



HCK CAPITAL GROUP BERHAD
(484964-H)

Interim Financial Statement
For the Financial Quarter Ended 30 June 2018

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 June 2018**

	Note	<u>Current Quarter</u>		<u>Cumulative Quarter</u>	
		<u>30.06.2018</u>	<u>30.06.2017</u>	<u>30.06.2018</u>	<u>30.06.2017</u>
		RM '000	RM '000	RM '000	RM '000
Revenue		4,239	7,711	13,746	13,678
Cost of sales		(942)	(1,236)	(4,300)	(2,425)
Gross Profit		3,297	6,475	9,446	11,253
Other operating income		351	8	355	10
Administrative and general expenses		(3,651)	(4,806)	(8,180)	(9,786)
Sales and marketing expenses		(1,342)	(285)	(1,464)	(526)
(Loss) / profit from operations		(1,345)	1,392	157	951
Interest income		-	2	35	38
Interest expense		(843)	(1,081)	(2,268)	(1,803)
Share of results in associates, net of tax		-	-	(8)	-
(Loss) / profit before taxation	B14	(2,188)	313	(2,084)	(814)
Tax expense	B6	-	42	-	-
(Loss) / profit after taxation		(2,188)	355	(2,084)	(814)
Attributable to:					
Owners of the parent		(1,800)	564	(1,576)	(531)
Non-controlling interests		(388)	(209)	(508)	(283)
		(2,188)	355	(2,084)	(814)
Earning/(loss) per share					
- Basic		(0.43)	0.90	(0.37)	(0.75)
- Diluted		NA	NA	NA	NA

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 2017 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 June 2018**

	<u>Current Quarter</u>		<u>Cumulative Quarter</u>	
	<u>30.06.2018</u>	<u>30.06.2017</u>	<u>30.06.2018</u>	<u>30.06.2017</u>
	<u>RM '000</u>	<u>RM '000</u>	<u>RM '000</u>	<u>RM '000</u>
(Loss) / profit after taxation for the period	(2,188)	355	(2,084)	(814)
Other comprehensive income				
Item that may not be subsequently reclassified to profit or loss	-	-	-	-
Total comprehensive (expense) / income	<u>(2,188)</u>	<u>355</u>	<u>(2,084)</u>	<u>(814)</u>
Total comprehensive (expense) / income attributable to:				
Owners of the parent	(1,800)	564	(1,576)	(531)
Non-controlling interests	(388)	(209)	(508)	(283)
	<u>(2,188)</u>	<u>355</u>	<u>(2,084)</u>	<u>(814)</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 2017 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**As at 30 June 2018**

		AS AT	AS AT
		30.06.2018	31.12.2017
		RM' 000	RM' 000
	Note	Unaudited	Audited
ASSETS			
Non-current assets			
Property, plant and equipment		38,270	38,792
Land held for property development		61,277	61,277
Investment property		44,000	44,000
Investment in associates		4	11
Goodwill		4,454	4,454
Intangible assets		549	575
		<u>148,554</u>	<u>149,109</u>
Current assets			
Inventories		229,501	229,244
Property development costs		32,660	30,646
Trade and other receivables		23,280	29,686
Current tax assets		1,686	1,446
Short term fund		5	5
Fixed deposit with a licensed bank		1,064	1,033
Cash and bank balances		1,917	4,220
		<u>290,113</u>	<u>296,280</u>
TOTAL ASSETS		<u><u>438,667</u></u>	<u><u>445,389</u></u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		84,288	84,234
Share premium		68,892	68,938
Warrants reserve		10,526	10,529
Retained earnings		26,245	27,821
		<u>189,951</u>	<u>191,522</u>
Non-controlling interests		<u>11,792</u>	<u>12,300</u>
Total equity		<u><u>201,743</u></u>	<u><u>203,822</u></u>
Non-current liabilities			
Deferred tax liabilities		4,527	4,527
Trade and other payables		27,159	27,159
Long term borrowings	B8	145,484	150,306
		<u>177,170</u>	<u>181,992</u>
Current liabilities			
Trade and other payables		40,347	37,860
Short term borrowings	B8	19,407	21,715
Current tax liabilities		-	-
		<u>59,754</u>	<u>59,575</u>
Total liabilities		<u><u>236,924</u></u>	<u><u>241,567</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>438,667</u></u>	<u><u>445,389</u></u>
Net assets per share attributable to owners of the parent (RM)		<u><u>0.45</u></u>	<u><u>0.45</u></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 2017 and the accompanying explanatory notes attached to the interim financial statements.

