



**Interim Financial Statement
For the Financial Year Ended 31 December 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 Year Ended 31 December 2017**

	Note	<u>Current Quarter</u>		<u>Cumulative Quarter</u>	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		RM '000	RM '000	RM '000	RM '000
Continuing Operations					
Revenue		10,061	8,309	29,835	20,585
Cost of sales		(3,902)	(1,179)	(7,170)	(5,293)
Gross Profit		6,159	7,130	22,665	15,292
Other operating income		16,659	3,498	16,765	3,527
Administrative and general expenses		(5,475)	(5,230)	(20,089)	(16,688)
Sales and marketing expenses		(1,022)	12	(1,687)	(681)
Profit from operations		16,321	5,410	17,654	1,450
Interest income		13	-	51	113
Interest expense		(911)	(139)	(3,662)	(181)
Prprofit before taxation	B14	15,423	5,271	14,043	1,382
Tax expense	B6	(947)	(14)	(1,083)	153
Profit from continuing operations		14,476	5,257	12,960	1,535
 DISCONTINUED OPERATIONS					
Loss after taxation from discontinued operations		(354)	(251)	(360)	(254)
Profit after taxation		14,122	5,006	12,600	1,281
 Attributable to:					
Owners of the parent		6,797	5,077	5,592	1,502
Non-controlling interests		7,325	(71)	7,008	(221)
		14,122	5,006	12,600	1,281
 Basic earning/(loss) per share attributable to equity holders of the parent (sen):					
Continuing Operations		2.33	1.92	1.41	0.63
Discontinued Operations		(0.12)	(0.09)	(0.09)	(0.09)
	B11	2.22	1.83	1.33	0.54

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 31 December 2017**

	<u>Current Quarter</u>		<u>Cumulative Quarter</u>	
	<u>31.12.2017</u>	<u>31.12.2016</u>	<u>31.12.2017</u>	<u>31.12.2016</u>
	<u>RM '000</u>	<u>RM '000</u>	<u>RM '000</u>	<u>RM '000</u>
Profit after taxation for the period	14,122	5,006	12,600	1,281
Other comprehensive income				
Item that may not be subsequently reclassified to profit or loss	-	-	-	-
Total comprehensive income	<u>14,122</u>	<u>5,006</u>	<u>12,600</u>	<u>1,281</u>
Total comprehensive income attributable to:				
Owners of the parent	6,797	5,077	5,592	1,502
Non-controlling interests	7,325	(71)	7,008	(221)
	<u>14,122</u>	<u>5,006</u>	<u>12,600</u>	<u>1,281</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 Year Ended 31 December 2017**

		AS AT	AS AT
		31.12.2017	31.12.2016
		RM' 000	RM' 000
	Note	Unaudited	Audited
ASSETS			
Non-current assets			
Property, plant and equipment		38,792	24,792
Land held for property development		61,277	61,277
Investment property		44,000	28,000
Investment in associates		150	-
Goodwill		4,454	4,454
Intangible assets		575	626
		<u>149,248</u>	<u>119,149</u>
Current assets			
Inventories		229,244	229,196
Property development costs		30,332	-
Trade and other receivables		29,647	20,496
Current tax assets		1,446	950
Short term fund		5	78
Fixed deposit with a licensed bank		1,033	1,000
Cash and bank balances		4,212	2,963
		<u>295,919</u>	<u>254,683</u>
TOTAL ASSETS		<u><u>445,167</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		68,938	69,486
Warrants reserve		10,529	-
Retained earnings		27,958	22,726
		<u>191,659</u>	<u>176,446</u>
Non-controlling interests		<u>12,299</u>	<u>5,061</u>
Total equity		<u><u>203,958</u></u>	<u><u>181,507</u></u>
Non-current liabilities			
Deferred tax liabilities		4,527	3,727
Long term borrowings	B8	<u>150,306</u>	<u>112,787</u>
		<u>154,833</u>	<u>116,514</u>
Current liabilities			
Trade and other payables		64,661	63,556
Short term borrowings	B8	21,715	12,183
Current tax liabilities		-	72
		<u>86,376</u>	<u>75,811</u>
Total liabilities		<u>241,209</u>	<u>192,325</u>
TOTAL EQUITY AND LIABILITIES		<u><u>445,167</u></u>	<u><u>373,832</u></u>
Net assets per share attributable to owners of the parent (RM)		<u>0.46</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 Year Ended 31 December 2017

