u>254,683</u>
TOTAL ASSETS		<u><u>384,737</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		69,096	69,486
Retained earnings		21,521	22,726
		<u>174,851</u>	<u>176,446</u>
Non-controlling interests		4,936	5,061
Total equity		<u>179,787</u>	<u>181,507</u>
Non-current liabilities			
Deferred tax liabilities		3,727	3,727
Long term borrowings	B8	139,295	112,787
		<u>143,022</u>	<u>116,514</u>
Current liabilities			
Trade and other payables		41,466	63,556
Short term borrowings	B8	20,462	12,183
Current tax liabilities		-	72
		<u>61,928</u>	<u>75,811</u>
Total liabilities		<u>204,950</u>	<u>192,325</u>
TOTAL EQUITY AND LIABILITIES		<u><u>384,737</u></u>	<u><u>373,832</u></u>
Net assets per share attributable to owners of the parent (RM)		<u>0.42</u>	<u>0.42</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 30 September 2017**

	← Attributable to Owners of the Parent →						
	Non-Distributable			Distributable		Non- controlling interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Retained earnings RM'000	Total RM'000			
As at 1 January 2016	55,440	25,591	21,221	102,252			
Acquisition of subsidiaries	-	-	-	-		(12)	(12)
Changes in subsidiaries' ownership interests that do not result in a loss of control	-	-	-	-		(3)	(3)
Total comprehensive income/(expenses)	-	-	(3,575)	(3,575)		(150)	(3,725)
Corporate exercise expenses	-	-	(492)	(492)		-	(492)
As at 30 September 2016	<u>55,440</u>	<u>25,591</u>	<u>17,154</u>	<u>98,185</u>		<u>5,133</u>	<u>103,318</u>
As at 1 January 2017	84,234	69,486	22,726	176,446		5,061	181,507
Issuance of shares by subsidiaries to non-controlling interests	-	-	-	-		239	239
Disposal of subsidiaries	-	-	-	-		(47)	(47)
Total comprehensive expenses	-	-	(1,205)	(1,205)		(317)	(1,522)
Corporate exercise expenses	-	(390)	-	(390)		-	(390)
As at 30 September 2017	<u>84,234</u>	<u>69,096</u>	<u>21,521</u>	<u>174,851</u>		<u>4,936</u>	<u>179,787</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 30 September 2017

	Cumulative Quarter	
	30.09.2017	30.09.2016
	RM' 000	RM' 000
Loss before taxation		
Continuing Operations	(1,380)	(3,889)
Discontinued Operations	(6)	(3)
	<u>(1,386)</u>	<u>(3,892)</u>
<u>Adjustments for :</u>		
Non-cash items	3,624	742
Non-operating items	(51)	(116)
Total adjustment	3,573	626
Operating cash flow before changes in working capital	2,187	(3,266)
<u>Changes in working capital</u>		
Changes in inventories	(1,213)	(13,019)
Changes in land held for property development	(2,316)	(409)
Changes in trade and other receivables	5,045	(361)
Changes in trade and other payables	(11,715)	(1,481)
Total changes in working capital	(10,199)	(15,270)
Cash flow used in operations	(8,012)	(18,536)
Interest paid	(2,751)	(42)
Tax paid	(715)	(994)
Net cash flows used in operating activities	(11,478)	(19,572)
<u>Investing activities</u>		
Interest received	38	113
Acquisition of subsidiaries	-	1
Net cash inflow from the disposal of a subsidiary	799	-
Proceeds from subscription of shares in a subsidiary company by non-controlling interests	239	-
Proceeds from disposal of equipment	112	-
Withdrawal of short-term deposit pledged to a licensed bank	(33)	-
Purchase of intangible assets	-	(25)
Purchase of land held for property development	-	(14,760)
Purchase of property and equipment	(15,040)	(464)
Net cash flows used in investing activities	(13,885)	(15,135)
<u>Financing activities</u>		
Corporate exercise expenses paid	(390)	(492)
(Repayment to)/Advances from directors	(9,954)	5,777
Repayment of hire purchases	(208)	(170)
Drawdown of revolving credit	10,000	-
Drawdown of term loans	30,708	13,045
Repayment to term loans	(6,047)	-
Net cash flows from financing activities	24,109	18,160
Net decrease in cash and cash equivalents	(1,254)	(16,547)
Cash and cash equivalents at beginning of year	3,041	16,865
	1,787	318
<u>Composition of cash and cash equivalents:</u>		
Short term fund	60	87
Cash and bank balances	1,727	231
Cash and cash equivalents at end of period	1,787	318