HCK CAPITAL GROUP BERHAD

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(Company no: 484964-H)

**Unaudited Condensed Consolidation Statements of Changes in Equity
For the Financial Quarter Ended 30 June 2018**

	← Attributable to Owners of the Parent →						Total Equity RM'000
	Non-Distributable			Distributable		Non- Controlling Interests RM'000	
	Share Capital RM'000	Share Premium RM'000	Warrants Reserve RM'000	Retained Earnings RM'000	Total RM'000		
As at 1 January 2017	84,234	69,486	-	22,726	176,446	5,061	181,507
Contributions by owners of the Company							
- Corporate exercise expenses	-	(312)	-	-	(312)	-	(312)
Changes in subsidiaries' ownership interests that do not result in a loss of control	-	-	-	-	-	193	193
Total comprehensive expense	-	-	-	(531)	(531)	(283)	(814)
As at 30 June 2017	<u>84,234</u>	<u>69,174</u>	<u>-</u>	<u>22,195</u>	<u>175,603</u>	<u>4,971</u>	<u>180,574</u>
As at 1 January 2018	84,234	68,938	10,529	27,821	191,522	12,300	203,822
Conversion of warrants	54	3	(3)	-	54	-	54
Contributions by owners of the Company							
- Corporate exercise expenses	-	(49)	-	-	(49)	-	(49)
Total comprehensive expense	-	-	-	(1,576)	(1,576)	(508)	(2,084)
As at 30 June 2018	<u>84,288</u>	<u>68,892</u>	<u>10,526</u>	<u>26,245</u>	<u>189,951</u>	<u>11,792</u>	<u>201,743</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 2017 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 June 2018**

	<u>Cumulative Quarter</u>	
	30.06.2018	30.06.2017
	RM' 000	RM' 000
Loss before taxation	(2,084)	(814)
<u>Adjustments for :</u>		
Non-cash items	362	2,577
Non-operating items	2,233	(46)
Total adjustment	2,595	2,531
Operating cash flow before changes in working capital	511	1,717
<u>Changes in working capital</u>		
Changes in inventories	(257)	(385)
Changes in land held for property development	(2,014)	(806)
Changes in trade and other receivables	6,402	2,939
Changes in trade and other payables	570	11,278
Total changes in working capital	4,701	13,026
Cash flow from operations	5,212	14,743
Interest paid	(2,280)	(1,803)
Tax paid	(240)	(390)
Net cash flows from operating activities	2,692	12,550
<u>Investing activities</u>		
Interest received	35	5
Net cash inflow from disposal of a subsidiary	-	800
Subscription of shares from non-controlling interest	-	239
Proceeds from disposal of equipment	205	6
Withdrawal of short-term deposit pledged to a licensed bank	(31)	-
Purchase of property and equipment	(11)	(14,944)
Net cash flows from / (used in) investing activities	198	(13,894)
<u>Financing activities</u>		
Advance from / (Repayment to) directors	1,930	(8,839)
Conversion of warrants	54	-
Corporate exercise expenses paid	(49)	(312)
Repayment of hire purchases	(237)	(121)
Drawdown of revolving credit	-	10,000
Drawdown of term loans	-	2,000
Repayment to term loans	(6,891)	(3,723)
Net cash flows used in financing activities	(5,193)	(995)
Net changes in cash and cash equivalents	(2,303)	(2,339)
Cash and cash equivalents at beginning of year	4,225	3,041
	1,922	702
<u>Composition of cash and cash equivalents:</u>		
Short term fund	5	34
Cash and bank balances	1,917	668
Cash and cash equivalents at end of period	1,922	702

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 2017 and the accompanying explanatory notes attached to the interim financial statements.