	←—— Attributable to Owners of the Parent ——→				Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
	Non-Distributable		Distributable				
	Share Capital RM'000	Share Premium RM'000	Warrants Reserve RM'000	Retained Earnings RM'000			
As at 1 January 2016	55,440	25,591	-	21,221	102,252	5,298	107,550
Contributions by owners of the Company							
- Issuance of shares	28,794	44,631	-	-	73,425	-	73,425
- Acquisition of subsidiaries	-	-	-	-	-	(13)	(13)
- Expenses related to shares issue	-	(736)	-	-	(736)	-	(736)
Total comprehensive income	-	-	-	1,502	1,502	(221)	1,281
Changes in subsidiaries' ownership interests that do not result in a loss of control	-	-	-	3	3	(3)	-
As at 31 December 2016	<u>84,234</u>	<u>69,486</u>	<u>-</u>	<u>22,726</u>	<u>176,446</u>	<u>5,061</u>	<u>181,507</u>
As at 1 January 2017	84,234	69,486	-	22,726	176,446	5,061	181,507
Contributions by owners of the Company							
- Issuance of warrants	-	-	10,529	-	10,529	-	10,529
- Expenses related to warrants	-	(548)	-	-	(548)	-	(548)
Issuance of shares by subsidiaries to non-controlling interests	-	-	-	-	-	239	239
Disposal of subsidiaries	-	-	-	(360)	(360)	(9)	(369)
Total comprehensive income	-	-	-	5,592	5,592	7,008	12,600
As at 31 December 2017	<u>84,234</u>	<u>68,938</u>	<u>10,529</u>	<u>27,958</u>	<u>191,659</u>	<u>12,299</u>	<u>203,958</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 Year Ended 31 December 2017

	<u>Cumulative Quarter</u>	
	31.12.2017	31.12.2016
	RM' 000	RM' 000
Profit/(Loss) before taxation		
Continuing Operations	14,043	1,382
Discontinued Operations	(360)	(254)
	13,683	1,128
<u>Adjustments for :</u>		
Non-cash items	6,410	2,102
Non-operating items	(16,513)	(3,615)
Total adjustment	(10,103)	(1,513)
Operating cash flow before changes in working capital	3,580	(385)
<u>Changes in working capital</u>		
Changes in inventories	(1,454)	(13,063)
Changes in land held for property development	(30,332)	-
Changes in trade and other receivables	(10,941)	14,746
Changes in trade and other payables	11,337	8,038
Total changes in working capital	(31,390)	9,721
Cash flow (used in)/from operations	(27,810)	9,336
Interest paid	(3,662)	(181)
Tax paid	(851)	(1,031)
Net cash flows (used in)/from operating activities	(32,323)	8,124
<u>Investing activities</u>		
Interest received	51	113
Acquisition of subsidiaries	-	470
Investment in associates	(150)	-
Issuance of warrants	10,529	-
Net cash inflow from the disposal of a subsidiary	1,147	-
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	-	(15,207)
Purchase of property and equipment	(15,055)	(515)
Net cash flows used in investing activities	(3,160)	(15,164)
<u>Financing activities</u>		
Expenses for issuance of warrants / shares	(548)	(736)
Repayment to directors	(9,510)	(18,741)
Repayment of hire purchases	(285)	(210)
Drawdown of revolving credit	10,000	-
Drawdown of term loans	41,401	26,041
Repayment to term loans	(4,399)	(13,138)
Net cash flows from/(used in) financing activities	36,659	(6,784)
Net increase/(decrease) in cash and cash equivalents	1,176	(13,824)
Cash and cash equivalents at beginning of year	3,041	16,865
	4,217	3,041
<u>Composition of cash and cash equivalents:</u>		
Short term fund	5	78
Cash and bank balances	4,212	2,963
Cash and cash equivalents at end of period	4,217	3,041

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 YEAR ENDED 31 DECEMBER 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.

