



HCK CAPITAL GROUP BERHAD
(484964-H)

Interim Financial Statement
For the Financial Year Ended 31 December 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 Year Ended 31 December 2018**

	Note	<u>Current Quarter</u>		<u>Cumulative Quarter</u>	
		<u>31.12.2018</u>	<u>31.12.2017</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
		RM '000	RM '000	RM '000	RM '000
Revenue		17,366	10,059	38,320	29,833
Cost of sales		(12,608)	(3,900)	(17,032)	(7,168)
Gross Profit		4,758	6,159	21,288	22,665
Other operating income		13,421	16,659	13,796	16,765
Administrative and general expenses		(3,992)	(5,732)	(16,018)	(20,346)
Sales and marketing expenses		(293)	(1,122)	(1,781)	(1,787)
Profit from operations		13,894	15,964	17,285	17,297
Interest income		2	13	63	51
Interest expense		(1,366)	(911)	(4,793)	(3,662)
Share of results in associates, net of tax		-	(139)	(11)	(139)
Profit before taxation	B13	12,530	14,927	12,544	13,547
Tax expense	B6	(1,186)	(947)	(1,186)	(1,083)
Profit from continuing operations		11,344	13,980	11,358	12,464
<u>DISCONTINUED OPERATIONS</u>					
Loss after taxation from discontinued operations		-	(354)	-	(360)
Profit after taxation		11,344	13,626	11,358	12,104
Attributable to:					
Owners of the parent		6,280	6,300	6,641	5,095
Non-controlling interests		5,064	7,326	4,717	7,009
		11,344	13,626	11,358	12,104
Earning per share					
- Basic		1.49	1.50	1.58	1.21
- Diluted		1.33	1.32	1.41	1.07

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 Year Ended 31 December 2018**

	<u>Current Quarter</u>		<u>Cumulative Quarter</u>	
	<u>31.12.2018</u>	<u>31.12.2017</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	<u>RM '000</u>	<u>RM '000</u>	<u>RM '000</u>	<u>RM '000</u>
Profit after taxation for the period	11,344	13,626	11,358	12,104
Other comprehensive income				
Item that may not be subsequently reclassified to profit or loss	-	-	-	-
Total comprehensive income	<u>11,344</u>	<u>13,626</u>	<u>11,358</u>	<u>12,104</u>
Total comprehensive income attributable to:				
Owners of the parent	6,280	6,300	6,641	5,095
Non-controlling interests	5,064	7,326	4,717	7,009
	<u>11,344</u>	<u>13,626</u>	<u>11,358</u>	<u>12,104</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 31 December 2018**

		AS AT	AS AT
		31.12.2018	31.12.2017
		RM' 000	RM' 000
	Note	Unaudited	Audited
ASSETS			
Non-current assets			
Property, plant and equipment		37,727	38,792
Land held for property development		61,277	61,277
Investment property		55,000	44,000
Investment in associates		-	11
Goodwill		4,454	4,454
Intangible assets		523	575
		<u>158,981</u>	<u>149,109</u>
Current assets			
Inventories		224,261	229,244
Property development costs		40,319	30,646
Trade and other receivables		17,065	29,686
Current tax assets		1,508	1,446
Short term fund		-	5
Fixed deposit with a licensed bank		4,064	1,033
Cash and bank balances		3,315	4,220
		<u>290,532</u>	<u>296,280</u>
TOTAL ASSETS		<u><u>449,513</u></u>	<u><u>445,389</u></u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		84,443	84,234
Share premium		68,900	68,938
Warrants reserve		10,518	10,529
Retained earnings		34,462	27,821
		<u>198,323</u>	<u>191,522</u>
Non-controlling interests		<u>7,022</u>	<u>12,300</u>
Total equity		<u><u>205,345</u></u>	<u><u>203,822</u></u>
Non-current liabilities			
Deferred tax liabilities		5,077	4,527
Trade and other payables		26,256	27,159
Long term borrowings	B8	134,813	150,306
		<u>166,146</u>	<u>181,992</u>
Current liabilities			
Trade and other payables		48,409	37,860
Short term borrowings	B8	29,613	21,715
		<u>78,022</u>	<u>59,575</u>
Total liabilities		<u>244,168</u>	<u>241,567</u>
TOTAL EQUITY AND LIABILITIES		<u><u>449,513</u></u>	<u><u>445,389</u></u>
Net assets per share attributable to owners of the parent (RM)		<u>0.47</u>	<u>0.45</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 Year Ended 31 December 2018**