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 30 SEPTEMBER 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: <ul style="list-style-type: none">• <i>Amendments to MFRS 12: Clarification of the Scope of Standard</i>	01 January 2017

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
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: <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 <ul style="list-style-type: none">• <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>	01 January 2018

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
IC Interpretation 23: <i>Uncertainty over Income Tax Treatments</i>	01 January 2019
MFRS 17: <i>Insurance Contracts</i>	01 January 2021
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	Continuing Operations RM'000	Discontinued Operations RM'000	Total RM'000
Results for 3 months ended 30 September 2017						
Revenue						
External	5,388	641	67	6,096	-	6,096
Inter-segment	1,200	-	1,020	2,220	-	2,220
	<u>6,588</u>	<u>641</u>	<u>1,087</u>	<u>8,316</u>	<u>-</u>	<u>8,316</u>
Consolidated adjustments and elimination						(2,220)
Consolidated revenue						<u>6,096</u>
Results						
Results before the following adjustments	1,241	58	(279)	1,020	-	1,020
Consolidated adjustments and elimination	(13)	-	(3)	(16)	-	(16)
Amortisation of intangible asset	(1)	(12)	-	(13)	-	(13)
Depreciation of property and equipment	(120)	(83)	(1)	(204)	-	(204)
Direct operating expenses on investment property	(424)	-	-	(424)	-	(424)
Gain on disposal of equipment	-	13	-	13	-	13
Segment results	<u>683</u>	<u>(24)</u>	<u>(283)</u>	<u>376</u>	<u>-</u>	<u>376</u>
Interest income						-
Interest expense						(948)
Tax expense						(136)
Consolidated loss after taxation						<u>(708)</u>
Assets						
Segment assets	1,232	475	(165)	1,542	-	1,542
Tax recoverable	190	-	(1)	189	-	189
Consolidated total assets	<u>1,422</u>	<u>475</u>	<u>(166)</u>	<u>1,731</u>	<u>-</u>	<u>1,731</u>
Liabilities						
Segment liabilities	2,195	(37)	360	2,518	-	2,518
Deferred tax liabilities	-	-	-	-	-	-
Provision for taxation	-	-	-	-	-	-
Consolidated total liabilities	<u>2,195</u>	<u>(37)</u>	<u>360</u>	<u>2,518</u>	<u>-</u>	<u>2,518</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
Results for 3 months ended 30 September 2016						
Revenue						
External	1,652	632	-	2,284	-	2,284
Inter-segment	1,350	-	70	1,420	-	1,420
	<u>3,002</u>	<u>632</u>	<u>70</u>	<u>3,704</u>	<u>-</u>	<u>3,704</u>
Consolidated adjustments and elimination						(1,420)
Consolidated revenue						<u>2,284</u>
Results						
Results before the following adjustments	(2,504)	(343)	(148)	(2,995)	(1)	(2,996)
Consolidated adjustments and elimination	21	-	(33)	(12)	-	(12)
Amortisation of intangible asset	(1)	(12)	-	(13)	-	(13)
Depreciation of 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>(182)</u>	<u>(3,697)</u>	<u>(1)</u>	<u>(3,698)</u>
Interest income						3
Interest expense						(13)
Tax expense						(39)
Consolidated loss after taxation						<u>(3,747)</u>
Assets						
Segment assets	(5,561)	(162)	(1,044)	(6,767)	67	(6,700)
Tax recoverable	347	-	1	348	-	348
Consolidated total assets	<u>(5,214)</u>	<u>(162)</u>	<u>(1,043)</u>	<u>(6,419)</u>	<u>67</u>	<u>(6,352)</u>
Liabilities						
Segment liabilities	(1,087)	(1,139)	(128)	(2,354)	-	(2,354)