	Effective for financial periods beginning on or after
MFRSs and Amendments to MFRSs	
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:

	Effective for financial periods beginning on or after
MRFSSs, Amendments to MFRSs and IC Interpretations	
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: <i>Effective Date of MFRS 15</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	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 9: <i>Prepayment Features with Negative Compensation</i>	01 January 2019
Amendments to MFRS 128: <i>Long-term Interests in Associates and Joint Ventures</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 statement 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 except that a valuation exercise was undertaken for the Group's investment property pursuant to FRS 140. The valuation has resulted in a fair value gain on revaluation of investment property of RM16 million and has been incorporated into the financial statements of HCK Capital Group Berhad as at 31 December 2017.

The details of the said valuation carried out are a commercial leasehold building, located in Kota Damansara, held on title: Lot P.T. 9238, H.S.(D) 216820, Pekan Baru Sungai Buloh, District of Petaling, Selangor Darul Ehsan.

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 31 December 2017						
Revenue						
External	9,294	704	63	10,061	-	10,061
Inter-segment	1,200	-	953	2,153	-	2,153
	<u>10,494</u>	<u>704</u>	<u>1,016</u>	<u>12,214</u>	<u>-</u>	<u>12,214</u>
Consolidated adjustments and elimination						(2,153)
Consolidated revenue						<u>10,061</u>
Results						
Results before the following adjustments	2,378	3	(310)	2,071	(354)	1,717
Consolidated adjustments and elimination	815	-	(14)	801	-	801
Amortisation of intangible asset	-	(12)	-	(12)	-	(12)
Depreciation of property and equipment	(380)	(61)	(2)	(443)	-	(443)
Direct operating expenses on investment properties	(691)	-	-	(691)	-	(691)
Gain on disposal of equipment	(8)	9	-	1	-	1
Write-down value of inventories	(1,406)	-	-	(1,406)	-	(1,406)
Fair value gain on revaluation of investment properties	16,000	-	-	16,000	-	16,000
Segment results	<u>16,708</u>	<u>(61)</u>	<u>(326)</u>	<u>16,321</u>	<u>(354)</u>	<u>15,967</u>
Interest income						13
Interest expense						(911)
Tax expense						(947)
Consolidated profit after taxation						<u>14,122</u>
Assets						
Segment assets	32,938	219	125	33,282	-	33,282
Tax recoverable	(13)	-	2	(11)	-	(11)
Consolidated total assets	<u>32,925</u>	<u>219</u>	<u>127</u>	<u>33,271</u>	<u>-</u>	<u>33,271</u>
Liabilities						
Segment liabilities	9,320	(134)	(886)	8,300	-	8,300
Deferred tax liabilities	800	-	-	800	-	800
Provision for taxation	-	-	-	-	-	-
Consolidated total liabilities	<u>10,120</u>	<u>(134)</u>	<u>(886)</u>	<u>9,100</u>	<u>-</u>	<u>9,100</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 31 December 2016						
Revenue						
External	7,692	617	-	8,309	-	8,309
Inter-segment	1,200	-	778	1,978	-	1,978
	<u>8,892</u>	<u>617</u>	<u>778</u>	<u>10,287</u>	<u>-</u>	<u>10,287</u>
Consolidated adjustments and elimination						(1,978)
Consolidated revenue						<u>8,309</u>
Results						
Results before the following adjustments	(1,661)	(3,025)	(1,989)	(6,675)	(251)	(6,926)
Consolidated adjustments and elimination	5,668	2,689	1,621	9,978	-	9,978
Amortisation of intangible asset	1	(13)	-	(12)	-	(12)
Depreciation of equipment	(108)	(110)	(1)	(219)	-	(219)
Direct operating expenses on investment properties	(145)	-	-	(145)	-	(145)
Bargain purchase gain	3,486	-	-	3,486	-	3,486
Impairment loss on goodwill	1	-	-	1	-	1
Write-down value of inventories	(1,004)	-	-	(1,004)	-	(1,004)
Segment results	<u>6,238</u>	<u>(459)</u>	<u>(369)</u>	<u>5,410</u>	<u>(251)</u>	<u>5,159</u>
Interest income						-
Interest expense						(139)
Tax expense						(14)
Consolidated profit after taxation						<u>5,006</u>
Assets						
Segment assets	228,685	(21)	41	228,705	144	228,849
Tax recoverable	40	-	(13)	27	-	27
Consolidated total assets	<u>228,725</u>	<u>(21)</u>	<u>28</u>	<u>228,732</u>	<u>144</u>	<u>228,876</u>
