THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY. If you have sold or transferred all your ordinary shares in Ho Hup Construction Company Berhad (14034-W) ("Ho Hup" or "our Company"), you should at once hand this Abridged Prospectus together with the Notice of Provisional Allotment ("NPA") and Rights Subscription Form ("RSF") to the agent/broker through whom you effected the sale or transfer for onward transmission to the purchaser or transferee. All enquiries concerning the Rights Issue with Warrants (as defined herein), which is the subject of this Abridged Prospectus should be addressed to our Share Registrar, ShareWorks Sdn Bhd, 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur.

This Abridged Prospectus, together with the NPA and RSF are only despatched to our shareholders who have provided our Share Registrar with a registered address in Malaysia and whose names appear on our Record of Depositors not later than 5.00 p.m. on 2 December 2013. This Abridged Prospectus together with the NPA and RSF, are not intended to be issued, circulated or distributed in countries or jurisdictions other than Malaysia and no action has been or will be taken to ensure that the Rights Issue with Warrants complies with the laws of any countries or jurisdictions other than the laws of Malaysia. Entitled Shareholders (as defined herein) and their renouncee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers as to whether the acceptance or renunciation (as the case may be) of all or any part of their entitlements to the Rights Issue with Warrants would result in the contravention of any laws of such countries or jurisdictions. Neither we nor M&A Securities Sdn Bhd (15017-H) ("M&A Securities") shall accept any responsibility or liability in the event that any acceptance or renunciation made by the Entitled Shareholders or their renouncee(s) (if applicable) are or shall become illegal, unenforceable, voidable or void in such countries or jurisdictions.

A copy of this Abridged Prospectus has been registered with the Securities Commission Malaysia ("SC"). The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue with Warrants or assumes responsibility for the correctness of any statement made or opinion or report expressed in the Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of this Abridged Prospectus, together with the NPA and RSF, has also been lodged with the Registrar of Companies, who takes no responsibility for the contents of these documents.

Approval for the Rights Issue with Warrants has been obtained from our shareholders at the Extraordinary General Meeting held on 10 October 2013. Approval for the issuance of the Warrants (as defined herein) to non-resident shareholders of our Company has been obtained from Bank Negara Malaysia via its letter dated 23 September 2011. Approval-in-principle has also been obtained from Bursa Malaysia Securities Berhad (635998-W) ("Bursa Securities") via its letter dated 13 May 2013 for the admission of the Rights ICPS (as defined herein) and Warrants to the Official List of Bursa Securities and the listing of the Rights ICPS, Warrants and new Ho Hup Shares (as defined herein) to be issued upon conversion of the ICPS and/or exercise of the Warrants on the Main Market of Bursa Securities. The Rights ICPS and Warrants will be admitted to the Official List of Bursa Securities and the listing of and quotation for the Rights ICPS and Warrants will commence after, amongst others, receipt of confirmation from Bursa Malaysia Depository Sdn Bhd (165570-W) that all the Central Depository System accounts of the Entitled Shareholders have been duly credited and notices of allotment have been despatched to the Entitled Shareholders. Admission of the Rights ICPS and Warrants to the Official List of Bursa Securities and listing of the Rights ICPS, Warrants and new Ho Hup Shares to be issued upon conversion of the Rights ICPS and/or exercise of the Warrants on the Main Market of Bursa Securities are in no way reflective of the merits of the Rights Issue with Warrants.

All the documentation relating to this Rights Issue with Warrants including this Abridged Prospectus, together with the NPA and RSF, have been seen and approved by our Board of Directors and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement in these documents false or misleading.

M&A Securities, being the Adviser and Underwriter for this Rights Issue with Warrants, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue with Warrants.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH YOU SHOULD CONSIDER, SEE "RISK FACTORS" AS SET OUT IN SECTION 6 HEREIN.

HO HUP
Since 1960

HO HUP CONSTRUCTION COMPANY BERHAD
(Company No. 14034-W)
(Incorporated in Malaysia under the Companies Act, 1965)

RENOUNCEABLE RIGHTS ISSUE OF 102,000,408 IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES OF RM0.01 EACH IN HO HUP ("RIGHTS ICPS") TOGETHER WITH 51,000,204 FREE DETACHABLE WARRANTS ("WARRANTS") ON THE BASIS OF ONE (1) RIGHTS ICPS FOR EVERY ONE (1) EXISTING ORDINARY SHARE OF RM0.50 EACH HELD IN HO HUP, TOGETHER WITH ONE (1) WARRANT FOR EVERY TWO (2) RIGHTS ICPS SUBSCRIBED AT 5.00 P.M. ON 2 DECEMBER 2013 AT AN ISSUE PRICE OF RM0.50 PER RIGHTS ICPS PAYABLE IN FULL UPON ACCEPTANCE

Adviser and Underwriter

M&A

M&A SECURITIES SDN BHD (15017-H)
(A Wholly-Owned Subsidiary of Insas Berhad)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

IMPORTANT RELEVANT DATES AND TIME:

Entitlement Date	:	Monday, 2 December 2013 at 5.00 p.m.
Last date and time for sale of provisional allotment of rights	:	Monday, 9 December 2013 at 5.00 p.m.
Last date and time for transfer of provisional allotment of rights	:	Thursday, 12 December 2013 at 4.00 p.m.
Last date and time for acceptance and payment	:	Tuesday, 17 December 2013 at 5.00 p.m.*
Last date and time for excess application and payment	:	Tuesday, 17 December 2013 at 5.00 p.m. *

* or such later date and time as our Directors may determine and announce not less than two (2) Market Days (as defined herein) before the stipulated date and time.

This Abridged Prospectus is dated 2 December 2013

All terms and abbreviations used herein shall have the same meanings as those defined in the "Definitions" section of this Abridged Prospectus unless stated otherwise.

THIS ABRIDGED PROSPECTUS HAS BEEN REGISTERED WITH THE SC. THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS ABRIDGED PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ABRIDGED PROSPECTUS.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE AND MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS ABRIDGED PROSPECTUS ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS AND SERVICES ACT, 2007 ("CMSA").

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE WITH WARRANTS FOR WHICH ANY OF THE PERSON SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

DEFINITIONS

Except where the context otherwise requires, the following definitions and abbreviations shall apply throughout this Abridged Prospectus, NPA and RSF:-

Abridged Prospectus	:	This Abridged Prospectus issued by us dated 2 December 2013
Act	:	The Companies Act, 1965 as amended from time to time and any re-enactment thereof
Amendments to Memorandum and Articles of Association	:	Amendments to our Company's existing Memorandum and Articles of Association to facilitate the reduction in the par value of shares in Ho Hup from RM1.00 per share to RM0.50 per share resulting from the Par Value Reduction and the issuance of Rights ICPS and RCPS pursuant to the Rights Issue with Warrants and Scheme of Arrangement with Creditors, respectively
BNM	:	Bank Negara Malaysia
BJDSB	:	Bukit Jalil Development Sdn Bhd (293905-X), a 70%-owned subsidiary of Ho Hup
BJDSB Land	:	The one sixth (1/6) portion of the 60-Acre Land measuring approximately 40,500 square metres to be developed by BJDSB
Board	:	Board of Directors of our Company
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (165570-W)
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
CDS	:	Central Depository System
CDS Account(s)	:	A securities account established by Bursa Depository for a depositor pursuant to the Securities Industry (Central Depositories) Act, 1991 and the rules of Bursa Depository for the recording of deposits or withdrawal of securities and dealings in such securities by the depositor
Deed Poll	:	The deed poll executed by our Company on 14 November 2013 constituting the Warrants
EGM	:	Extraordinary general meeting
Entitled Shareholder(s)	:	Our shareholder(s) whose names appear on our Record of Depositors on the Entitlement Date
Entitlement Date	:	At 5.00 p.m. on 2 December 2013, being the time and date which the Entitled Shareholder(s) must be registered in our Record of Depositors with Bursa Depository in order to be entitled to participate in the Rights Issue with Warrants
EPS	:	Earnings per Share
Exercise Price	:	Price at which one (1) Warrant is exercisable into one (1) Ho Hup Share, being RM0.60, subject to such adjustments as may be allowed under the Deed Poll
FHB	:	Formis Holdings Berhad (281000-K)
FYE	:	Financial year ended / ending, as the case may be
GDV	:	Gross development value
Ho Hup or Company	:	Ho Hup Construction Company Berhad (14034-W)
Ho Hup Group or Group	:	Ho Hup and its subsidiaries

DEFINITIONS (CONT'D)

Ho Hup Shares or Shares	:	Ordinary shares of RM0.50 each in Ho Hup
HHERSB	:	Ho Hup Equipment Rental Sdn Bhd (256239-W)
ICPS	:	Irredeemable convertible preference share(s) of RM0.01 each in Ho Hup
Increase in Authorised Share Capital	:	Increase in the authorised share capital of Ho Hup from RM200,000,000 comprising 200,000,000 ordinary shares of RM1.00 each to RM500,000,000 comprising 990,000,000 Ho Hup Shares, 200,000,000 ICPS of RM0.01 par value each and 300,000,000 RCPS of RM0.01 par value each to accommodate the creation of ICPS and RCPS pursuant to the Rights Issue with Warrants and Scheme of Arrangement with Creditors respectively, the issuance of new Ho Hup Shares in the future arising from the conversion of ICPS and RCPS and exercise of Warrants
Issue Price	:	The issue price pursuant to the Rights Issue with Warrants of RM0.50 per Rights ICPS
JDA		Joint Development Agreement dated 16 March 2010 entered into between BJDSB and Pioneer Haven as supplemented by the Supplemental Agreement pursuant to the settlement of the legal suit relating to the JDA
JD Land	:	The five sixths (5/6) portion of the 60-Acre Land measuring approximately 202,500 square meters to be jointly developed between BJDSB and Pioneer Haven, pursuant to the Supplemental Agreement
LCS		Low Chee Group Sdn Bhd *(formerly known as Low Chee & Sons Sdn Bhd)* (61331-A)
LPD	:	13 November 2013, being the latest practicable date prior to the issuance of this Abridged Prospectus
Market Day(s)	:	A day on which Bursa Securities is open for trading in securities
M&A Securities	:	M&A Securities Sdn Bhd (15017-H)
NA	:	Net assets
NPA	:	Notice of Provisional Allotment in relation to the Rights Issue with Warrants
NTA	:	Net tangible assets
Par Value Reduction	:	Share capital reduction of the issued and paid-up share capital of Ho Hup of RM102,000,408 comprising 102,000,408 ordinary shares of RM1.00 each, to RM51,000,204 comprising 102,000,408 Ho Hup Shares which was effective on 11 November 2013
Pioneer Haven	:	Pioneer Haven Sdn Bhd (879237-A), a wholly-owned subsidiary of Malton Berhad
Plenitude	:	Plenitude Frontier Sdn Bhd (916615-H)
PN17	:	Practice Note 17 of the Main Market Listing Requirements of Bursa Securities
Regularisation Exercise	:	Collectively, the Par Value Reduction, Rights Issue with Warrants, Scheme of Arrangement with Creditors, Amendments to Memorandum and Articles of Association and Increase in Authorised Share Capital

DEFINITIONS (CONT'D)

RCPS	:	Redeemable convertible preference share(s) of RM0.01 each in Ho Hup
Record of Depositors	:	A record of depositors established by Bursa Depository under the rules of Bursa Depository, as amended from time to time
Rights Issue with Warrants	:	Renounceable rights issue of 102,000,408 ICPS together with 51,000,204 Warrants on the basis of one (1) Rights ICPS for every one (1) existing Ho Hup Share, together with one (1) Warrant for every two (2) Rights ICPS subscribed at an issue price of RM0.50 per Rights ICPS
Rights ICPS	:	102,000,408 ICPS to be issued pursuant to the Rights Issue with Warrants
RM and sen	:	Ringgit Malaysia and sen respectively
RSF	:	Rights Subscription Form in relation to the Rights Issue with Warrants
SC	:	Securities Commission Malaysia
Scheme of Arrangement with Creditors	:	Scheme of arrangement with creditors pursuant to Section 176 of the Act in respect of the amounts owing to BJDSB's unsecured creditors aggregating RM189.34 million and to Ho Hup's unsecured creditors aggregating RM68.32 million as at 31 October 2010, being the cut-off date used for the purpose of the Scheme of Arrangement with Creditors
sq ft	:	Square foot/feet
Supplemental Agreement	:	The supplemental agreement dated 3 July 2012 between BJDSB and Pioneer Haven pursuant to the settlement of the legal suit relating to the JDA
Tru-Mix	:	Tru-Mix Concrete Sdn Bhd (229676-D), a 90%-owned subsidiary of Ho Hup
Undertakings	:	Irrevocable undertakings by LCS and FHB to subscribe for their respective entitlements to the Rights ICPS
USD	:	United States dollar, the official currency of the United States of America
Warrant(s)	:	51,000,204 free detachable warrants to be issued pursuant to the Rights Issue with Warrants
Zen Courts	:	Zen Courts Sdn Bhd (855077-U), a 30% shareholder of BJDSB
5D-WAMP	:	(5)-day volume weighted average market price
60-Acre Land	:	Freehold land held under title Geran 42277, Lot No. 36101, Mukim of Petaling, District of Kuala Lumpur, Wilayah Persekutuan measuring approximately 243,000 square meters

References to "we", "us", "our" and "ourselves" are to our Company and save where the context otherwise requires, our subsidiaries. All references to "you" in this Abridged Prospectus are to our Entitled Shareholders.