	← 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 2017	84,234	69,486	-	22,726	176,446	5,061	181,507
Contributions by owners of the Company:							
- Right issue of warrants	-	-	10,529	-	10,529	-	10,529
- Disposal of a subsidiary	-	-	-	-	-	(9)	(9)
- Expenses related to rights issue of warrants	-	(548)	-	-	(548)	-	(548)
Total comprehensive income	-	-	-	5,095	5,095	7,009	12,104
Issuance of shares by subsidiaries to non-controlling interests	-	-	-	-	-	239	239
As at 31 December 2017	<u>84,234</u>	<u>68,938</u>	<u>10,529</u>	<u>27,821</u>	<u>191,522</u>	<u>12,300</u>	<u>203,822</u>
As at 1 January 2018	84,234	68,938	10,529	27,821	191,522	12,300	203,822
Issuance of shares by subsidiaries to non-controlling interests	-	-	-	-	-	810	810
Conversion of warrants	209	11	(11)	-	209	-	209
Contributions by owners of the Company - Corporate exercise expenses	-	(49)	-	-	(49)	-	(49)
Dividend paid non-controlling interests	-	-	-	-	-	(10,805)	(10,805)
Total comprehensive income	-	-	-	6,641	6,641	4,717	11,358
As at 31 December 2018	<u>84,443</u>	<u>68,900</u>	<u>10,518</u>	<u>34,462</u>	<u>198,323</u>	<u>7,022</u>	<u>205,345</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 Year Ended 31 December 2018**

	<u>Cumulative Quarter</u>	
	31.12.2018	31.12.2017
	RM' 000	RM' 000
Profit before taxation		
Continuing Operations	12,544	13,547
Discontinued Operations	-	(360)
	12,544	13,187
<u>Adjustments for :</u>		
Non-cash items	(12,468)	(13,575)
Non-operating items	4,730	3,611
Total adjustments	(7,738)	(9,964)
Operating cash flow before changes in working capital	4,806	3,223
<u>Changes in working capital</u>		
Changes in inventories	7,395	(1,454)
Changes in project development costs	(9,673)	(3,487)
Changes in trade and other receivables	14,117	(10,882)
Changes in trade and other payables	3,784	(15,410)
Total changes in working capital	15,623	(31,233)
Cash flow from operations	20,429	(28,010)
Tax paid	(698)	(851)
Net cash flows from/(used in) operating activities	19,731	(28,861)
<u>Investing activities</u>		
Interest received	63	51
Advances to associate	-	(100)
Net cash inflow from disposal of a subsidiary	-	1,147
Acquisition of associates	-	(150)
Proceeds from disposal of equipment	205	112
Placement of short-term deposit pledged to a licensed bank	(3,031)	(33)
Purchase of property and equipment	(22)	(15,055)
Net cash flows used in investing activities	(2,785)	(14,028)

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**Unaudited Condensed Consolidated Statement of Cash Flow
For the Financial Year Ended 31 December 2018**

	Cumulative Quarter	
	31.12.2018	31.12.2017
	RM' 000	RM' 000
<u>Financing activities</u>		
Proceeds from rights issue of warrants	-	10,529
Proceeds from issuance of ordinary shares:-		
- pursuant to conversion of warrant	209	-
Corporate exercise expenses paid	(49)	(548)
Proceeds from disposal of partial interest in a subsidiary that does not involve loss of control	-	239
Proceeds from issuance of shares to non-controlling interest	810	-
Dividend paid to non-controlling interest	(10,805)	-
Drawdown of term loans	4,000	41,401
Repayment to term loans	(11,243)	(4,399)
Repayment of hire purchases	(353)	(285)
Drawdown of revolving credit	-	10,000
Interest paid	(4,793)	(3,662)
Advance from / (Repayment to) directors	5,358	(9,510)
Advance from related company	196	-
(Repayment to) / Advance from associate company	(1,186)	308
Net cash flows (used in) / from financing activities	(17,856)	44,073
Net changes in cash and cash equivalents	(910)	1,184
Cash and cash equivalents at beginning of year	4,225	3,041
	3,315	4,225
<u>Composition of cash and cash equivalents:</u>		
Short term fund	-	5
Cash and bank balances	3,315	4,220
Cash and cash equivalents at end of period	3,315	4,225

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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(Company no: 484964-H)

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 MFRSs and Amendments to MFRSs did not have any material 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

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(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)

MFRSs, 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 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 RM11 million and has been incorporated into the financial statements of HCK Capital Group Berhad as at 31 December 2018.