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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 2017 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 2017 except for the adoption of the following new MFRSs, amendments to MFRSs and IC Interpretations that are effective from 1 January 2018, as disclosed below:

MFRSs and Amendments to MFRSs
MFRS 9: <i>Financial Instruments (IFRS 9 as issued by IASB in July 2014)</i>
MFRS 15: <i>Revenue from Contracts with Customers</i>
Amendments to MFRS 1: <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>
Amendments to MFRS 2: <i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to MFRS 128: <i>Measuring an Associate or Joint Venture at Fair Value</i>
Amendments to MFRS 140: <i>Transfers of Investment Property</i>
IC Interpretation 22: <i>Foreign Currency Transactions and Advance</i>
Amendments to MFRS 4: <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>

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

As at the date of authorisation of the unaudited interim financial report, the following Standards were issued but not yet effective and have not been adopted by the Group:

MFRSs, Amendments to MFRSs and IC Interpretations	Effective for financial periods beginning on or
Amendments to MFRS 3: <i>Business Combinations (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)</i>	01 January 2019
Amendments to MFRS 6: <i>Exploration for and Evaluation of Mineral Resources</i>	01 January 2020
Amendments to MFRS 9: <i>Prepayment Features with Negative Compensation</i>	01 January 2019
Amendments to MFRS 11: <i>Joint Arrangements (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)</i>	01 January 2019
Amendment to MFRS 14: <i>Regulatory Deferral Accounts</i>	01 January 2020
MFRS 16: <i>Leases</i>	01 January 2019
Amendments to MFRS 108: <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	01 January 2020
Amendments to MFRS 112: <i>Income Taxes (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)</i>	01 January 2019
Amendments to MFRS 119: <i>Employee Benefits - Plan Amendment, Curtailment or Settlement</i>	
Amendments to MFRS 128: <i>Long-term Interests in Associates and Joint Ventures</i>	01 January 2019
Amendments to MFRS 123: <i>Borrowing Costs (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)</i>	01 January 2019

HCK CAPITAL GROUP BERHAD

(Incorporated in Malaysia)

(Company no: 484964-H)

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

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)

MRFSSs, Amendments to MFRSs and IC Interpretations (Cont'd)	Effective for financial periods beginning on or
Amendments to MFRS 134: <i>Interim Financial Reporting</i>	01 January 2020
Amendment to MFRS 137: <i>Provisions, Contingent Liabilities and Contingent Assets</i>	01 January 2020
Amendment to MFRS 138: <i>Intangible Assets</i>	01 January 2020
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.

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 during the current financial period 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 period under review except for conversion of 69,200 Warrants into 69,200 Ordinary shares at RM0.96 each.

A7. Dividend Paid

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

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(Company no: 484964-H)

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**A8. Segmental Information**