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified.

DEFINITIONS (CONT'D)

Any reference in this Abridged Prospectus to any statute is a reference to that statute as for the time being amended or re-enacted. Any reference to a time of day in this Abridged Prospectus shall be a reference to Malaysian time, unless otherwise specified.

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CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name	Age	Address	Nationality	Occupation
Tan Sri Dato' Kamaruzzaman Bin Shariff *(Chairman/Independent Non-Executive Director)*	71	82, Taman Zaaba Taman Tun Dr Ismail 60000 Kuala Lumpur	Malaysian	Company Director
Dato' Ramli Bin Yusuff *(Deputy Chairman/Non-Independent Non-Executive Director)*	61	No. 33, Jalan PJU 3/12C Tropicana Indah Resort Homes 47410 Petaling Jaya Selangor Darul Ehsan	Malaysian	Company Director
Wong Kit-Leong *(Executive Director)*	42	1, Jalan Setia Nusantara U13/22F, Setia Ecopark 40170 Shah Alam Selangor Darul Ehsan	Malaysian	Company Director
Chow Seck Kai *(Independent Non-Executive Director)*	58	37, Lorong Jintan 3 Taman Supreme 56100 Kuala Lumpur	Malaysian	Company Director
Dimitrios Pantazaras *(Independent Non-Executive Director)*	57	17-2, Kirana Condo No.7, Jalan Pinang 50450 Kuala Lumpur	Greek	Company Director
Datuk Seri Panglima Sulong Matjeraie *(Independent Non-Executive Director)*	66	"PADI" 575, Jalan Wan Alwi Tabuan Jaya 93350 Kuching Sarawak	Malaysian	Company Director
Dato' Thong Kok Khee *(Non-Independent Non-Executive Director)*	58	No. 74, Jalan Setiakasih Damansara Heights 50490 Kuala Lumpur	Malaysian	Company Director
Datin Chan Bee Leng *(Non-Independent Non-Executive Director)*	53	B-17-3, Mutiara Upper East Ampang No. 39, Jalan 1/76E Desa Pandan 55100 Kuala Lumpur	Malaysian	Company Director
Donatian Felix Dorairaj *(Non-Independent Non-Executive Director)*	64	109, Jalan 6/29B 46000 Petaling Jaya Selangor Darul Ehsan	Malaysian	Advocate & Solicitor
Low Kheng Lun *(Non-Independent Non-Executive Director)*	27	B-17-3, Mutiara Upper East Ampang No. 39, Jalan 1/76E Desa Pandan 55100 Kuala Lumpur	Malaysian	Company Director
Dato' Mah Siew Kwok *(Non-Independent Non-Executive Director)*	65	No. 7, Jalan Nusa Taman Bukit Mas 50480 Kuala Lumpur	Malaysian	Company Director

AUDIT COMMITTEE

Name	**Designation**	**Directorship**
Chow Seck Kai	Chairman	Independent Non-Executive Director
Dato' Ramli Bin Yusuff	Member	Deputy Chairman/Non-Independent Non-Executive Director
Dimitrios Pantazaras	Member	Independent Non-Executive Director

COMPANY SECRETARIES

Chua Siew Chuan (MAICSA 0777689)

Chin Mun Yee (MAICSA 7019243)

c/o Securities Services (Holdings) Sdn Bhd
Level 7, Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel: 03-2084 9000

REGISTERED OFFICE

Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel: 03 - 2084 9000

HEAD/MANAGEMENT OFFICE

No. 18, Jalan 17/155C
Bandar Bukit Jalil
57000 Kuala Lumpur
Tel: 03 - 8993 9168
E-mail: corporate@hohupgroup.com.my
Website : www.hohupgroup.com.my

PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Berhad
Level 9, Wisma Bumiraya
No. 10, Jalan Raja Laut
50350 Kuala Lumpur
Tel: 03 - 2783 2130

Alliance Investment Bank Berhad
36th Floor, Menara Multi-Purpose
Capital Square
8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel: 03 - 2604 3333

RHB Bank Berhad
Level 6, Tower Two
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Tel: 03 – 92887 8888

AUDITORS AND REPORTING ACCOUNTANTS	UHY (AF 1411) Suite 11.05, Level 11 The Gardens South Tower Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Tel: 03 - 2279 3088
REGISTRAR	ShareWorks Sdn Bhd 2-1, Jalan Sri Hartamas 8 Sri Hartamas 50480 Kuala Lumpur Tel: 03 - 6201 1120
SOLICITORS FOR THE RIGHTS ISSUE WITH WARRANTS	Shahrizat Rashid & Lee Advocates & Solicitors Level 12, Menara Milenium 8 Jalan Damanlela Damansara Heights 50490 Kuala Lumpur Tel: 03 - 2710 5555
ADVISER AND UNDERWRITER FOR THE RIGHTS ISSUE WITH WARRANTS	M&A Securities Sdn Bhd No. 45-3, The Boulevard Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Tel: 03 - 2284 2911
STOCK EXCHANGE LISTING	Main Market of Bursa Securities

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HO HUP
Since 1960

HO HUP CONSTRUCTION COMPANY BERHAD
(Company No. 14034-W)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

2 December 2013

Directors:

Tan Sri Dato' Kamaruzzaman Bin Shariff *(Chairman/Independent Non-Executive Director)*
Dato' Ramli Bin Yusuff *(Deputy Chairman/Non-Independent Non-Executive Director)*
Wong Kit-Leong *(Executive Director)*
Chow Seck Kai *(Independent Non-Executive Director)*
Dimitrios Pantazaras *(Independent Non-Executive Director)*
Datuk Seri Panglima Sulong Matjeraie (*Independent Non-Executive Director*)
Dato' Thong Kok Khee *(Non-Independent Non-Executive Director)*
Datin Chan Bee Leng *(Non-Independent Non-Executive Director)*
Donatian Felix Dorairaj *(Non-Independent Non-Executive Director)*
Low Kheng Lun *(Non-Independent Non-Executive Director)*
Dato' Mah Siew Kwok (*Non-Independent Non-Executive Director*)

To: Our Entitled Shareholders

Dear Sir / Madam,

RENOUNCEABLE RIGHTS ISSUE OF 102,000,408 ICPS TOGETHER WITH 51,000,204 FREE DETACHABLE WARRANTS ON THE BASIS OF ONE (1) RIGHTS ICPS FOR EVERY ONE (1) EXISTING HO HUP SHARE TOGETHER WITH ONE (1) WARRANT FOR EVERY TWO (2) RIGHTS ICPS SUBSCRIBED AT 5.00 P.M. ON 2 DECEMBER 2013 AT AN ISSUE PRICE OF RM0.50 PER RIGHTS ICPS PAYABLE IN FULL UPON ACCEPTANCE

1. INTRODUCTION

Our shareholders had, at an EGM held on 10 October 2013, approved the Rights Issue with Warrants.

A certified true extract of the ordinary resolution pertaining to the Rights Issue with Warrants, which was passed at the said EGM, is set out in **Appendix I** of this Abridged Prospectus.

BNM had vide its letter dated 23 September 2011 approved *inter-alia,* the issuance of the Warrants to non-resident shareholders pursuant to the Rights Issue with Warrants.

Bursa Securities had vide its letter dated 13 May 2013 approval in-principle the following:-

(i) Admission to the Official List and the listing of and quotation of 102,000,408 Rights ICPS and 51,000,204 Warrants to be issued pursuant to the Rights Issue with Warrants;

(ii) Listing of and quotation for 102,000,408 new Ho Hup Shares to be issued from the conversion of the Rights ICPS; and

(iii) Listing of and quotation for 51,000,204 new Ho Hup Shares to be issued from the exercise of the Warrants.

The abovesaid Bursa Securities' approval-in-principle is subject to the following conditions:-

	Conditions	Status of Compliance
(i)	Ho Hup and M&A Securities to fully comply with the relevant provisions under the Main Market Listing Requirements pertaining to the implementation of the Regularisation Exercise;	To be complied
(ii)	Ho Hup and M&A Securities to inform Bursa Securities upon the completion of the Regularisation Exercise; and	To be complied
(iii)	Ho Hup to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Regularisation Exercise is completed	To be complied

The official listing of and quotation for the Rights ICPS and Warrants to be issued pursuant to the Rights Issue with Warrants will commence after, amongst others, receipt of confirmation from Bursa Depository that all the CDS Accounts of the Entitled Shareholders/renouncees are ready for crediting and notices of allotment have been despatched to them.

On 8 November 2013, the Court had granted an order confirming the Par Value Reduction pursuant to Section 64 of the Act. The advertisement as required under the aforementioned order was published in the News Straits Times and Berita Harian on 18 November 2013 and a copy of the sealed court order has been duly lodged with the Registrar of Companies on 11 November 2013, which marks the Par Value Reduction taking effect.

On 18 November 2013, M&A Securities, on our behalf, announced that the Entitlement Date has been fixed at 5.00 p.m. on 2 December 2013.

No person is authorised to give any information or make any representation not contained herein in connection with the Rights Issue with Warrants and if given or made, such information or representation must not be relied upon as having been authorised by M&A Securities or us.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. DETAILS OF THE RIGHTS ISSUE WITH WARRANTS

2.1 Details of the Rights Issue with Warrants

The Rights Issue with Warrants involves a renounceable rights issue of 102,000,408 ICPS together with 51,000,204 Warrants at an issue price of RM0.50 per Rights ICPS on the basis of one (1) Rights ICPS for every one (1) existing Ho Hup Share together with one (1) Warrant for every two (2) Rights ICPS subscribed after the Par Value Reduction. The Rights ICPS together with Warrants will be offered to the Entitled Shareholders. The Rights ICPS will be offered to the shareholders of Ho Hup whose names appear in the Record of Depositors of our Company as at the Entitlement Date.

The Rights Issue with Warrants is renounceable in full or in part. Accordingly, Entitled Shareholders can subscribe for and/or renounce their entitlements to the Rights ICPS in full or in part. The Rights ICPS which are not taken up or validly taken up shall be made available for excess applications by the Entitled Shareholders and/or their renouncee(s). It is the intention of our Board to allocate the excess Rights ICPS in a fair and equitable manner on a basis determined by our Board, in a manner as disclosed under Section 3.8.

The shareholders of our Company who renounce their entitlements to the Rights ICPS will not be entitled to the Warrants and shall be deemed to have also renounced their entitlements to the Warrants. The shareholders of Ho Hup who accept only part of the Rights ICPS shall only be entitled to the Warrants in the proportion to their acceptance of the Rights ICPS. The Warrants will be immediately detached from the Rights ICPS upon issuance and separately traded.

The Warrants shall only be issued to applicants who successfully subscribe for the Rights ICPS pursuant to the Rights Issue with Warrants. Should the Entitled Shareholders renounce all or any part of their entitlements to the Rights ICPS, they will not be entitled to the Warrants attached thereto. The renunciation of the Rights ICPS by the Entitled Shareholders will accordingly entail the renunciation of the Warrants to be issued together with the Rights ICPS. The Warrants will be detached from the Rights ICPS immediately upon issue and will be traded separately on the Main Market of Bursa Securities. Any Rights ICPS with Warrants not taken up or allotted for any reasons, if any, will be made available for application under the excess Rights ICPS with Warrants application.

As you are an Entitled Shareholder and the Rights ICPS are prescribed securities, your CDS Account will be duly credited with the number of provisionally allotted Rights ICPS with Warrants which you are entitled to subscribe for in full or in part under the terms of the Rights Issue with Warrants. You will find enclosed in this Abridged Prospectus, a NPA notifying you of the crediting of such securities into your CDS Account and a RSF to enable you to subscribe for the Rights ICPS with Warrants provisionally allotted to you, as well as to apply for excess Rights ICPS with Warrants if you so choose to.

Any dealing in our securities will be subject to, inter-alia, the provisions of the Securities Industry (Central Depositories) Act, 1991, the Securities Industry (Central Depositories) (Amendment) Act, 1998, the rules of Bursa Depository and any other relevant legislation. Accordingly, upon subscription, the Rights ICPS with Warrants will be credited directly into the respective CDS Accounts of the successful applicants. No physical ICPS or warrant certificates will be issued but notices of allotment will be despatched to the successful applicants.

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2.2 Basis of determining the issue price of the Rights ICPS and exercise price of the Warrants

(i) Rights ICPS

Our Board had on 1 August 2012 fixed the issue price for the Rights ICPS at RM0.50 per Rights ICPS after taking into consideration of the following:

(a) the regularised financial position of Ho Hup after the Regularisation Exercise;

(b) the potential future earnings of our Group; and

(c) the par value of each Ho Hup Share after the Par Value Reduction.