Deferred tax liabilities	-	-	-	-	-	-
Provision for taxation	(6)	-	-	(6)	-	(6)
Consolidated total liabilities	<u>(1,093)</u>	<u>(1,139)</u>	<u>(128)</u>	<u>(2,360)</u>	<u>-</u>	<u>(2,360)</u>
Results for 6 months ended 30 September 2017						
Revenue						
External	17,976	1,720	78	19,774	-	19,774
Inter-segment	3,600	-	3,012	6,612	-	6,612
	<u>21,576</u>	<u>1,720</u>	<u>3,090</u>	<u>26,386</u>	<u>-</u>	<u>26,386</u>
Consolidated adjustments and elimination						(6,612)
Consolidated revenue						<u>19,774</u>
Results						
Results before the following adjustments	4,571	(873)	45	3,743	(6)	3,737
Consolidated adjustments and elimination	29	-	(632)	(603)	-	(603)
Amortisation of intangible asset	(2)	(37)	-	(39)	-	(39)
Depreciation of property and equipment	(344)	(277)	(3)	(624)	-	(624)
Direct operating expenses on investment property	(1,157)	-	-	(1,157)	-	(1,157)
Gain on disposal of equipment	-	13	-	13	-	13
Segment results	<u>3,097</u>	<u>(1,174)</u>	<u>(590)</u>	<u>1,333</u>	<u>(6)</u>	<u>1,327</u>
Interest income						38
Interest expense						(2,751)
Tax expense						(136)
Consolidated loss after taxation						<u>(1,522)</u>
Assets						
Segment assets	380,831	2,304	145	383,280	-	383,280
Tax recoverable	1,448	-	9	1,457	-	1,457
Consolidated total assets	<u>382,279</u>	<u>2,304</u>	<u>154</u>	<u>384,737</u>	<u>-</u>	<u>384,737</u>
Liabilities						
Segment liabilities	197,403	340	3,480	201,223	-	201,223
Deferred tax liabilities	3,727	-	-	3,727	-	3,727
Provision for taxation	-	-	-	-	-	-
Consolidated total liabilities	<u>201,130</u>	<u>340</u>	<u>3,480</u>	<u>204,950</u>	<u>-</u>	<u>204,950</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
Results for 6 months ended 30 September 2016						
Revenue						
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)
Consolidated revenue						<u>12,276</u>
Results						
Results before the following adjustments	(539)	(1,058)	(355)	(1,952)	(3)	(1,955)
Consolidated adjustments and elimination	50	-	(109)	(59)	-	(59)
Amortisation of intangible asset	(2)	(36)	-	(38)	-	(38)
Depreciation of equipment	(314)	(329)	(3)	(646)	-	(646)
Direct operating expenses on investment property	(1,265)	-	-	(1,265)	-	(1,265)
Segment results	<u>(2,070)</u>	<u>(1,423)</u>	<u>(467)</u>	<u>(3,960)</u>	<u>(3)</u>	<u>(3,963)</u>
Interest income						113
Interest expense						(42)
Tax expense						167
Consolidated loss after taxation						<u>(3,725)</u>
Assets						
Segment assets	140,967	2,383	185	143,535	498	144,033
Tax recoverable	903	-	20	923	-	923
Consolidated total assets	<u>141,870</u>	<u>2,383</u>	<u>205</u>	<u>144,458</u>	<u>498</u>	<u>144,956</u>
Liabilities						
Segment liabilities	40,125	314	721	41,160	2	41,162
Deferred tax liabilities	406	-	-	406	-	406
Provision for taxation	70	-	-	70	-	70
Consolidated total liabilities	<u>40,601</u>	<u>314</u>	<u>721</u>	<u>41,636</u>	<u>2</u>	<u>41,638</u>

A9. Material Events Subsequent to The End of Interim Period

There were no material subsequent events as at the date of this report except that on 02 October 2017, HCK completed its proposed renounceable rights issue of 210,585,820 warrants in HCK ("Warrant(s)") at an issue price of RM0.05 per warrant on the basis of one (1) warrant for every two (2) shares held on an entitlement date.