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,

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.

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(Company no: 484964-H)

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

	Properties RM'000	Others RM'000	Total RM'000
Results for 3 months ended 31 December 2018			
<u>Revenue</u>			
External	16,369	997	17,366
Inter-segment	1,200	940	2,140
	<u>17,569</u>	<u>1,937</u>	<u>19,506</u>
Consolidated adjustments and elimination			(2,140)
Consolidated revenue			<u>17,366</u>
<u>Results</u>			
Results before the following adjustments	3,016	576	3,592
Consolidated adjustments and elimination	1,224	(1,271)	(47)
Amortisation of intangible asset	-	(12)	(12)
Depreciation of property and equipment	(366)	(19)	(385)
Direct operating expenses on investment properties	(254)	-	(254)
Fair value gain on investment properties	11,000	-	11,000
Gain on disposal of equipment	-	-	-
Segment results	<u>14,620</u>	<u>(726)</u>	<u>13,894</u>
Interest income			2
Interest expense			(1,366)
Tax expense			(1,186)
Consolidated profit after taxation			<u>11,344</u>
	Properties RM'000	Others RM'000	Total RM'000
Results for 3 months ended 31 December 2017			
<u>Revenue</u>			
External	9,339	720	10,059
Inter-segment	1,200	953	2,153
	<u>10,539</u>	<u>1,673</u>	<u>12,212</u>
Consolidated adjustments and elimination			(2,153)
Consolidated revenue			<u>10,059</u>
<u>Results</u>			
Results before the following adjustments	2,019	(564)	1,455
Consolidated adjustments and elimination	455	28	483
Amortisation of intangible asset	(1)	(11)	(12)
Depreciation of equipment	(379)	(64)	(443)
Direct operating expenses on investment properties	(691)	-	(691)
Equipment written off	-	(224)	(224)
Write down in value of inventories	(1,406)	-	(1,406)
Fair value gain on investment properties	16,000	-	16,000
Gain on disposal of subsidiaries	448	-	448
(Loss)/Gain on disposal of equipment	(8)	8	-
Segment results	<u>16,437</u>	<u>(827)</u>	<u>15,610</u>
Interest income			13
Interest expense			(911)
Share of results in associates			(139)
Tax expense			(947)
Consolidated profit after taxation			<u>13,626</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	Others RM'000	Total RM'000
Results for 12 months ended 31 December 2018			
<u>Revenue</u>			
External	35,747	2,573	38,320
Inter-segment	4,800	3,548	8,348
	<u>40,547</u>	<u>6,121</u>	<u>46,668</u>
Consolidated adjustments and elimination			(8,348)
Consolidated revenue			<u>38,320</u>
<u>Results</u>			
Results before the following adjustments	9,662	(527)	9,135
Consolidated adjustments and elimination	3,537	(3,587)	(50)
Amortisation of intangible asset	(2)	(48)	(50)
Depreciation of property and equipment	(739)	(187)	(926)
Direct operating expenses on investment properties	(1,868)	-	(1,868)
Fair value gain on investment properties	11,000	-	11,000
Gain on disposal of equipment	8	36	44
Segment results	<u>21,598</u>	<u>(4,313)</u>	<u>17,285</u>
Interest income			63
Interest expense			(4,793)
Share of results in associates			(11)
Tax expense			(1,186)
Consolidated profit after taxation			<u>11,358</u>
Results for 12 months ended 31 December 2017			
<u>Revenue</u>			
External	27,315	2,518	29,833
Inter-segment	4,800	3,965	8,765
	<u>32,115</u>	<u>6,483</u>	<u>38,598</u>
Consolidated adjustments and elimination			(8,765)
Consolidated revenue			<u>29,833</u>
<u>Results</u>			
Results before the following adjustments	6,590	(1,398)	5,192
Consolidated adjustments and elimination	484	(604)	(120)
Amortisation of intangible asset	(3)	(48)	(51)
Depreciation of equipment	(723)	(344)	(1,067)
Direct operating expenses on investment properties	(1,848)	-	(1,848)
Equipment written off	-	(224)	(224)
Write down in value of inventories	(1,406)	-	(1,406)
Fair value gain on investment properties	16,000	-	16,000
Gain on disposal of subsidiaries	448	-	448
(Loss)/Gain on disposal of equipment	(8)	21	13
Segment results	<u>19,534</u>	<u>(2,597)</u>	<u>16,937</u>
Interest income			51
Interest expense			(3,662)
Share of results in associates			(139)
Tax expense			(1,083)
Consolidated profit after taxation			<u>12,104</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	Others RM'000	Total RM'000
Segment assets and liabilities as at 31 December 2018			
<u>Assets</u>			
Segment assets	443,380	4,625	448,005
Tax recoverable	1,498	10	1,508
Consolidated total assets	<u>444,878</u>	<u>4,635</u>	<u>449,513</u>
<u>Liabilities</u>			
Segment liabilities	237,694	1,397	239,091
Deferred tax liabilities	5,077	-	5,077
Consolidated total liabilities	<u>242,771</u>	<u>1,397</u>	<u>244,168</u>
Segment assets and liabilities as at 31 December 2017			
<u>Assets</u>			
Segment assets	441,123	2,820	443,943
Tax recoverable	1,435	11	1,446
Consolidated total assets	<u>442,558</u>	<u>2,831</u>	<u>445,389</u>
<u>Liabilities</u>			
Segment liabilities	234,212	2,828	237,040
Deferred tax liabilities	4,527	-	4,527
Consolidated total liabilities	<u>238,739</u>	<u>2,828</u>	<u>241,567</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 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. Consequently, Aspen Tecnic became a wholly owned subsidiary of HCK Education Sdn Bhd
- 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 31/12/2018 RM'000
<u>Contracted but not provided for:</u>	
Purchase of leasehold lands	<u>76,780</u>