	Properties RM'000	Food RM'000	Others RM'000	Total RM'000
Results for 3 months ended 30 June 2018				
<u>Revenue</u>				
External	3,766	461	12	4,239
Inter-segment	1,200	-	817	2,017
	<u>4,966</u>	<u>461</u>	<u>829</u>	<u>6,256</u>
Consolidated adjustments and elimination				(2,017)
Consolidated revenue				<u>4,239</u>
<u>Results</u>				
Results before the following adjustments	(626)	207	(290)	(709)
Consolidated adjustments and elimination	716	(10)	(709)	(3)
Amortisation of intangible asset	(1)	(12)	-	(13)
Depreciation of property and equipment	(125)	(52)	(2)	(179)
Gain on disposal of equipment	8	36	-	44
Direct operating expenses on investment properties	(493)	-	-	(493)
Foreign exchange gain	(1)	9	-	8
Segment results	<u>(522)</u>	<u>178</u>	<u>(1,001)</u>	<u>(1,345)</u>
Interest income				-
Interest expense				(843)
Share of results in associates				-
Tax expense				-
Consolidated loss after taxation				<u>(2,188)</u>
Results for 3 months ended 30 June 2017				
<u>Revenue</u>				
External	7,206	494	11	7,711
Inter-segment	1,200	-	992	2,192
	<u>8,406</u>	<u>494</u>	<u>1,003</u>	<u>9,903</u>
Consolidated adjustments and elimination				(2,192)
Consolidated revenue				<u>7,711</u>
<u>Results</u>				
Results before the following adjustments	2,574	(696)	662	2,540
Consolidated adjustments and elimination	8	-	(627)	(619)
Amortisation of intangible asset	-	(13)	-	(13)
Depreciation of equipment	(112)	(84)	(1)	(197)
Direct operating expenses on investment properties	(319)	-	-	(319)
Segment results	<u>2,151</u>	<u>(793)</u>	<u>34</u>	<u>1,392</u>
Interest income				2
Interest expense				(1,081)
Tax expense				42
Consolidated profit after taxation				<u>355</u>

HCK CAPITAL GROUP BERHAD

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A8. Segmental Information (Cont'd)

	Properties RM'000	Food RM'000	Others RM'000	Total RM'000
Results for 6 months ended 30 June 2018				
Revenue				
External	12,653	1,062	31	13,746
Inter-segment	2,400	-	1,712	4,112
	<u>15,053</u>	<u>1,062</u>	<u>1,743</u>	<u>17,858</u>
Consolidated adjustments and elimination				(4,112)
Consolidated revenue				<u>13,746</u>
Results				
Results before the following adjustments	2,424	(163)	(695)	1,566
Consolidated adjustments and elimination	1,493	(10)	(1,486)	(3)
Amortisation of intangible asset	(1)	(24)	-	(25)
Depreciation of property and equipment	(257)	(114)	(2)	(373)
Direct operating expenses on investment properties	(1,052)	-	-	(1,052)
Gain on disposal of equipment	8	36	-	44
Segment results	<u>2,615</u>	<u>(275)</u>	<u>(2,183)</u>	<u>157</u>
Interest income				35
Interest expense				(2,268)
Share of results in associates				(8)
Tax expense				-
Consolidated loss after taxation				<u>(2,084)</u>
Results for 6 months ended 30 June 2017				
Revenue				
External	12,588	1,079	11	13,678
Inter-segment	2,400	-	1,992	4,392
	<u>14,988</u>	<u>1,079</u>	<u>2,003</u>	<u>18,070</u>
Consolidated adjustments and elimination				(4,392)
Consolidated revenue				<u>13,678</u>
Results				
Results before the following adjustments	3,341	(931)	318	2,728
Consolidated adjustments and elimination	30	-	(628)	(598)
Amortisation of intangible asset	(1)	(25)	-	(26)
Depreciation of equipment	(224)	(194)	(2)	(420)
Direct operating expenses on investment properties	(733)	-	-	(733)
Segment results	<u>2,413</u>	<u>(1,150)</u>	<u>(312)</u>	<u>951</u>
Interest income				38
Interest expense				(1,803)
Tax expense				-
Consolidated loss after taxation				<u>(814)</u>
Segment assets and liabilities as at 30 June 2018				
Assets				
Segment assets	433,819	2,649	513	436,981
Tax recoverable	1,679	7	-	1,686
Consolidated total assets	<u>435,498</u>	<u>2,656</u>	<u>513</u>	<u>438,667</u>
Liabilities				
Segment liabilities	226,264	295	5,838	232,397
Deferred tax liabilities	4,527	-	-	4,527
Provision for taxation	-	-	-	-
Consolidated total liabilities	<u>230,791</u>	<u>295</u>	<u>5,838</u>	<u>236,924</u>
Segment assets and liabilities as at 30 June 2017				
Assets				
Segment assets	379,599	1,829	310	381,738
Tax recoverable	1,258	-	10	1,268
Consolidated total assets	<u>380,857</u>	<u>1,829</u>	<u>320</u>	<u>383,006</u>
Liabilities				
Segment liabilities	195,208	377	3,120	198,705
Deferred tax liabilities	3,727	-	-	3,727
Provision for taxation	-	-	-	-
Consolidated total liabilities	<u>198,935</u>	<u>377</u>	<u>3,120</u>	<u>202,432</u>