A10. Changes in Composition of the Group

- 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.
- On 27 March 2017, Binary Binajaya incorporated a wholly-owned subsidiary, namely HCK Bestari Sdn. Bhd. ("HCK Bestari") with 70 ordinary shares representing 100% equity interest for a total cash consideration of RM70. On 25 May 2017, HCK Bestari issued 30 ordinary shares to Datumcorp International Sdn. Bhd. for a total consideration of RM30, thereby reducing Binary Binajaya's shareholdings in HCK Bestari from 100% to 70%.
- On 6 April 2017, 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. Following completion of the disposal, Oscar Springs ceased to be a subsidiary of HCK Properties.
- On 26 May 2017, HCK Education Sdn. Bhd. ("HCK Education") incorporated a wholly-owned subsidiary, namely HCK Education (KL) Sdn. Bhd. with 2 ordinary shares representing 100% equity interest for a total consideration of RM2.
- On 26 May 2017, HCK Education incorporated a wholly-owned subsidiary, namely HCK Education (PJ) Sdn. Bhd. with 2 ordinary shares representing 100% equity interest for a total consideration of RM2.
- On 15 September 2017, HCK Properties acquired 2 ordinary shares representing 100% equity interest for a total consideration of RM2 in Imagine Residences.

A11. Changes in Contingent Assets and Contingent Liabilities

There were no Contingent Assets. Contingent Liabilities of the Group are as follows:

	As at	
	30/09/2017	31/12/2016
	RM'000	RM'000
Corporate guarantees issued in favour of third parties	208,723	181,690

Save as disclosed above, there were no other changes in contingent liabilities of the Group.

A12. Capital Commitments

	As at
	30/09/2017
	RM'000
<u>Contracted but not provided for:</u>	
Purchase of a piece of leasehold land	780

A13. Operating Lease Commitments

	As at
	30/09/2017
	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	771
Later than 1 year and not later than 5 years	643
	<u>1,414</u>

(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
	30/09/2017
	RM'000
The future minimum lease payments under the non-cancellable operating leases are as follows:-	
Not more than 1 year	3,847
Later than 1 year and not later than 5 years	2,244
	<u>6,091</u>

A14. Related Party Transactions

	Current Quarter		Cumulative Quarter	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
	RM'000	RM'000	RM'000	RM'000
Rental expenses to a related party	3	-	3	-
Rental income from a non-controlling interest	837	927	2,511	2,331

HCK CAPITAL GROUP BERHAD

(Incorporated in Malaysia)

(Company no: 484964-H)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2017****PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF
BURSA MALAYSIA SECURITIES BERHAD****B1. Review of performance**

The Group for the Current Quarter ended 30 September 2017 recorded revenue of RM6.1 million and Loss Before Tax ("LBT") of RM0.6 million. This represented an increase in revenue of RM3.8 million as compared to the corresponding quarter ended 30 September 2016.

For the Cumulative Quarter ended 30 September 2017, the Group achieved a revenue of RM19.8 million which is higher by RM7.5 million in comparison to the corresponding Cumulative Quarter ended 30 September 2016 due to higher project billings during the 3rd quarter ended 30 September 2017.

In line with higher revenue achieved during the financial period under review, the Group recorded a lower LBT for the Cumulative Quarter ended 30 September 2017 of RM1.4 million as compared to LBT of RM3.9 million in the corresponding financial quarter.