HCK CAPITAL GROUP BERHAD

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**A13. Operating Lease Commitments**

	As at 31/12/2018 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
	<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 lessee.

	As at 31/12/2018 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
	<u>5,130</u>

A14. Related Party Transactions

	Current Quarter		Cumulative Quarter	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM'000	RM'000	RM'000	RM'000
Rental expenses to a related party	-	3	18	6
Rental income from a non-controlling interest	961	837	3,846	3,348

HCK CAPITAL GROUP BERHAD

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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 31 December 2018

For the current quarter under review, the Group recorded a revenue of RM17.4 million, which is RM7.3 million higher compared with the previous corresponding financial quarter due to disposal of 8 units of property inventories

Current quarter's Profit Before Tax ("PBT") of RM12.5 million is lower as compared to PBT of RM14.9 million in the previous corresponding quarter due to the lower fair value gain of RM5.0 million recorded in the current financial quarter.

For the 12 months ended 31 December 2018

For the 12 months ended 31 December 2018, the Group recorded higher revenue of RM38.3 million as compared to RM29.8 million in the preceding financial year which represents an increase of 28%.

The PBT of RM12.5 million is lower by 7% for the financial year ended 31 December 2018 as compared to the preceding financial year's PBT of RM13.5 million due to lower fair value gain of RM5.0 million offset by higher revenue recorded during the year.

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

	Current Quarter 31/12/2018 RM'000	Immediate Preceding Quarter 30/9/2018 RM'000	Changes
Revenue	17,366	7,208	> 100%
Profit Before Taxation ("PBT")	12,530	2,098	> 100%

The Group for the current quarter recorded a higher revenue and PBT as compared to immediate preceding quarter due to higher project billings, disposal of property inventories and a fair value gain of RM11.0 million.

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 due to the market's growing confidence in the HCK brand related to creation of education cities.

In January 2019, the Group taken has over as developer of Remix 2 @ Subang Jaya and rebranded the development as Edumetro @ Subang Jaya, riding on the success of the Group's education cities. The Edumetro @ Subang Jaya together with the favourable take up rate of the Edusphere @ Cyberjaya's serviced apartments is expected to contribute positively to the Group's future earnings.