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**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

There were no other changes in the composition of the Group during the current quarter and year-to-date ended 30 June 2018 other than the followings:

- a. On 11 June 2018, HCK Education Sdn Bhd acquired 1 ordinary share, representing 100% of the total issued capital of Aspen Technic Sdn Bhd, for cash for RM1.00 from Norulhuda Binti Abu Bakar. Consequently, Aspen Tecnic became a wholly owned subsidiary of HCK Education Sdn Bhd
- b. HCK Properties Sdn Bhd has on 12 June 2018 incorporated a wholly-owned subsidiary company namely, HCK Estates Sdn Bhd, with issued capital of RM1.00 comprising of 1 ordinary share, representing 100% equity interest for a consideration of RM1.

A11. Changes in Contingent Assets and Contingent Liabilities

There were no other changes in contingent assets and contingent liabilities since the end of previous financial year.

A12. Capital Commitments

	As at 30/6/2018 RM'000
<u>Contracted but not provided for:</u>	
Purchase of leasehold lands	76,780

A13. Operating Lease Commitments

	As at 30/6/2018 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
	1,215

(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 30/6/2018 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
	5,130

A14. Related Party Transactions

	Current Quarter		Cumulative Quarter	
	30/6/2018 RM'000	30/6/2017 RM'000	30/6/2018 RM'000	30/6/2017 RM'000
Rental expenses to a related party	9	-	18	-
Rental income from a non-controlling interest	962	837	1,924	1,674

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PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**B1. Review of performance****Current Quarter ended 30 June 2018**

For the current financial quarter under review, the Group recorded a revenue of RM2.2 million, RM5.5 million lower compared with the previous corresponding financial quarter. The lower revenue is mainly due to completion and delivery of projects during the quarter.

The Loss before tax of RM2.2 million recorded in current quarter as compared to a profit before tax in the previous corresponding quarter is mainly due higher marketing expenses in promoting the edusphere @ Cyberjaya and lower revenue in the current quarter.

For the 6 months ended 30 June 2018

The 6 months revenue ended 30 June 2018 of RM13.7 million is comparable to previous corresponding period's revenue.

Losses at RM2.1 million as compared to a loss of RM0.8 million in the corresponding financial period is mainly due to higher interest expense and higher marketing expenses.

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

	Current Quarter 30/6/2018 RM'000	Immediate Preceding Quarter 31/3/2018 RM'000	Changes
Revenue	4,239	9,507	-55.4%
(Loss)/Profit Before Taxation ("PBT")	(2,188)	104	> 100%

The Group for the current quarter recorded a lower revenue and loss before tax of RM2.2 million against PBT in the immediate preceding quarter was mainly due to higher project billings in the first quarter of 2018, completion and delivery of projects during the current quarter.

B3. Future Prospects

The Malaysian property market in the short term is 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.

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	
	30/6/2018 RM '000	30/6/2017 RM '000	30/6/2018 RM '000	30/6/2017 RM '000
Current income tax - for the financial period/year	-	(42)	-	-
	-	(42)	-	-

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 and losses are available during the financial quarter.