The issue price of RM0.50 per Rights ICPS represents:-

(a) a discount of approximately 25.7% from the 5D-WAMP of Ho Hup shares up to and inclusive of 31 July 2012 of RM0.6726 per Share, being the last market day immediately preceding the announcement on 1 August 2012; and

(b) a discount of 72.5% from the 5D-WAMP of Ho Hup shares up to and inclusive of 13 November 2013 of RM1.8177 per Share, being the LPD,

(ii) Warrants

Our Board had on 24 September 2012 fixed the exercise price for the Warrants at RM0.60 per Warrant after taking into consideration of the following:

(a) the regularised financial position of Ho Hup after the Regularisation Exercise;

(b) the potential future earnings of our Group;

(c) the par value of each Ho Hup Share after the Par Value Reduction; and

(d) the tenure of the Warrants.

The exercise price of RM0.60 per Warrant represents:-

(a) a discount of 11.9% from the 5D-WAMP of Ho Hup Shares up to and inclusive of 21 September 2012 of RM0.6811 per Share, being the last market day immediately preceding the price fixing announcement of the Warrants on 24 September 2012; and

(b) a discount of 67.0% from the 5D-WAMP of Ho Hup shares up to and inclusive of 13 November 2013 of RM1.8177 per Share, being the LPD,

2.3 Ranking of the Rights ICPS and new Ho Hup Shares to be issued

The Rights ICPS shall, upon allotment and issue, rank *pari passu* among themselves.

The new Ho Hup Shares to be issued pursuant to the conversion of the Rights ICPS and exercise of the Warrants, if any, shall, upon allotment and issue, rank *pari passu* in all respects with the then existing issued and fully paid-up Ho Hup Shares, save and except that they will not be entitled to any dividends, rights, allotments and/or distributions that may be declared, made or paid, the entitlement date for which is prior to the date of the allotment of the new Ho Hup Shares.

2.4 Salient terms of the Rights ICPS and Warrants

Please refer to **Appendices II and III** of this Abridged Prospectus for the salient terms of the Rights ICPS and Warrants respectively.

2.5 Substantial Shareholders' Undertakings

In conjunction with the Rights Issue with Warrants, our Company has procured the irrevocable written undertakings from LCS and FHB, the substantial shareholders of Ho Hup, to subscribe in full for their respective entitlements to the Rights ICPS to be issued under the Rights Issue with Warrants to be determined at the Entitlement Date.

As at the LPD, LCS holds directly 23,446,229 Ho Hup Shares, representing a 22.99% equity interest in Ho Hup, whilst FHB holds 23,115,000 Ho Hup Shares, representing a 22.66% equity interest in Ho Hup. As such, LCS' and FHB's subscription under the Rights Issue with Warrants shown as below will be approximately RM11.72 million and RM11.56 million respectively

	Existing as at LPD		Rights ICPS entitlement		Rights ICPS undertaken to subscribe	
Shareholders	**No. of shares**	**%**	**No. of shares**	**%**	**No. of shares**	**%**
LCS	23,446,229	22.99	23,446,229	22.99	23,446,229	22.99
FHB	23,115,000	22.66	23,115,000	22.66	23,115,000	22.66
Total	**46,561,229**	**45.65**	**46,561,229**	**45.65**	**46,561,229**	**45.65**

Pursuant to the Undertakings, LCS and FHB have confirmed that they have sufficient financial resources to take up their respective Rights ICPS entitlements and such confirmations have been verified by M&A Securities, the principal adviser for the Regularisation Exercise.

Our Company confirms that the undertakings by LCS and FHB will not give rise to any consequences of mandatory general offer obligation pursuant to the Malaysian Code on Take-overs and Mergers, 2010. The Rights Issue with Warrants is not undertaken on a minimum subscription basis.

Pursuant to the underwriting agreement dated 15 November 2013 relating to the Rights Issue with Warrants ("Underwriting Agreement"), M&A Securities had agreed to underwrite the remaining 55,439,179 Rights ICPS (representing 54.35% of the total issue size under the Rights Issue with Warrants) not covered by the Undertakings ("Underwritten Shares") at an underwriting commission of 1.8% of the total value of the Underwritten Shares, subject to the terms and conditions of the Underwriting Agreement. The underwriting commission for the Rights ICPS and all reasonable costs in relation to the underwriting arrangement will be fully borne by our Company.

2.6 Details of other corporate exercises

As at the LPD, save for the Regularisation Exercise (which encompasses the Par Value Reduction, Rights Issue with Warrants, Scheme of Arrangement with Creditors, Amendments To Memorandum And Articles Of Association and Increase In Authorised Share Capital), our Board confirms that there is no other outstanding corporate exercise which we intend to undertake, which have been announced but pending completion.

3. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT AND EXCESS APPLICATION

3.1 General

If you are an Entitled Shareholder, your CDS Account will be duly credited with the number of provisionally allotted Rights ICPS with Warrants, which you are entitled to subscribe for in full or in part under the terms of the Rights Issue with Warrants. You will find enclosed with this Abridged Prospectus, the NPA notifying you of the crediting of such provisionally allotted Rights ICPS with Warrants into your CDS Account and the RSF to enable you to subscribe for the Rights ICPS with Warrants provisionally allotted to you, as well as to apply for excess Rights ICPS with Warrants if you choose to do so.

3.2 NPA

The provisional allotted Rights ICPS with Warrants are prescribed securities pursuant to Section 14(5) of the Securities Industry (Central Depositories) Act, 1991 and therefore, all dealings in the provisionally allotted Rights ICPS with Warrants will be by book entries through CDS Accounts and will be governed by the Securities Industry (Central Depositories) Act, 1991, the Securities Industry (Central Depositories) (Amendment) Act, 1998 and the Rules of Bursa Depository. Entitled Shareholders and/or their renouncees (if applicable) are required to have valid and subsisting CDS Accounts when making their applications.

3.3 Last date and time of acceptance and payment

The last date and time for acceptance and payment for the Rights ICPS with Warrants is 5.00 p.m. on 17 December 2013, or such other later date and time as may be determined and announced by our Board at their absolute discretion.

3.4 Procedure for full acceptance and payment

Acceptance and payment for the Rights ICPS with Warrants provisionally allotted to you as an Entitled Shareholder or your renouncee(s) (if applicable) must be made on the RSF enclosed with this Abridged Prospectus and must be completed in accordance with the notes and instructions contained in the RSF. Acceptances which do not conform to the terms of this Abridged Prospectus, NPA or RSF or the notes and instructions contained in these documents or which are illegible may not be accepted at the absolute discretion of our Board.

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS ICPS WITH WARRANTS PROVISIONALLY ALLOTTED TO YOU AND/OR YOUR RENOUNCEE(S) (IF APPLICABLE), EXCESS APPLICATION FOR THE RIGHTS ISSUE WITH WARRANTS AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU OR YOUR RENOUNCEE(S) (IF APPLICABLE) WISH TO SELL/TRANSFER ALL OR ANY PART OF YOUR/THEIR ENTITLEMENTS, ARE SET OUT IN THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF.

YOU AND/OR YOUR RENOUNCEE(S) (IF APPLICABLE) ARE ADVISED TO READ THIS ABRIDGED PROSPECTUS, THE RSF AND THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY.

You or your renouncee(s) (if applicable) accepting the provisionally allotted Rights ICPS are required to complete Part I and III of the RSF in accordance with the notes and instructions provided therein. Each completed RSF together with the relevant payment must be despatched by **ORDINARY POST** or **DELIVERED BY HAND** using the envelope provided (at your own risk) to our Share Registrar at the following address:

ShareWorks Sdn Bhd
2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur

so as to arrive not later than 5.00 p.m. on 17 December 2013, being the last time and date for acceptance and payment, or such extended time and date as may be determined and announced by our Board.

One (1) RSF can only be used for acceptance of provisionally allotted Rights ICPS with Warrants standing to the credit of one (1) CDS Account. Separate RSFs must be used for the acceptance of provisionally allotted Rights ICPS with Warrants standing to the credit of more than one (1) CDS Account. If successful, Rights ICPS with Warrants subscribed by you or your renouncee(s) (if applicable) will be credited into the respective CDS Accounts as stated on the completed RSF.

A reply envelope is enclosed with this Abridged Prospectus. To facilitate the processing of the RSFs by our Share Registrar, you are advised to use one (1) reply envelope for each completed RSF.

You and/or your renouncee(s) (if applicable) should take note that a trading board lot for the Rights ICPS with Warrants will comprise 100 ICPS and 100 Warrants each respectively. Successful applicants of the Rights ICPS will be given free attached Warrants on the basis of one (1) Warrant for every two (2) Rights ICPS successfully subscribed for. The minimum number of securities that can be subscribed for or accepted is two (2) Rights ICPS, which will be accompanied with one (1) Warrant. Fractions of the Warrant arising from the Rights Issue with Warrants will be dealt with by our Board as they may deem fit.

If acceptance and payment for the Rights ICPS with Warrants provisionally allotted to you and/or your renouncee(s) (if applicable) is not received by our Share Registrar by 5.00 p.m. on 17 December 2013, being the last date and time for acceptance and payment, or any other extended date and time as may be determined and announced by our Board at their discretion, you and/or your renouncee(s) (if applicable) will be deemed to have declined the provisional allotment made to you and/or your renouncee(s) and it will be cancelled. Such Rights ICPS with Warrants not taken up will be allotted to the applicants applying for excess Rights ICPS with Warrants. Proof of time of postage shall not constitute proof of time of receipt by the Share Registrar. Our Board reserves the right not to accept or to accept in part only any application without providing any reasons.

You or your renouncee(s) (if applicable) who lose, misplace or for any other reasons require another copy of the RSF may obtain additional copies from your stockbrokers, Bursa Securities' website (http://www.bursamalaysia.com), our Share Registrar at the address stated above or our Registered Office.

EACH COMPLETED RSF MUST BE ACCOMPANIED BY REMITTANCE IN RM FOR THE FULL AMOUNT IN THE FORM OF BANKER'S DRAFT(S), CASHIER'S ORDER(S), MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY" AND MADE PAYABLE TO "HO HUP RIGHTS ISSUE ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH THE NAME, ADDRESS AND CDS ACCOUNT OF THE APPLICANT IN BLOCK LETTERS TO BE RECEIVED BY OUR SHARE REGISTRAR.

APPLICATIONS ACCOMPANIED BY PAYMENT OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE RIGHTS ISSUE WITH WARRANTS. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS ICPS WITH WARRANTS, AND NOTICES OF ALLOTMENT WILL BE ISSUED AND FORWARDED BY ORDINARY POST TO THEM OR THEIR RENOUNCEES (IF APPLICABLE) AT THEIR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS ISSUE WITH WARRANTS.

APPLICANTS SHOULD NOTE THAT THE RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

WHERE AN APPLICATION IS NOT ACCEPTED OR ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO THE APPLICANTS WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS ISSUE WITH WARRANTS BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS AT THE APPLICANTS' OWN RISK.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.

3.5 Procedure for part acceptance

You can accept part of your provisionally allotted Rights ICPS with Warrants. The minimum number of securities that can be subscribed for or accepted is two (2) Rights ICPS which will be accompanied with one (1) Warrant.

You must complete both Part I of the RSF by specifying the number of the Rights ICPS with Warrants which you are accepting and Part III of the RSF and deliver the completed RSF together with the relevant payment to our Share Registrar in the manner set out in Section 3.4 of this Abridged Prospectus.

The portion of the provisionally allotted Rights ICPS with Warrants that have not been accepted shall be allotted to any other persons allowed under the laws, regulations or rules to accept the transfer of the provisional allotment of the Rights ICPS with Warrants.

3.6 Procedure for sale/transfer of provisional allotment of Rights ICPS with Warrants

As the provisionally allotted Rights ICPS with Warrants are prescribed securities, you may sell/transfer all or part of your entitlement to the Rights ICPS with Warrants to one (1) or more person(s) through your stockbrokers without first having to request for a split of the provisional allotted Rights ICPS with Warrants standing to the credit of your CDS Accounts. To dispose of all or part of your entitlement to the Rights ICPS with Warrants, you may sell such entitlement on the open market or transfer to such persons as may be allowed pursuant to the rules of Bursa Depository.

In selling/transferring all or part of your provisionally allotted Rights ICPS with Warrants, you and/or your renouncee(s) (if applicable) need not deliver any document including the RSF, to any stockbroker. However, you and/or your renouncee(s) (if applicable) must ensure that there is sufficient provisional allotment of Rights ICPS with Warrants standing to the credit of your CDS Accounts that are available for settlement of the sale or transfer.

Purchasers or transferees of the provisionally allotted Rights ICPS with Warrants may obtain a copy of this Abridged Prospectus and the RSF from their stockbrokers or from our Share Registrar as stated above or at our Registered Office. This Abridged Prospectus and RSF are also available on Bursa Securities' website (http://www.bursamalaysia.com).

3.7 Procedure for acceptance by renouncees

Renouncees who wish to accept the provisionally allotted Rights ICPS with Warrants must obtain a copy of the RSF from their stockbrokers, our Share Registrar, our Registered Office, or from the Bursa Securities' website (http://www.bursamalaysia.com) and complete the RSF, submit the same together with the remittance in accordance with the notes and instructions printed therein.