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

	Current Quarter 30/09/2017 RM'000	Immediate Preceding Quarter 30/06/2017 RM'000	Changes
Revenue	6,096	7,711	-20.9%
(Loss)/Profit before taxation	(572)	313	-282.7%

For the Current Quarter ended 30 September 2017, the Group recorded a revenue of RM6.1 million which is lower by RM1.6 million and LBT of RM0.6 million in comparison to the Immediate Preceding Quarter ended 30 June 2017 in line with lower project billings during 3rd quarter ended 30 September 2017.

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 dosmetic liquidity conditions. The Board is cautious of the challenges in the Malaysian property market and economy.

Notwithstanding the above, the Group will be diligent in its property launches and development projects in the near future.

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	
	30/09/2017 RM '000	30/09/2016 RM '000	30/09/2017 RM '000	30/09/2016 RM '000
Current income tax				
- Malaysia income tax	136	39	136	(167)

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

Pursuant to the proposed corporate exercise below:

- (a) Proposed subdivision 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 ("Subdivided Share(s)") ("Proposed Subdivision");
- (b) 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 Proposed Subdivision was completed on 07 August 2017 and the Proposed Rights Issue of Warrants was completed on 02 October 2017.

On 10 October 2017, the Company announced the following:

- (a) Proposed Establishment of a Long Term Incentive Plan of up to 15% of the total number of issued shares of HCK (excluding treasury shares, if any) at any point in time ("Proposed LTIP");
- (b) Proposed Amendment to the Constitution of HCK ("Proposed Amendment").

The Proposed LTIP and Proposed Amendment is pending shareholders' approval during the EGM on 18 December 2017.

B8. Borrowings and Debt Securities

Details of Group's borrowings as at 30 September 2017 are as follows:

	As at 30 September 2017			As at 30 September 2016		
	Long term RM'000	Short term RM'000	Total RM'000	Long term RM'000	Short term RM'000	Total RM'000
<u>Secured</u>						
Term loans	138,509	10,148	148,657	26,089	-	26,089
Revolving credit	-	10,000	10,000	-	-	-
Hire purchases	786	314	1,100	771	243	1,014
	<u>139,295</u>	<u>20,462</u>	<u>159,757</u>	<u>26,860</u>	<u>243</u>	<u>27,103</u>

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

The increase mainly due to drawdown of RM31 million term loans and revolving credit for working capital purposes.

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

	Current Quarter		Cumulative Quarter	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
Loss after taxation attributable to ordinary equity owners of the parent (RM'000)				
Continuing Operations	(674)	(3,718)	(1,199)	(3,572)
Discontinued Operations	-	(1)	(6)	(3)
	<u>(674)</u>	<u>(3,719)</u>	<u>(1,205)</u>	<u>(3,575)</u>
Weighted average number of ordinary shares in issue ('000)	313,485	277,200	391,585	277,200
Basic loss per share (sen)				
Continuing Operations	(0.22)	(1.34)	(0.31)	(1.29)
Discontinued Operations	-	(0.00)	(0.00)	(0.00)
	<u>(0.22)</u>	<u>(1.34)</u>	<u>(0.31)</u>	<u>(1.29)</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	
	30/09/2017 RM'000	31/12/2016 RM'000
Retained earnings		
Realised	22,654	23,237
Unrealised	(3,727)	(3,727)
	<u>18,927</u>	<u>19,510</u>
Less: Consolidation adjustments	2,594	3,216
Group's retained earnings	<u>21,521</u>	<u>22,726</u>

B14. Profit/(Loss) for the period

	Current Quarter		Cumulative Quarter	
	30/09/2017 RM'000	30/09/2016 RM'000	30/09/2017 RM'000	30/09/2016 RM'000
This is arrived at after charging/(crediting):				
Continuing Operations				
Interest income	-	(3)	(38)	(113)
Interest expense	948	13	2,751	42
Amortisation of intangible assets	13	13	39	38
Depreciation of property, plant and equipment	204	218	624	646
Equipment written off	(112)	-	210	-
(Gain)/Loss on disposal of equipment	(11)	-	(5)	-
Gain on disposal of a subsidiary	-	-	(8)	-