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(Incorporated in Malaysia)

(Company no: 484964-H)

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**B7. Status of Corporate Proposals**

B7.1 (a) The Company had on 18 December announced the following:

- (i) 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");
- (ii) 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 are as follows:

	As at 30 June 2018			As at 31 December 2017		
	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	144,994	9,113	154,107	149,598	11,400	160,998
Revolving credit	-	10,000	10,000	-	10,000	10,000
Hire purchases	490	294	784	708	315	1,023
	<u>145,484</u>	<u>19,407</u>	<u>164,891</u>	<u>150,306</u>	<u>21,715</u>	<u>172,021</u>

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

There are no additional drawdown during the financial quarter under review. The decrease was mainly due to partial repayment.

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.

HCK CAPITAL GROUP BERHAD

(Incorporated in Malaysia)

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PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**B11. Basic (loss)/earnings per Ordinary share**

	Current Quarter		Cumulative Quarter	
	30/6/2018	30/6/2017	30/6/2018	30/6/2017
(Loss)/Profit after taxation attributable to ordinary Pro: equity owners of the parent (RM'000)	(1,800)	564	(1,576)	(531)
Pro: Continuing Operations	7,151	5,328	5,952	1,756
Pro: 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)	421,177	62,619	421,177	71,060
Basic earning/(loss) per share (sen)	<u>(0.43)</u>	<u>0.90</u>	<u>(0.37)</u>	<u>(0.75)</u>
Profit/(Loss) after taxation attributable to ordinary equity owners of the parent (RM'000)	(1,800)	564	(1,576)	(531)
Weighted average number of ordinary shares in issue ('000)	421,177	62,619	421,177	71,060
Shares deemed to issued for no consideration ('000) - warrants	48,843	-	48,843	-
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	<u>470,020</u>	<u>62,619</u>	<u>470,020</u>	<u>71,060</u>
Diluted earning/(loss) per share (sen)	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>

The diluted earning per share has an anti-dilutive effect, as such, there is no diluted earning per share computed.

B12. Auditors' report on preceding annual financial statement

The auditors' report on the financial statements for the financial year ended 31 December 2017 was not qualified.

B13. Profit / (loss) Before Taxation

	Current Quarter		Cumulative Quarter	
	30/6/2018 RM'000	30/6/2017 RM'000	30/6/2018 RM'000	30/6/2017 RM'000
This is arrived at after charging/(crediting):				
Interest income	-	(2)	(35)	(38)
Interest expense	843	1,081	2,268	1,803
Amortisation of intangible assets	12	13	25	26
Depreciation of property, plant and equipment	179	197	373	420
Equipment written off	-	322	-	322
Loss on disposal of equipment	-	-	-	6
Gain on disposal of subsidiary	-	(8)	-	(8)

HCK CAPITAL GROUP BERHAD**PART A2 : SUMMARY OF KEY FINANCIAL INFORMATION**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER FYE2018 30/6/2018 RM'000	PRECEDING YEAR CORR. QTR FYE2017 30/6/2017 RM'000	CURRENT YEAR TO DATE FYE2018 30/6/2018 RM'000	PRECEDING YEAR CORRESPONDING FYE2017 30/6/2017 RM'000
1 Revenue	4,239	7,711	13,746	13,678
2 Profit before tax	(2,188)	313	(2,084)	(814)
3 Profit for the period	(2,188)	355	(2,084)	(814)
4 Profit attributable to ordinary equity	(1,800)	564	(1,576)	(531)
5 Basic earning per share (sen)	1.61	8.11	1.33	2.11
6 Proposed/Declared dividend per share (sen)	-	-	-	-
			AS AT END OF CURRENT QUARTER	AS AT PRECEDING FINANCIAL YEAR END
7 Net assets per share attributable to ordinary equity holders of the parent (RM)			0.45	0.45

PART A3 : ADDITIONAL INFORMATION

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER FYE2018 30/6/2018 RM'000	PRECEDING YEAR CORR. QTR FYE2017 30/6/2017 RM'000	CURRENT YEAR TO DATE FYE2018 30/6/2018 RM'000	PRECEDING YEAR CORRESPONDING FYE2017 30/6/2017 RM'000
1 Gross interest income	-	2	35	38
2 Gross interest expense	843	1,081	2,268	1,803