The procedure for acceptance and payment applicable to the Entitled Shareholders as set out in Section 3.4 of this Abridged Prospectus also applies to renouncees who wish to accept the provisionally allotted Rights ICPS with Warrants.

RENOUNCEES ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENT OF THIS ABRIDGED PROSPECTUS AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THIS ABRIDGED PROSPECTUS AND RSF CAREFULLY.

3.8 Procedure for excess application

As an Entitled Shareholder, you and/or your renouncee(s) (if applicable) may apply for excess Rights ICPS with Warrants in addition to the Rights ICPS with Warrants provisionally allotted to you and/or your renouncee(s) by completing Part II of the RSF (in addition to Part I and III and forward it (together with a **separate remittance** for the full amount payable in respect of the excess Rights ICPS with Warrants applied for) to our Share Registrar at the address set out above, so as to arrive not later than 5.00 p.m. on 17 December 2013, being the last time and date for acceptance and payment, or such extended time and date as may be determined by our Board.

Payment for the excess Rights ICPS with Warrants applied for should be made in the same manner as described above, except that the Banker's Draft(s), Cashier's Order(s), Money Order(s) or Postal Order(s) drawn on a bank or post office in Malaysia crossed **"A/C PAYEE ONLY"** and made payable to **"HO HUP EXCESS RIGHTS ISSUE ACCOUNT"** and endorsed on the reverse side with the name, address and CDS Account of the applicant in block letters to be received by our Share Registrar.

It is the intention of our Board to allot the excess Rights ICPS with Warrants applied for under Part II of the RSF, if any, on a fair and equitable basis and in the following priority:-

(i) firstly, to minimise the incidence of odd lots;

(ii) secondly, for allocation to Entitled Shareholders who have applied for excess Rights ICPS with Warrants on a pro-rata basis calculated based on priority as follows:- (a) the shareholdings of the applicants in Ho Hup on the Entitlement Date and (b) the quantum of excess Rights ICPS with Warrants applied for; and

(iii) thirdly, for allocation to transferee(s) and/or renouncee(s) who have applied for excess Rights ICPS with Warrants on a pro-rata basis based on the quantum of their respective excess Rights ICPS with Warrants applied for.

Nevertheless our Board reserves the right to allot any excess Rights ICPS with Warrants applied under Part II of the RSF in such manner as our Board deems fit and expedient in the best interest of our Company subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board set out in Section 3.8 (i)-(iii) are achieved. Our Board also reserves the right to accept any excess Rights ICPS with Warrants application, in full or in part, without assigning any reason.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE EXCESS RIGHTS ICPS WITH WARRANTS. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS ICPS WITH WARRANTS, AND NOTICES OF ALLOTMENT WILL BE ISSUED AND FORWARDED BY ORDINARY POST TO THE APPLICANTS AT THEIR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE EXCESS RIGHTS ICPS WITH WARRANTS.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL EXCESS RIGHTS ICPS WITH WARRANTS APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST TO THE APPLICANTS WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE EXCESS RIGHTS ICPS WITH WARRANTS BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS AT THE APPLICANTS' OWN RISK.

3.9 Form of issuance

Bursa Securities has already prescribed our Shares listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights ICPS with Warrants are prescribed securities and as such, the Securities Industry (Central Depositories) Act, 1991, Securities Industry (Central Depositories) (Amendment) Act, 1998 and the rules of Bursa Depository shall apply in respect of the dealings in the said securities.

Failure to comply with the specific instructions or inaccuracy in the CDS Account number may result in the application being rejected.

No physical ICPS or warrant certificates will be issued to you under the Rights Issue with Warrants. Instead, the Rights ICPS with Warrants will be credited directly into your CDS Accounts. The notices of allotment will be issued and forwarded to you by ordinary post at your own risk to the address shown in the Record of Depositors within eight (8) Market Days from the last time and date for acceptance and payment of the Rights Issue with Warrants.

Any person who intends to subscribe for the Rights ICPS with Warrants as a renouncee by purchasing the provisional allotment of Rights ICPS with Warrants from an Entitled Shareholder will have his Rights ICPS with Warrants credited directly as prescribed securities into his CDS Account.

The excess Rights ICPS with Warrants, if allotted to the successful applicant who applies for excess Rights ICPS with Warrants, will be credited directly as prescribed securities into his CDS Account.

3.10 Laws of foreign jurisdictions

This Abridged Prospectus, the NPA and the RSF have not been (and will not be) made to comply with the laws of any foreign jurisdiction and have not been (and will not be) lodged, registered or approved pursuant to or under any legislation (or with or by any regulatory authorities or other relevant bodies) of any foreign jurisdiction. The Rights Issue with Warrants will not be made or offered in any foreign jurisdiction. Foreign Entitled Shareholders or their renouncees (if applicable) may only accept or renounce (as the case may be) all or any part of their entitlements and exercise any other rights in respect of the Rights Issue with Warrants only to the extent that it would be lawful to do so.

M&A Securities, other experts, our Company and our directors and officers would not, in connection with the Rights Issue with Warrants, be in breach of the laws of any jurisdiction to which that foreign Entitled Shareholders or their renouncees (if applicable) are or may be subjected to. Foreign Entitled Shareholders or their renouncees (if applicable) shall solely be responsible to seek advice as to the laws of the jurisdictions to which they are or may be subject to. M&A Securities, other experts, our Company and our directors and officers shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any foreign Entitled Shareholders or renouncees (if applicable), is or shall become unlawful, unenforceable, voidable or void in any such jurisdiction.

Accordingly, this Abridged Prospectus together with the accompanying documents will not be sent to the foreign Entitled Shareholders or their renouncees (if applicable) who do not have a registered address in Malaysia. However, such foreign Entitled Shareholders or their renouncees (if applicable) may collect the Abridged Prospectus including the accompanying documents from our Share Registrar, in which event our Share Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the aforesaid documents.

The foreign Entitled Shareholders or their renouncees (if applicable) will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such jurisdiction and we shall be entitled to be fully indemnified and held harmless by such foreign Entitled Shareholders or their renouncee(s) (if applicable) for any issue, transfer or other taxes or duties as such person may be required to pay. They will have no claims whatsoever against M&A Securities or us in respect of their rights and entitlements under the Rights Issue with Warrants. Such foreign Entitled Shareholders or their renouncee(s) (if applicable) should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the Rights Issue with Warrants.

By signing any of the forms accompanying this Abridged Prospectus, the NPA, and the RSF, the foreign Entitled Shareholders or their renouncees (if applicable) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) M&A Securities, other experts, our Company and our directors and officers that:

(i) we would not, by acting on the acceptance or renunciation in connection with the Rights Issue with Warrants, be in breach of the laws of any jurisdiction to which that foreign Entitled Shareholders or renouncees (if applicable) are or may be subjected to;

(ii) they have complied with the laws to which they are or may be subjected to in connection with the acceptance or renunciation;

(iii) they are not a nominee or agent of a person in respect of whom we would, by acting on the acceptance or renunciation, be in breach of the laws of any jurisdiction to which that person is or may be subjected to;

(iv) they are aware that the Rights ICPS with Warrants can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;

(v) they have respectively received a copy of this Abridged Prospectus and have had access to such financial and other information and have been afforded the opportunity to pose such questions to the representatives of our Company and receive answers thereto as they deem necessary in connection with their decision to subscribe for or purchase the Rights ICPS with Warrants; and

(vi) they have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights ICPS with Warrants, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights ICPS with Warrants.

Persons receiving this Abridged Prospectus, NPA and RSF (including without limitation custodians, nominees and trustees) must not, in connection with the offer, distribute or send it into any jurisdiction where to do so would or might contravene local securities, exchange control or relevant laws or regulations. If this Abridged Prospectus, NPA and RSF are received by any persons in such jurisdiction, or by the agent or nominee of such a person, he must not seek to accept the offer unless he has complied with and observed the laws of the relevant jurisdiction in connection herewith.

Any person who does forward this Abridged Prospectus, NPA and RSF to any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section and we reserve the right to reject a purported acceptance of the Rights ICPS with Warrants from any such application by foreign Entitled Shareholders or their renoucees (if applicable) in any jurisdiction other than Malaysia.

Our Company reserves the right, in its absolute discretion, to treat any acceptance of the Rights ICPS with Warrants as invalid if it believes that such acceptance may violate any applicable legal or regulatory requirements in Malaysia.

4. RATIONALE FOR THE RIGHTS ISSUE WITH WARRANTS

The Rights Issue with Warrants is part of our Company's Regularisation Exercise, which is a composite scheme to regularise the financial condition of Ho Hup. Our Board is of the view that the Rights Issue with Warrants will enable our Group to raise capital for our future growth and expansion and working capital needs, which is expected to contribute positively to our earnings potential. This will further enhance the value of the ICPS and strengthen shareholders' value. Our Board is of the view that the Rights Issue with Warrants is appropriate to:-

(i) our Group to raise capital and provide our Company with additional capital when the Warrants are exercised in the future. The exercise of the Warrants will allow our Company to raise further proceeds from the equity market without incurring additional financing cost and minimise any potential cash outflow in respect of interest servicing as and when any of the Warrants are exercised;

(ii) the Rights Issue with Warrants will involve the issuance of new Ho Hup Shares without diluting the existing shareholders' equity interest (assuming all shareholders fully subscribe for their respective entitlements, convert their ICPS and exercise their Warrants in full);

(iii) allow our Company to be recapitalised after the Par Value Reduction; and

(iv) the Warrants which are attached together with the Rights ICPS will increase the attractiveness of the Rights Issue with Warrants further as it provides the Entitled Shareholders with the opportunity to increase their equity participation in Ho Hup at a predetermined price during the tenure of the Warrants. In addition, the Warrants will enable our Company to raise further proceeds from the equity market as and when any of the Warrants are exercised.

5. UTILISATION OF PROCEEDS

Based on the issue price of RM0.50 per Rights ICPS, the Rights Issue with Warrants is expected to raise gross proceeds up to RM51.0 million.

The details of the utilisation of gross proceeds from the Rights Issue with Warrants are as follows:-

	Estimated time frame for utilisation	RM'000
To fund future projects^	Within 24 months from the listing of the Rights ICPS	8,000
To repay term loan#	Within 12 months from the listing of the Rights ICPS	40,000
To defray expenses relating to the Regularisation Exercise*	Within 1 month from the listing of the Rights ICPS	3,000
		51,000

Notes:

^ *At this juncture, our Board has not finalised the terms of any of new projects. The proposed allocation is intended to serve as a standby funding for our Group to embark on future projects relating to construction and/or property development. As at the LPD, Ho Hup had bidded/tendered/invited to bid proposals for various construction projects of approximately RM2,838.4 million. These construction projects include the construction of a power station in Pulau Pinang, removal of earthworks works for the construction of the Mass Rapid Transit project in Kuala Lumpur, construction of mixed development project in Selangor Darul Ehsan and construction of stadiums in Iraq. The said allocation will serve as working capital to embark on future construction projects and payment for development expense to sub-contractors, project consultants and for the purchase of raw materials for our future property development projects. In the event the actual amounts utilised are less than the allocated amounts, the excess allocated amount shall be utilised as working capital for our Group.*

\# *The repayment of term loan is in respect of the court ordered buy-out of the 30% equity interest in BJDSB from Zen Courts. As at the LPD, our Company had drawn down the term loan amounting to RM40.0 million offered by a financial institution. The repayment of term loan is expected to result in a total interest savings of up to RM0.22 million.*

* *The estimated expenses comprise professional fees, fees to be paid to the relevant authorities, printing and advertising charges and miscellaneous charges which are estimated at RM3.0 million for the Regularisation Exercise. If the actual expenses incurred pursuant to the Regularisation Exercise are higher than the amount budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual expenses are lower than the amount budgeted, the excess will be utilised for working capital.*

The exact quantum of proceeds that may be raised by our Company from the exercise of the Warrants would depend on the actual number of Warrants exercised and the exercise price of the Warrants. The proceeds from the exercise of the Warrants will be received on an "as and when basis" over the tenure of the Warrants.

Based on the exercise price of RM0.60 per Warrant and assuming full exercise of the Warrants, our Company will raise gross proceeds of up to RM30.6 million from the full exercise of the Warrants. Any proceeds arising from the exercise of the Warrants in the future shall be utilised for working capital requirements which include amongst others, operating expenses, business expansion and/or finance costs of our Group.

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6. RISK FACTORS

In running our business activities, we face risks which may have potential impact to our Group's performance unless proper anticipation and mitigation measures are exercised.

In addition to other information contained in this Abridged Prospectus, you should carefully consider the following risk factors before subscribing for or investing in the Rights Issue with Warrants. You should take note that these risk factors are not exhaustive. There may be additional risk factors, which are not disclosed below, that are not presently known to us or that we currently deem to be less significant, which may materially and adversely affect our business, financial condition, results of operation and prospects.

6.1 Risks relating to the Rights Issue with Warrants

(a) Potential Dilution

Entitled Shareholders who do not accept their provisional offer of the Right ICPS will have their proportionate ownership and voting interest in Ho Hup reduced (only upon conversion of the ICPS, RCPS and Warrants) and the percentage that Ho Hup's enlarged issued and paid-up share capital represented by their shareholdings in Ho Hup will also be reduced accordingly.