Liabilities						
Segment liabilities	146,660	135	395	147,190	174	147,364
Deferred tax liabilities	3,321	-	-	3,321	-	3,321
Provision for taxation	2	-	-	2	-	2
Consolidated total liabilities	<u>149,983</u>	<u>135</u>	<u>395</u>	<u>150,513</u>	<u>174</u>	<u>150,687</u>
Results for 12 months ended 31 December 2017						
Revenue						
External	27,270	2,424	141	29,835	-	29,835
Inter-segment	4,800	-	3,965	8,765	-	8,765
	<u>32,070</u>	<u>2,424</u>	<u>4,106</u>	<u>38,600</u>	<u>-</u>	<u>38,600</u>
Consolidated adjustments and elimination						(8,765)
Consolidated revenue						<u>29,835</u>
Results						
Results before the following adjustments	6,949	(870)	(265)	5,814	(360)	5,454
Consolidated adjustments and elimination	844	-	(646)	198	-	198
Amortisation of intangible asset	(2)	(49)	-	(51)	-	(51)
Depreciation of property and equipment	(724)	(338)	(5)	(1,067)	-	(1,067)
Direct operating expenses on investment properties	(1,848)	-	-	(1,848)	-	(1,848)
Gain on disposal of equipment	(8)	22	-	14	-	14
Write-down value of inventories	(1,406)	-	-	(1,406)	-	(1,406)
Fair value gain on revaluation of investment properties	16,000	-	-	16,000	-	16,000
Segment results	<u>19,805</u>	<u>(1,235)</u>	<u>(916)</u>	<u>17,654</u>	<u>(360)</u>	<u>17,294</u>
Interest income						51
Interest expense						(3,662)
Tax expense						(1,083)
Consolidated profit after taxation						<u>12,600</u>
Assets						
Segment assets	413,769	2,523	270	416,562	-	416,562
Tax recoverable	1,435	-	11	1,446	-	1,446
Consolidated total assets	<u>415,204</u>	<u>2,523</u>	<u>281</u>	<u>418,008</u>	<u>-</u>	<u>418,008</u>
Liabilities						
Segment liabilities	206,723	206	2,594	209,523	-	209,523
Deferred tax liabilities	4,527	-	-	4,527	-	4,527
Provision for taxation	-	-	-	-	-	-
Consolidated total liabilities	<u>211,250</u>	<u>206</u>	<u>2,594</u>	<u>214,050</u>	<u>-</u>	<u>214,050</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 12 months ended 31 December 2016						
Revenue						
External	17,897	2,598	90	20,585	-	20,585
Inter-segment	7,050	-	2,967	10,017	-	10,017
	<u>24,947</u>	<u>2,598</u>	<u>3,057</u>	<u>30,602</u>	<u>-</u>	<u>30,602</u>
Consolidated adjustments and elimination						(10,017)
Consolidated revenue						<u>20,585</u>
Results						
Results before the following adjustments	(2,169)	(4,083)	(2,344)	(8,596)	(254)	(8,850)
Consolidated adjustments and elimination	5,718	2,689	1,512	9,919	-	9,919
Amortisation of intangible asset	(1)	(49)	-	(50)	-	(50)
Depreciation of equipment	(422)	(439)	(4)	(865)	-	(865)
Direct operating expenses on investment properties	(1,410)	-	-	(1,410)	-	(1,410)
Bargain purchase gain	3,486	-	-	3,486	-	3,486
Impairment loss on goodwill	(30)	-	-	(30)	-	(30)
Write-down value of inventories	(1,004)	-	-	(1,004)	-	(1,004)
Segment results	<u>4,168</u>	<u>(1,882)</u>	<u>(836)</u>	<u>1,450</u>	<u>(254)</u>	<u>1,196</u>
Interest income						113
Interest expense						(181)
Tax expense						153
Consolidated profit after taxation						<u>1,281</u>
Assets						
Segment assets	369,652	2,362	226	372,240	642	372,882
Tax recoverable	943	-	7	950	-	950
Consolidated total assets	<u>370,595</u>	<u>2,362</u>	<u>233</u>	<u>373,190</u>	<u>642</u>	<u>373,832</u>
Liabilities						
Segment liabilities	186,785	449	1,116	188,350	176	188,526
Deferred tax liabilities	3,727	-	-	3,727	-	3,727
Provision for taxation	72	-	-	72	-	72
Consolidated total liabilities	<u>190,584</u>	<u>449</u>	<u>1,116</u>	<u>192,149</u>	<u>176</u>	<u>192,325</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 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 Sdn. Bhd. ("IRSB").
- On 13 October 2017, HCK Properties incorporated a wholly-owned subsidiary, namely HCK Builders Sdn. Bhd. with 100 ordinary shares representing 100% equity interest for a total consideration of RM100.
- On 8 December 2017, HCK Properties has transfer its entire 70% equity interest comprising 350,000 ordinary shares in HCK Premier Builders Sdn. Bhd. ("HCKPB") to IRSB, for a cash consideration of RM350,000.