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.

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**B6. Taxation**

	Current Quarter		Cumulative Quarter	
	31/12/2018 RM '000	31/12/2017 RM '000	31/12/2018 RM '000	31/12/2017 RM '000
Current income tax				
- for the financial period	636	148	636	284
- overprovision in prior financial period/year	-	(1)	-	(1)
	<u>636</u>	<u>147</u>	<u>636</u>	<u>283</u>
Deferred tax liabilities				
- Recognition of fair value gain on investment properties	550	800	550	800
	<u>1,186</u>	<u>947</u>	<u>1,186</u>	<u>1,083</u>

Income tax expense is recognised in each interim period based on the best estimate of the income tax payable for the full financial year. The effective income tax rate for the current period year to date and current quarter was lower than statutory tax rate, principally due to tax incentives giving and losses are available during the financial quarter.

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 31 December 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	134,456	19,299	153,755	149,598	11,400	160,998
Revolving credit	-	10,000	10,000	-	10,000	10,000
Hire purchases	357	314	671	708	315	1,023
	<u>134,813</u>	<u>29,613</u>	<u>164,426</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.

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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 earning per Ordinary share**

	Current Quarter		Cumulative Quarter	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Profit / (Loss) after taxation attributable to ordinary equity owners of the parent (RM'000)				
Profit Continuing Operations	6,280	6,654	6,641	5,455
Profit Discontinued Operations	-	(354)	-	(360)
	<u>6,280</u>	<u>6,300</u>	<u>6,641</u>	<u>5,095</u>
Weighted average number of ordinary shares in issue ('000)	421,223	421,170	421,223	421,170
Basic earning per share (sen)	<u>1.49</u>	<u>1.50</u>	<u>1.58</u>	<u>1.21</u>
Continuing Operations	1.49	1.58	1.58	1.30
Discontinued Operations	-	(0.08)	-	(0.09)
	<u>1.49</u>	<u>1.50</u>	<u>1.58</u>	<u>1.21</u>
Profit after taxation attributable to ordinary equity owners of the parent (RM'000)	6,280	6,300	6,641	5,095
Weighted average number of ordinary shares in issue ('000)	421,223	421,170	421,223	421,170
Shares deemed to issued for no consideration ('000) - warrants	50,092	55,553	50,092	55,553
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	<u>471,315</u>	<u>476,723</u>	<u>471,315</u>	<u>476,723</u>
Diluted earning per share (sen)	<u>1.33</u>	<u>1.32</u>	<u>1.41</u>	<u>1.07</u>

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 Before Taxation

	Current Quarter		Cumulative Quarter	
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
This is arrived at after charging/(crediting):				
Interest income	(2)	(13)	(63)	(51)
Interest expense	1,366	911	4,793	3,662
Amortisation of intangible assets	12	12	50	51
Depreciation of property, plant and equipment	385	443	926	1,067
Equipment written off	-	-	-	210
Loss/ (gain) on disposal of equipment	2	-	2	(5)
Gain on disposal of subsidiary	(44)	-	(44)	(8)

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

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER FYE2018 31/12/2018 RM'000	PRECEDING YEAR CORR. QTR FYE2017 31/12/2017 RM'000	CURRENT YEAR TO DATE FYE2018 31/12/2018 RM'000	PRECEDING YEAR CORRESPONDING FYE2017 31/12/2017 RM'000
1 Revenue	17,366	10,059	38,320	29,833
2 Profit before tax	12,530	14,927	12,544	13,547
3 Profit for the period	11,344	13,626	11,358	12,104
4 Profit attributable to ordinary equity	6,280	6,300	6,641	5,095
5 Basic earning per share (sen)	1.49	1.50	1.58	1.21
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)			0.47	0.45

PART A3 : ADDITIONAL INFORMATION

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER FYE2018 31/12/2018 RM'000	PRECEDING YEAR CORR. QTR FYE2017 31/12/2017 RM'000	CURRENT YEAR TO DATE FYE2018 31/12/2018 RM'000	PRECEDING YEAR CORRESPONDING FYE2017 31/12/2017 RM'000
1 Gross interest income	2	13	63	51
2 Gross interest expense	1,366	911	4,793	3,662