(b) Delay in or abortion of the Rights Issue with Warrants

The Rights Issue with Warrants is exposed to the risk that it may be aborted or delayed on the occurrence of any one or more of the following events:

(i) *force majeure* events or events/circumstances, such as war, hostilities, riot, earthquake, epidemic, flood, fire and storm, which are beyond the control of our Company and Adviser, arising prior to the implementation of the Rights Issue with Warrants;

(ii) our substantial shareholders as set out in Section 2.5 above who have given their respective Undertakings to subscribe for the Rights Issue with Warrants may not fulfil or be able to fulfil its obligation; or

(iii) failure of the Underwriter to honour its obligation pursuant to the terms and conditions in the Underwriting Agreement.

In this respect, our Company will exercise its best endeavour to ensure the successful implementation of the Rights Issue with Warrants. However, there can be no assurance that the abovementioned factors/events will not cause a delay in or abortion of the Rights Issue with Warrants.

(c) PN17 classification

The Regularisation Exercise was approved by Bursa Securities vide its letter dated 13 May 2013. However, Bursa Securities shall only consider uplifting the PN17 classification after our Group has complied with the requirements under Paragraph 8.04 and PN17 of the Main Market Listing Requirements of Bursa Securities.

In accordance with Paragraph 8.04(8) of the Main Market Listing Requirements of Bursa Securities, in order us to be removed from a PN17 classification, we must complete the implementation of our Regularisation Exercise and submit an application to Bursa Securities to demonstrate that our Company is no longer a PN17 company, together with all the necessary documentary evidence. In addition, pursuant to Paragraph 5.2 of PN17, as our Company is undertaking a regularisation exercise which will not result in a significant change in its business direction or policy, we must, amongst others, record a net profit in two (2) consecutive quarterly results immediately after the completion of the implementation of the Regularisation Exercise.

Our Company is expected to complete the implementation of the Regularisation Exercise in January 2014. However, in the event that we are unable to record a net profit in two (2) consecutive quarterly results immediately after the completion of the Regularisation Exercise, there is a risk that we will continue to be classified under PN17 and/or Bursa Securities may suspend the trading of our Shares and de-list our Shares from the Official List (subject to our right to appeal against the de-listing).

Further, in accordance with Paragraph 8.04(9) of the Main Market Listing Requirements of Bursa Securities, if we trigger any one (1) or more of the prescribed criteria in PN17 within three (3) years after the upliftment of our PN17 classification (subject to Bursa Securities' decision), we must undertake a regularisation plan which will result in a significant change in its business direction or policy and submit the plan to the SC for approval.

There is no assurance that our Company will not trigger any one (1) or more of the prescribed criteria in PN17 of the Main Market Listing Requirements of Bursa Securities within three (3) years after the upliftment of our PN17 classification.

(d) Forward-looking statements

Certain statements in this Abridged Prospectus are based on historical information, which may not be reflective of the future results, and others are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements are based on forecasts and assumptions made by our Group and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include, *inter alia*, the risk factors as set out in this section. In light of these and other uncertainties, the inclusion of forward-looking statements in this Abridged Prospectus should not be regarded as a representation or warranty by our Company that the plans and objectives of our Group will be achieved.

6.2 Risks relating to our Group

(a) Business risks

Our Group's business is in the property and construction sectors. The Regularisation Exercise will not materially change the prospects and risks of our Company's business as our Group would still be exposed to the same business, operational, financial and investment risks inherent in these sectors.

Risks inherent in the property sector are such as timely commencement and/or completion of projects, obtaining required relevant approvals, satisfactory performance of contractors, adverse economic events or recession, material escalation of cost in labour and raw materials, rise in financing costs and fluctuating demand for real estate properties may contribute to a higher overall development cost, thereby impacting the profit margins of our Group's projects. The demand of the properties is dependent on the general economic, business and credit conditions as well as the availability of supply in the market.

Risks inherent in the construction sector include shortages of construction materials (e.g. steel bars, ready-mixed concrete, cement and diesel) and skilled workers, price increase in construction materials (e.g. steel bars, cement, gravel, sand and petroleum based materials), the non-performance or unsatisfactory performance of sub-contractors, inclement weather, natural disasters, accidents, failure or postponement in the issuance or granting of licences, permits and approvals, and unforeseen engineering or environment problems. Construction delays, loss of revenue and cost over-runs are likely to result from such events which could in turn, adversely affect the business, operations and financial performance, and which, may affect our Group's profitability.

Our Group endeavours to keep abreast with the latest developments in the property development market to ensure the success and future profitability of our Group's business plan. In addition, our Group seeks to mitigate its construction risks through, amongst others, close monitoring of the progress of its construction projects and endeavour to promptly rectify any setback in order to ensure that performance is not materially and adversely affected.

Although our Group seeks to minimise these risks through, inter-alia, developing quality properties to suit the needs and preferences of its target markets, careful identification of the type of construction projects, prudent financial policy, close supervision on their construction projects and effective human resource management, no assurance can be given that any changes in these factors will not have any material adverse effect on our Group. Furthermore, the returns and profitability level of any development project are subject to, inter-alia competition and customers' needs and therefore, our Group will seek to limit these risks through careful planning and identification of the type of developments, innovative pricing strategies to pass through cost escalations to customers, prudent financial policy, close supervision on projects and effective project management.

6.3 Risks relating to the key industries of our Group

(a) Political, economic and regulatory risks

Like all other business entities, changes in political, economic and regulatory conditions in Malaysia and Iraq, could materially and adversely affect the financial and business prospects of our Group. Amongst the political, economic and regulatory uncertainties are the changes in political leadership, expropriation, nationalisation, re-negotiation or nullification of existing sales orders and contracts, interest rates, method of taxation and currency exchange rates.

In the recent 2014 Budget announced on 25 October 2013, real property gains tax would be increased to 30% for properties disposed within the three (3)-year holding period, whereas for disposals within the holding period up to four (4) and five (5) years, the rates are increased to 20% and 15%. For non-citizens, real property gains tax is imposed at 30% on the gains from properties disposed within the holding period of up to five (5) years and for disposals in the sixth (6th) and subsequent years, real property gains tax is imposed at 5%, with the minimum price of property that can be purchased by foreigners increased from RM500,000 to RM1,000,000. In addition, developer interest bearing schemes has been abolished.

Our Group takes cognisance of the changes to the property sector announced in the budget and while our Group will seeks to limit the impact of such risk to our business, there is no assurance that any change in the above factors will not have a material adverse effect on the business and operations of our Group.

In addition to the above risks, our Group is also faced with the continuous security risk in Iraq, where the security and political scene in Iraq will remain unstable as its central government's authority is threatened by militant groups. Sectarian violence could escalate and lead to *de facto* divisions between the religious communities.

Insecurity and violence in Iraq shall remain and it will be the main obstacles to an improvement in basic services such as water and electricity, and to economic development. Strong variations will persist in the regions, depending on their degree of ethnic and religious homogeneity. In regions with fewer political and religious tensions, such as Kurdistan and the provinces in the South and West, strong economic growth is expected, while in certain areas in the Center and the East expansion will continue to suffer. Please refer to Section 6.4(e) of this Abridged Prospectus for further details of the security risks faced by our Group.

(b) Competition from other property developers

Barriers to entry in respect of the property development industry is relatively high and our Group faces competition from existing industry players as well as better capitalised new market entrants in respect of availability of strategically located and reasonably priced landbank, the supply of labour and raw materials as well as marketing and selling prices of properties.

Our Group seeks to take proactive measures to mitigate some of these risks, including reviewing its development and marketing strategies in response to the ever-changing market conditions and the adoption of different development concepts and techniques that positions our Group to meet the needs of its target markets.

(c) Scarcity of strategically located landbank

The success of any property developer relies heavily on the location of landbank to deliver sustainable growth. However, the intense competition among property developers vying for the identification and acquisition of strategically located landbank have resulted in scarcity of such land and increase in the costs of land acquisition.

As at the LPD, our Group's remaining land available for development (consisting of land to be developed by our Group as well as under joint development) spans 60 acres, which development of the 60-Acre Land is primarily to be developed by Pioneer Haven under the JDA. Whilst the regularisation of our Group's operations and financial condition is primarily premised on the development of the BJDSB Land and JD Land, the sustainability of our Group is in its ability to acquire strategically located landbank and to enter joint ventures with land owners to jointly develop land on commercially viable profit sharing terms. Our Group is constantly on a look out to identify strategic landbank for acquisition and joint ventures for joint development in order to sustain its business and operations.

(d) Property overhang

Property overhang is commonly caused by oversupply and/or low take-up rate of new property launches by developers. Economic downturns and unfavourable market conditions are also contributory factors to property overhang. A prolongation or rise in property overhang would inevitably have an adverse impact on our Group's financial performance and financial position.

The overhang scenario strengthened with reduction in volume and value. The overhang volume reduced by 5.0% from 20,186 units (Q3 2012) to 19,184 units whilst value dropped by 2.6% from RM6.370 billion (Q4 2012) to RM6.204 billion. These overhang units comprised 14,054 residential units, 4,512 shops and 618 industrial units. Residential and shops sub-sectors recorded better performances with decreases of 4.5% from 14,720 units (Q4 2012) and 6.9% from 4,849 units (Q4 2012) respectively. Industrial sub-sector registered a marginal increase from 617 units. In terms of value, both residential and shops sub-sectors had decreases whilst the industrial sub-sector recorded otherwise. Residential and shops sub-sectors decreased by 1.0% from RM4.706 billion (Q4 2012) to RM4.658 billion and 10.5%

from RM1.396 billion (Q4 2012) to RM1.250 billion respectively. Industrial overhang recorded increase of 10.6% from RM267.19 million to RM295.63 million. Quarter-on-quarter analysis showed the overhang units decreased by 13.6% from 22,199 units whilst value increased by 2.3% from RM6.063 billion.

(Source: Residential, Shops and Industrial Properties Market Status Report Q1 2013, Valuation & Property Services Department, Ministry of Finance)

Our Group will continue to monitor property market conditions and conduct feasibility studies before embarking on new developments. Nevertheless, there can be no assurance that our Group will be able to maintain favourable take-up rates for its new property launches.

(e) Competition from other construction players

The Malaysian construction industry is highly competitive, and our Group faces intense competition from various construction companies, both listed and non-listed companies. Due to such competitive pressures, our Group's financial performance may be affected by highly competitive pricing in the process of securing a construction contract.

Ho Hup is a Grade G7 contractor with the Construction Industry Development Board ("CIDB"). The registrations with CIDB and respective local authorities enable our Group to tender for private sector projects of any size and amount within the categories of works which it is licensed to carry out.

Our Group seeks to maintain its competitiveness by actively participating in competitive bidding and strategic negotiation to successfully secure contracts. However, there can be no assurance that these efforts will enable our Group to compete effectively with current and new entrants into the construction sector in the future.

(f) Exposure to defects liability claims

Construction contracts and sale and purchase agreements commonly stipulate a defects liability period for work done, which carry warranty periods of up to 24 months, from the official handing over of the completed projects, depending on the nature of the contract. The warranty guarantees the rectification of any defects in the project which may surface or be identified during the defects liability period at the sole cost and expense of the contractor/developer. Such rectification of defects will inevitably result in an increase in completion costs and affect the profitability of affected projects.

Should our Group be required to fulfil its warranty obligations in the rectification of projects, its profit margin will be decreased depending on the severity of the rectification works, hence affecting overall financial performance.

There is no assurance that any disputes arising from the defect liability period or warranty period will not have a material impact on our Group. To mitigate the risk of defects, our Group seeks to ensure that all suppliers and sub-contractors employed are trustworthy and reliable and have a good track record of completed work.

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6.4 Risks relating to our Group's operations

(a) Delay in launching and completion of the development of the BJDSB Land and JD Land

The regularisation of our Group's operations and financial condition is primarily premised on the development of the BJDSB Land and JD Land. The launching and timely completion of the development and/or construction is dependent on many factors, such as obtaining permits with conditions acceptable to BJDSB and Pioneer Haven (in the case of the JD Land) and/or timely approvals from various regulatory authorities, reliability and the satisfactory performance of contractors who are appointed to complete the development project. There can be no assurance that the development of the BJDSB Land and JD Land will not be delayed as some of the above mentioned factors and market demand are beyond the control of BJDSB and Pioneer Haven.

BJDSB will monitor the project schedules closely to minimise any delay in the launching of its BJDSB Land. The returns and profitability level of any development project are subject to, *inter alia,* competition and customers' needs and therefore, BJDSB will seek to limit these risks through careful planning and identification of the type of developments, innovative pricing strategies to pass through cost escalations to customers, prudent financial policy, close supervision on projects and effective management.

Notwithstanding the monitoring efforts, there can be no assurance that the development of the BJDSB Land will not be delayed as the above mentioned factors are beyond the control of BJDSB.