A10. Changes in Composition of the Group (Cont'd)

- (i) On 8 December 2017, HCK Properties subscribed for 149,998 new ordinary shares in IRSB for RM149,998 and a new shareholder, Central Villa Sdn. Bhd. ("CVSB"), subscribed for 350,000 new ordinary shares in IRSB for RM350,000, resulted in HCK Properties and CVSB holding 30% and 70% respectively.

Following the completion, both IRSB and HCKPB are now indirect associate companies, ceased to be subsidiaries of HCK Capital Group Berhad with effective interest of 30% and 21% respectively.

A11. Changes in Contingent Assets and Contingent Liabilities

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

	As at	
	31/12/2017	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
	31/12/2017
	RM'000
<u>Contracted but not provided for:</u>	
Purchase of leasehold lands	<u>76,780</u>

A13. Operating Lease Commitments

	As at
	31/12/2017
	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	748
Later than 1 year and not later than 5 years	467
	<u>1,215</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 leasee.

	As at
	31/12/2017
	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	1,283
	<u>5,130</u>

A14. Related Party Transactions

	Current Quarter		Cumulative Quarter	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
Rental expenses to a related party	9	-	12	-
Rental income from a non-controlling interest	1,170	837	3,681	3,168

HCK CAPITAL GROUP BERHAD

(Incorporated in Malaysia)

(Company no: 484964-H)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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 current financial year under review, the Group achieved a revenue of RM29.8 million, RM9.2 million higher compared with the previous corresponding financial year. The higher revenue is mainly due to the increase in project billings.

The Group achieved a higher Profit Before Tax ("PBT") in the current financial year of RM14.0 million as compared to PBT of RM1.4 million in the corresponding financial year mainly due to a fair value gain of RM16 million on the Group's Investment Properties.

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

	Current Quarter 31/12/2017 RM'000	Immediate Preceding Quarter 30/09/2017 RM'000	Changes
Revenue	10,061	6,096	65.0%
Profit/(Loss) before taxation	15,423	(572)	> 100%

The current quarter under review in comparison to the preceding quarter, the Group recorded a higher revenue and PBT of RM10.1 million and RM15.4 million respectively in line with higher project billings and fair value gain.

B3. Future Prospects

The Malaysian property market in the short term affected by the financial institutions' stricter lending requirements and tightening of domestic liquidity conditions.

Notwithstanding the challenges in Malaysian property market and economy, the Board is cautiously optimistic that its property division will contribute positively to the Group's results due to the favourable take up rate of the Edusphere @ Cyberjaya's serviced apartments which was launched in December 2017.

The Group attributes the successful launch and the market's growing confidence in the HCK Capital Group as an emerging developer of education cities.