As for the JD Land, BJDSB is represented in the steering committee which oversees the planning and development of the JD Land as provided in the Supplemental Agreement between BJDSB and Pioneer Haven pursuant to the settlement of the legal suit relating to the JDA. Notwithstanding the above, there can be no assurance that the development of the JD Land will not be delayed as the above mentioned factors are beyond the control of BJDSB.

(b) Restraining Order

On 17 July 2013, our Company and BJDSB were granted by the Court, an extension of the Restraining Order for a further six (6) months from 23 July 2013 to restrain Ho Hup's and BJDSB's unsecured creditors from taking any legal action against Ho Hup and BJDSB whilst the Regularisation Exercise is being put in place. Notwithstanding that our Company and BJDSB have successfully obtained extensions for the Restraining Order, there is no assurance that further extensions for the Restraining Order will be granted.

Nevertheless, our Company and BJDSB endeavour to keep the Court and the Scheme Creditors updated on the progress of the Regularisation Exercise. The Scheme of Arrangement with Creditors were approved by the creditors of BJDSB and Ho Hup at the court convened meetings held on 10 October 2013. The Court had on 22 October 2013 approved and sanctioned the Company's and BJDSB's Scheme of Arrangement with Creditors.

(c) Litigation by Zen Courts

Zen Courts, on 9 June 2011, had served a petition on BJDSB, Ho Hup and HHERSB, claiming that Ho Hup was in breach of certain terms and conditions in the Joint Venture Agreement dated 12 September 1995 ("JVA") entered into between Ho Hup and UEM Group Berhad* in respect of the joint venture arrangement between the parties in BJDSB. Zen Courts had also prayed for amongst others, the following:-

* *Pursuant to a share sale agreement entered into between Zen Courts and UEM Group Berhad, Zen Courts was registered in the register of members of BJDSB on 26 March 2010.*

(a) specific performance of the terms of the JVA;

(b) an order compelling Ho Hup to ensure that the board of directors of BJDSB comprises of two (2) nominee directors of Zen Courts and three (3) nominee directors of Ho Hup;

(c) an order to amend the Memorandum and Articles of Association of BJDSB to reflect the terms of the JVA;

(d) declaration that any resolutions approved and passed at any board of directors' meeting and general meeting of BJDSB in the absence of Zen Courts are null and void;

(e) an order to restrain Ho Hup from carrying out any steps on the resolutions approved and passed at the board of directors' meetings and general meetings of BJDSB in the absence of Zen Courts;

(f) declaration that the transfer of shares by Ho Hup in BJDSB to HHERSB is null and void; and

(g) restitution and repayment of all monies, benefits and advantages received by Ho Hup in breach of the terms of the JVA, including damages and interest at eight percent (8%) per annum from the date of the petition until full settlement.

In addition, Zen Courts, had also alternatively prayed for BJDSB to be wound up by the Court. BJDSB filed an application to strike out the said alternative prayer and the same has since been allowed on 28 September 2011. As such, the alternative order that BJDSB be wound-up was subsequently expunged from the petition.

Pursuant to the above, Zen Courts had also filed an injunction on 29 June 2011:-

(i) compelling Ho Hup, BJDSB and HHERSB to comply with or to put into effect, terms of the JVA; and

(ii) restraining Ho Hup, BJDSB and HHERSB from selling or dealing and charging or encumbering any assets owned by BJDSB and from taking any steps or actions with respect to BJDSB's proposed scheme of arrangement with creditors.

The above was heard on 4 August 2011 and dismissed by the Court with costs.

On 27 March 2012, the Court after hearing the petition, ordered a buy-out of Zen Court's stake in BJDSB by Ho Hup ("Buy-Out Order"). The Court had further ordered that a valuation be made on a NTA basis as at the date of the Judgment, as valued by an independent valuer to be mutually agreed between parties. Pursuant to the said Buy-Out Order, an independent valuer was appointed on 19 June 2012. The valuation report was issued on 31 December 2012. On 18 July 2013, the Court ordered the Buy-Out Order inter-alia, on the following terms:-

(i) Ho Hup shall buy Zen Courts' 30% equity interest in BJDSB at the price of RM7.99 per share and the aggregate purchase price for the 30% equity interest shall be fixed at RM35,970,000 ("Purchase Price").

(ii) The buy-out of the 30% equity interest in BJDSB shall be completed no later than four (4) months after the date of the Buy-Out Order.

(iii) Ho Hup to pay Zen Courts, interest of five percent (5%) on the Purchase Price calculated from 18 July 2013 until full payment of the Purchase Price.

(iv) Zen Courts to procure Yeoh Keng Tat to resign as a Director of BJDSB, to be effective on or before the date of completion of the purchase of the 30% equity interest in BJDSB.

On 15 August 2013 and 16 August 2013 respectively, the solicitors for BJDSB, Ho Hup and HHERSB, were served with two (2) Notices of Appeal by Zen Courts in respect of inter-alia the following Orders made on 18 July 2013 by the Court:-

(i) dismissing Zen Courts' application to make further representations on the valuation report issued by the independent valuer on 31 December 2012; and

(ii) fixing the Purchase Price of Zen Courts' 30% equity interest in BJDSB at RM35.97 million and related orders.

The abovesaid appeals are fixed for hearing on 19 February 2014.

Our Board is of the opinion that as there is no Court Order for a stay of the Buy-Out Order as at the LPD date, the parties are compelled to work towards completion of the Buy-Out Order within the stipulated time period therein. In addition, our Board is of the opinion that there is no major financial risk arising from the Buy-Out Order as Ho Hup had drawn down the term loan amounting to RM40.0 million offered by a financial institution. In addition, the Buy-Out Order will enable Ho Hup to consolidate 100% of BJDSB's financial performance.

(d) Possible delays in completion of projects

In line with industry experience, our Group launches and sells its properties prior to the completion of construction of its projects. In addition, construction projects are also subject to tight deadlines and budgets. However, the timely completion of projects is dependent on many external factors, including obtaining the necessary permits or approvals from the relevant Government agencies or authorities, securing and sourcing quality construction and building materials in adequate amounts and at reasonable prices, availability of workers and satisfactory performance of sub-contractors appointed to complete the construction projects. Any extensions in the projects would increase construction overheads and attract negative reputation and legal uncertainties. Any delay in completion may give rise to additional costs and may adversely affect our Group's reputation and financial performance.

To mitigate this risk, our Group monitors the work schedule of all its projects closely to ensure that all projects are completed within their stipulated timeframes. At the same time, our Group constantly strives to appoint reliable and reputable suppliers and sub-contractors to ensure timely delivery of raw materials, and closely follow project completion deadlines.

(e) Al-Zohour project in Iraq

Ho Hup's involvement in the Al-Zohour water treatment project in Iraq is mainly to provide technical design and project management expertise.

Ho Hup was approached by a locally established Iraqi construction company, to tender as the main contractor for the Al Zohour project by the Ministry of Municipalities of Baghdad, on account of Ho Hup's previous strong Malaysian track record. Although Ho Hup is the main contractor, the project involves sub-contracting of the construction works to a local Iraqi construction company, with Ho Hup providing only the technical design and project management expertise. Arising from the arrangements with the local sub-contractor, in the event of non-completion or delay of the Al-Zohour project, Ho Hup is not expected to suffer any monetary loss should any penalty arise as the performance bond for the project had been paid by the local Iraqi sub-contractor.

The Al-Zohour contract is to revive our construction activities as part of our Group's corporate turnaround plan and having stabilised our Group in early 2012. Whilst our Group had previously experienced the risk of undertaking overseas projects, in reviving our construction activities, our new management team had adopted a conservative approach for undertaking projects with well-defined and well managed risks, supported by strong internal controls and transparent processes.

This included overseas projects, after taking into account and assessing the risks for all projects on a case-to case basis. In looking at overseas projects, our Board's emphasis is to not focus or invest in equipment (which can be outsourced or leased from the country of origin of the project) which will lock in much needed working capital; but rather, to re-build our construction track record, and invest in our project management and human resources capabilities. Security risk is an issue in Iraq. However, the local authorities at the Al-Zohour project site perform comprehensive security checks in multiple locations of the project site, with additional security personnel placed at all check points. As at the LPD, no official security issue notification has been issued by the Ministry of Municipalities of Baghdad.

Our Group's risk in undertaking the Al-Zohour project is mitigated with strengthened internal controls, our involvement is mainly to provide technical design and project management expertise, minimal investment in capital assets and employees have been sufficiently insured with evacuation risk insurance.

(f) Foreign exchange

For Al-Zohour project, our Group is paid in Iraqi Dinar for progress claims for its services by the Ministry of Municipalities and Public Work, Iraq and Ho Hup pays its local sub-contractor, in Iraqi Dinar. Any repatriation back to Malaysia is transacted from Iraqi Dinar to USD and subsequently converted to RM. If there is any adverse fluctuation in either of the above currencies, in such a situation, there is a possibility that our Group could incur foreign exchange gain/losses.

As the RM is currently a managed float since the de-pegging of the RM, this may prevent any extreme fluctuations of the RM vis-à-vis USD, resulting therein, the effects of any foreign currency risks are less significant and mitigated to a certain extent. In addition, the procurement of mechanical and electrical equipment by Ho Hup for the Al-Zohour project is a natural hedge as the said procurement is transacted in USD and for which letter of credit facilities has been issued by the Ministry of Municipalities and Public Work, Iraq for the said purchases.

The management will continue to monitor our foreign exchange exposure by keeping abreast with current political and economic conditions in Iraq, United States of America and Malaysia. Notwithstanding the above, the expected revenue contribution of the Al-Zohour project is RM215.7 million or 26.7% of our Group's total projected revenue of RM807.9 million for the FYE 31 December 2014, as disclosed in the circular to shareholders in relation to the Regularisation Exercise dated 17 September 2013.

7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

The industries for which our Group is operating in are namely, property development and construction industries in Malaysia.

7.1 Overview and prospects of the global economy

Global economic growth remained modest in the first half of 2013, averaging 2.5%. In the United States of America ("US"), private demand, supported by a highly accommodative monetary policy contributed to growth, while the fiscal consolidation measures had a negative effect. Economic activity in Japan picked up in response to Abenomic's monetary easing and fiscal stimulus measures aimed at ending deflation and boosting growth. The euro area growth remained subdued, though on a quarter-on-quarter basis, gross domestic product ("GDP") was positive in the second quarter of 2013 after six (6) quarters of recession. The euro area continues to be affected by high unemployment as well as large public and private debts which restrain borrowing and affect growth.

Global economic activity is expected to strengthen moderately during the second half of 2013, with the whole year growth projected at 2.9%. Economic expansion will continue to be supported by growth in major emerging and developing economies, reinforced by strengthening in the advanced economies, particularly in the US where activity is expected to intensify as fiscal consolidation eases and monetary conditions stay supportive.

(Source: Economic Report 2013/2014, Ministry of Finance)

7.2 Overview and prospects of the Malaysian economy

The Malaysian economy registered real GDP growth of 4.2% during the first half of 2013. The prospects of stronger recovery in advanced economies coupled with moderate, but steady growth in China are expected to create a positive outlook for Malaysian exports. While the impact of the fed tapering in its quantitative easing programme remains a lingering concern, the Malaysian real GDP is expected to register growth of 4.5% - 5% in 2013 (2012: 5.6%) supported by its resilient domestic economy and improving exports during the second half of 2013. In tandem with strong domestic demand, the services and manufacturing sectors are expected to drive growth. On the supply side, growth is expected to be supported by expansion in all economic sectors as strong domestic consumption.

The Malaysian economy is expected to expand further by 5% -5.5% in 2014, supported by favourable domestic demand and an improving external environment. Growth will be private led, supported by strong private capital spending while private consumption continues to be resilient. This is in tandem with the continued recovery of growth across advanced economies as well as stronger regional trade activities which is evident in the second half of 2013.

Domestic demand is expected to continue its strong growth momentum driven by the private sector and strong fundamentals including low unemployment, rising household income and sustained customer confidence. Private investments are also expected to grow in line with increasing external demand and increasing domestic activity. Labour market conditions are expected to be favourable with the unemployment rate at 3.1% supported by increased employment, particularly in the services-related industries and export-oriented manufacturing industries in tandem with strong domestic consumption and improving external demand while headline inflation is expected to remain manageable at 2% – 3% in 2014 as global food prices, are expected to remain stable. Domestic demand-driven inflation is expected to remain modest, amid increased capacity expansion and improved productivity.

(Source: Economic Report 2013/2014, Ministry of Finance)

7.3 Overview and prospects of the property market in Malaysia

The Malaysian property market softened in the first half of 2013. A total of 185,709 transactions worth RM67.06 billion were recorded. Compared to H1 and H2 2012, the volume of transaction decreased by 14.4% and 11.8% respectively (H1 2012: 217,067 transactions; H2 2012: 210,453 transactions). Correspondingly, the value of transactions decreased by 2.8% and 9.2% respectively against H1 2012 (RM69.00 billion) and H2 2012 (RM73.85 billion).

Property market movements were on the downturn compared to the corresponding half year of 2012. In terms of transactions volume, the highest decrease was recorded by commercial sub-sector at 23.6%, followed by agricultural 16.8%, industrial 14.3%, residential 12.6%, and development land 10.8%. Likewise, transactions volume was also lower against the preceding half of 2012 which saw industrial sub-sector led a drop of 23.0 %; commercial 19.0%, residential 13.0%, development land 8.3% and agricultural 2.6%. The downturn was also evident in value of transactions. All sub-sectors recorded double-digit contractions against both H1 2012 and H2 2012, with development land registering the highest drop of 12.2% and 31.5% respectively. In terms of contribution to the overall property market activity, residential sub-sector captured 64.0% of total market share, followed by agricultural 19.5%, commercial 8.7%, development land 5.6% and industrial 2.2% sub-sectors.

Property market performance across the country generally softened. Compared to H1 2012, most states saw lower transaction volume with six (6) states recording declines more than 15.0%. W.P. Kuala Lumpur, Pulau Pinang and W.P. Labuan witnessed the three (3) highest falls at 47.8%, 27.2% and 23.3% respectively. Selangor, Johor and Perak were the only states that recorded higher transaction volume compared to both halves of 2012.

In the residential sub-sector, volume contracted the highest in W.P. Kuala Lumpur 47.5% followed by W.P. Labuan 37.3% and Pulau Pinang 28.1%. Double digit declines were also recorded in Perak (19.2%), Sabah (18.1%), Selangor (16.2%) and Sarawak (15.3%). Meanwhile, states that registered an increase in growth rate were Kedah (22.9%), Melaka (14.9%), Johor (4.9%), Kelantan (4.7%) and Terengganu (3.8%).

In the commercial and industrial sub-sectors, the scenario was equally dismal across the nation. Kedah recorded the only state saw an increase in transaction activity for both subsectors by 31.3% and 71.6% respectively.

In tandem with the moderate overall market performance, response to new launches in the residential primary market declined. A total of 17,105 units were offered for sale in H1 2013, of which 6,367 units were sold. Sales performance was 37.2%, higher than 26.3% in H1 2012 and slight improvement from 34.8% in H2 2012.

The overhang scenario on the other hand, improved in the review period with falling numbers and value. The number of residential overhang decreased distinctly to 14,576 units from 16,000 in H1 2012 and 15,091 units in H2 2012. Contrarily overhang value increases to RM5.20 million from RM3.89 million in H1 2012 and RM4.74 million recorded in H2 2012.

The unsold under construction units increased by 21.7% against H1 2012 but decreased marginally against H2 2012 at 4.3% whilst unsold not constructed units increased by 15.2% and 8.6% against H1 2012 and H2 2012 respectively. Johor, Selangor and Negeri Sembilan registered with the higher number of overhangs. These states accounted for 24.5%, 17.0% and 13.9% respectively of the nation's total overhangs. In the meantime, Johor had the highest number of unsold under construction totaling 10,585 units.

(Source: Property Market Report First Half 2013, Valuation and Property Services Department, Ministry of Finance Malaysia)

7.4 Overview and prospects of the construction sector in Malaysia

In 2012, the construction sector recorded a robust growth of 18.5%, the highest since 1995 (21.1%), driven mainly by the civil engineering sub-sector. This reflected the efforts to improve road and rail accessibility enhance electricity generation capacity and increase oil and gas output in Malaysia. Compared to the rapid growth in 1995, existing major projects are more broad-based in terms of sector and geographical location, covering areas beyond the Klang Valley. The strong growth was reflected in higher construction-related financing, manufacturing sales and production activity in 2012.

Growth in the sector was also contributed by the residential and non-residential sub-sectors. The performance for the residential sub-sector was underpinned by the construction of high-end properties in the Klang Valley, Penang and Johor, following robust launches in 2010 and 2011. Industrial projects in the Samalaju Industrial Park, tourism projects in Iskandar and commercial projects in the Klang Valley supported growth in the non-residential sub-sector. Construction of learning and health institutions, such as the University Tecknologi Mara campuses and National Cancer Institute, also provided further impetus to this sub-sector.

(Source: BNM Annual Report 2012)

In the construction sector, growth remained strong (9.9%; 1Q 2013: 14.2%), driven by the civil engineering and residential sub-sectors. Infrastructure and oil and gas projects, such as the MRT, Tanjung Bin and Janamanjung power plants, and Sabah-Sarawak Gas Pipeline, remained the key drivers of growth in the subsector. The construction of high-end residential properties in Klang Valley, Penang and Sabah supported growth in the residential sub-sector.

(Source: Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2013, BNM, Quarterly Bulletin)

7.5 Overview and prospect of the construction sector in Iraq

Iraq's reconstruction has created a huge demand for construction expertise and capital. The real estate development, construction, and building material industries are all ripe for investment. The large number of construction projects in industrial sectors and infrastructure will require vast amounts of building materials, design capacity, and construction expertise. Opportunities are available across all geographic areas and the already high demand will continue to grow.

Private sector investment dollars as well as expertise are greatly needed in all sectors to augment the Government of Iraq's (GoI's) efforts. Prospects exist to provide for the great number of over-crowded existing households, rehabilitation of transportation infrastructure and the ever-growing need for development of the industrial base. This will substantially increase the demand for efficient designs and competent completion of sizeable construction projects from a large number of industrial sectors. The huge long-term business potential, coupled with the real need for outside capital and expertise, promises unique investment opportunities for those who pioneer the construction sector.

Iraq imports most building materials. Most cement comes from abroad, mainly from Turkey, Iran, and other nearby producers. It is estimated that demand for bricks exceeds local supply by fourfolds.

The post-2003 reconstruction was dominated by large, foreign builders, who have played a major role in rebuilding Iraq's power and water facilities, bridges, roads, schools and other infrastructure. A domestic construction sector has begun to grow alongside the large foreign builders, but few have developed the capacity for the kind of large scale development that will be needed. Estimates of reconstruction expenditure in Iraq run into the tens of billions of USD, with the United States Agency for International Development conservatively estimating at least USD150 billion.

The development needs of Iraq run across the spectrum of construction projects; small to mega projects including new dams and considerable additional infrastructure. Modern office buildings, industrial parks, new universities, sports stadiums, municipal buildings, port facilities, and regional development hubs are all part of the national development plans in Iraq.

At the projected growth rate, almost 2 million housing units will be needed by 2015. The government estimates that 85% of home building will be carried out by the private sector.

(Source: Our management)

7.6 Future prospects of our Group

The completion of the Regularisation Exercise is expected to put our Group onto a better financial standing and profitability. Taking into consideration that Ho Hup is on track of financial recovery, the rebuilding of our business will be a top priority and will be implemented in an orderly manner. As such efforts are underway to identify new landbank and joint venture partnership/projects for future development and construction projects.

Property Development

The regularisation of our Group's operations and financial condition is primarily premised on the development of the 60-Acre Land which comprises the BJDSB Land and JD Land.

The 60-Acre Land owned by BJDSB covers a land area of 243,000-square metre (or 60.05-acres), held under the Master Title Geran No. 42277, Lot No. 36101. The 60-Acre Land, (known as Lot 36101, PT4774, Mukim of Petaling, District of Kuala Lumpur, Wilayah Persekutuan) located within the Bandar Bukit Jalil, is a near oval shaped parcel of freehold commercial land.

The land is located at the intersection of Lebuhraya Bukit Jalil on the west and Jalan 3/155C, Bukit Jalil on the north. Bukit Jalil is a fairly large mixed residential and commercial development area, which lies on the east side of Lebuhraya Bukit Jalil at about 25 kilometres south-west of the city centre of Kuala Lumpur.

The present approach to the 60-Acre Land from the city centre of Kuala Lumpur is by way of the Kuala Lumpur-Seremban Highway, Lebuhraya Bukit Jalil and thereafter by way of Jalan 1/155B. The 60-Acre Land may also be approached from the Shah Alam Expressway (KESAS) by exiting via the Bukit Jalil Interchange and thereafter via Jalan 1/155B. Alternatively, from Puchong is directly by way of the Lebuhraya Bukit Jalil.

The immediate neighbourhood of the 60-Acre Land is a rapidly developing suburb of the city. Notable residential areas in the vicinity include Jalil Sutera linked houses/semi-Ds, Vista Komenwel A, B and C, Arena Green, The Savana, Bungalow Golf Resort, Anjung Merah and Anjung Hijau, Taman Esplenade, Green Avenue, Bukit OUG condos, Alam Sutera Development, Bandar Kinrara, The Zest Service Apartment, Puncak Jalil, Sri Rakyat Apartments and Taman Bukit Kinrara to name a few.

Prominent existing commercial developments in the immediate neighbourhood of the 60-Acre Land include The Link, the commercial centre of Taman Esplenade, Bandar Kinrara Giant Hypermarket and Endah Parade at Sri Petaling. Bukit Jalil Park is a 70-acre recreational area, which has been gazette by DBKL as a recreational park and it lies a short distance east of the 60-Acre Land. It is an advantage to the 60-Acre Land, as it will enjoy some greenery, which is quite rare in other development projects.

Other notable developments in the neighbourhood include the Bukit Jalil National Sports Complex, Technology Park Malaysia, AFC Building, SIRIM building, Bukit Jalil Golf and Country Club, Kinrara Golf Club, Bukit Jalil Recreational Park, Calvary Convention Centre, International Medical University, SRK Bukit Jalil and SMK Bukit Jalil.

There are also two (2) existing LRT stations located to the east and north-east of the 60-Acre Land i.e. Bukit Jalil Station and Seri Petaling Station respectively. These two (2) stations are part of the LRT Route Line that is connected from Sentul Timur to Sri Petaling and the line interconnects with two (2) other route i.e. Sentul Timur – Ampang and Terminal Putra Kelana Jaya.

Currently under construction is the new LRT line running to the north-west of the land with a LRT station approximately 1.5 kilometres away.

Arising from the settlement between Ho Hup, BJDSB and Pioneer Haven, the proposed development on the 60-Acre Land is as follows:-

(i) BJDSB shall be entitled to develop the land of one sixth (1/6) portion measuring approximately 40,500 square meters or ten (10) acres of the 60-Acre Land measuring approximately 243,000 sq ft. Parcel A and Parcel E (approximately ten (10) acres) which forms the BJDSB Land is shown in the drawing below; and

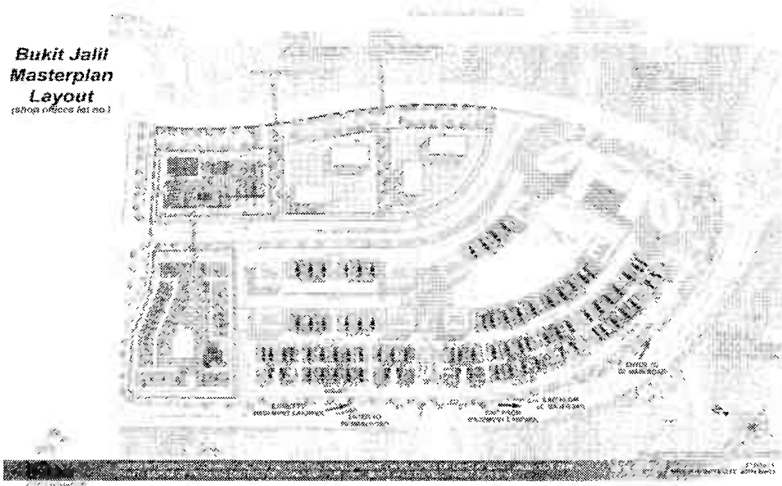
(ii) The joint development on the land between BJDSB and Pioneer Haven shall be on five sixths (5/6) measuring 202,500 square meters or fifty (50) acres of the 60-Acre Land (of which are Parcels B, C, D, F and G).

BJDSB Land

The BJDSB Land comprises two (2) parcels of land, aggregating ten (10) acres. Parcel A measures approximately 5.9 acres and Parcel E measures approximately 4.1 acres. BJDSB is solely responsible for the development of these two (2) parcels of land.

(i) Parcel A

This parcel was approved with a development order on 8 February 2013 and consists of 64 units of 3-storey, 4-storey and 5-storey shop-offices with total net saleable area of 417,973 sq ft; retail lots with net saleable area of 101,235 sq ft and a 15-storey intergrated smart office, versatile office (SOVO) with a net saleable area of 126,728 sq ft cum open piazza and 1,155 car park bays. The GDV is estimated to be RM391.8 million and construction has commenced in the fourth quarter of 2012. The revised building plan was re-submitted on 7 May 2013 and approval was obtained on 4 July 2013. As at the LPD, Parcel A had commenced piling works.



(ii) Parcel E

Parcel E comprises three (3) blocks of high-rise residential units with total net saleable area of 1,199,712 sq ft with open piazza. The development order for Parcel E is expected to be submitted in the first quarter of 2014 with the approval expected in the second quarter 2014. The GDV is estimated to be RM659.8 million.

JD Land

The master layout plan for the 60-Acre Land (which includes the JD Land and the BJDSB Land) was approved on 2 August 2012. On 23 April 2013, Pioneer Haven submitted a revised master layout plan to the authorities. As at the LPD, the revised master layout plan is yet to be approved.