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	
	31/12/2017 RM '000	31/12/2016 RM '000	31/12/2017 RM '000	31/12/2016 RM '000
Current income tax				
- for the financial period/year	148	422	284	255
- overprovision in prior financial period/year	(1)	(408)	(1)	(408)
	147	14	283	(153)
Deferred tax liabilities				
- Recognition of fair value gain on investment properties	800	-	800	-
	947	14	1,083	(153)

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

- B7.1 (a) Subdivision of every one (1) existing ordinary share in the Company ("HCK"), held on an entitlement date into five (5) ordinary shares in HCK ("Subdivided Share(s)") ("Subdivision");
- (b) 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) Subdivided Shares held on an entitlement date after the Subdivision ("Rights Issue of Warrants").

The Subdivision was completed on 07 August 2017 and the Rights Issue of Warrants was completed on 02 October 2017.

The status of utilisation are as follows:

Purpose	Proposed Utilisation	Actual Utilisation RM'000	Approved Amount RM'000
(i) Working Capital	(a) Property-related acquisitions, acquisition of land banks and property projects for the property trading, investment and development businesses	6,000	6,000
	(b) Selling and marketing expenses	2,500	2,500
	(c) General expenses	1,429	1,429
(ii) Expenses in relation to the corporate exercises		548	600
		<u>10,477</u>	<u>10,529</u>

B7.2 The Company had on 18 December 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 had been approved by shareholders' during the EGM held on 18 December 2017.

B8. Borrowings and Debt Securities

Details of Group's borrowings as at 31 December 2017 are as follows:

	As at 31 December 2017			As at 31 December 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	149,598	11,400	160,998	112,058	11,938	123,996
Revolving credit	-	10,000	10,000	-	-	-
Hire purchases	708	315	1,023	729	245	974
	<u>150,306</u>	<u>21,715</u>	<u>172,021</u>	<u>112,787</u>	<u>12,183</u>	<u>124,970</u>

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

The increase mainly due to term loans drawdown of RM41.4 million to fund projects progress billings, land acquisition and revolving credit of RM10 million for working capital.

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 earning/(loss) per Ordinary share

	Current Quarter		Cumulative Quarter	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Profit/(Loss) after taxation attributable to ordinary equity owners of the parent (RM'000)				
Continuing Operations	7,151	5,328	5,952	1,756
Discontinued Operations	(354)	(251)	(360)	(254)
	<u>6,797</u>	<u>5,077</u>	<u>5,592</u>	<u>1,502</u>
Weighted average number of ordinary shares in issue ('000)	306,785	277,200	421,170	277,200
Basic earning/(loss) per share (sen)				
Continuing Operations	2.33	1.92	1.41	0.63
Discontinued Operations	(0.12)	(0.09)	(0.09)	(0.09)
	<u>2.22</u>	<u>1.83</u>	<u>1.33</u>	<u>0.54</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	
	31/12/2017 RM'000	31/12/2016 RM'000
Retained earnings		
Realised	13,894	23,237
Unrealised	<u>11,473</u>	<u>(3,727)</u>
	25,367	19,510
Less: Consolidation adjustments	<u>2,591</u>	<u>3,216</u>
Group's retained earnings	<u>27,958</u>	<u>22,726</u>

B14. Profit Before Taxation

	Current Quarter		Cumulative Quarter	
	31/12/2017 RM'000	31/12/2016 RM'000	31/12/2017 RM'000	31/12/2016 RM'000
This is arrived at after charging/(crediting):				
Continuing Operations				
Interest income	(13)	-	(51)	(113)
Interest expense	911	139	3,662	181
Amortisation of intangible assets	12	12	51	50
Depreciation of property, plant and equipment	443	219	1,067	865
Equipment written off	14	-	224	-
Impairment loss on goodwill	1	30	1	30
Write-down value of inventories	1,406	1,004	1,406	1,004
Bargain purchase gain	-	(3,487)	-	(3,487)
Fair value gain on revaluation of investment properties	(16,000)	-	(16,000)	-
Gain on disposal of equipment	(9)	-	(14)	-
Gain on disposal of a subsidiary	(440)	-	(448)	-