Under the Supplemental Agreement between BJDSB and Pioneer Haven pursuant to the settlement of the legal suit relating to the JDA, Pioneer Haven has estimated a GDV of RM2.1 billion for the development of the JD Land where BJDSB's entitlement is eighteen percent (18%) on the GDV on the JD Land and Pioneer Haven has guaranteed BJDSB a minimum entitlement of RM220 million.

For the purpose of the Regularisation Exercise, it is assumed that BJDSB's entitlement of eighteen percent (18%) is based on the GDV of RM2.1 billion. The development on the JD Land shall be carried out and completed in phases over a period of ten (10) years from the date of receipt of the approved revised master layout plan for the land with an automatic extension of a further period of five (5) years with completion expected by 2023. It is assumed that Pioneer Haven will be able to obtain all necessary approvals from the relevant authorities in order to commence its launch of retail shops and construction in the first quarter of 2014. The basis for the recognition of income from the JD Land follows the timing schedule under the JDA as previously provided by Pioneer Haven.

Construction

The outlook for the construction industry is positive for the immediate term. Factors priming growth within the construction industry is likely to come from the government led initiatives and spending, a stronger economy boosting spending and investment in properties, accommodative financing, steady population growth and an increasing interests from foreigners in Malaysia's properties.

Under the Tenth Malaysian Plan ("10MP"), privatisation and public-private partnership ("PPP") will be significantly intensified with 52 projects with an estimated value of RM62.7 billion under consideration. The projects under considerations include seven (7) toll highways, five (5) Universiti Teknologi Mara branch campuses, the Integrated Transport Terminal in Gombak, privatisation of Penang Port, and redevelopment of Angkasapuri Complex, Kuala Lumpur as Media City.

A RM230 billion development allocations and RM20 billion facilitation funds have been allocated for under the 10MP. 60 percent or RM138 billion of the RM230 billion development allocations will be expanded in physical development to be undertaken by the construction industry whereas the RM20 billion facilitation fund is expected to attract private sector investments worth at least RM200 billion of which a major portion would be investments made in the construction industry.

On top of the 10MP, the construction industry is also set to benefit directly from the rollout of the Economic Transformation Programme ("ETP"). Under the ETP, a number of major property development projects planned within the Greater Kuala Lumpur ("Greater KL") along with infrastructure projects would support the growth of the construction industry. The industry as a whole is expected to benefit from the mammoth Klang Valley MRT project – the single largest contract in Malaysian history – given its sheer size and also the RM12 billion high-speed rail projects from Kuala Lumpur to Singapore and Penang.

Meanwhile, the Greater KL initiative targets to increase the number of people living in the city from 6 million currently to 10 million by 2020. It is estimated that an additional one million homes would have to be constructed to meet the requirements of an enlarged population base. The Greater KL plan alone will require a cumulative funding of RM172 billion from 2010 to 2020, of which 34 percent is expected to come from the public sector. Among some of the specific initiatives under the Greater KL plan includes an International Financial District in Kuala Lumpur, redevelopment of the Sungai Besi airport, township development in Sungai Buloh, establishing a world class integrated convention facilities at Jalan Duta and a Malaysia Truly Asia Centre. Major investments will be made to improving and extending connectivity of public transportations including expanding the Kuala Lumpur

Light Rail Transit coverage and the implementation of a high capacity mass rapid transit system supported by a network of feeder buses and covered walkways. Urban rejuvenation efforts including the redevelopment of Kampung Baru will also be undertaken.
Taking into consideration the various government led initiatives, coupled with the country's continued economic expansion and increasing consumer and business sentiment, the construction industry is expected to register healthy growth for the immediate term.

Premised on the above, the prospect of our Group's construction segment in Malaysia is expected to be favourable. Kindly refer to **Section 6.4(e)** and **Section 7.5** above for further details on our Group's construction project in Iraq.

8. FINANCIAL EFFECTS OF THE RIGHTS ISSUE WITH WARRANTS

For illustration purpose, the effects of the Rights Issue with Warrants on the share capital, NA, NTA, gearing, earnings and dividends in our Group are as follows:-

8.1 Share capital

The effects of the Rights Issue with Warrants on our issued and paid-up share capital are as follows:

	No. of ordinary shares '000	Par Value RM	RM'000
Existing as at LPD	102,000	0.50	51,000
To be issued assuming full conversion of Rights ICPS pursuant to the Rights Issue with Warrants	102,000	0.50	51,000
After the issuance of shares pursuant to the full conversion of Rights ICPS	204,000	0.50	102,000
To be issued assuming full conversion of RCPS pursuant to the Scheme of Arrangement with Creditors	136,634	0.50	68,317
After the issuance of shares pursuant to the full conversion of RCPS	340,634	0.50	170,317
To be issued assuming full exercise of Warrants pursuant to the Rights Issue with Warrants	51,000	0.50	25,500
Enlarged issued and paid-up share capital	**391,634**	**0.50**	**195,817**

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8.2 NA, NTA and gearing

Based on the audited consolidated financial statements of our Group as at 31 December 2012, the proforma effects of the Par Value Reduction, the Rights Issue with Warrants, the Scheme of Arrangement with Creditors and assuming the utilisation of proceeds, full conversion of the Rights ICPS, full conversion of the RCPS and full exercise of the Warrants on the consolidated NA, NTA and gearing of our Group are shown below:-

	Audited as at 31 December 2012 RM'000	After the Par Value Reduction RM'000	@After the Rights Issue with Warrants RM'000	After the Scheme of Arrangement with Creditors RM'000	After the utilisation of proceeds RM'000	Assuming full conversion of Rights ICPS RM'000	Assuming full conversion of RCPS RM'000	Assuming full exercise of Warrants RM'000
Share capital	102,000	51,000	51,000	51,000	51,000	102,000	170,317	~195,817
Share premium	-	-	49,980	116,931	116,931	66,951	-	5,100
RCPS	-	-	-	1,366	1,366	1,366	-	-
ICPS	-	-	1,020	1,020	1,020	-	-	-
Warrant reserve	-	-	8,670	8,670	8,670	8,670	8,670	-
Foreign exchange reserves	4,907	4,907	4,907	4,907	4,907	4,907	4,907	4,907
Accumulated losses	(158,716)	(107,716)	(116,386)	(116,386)	*(117,323)	(117,323)	(117,323)	(108,653)
Shareholders' equity/ (Capital deficiency)	(51,809)	(51,809)	(809)	67,508	66,571	66,571	66,571	97,171
Non-controlling interest	992	992	992	992	992	992	992	992
Shareholders' equity/ (Capital deficiency) equitable to parent	(50,817)	(50,817)	183	68,500	67,563	67,563	67,563	98,163
Par value per share (RM)	**1.00**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**
No. of ordinary shares	102,000	102,000	102,000	102,000	102,000	204,000	340,634	391,634
NA/NTA/(NL)/(NTL) per share (RM)	(0.51)	(0.51)	(0.01)	0.66	0.65	0.33	0.20	0.25
Bank borrowings	10,710	10,710	10,710	2,249^	2,249	2,249	2,249	2,249
Gearing (times)	(0.21)	(0.21)	(13.24)	0.03	0.03	0.03	0.03	0.02

Notes:

@ *Based on an estimated fair value of RM0.17 per Warrant.*

^ *Bank borrowings further reduced by RM8.46 million resulting from the Scheme of Arrangement with Creditors. The balance of the borrowings relates to a subsidiary not included in the Scheme of Arrangement with Creditors. Notwithstanding the above, the said borrowings are expected to be extinguished upon full repayment of Tru-Mix's creditors (which includes its bankers) via proceeds arising from the successfulplacement of Tru-Mix's RCPS to independent third parties.*

* *After deducting estimated expenses of RM0.94 million. Total estimated expense is RM3.0 million of which, RM2.06 million was provided for in the FYE 31 December 2011 and the FYE 31 December 2012.*

~ *Based on an exercise price of RM0.60 per Warrant.*

8.3 Earnings and EPS

The Regularisation Exercise is expected to contribute positively to the future earnings (and consequently the EPS) and put our Group back onto stronger financial footing. Our Company is expected to record net profits in the two (2) consecutive quarters immediately after the completion of the implementation of the Regularisation Exercise and the accumulated losses of our Group is expected to be fully eliminated by the FYE 31 December 2014 with earnings to be derived from our Group's total entitlement of RM378.00 million which is equivalent to eighteen percent (18%) of the JD Land's GDV over a ten (10) year joint development period with Pioneer Haven and from the development of the BJDSB Land.

8.4 Dividend

Any potential effect of the Regularisation Exercise on the dividends to be declared for the future financial years will be dependent on the dividend rate to be determined after taking into consideration the future financial performance of our Group.

9. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

9.1 Working capital

Our Board is of the opinion that after taking into consideration the proceeds of the Rights Issue with Warrants, cash in hand, cashflow generated from our operations and banking facilities available, our Group will have adequate working capital to meet our business requirements due within a period of twelve (12) months from the date of this Abridged Prospectus.

9.2 Borrowings

As at the LPD, our Group had total outstanding bank borrowings as follows:-

Floating rate interest bearing borrowings:	**RM'000**
Short-term borrowings	50,694

Save for certain bank borrowings amounting to RM8.46 million, which has been included in the Scheme of Arrangement with Creditors, to the best knowledge of our Board, there has not been any default on payments of either interest or principal sums by our Group, in respect of any borrowings during the FYE 31 December 2012 and for the subsequent financial period up to the LPD.

9.3 Material Commitments

Our Board is not aware of any material commitment, incurred or known to be incurred, which may have a material impact on the results or financial position of our Group as at the LPD.

9.4 Contingent liabilities

Save as disclosed below, as at the LPD, our Board is not aware of any other contingent liabilities incurred or known to be incurred which upon becoming enforceable, may have a material impact on the net profit or NA of our Group:-

	Group RM'000	Company RM'000
Corporate Guarantees given to a supplier of goods of a subsidiary of the Company		
- Limit of guarantee	10,000	10,000
- Amount utilised	5,007	5,007
Bank guarantees		
- Secured	4,610	4,350
- Unsecured	42,237	42,237

10. TERMS AND CONDITIONS

The issuance of the Rights ICPS with Warrants pursuant to the Rights Issue with Warrants is governed by the terms and conditions as set out in this Abridged Prospectus, the Deed Poll, the NPA and RSF enclosed herewith.

11. FURTHER INFORMATION

You are requested to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board of
HO HUP CONSTRUCTION COMPANY BERHAD

Tan Sri Dato' Kamaruzzaman Bin Shariff
Independent Non-Executive Chairman

Company No. 14034-W

APPENDIX I

CERTIFIED EXTRACT OF THE ORDINARY RESOLUTION PERTAINING TO THE RIGHTS ISSUE WITH WARRANTS PASSED AT OUR EGM HELD ON 10 OCTOBER 2013

CERTIFIED TRUE COPY

CHIN MUN YEE
SECRETARY
MAICSA 7019243

HO HUP CONSTRUCTION COMPANY BERHAD
(Company No. 14034-W)
(Incorporated in Malaysia)

EXTRACT OF THE MINUTES OF THE EXTRAORDINARY GENERAL MEETING HELD ON 10 OCTOBER 2013 AT BUKIT JALIL GOLF AND COUNTRY RESORT, LANGKAWI ROOM, JALAN JALIL PERKASA 3, BUKIT JALIL, 57000 KUALA LUMPUR

19 NOV 2013

ORDINARY RESOLUTION 2
- PROPOSED RENOUNCEABLE RIGHTS ISSUE OF 102,000,408 NEW ICPS TOGETHER WITH 51,000,204 FREE DETACHABLE WARRANTS ("WARRANTS") AT AN ISSUE PRICE OF RM0.50 PER ICPS ON THE BASIS OF ONE (1) ICPS FOR EVERY ONE (1) EXISTING ORDINARY SHARE OF RM0.50 EACH HELD IN HO HUP TOGETHER WITH ONE (1) WARRANT FOR EVERY TWO (2) ICPS SUBSCRIBED AFTER THE PROPOSED PAR VALUE REDUCTION ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED RIGHTS ISSUE OF ICPS WITH WARRANTS")

As there were no questions from the floor, upon the proposal of Dato' Andrew Peris A/L Percy Andrew Peris, a proxyholder, and seconded by Mr. Chan Yew Loong, a proxyholder, the Meeting *(on a show of hands)* **RESOLVED** that the following Ordinary Resolution 2 be carried:-

ORDINARY RESOLUTION 2
- PROPOSED RENOUNCEABLE RIGHTS ISSUE OF 102,000,408 NEW ICPS TOGETHER WITH 51,000,204 FREE DETACHABLE WARRANTS ("WARRANTS") AT AN ISSUE PRICE OF RM0.50 PER ICPS ON THE BASIS OF ONE (1) ICPS FOR EVERY ONE (1) EXISTING ORDINARY SHARE OF RM0.50 EACH HELD IN HO HUP TOGETHER WITH ONE (1) WARRANT FOR EVERY TWO (2) ICPS SUBSCRIBED AFTER THE PROPOSED PAR VALUE REDUCTION ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED RIGHTS ISSUE OF ICPS WITH WARRANTS")

*"**THAT,** subject to the passing of the Special Resolutions 1 and 2, Ordinary Resolutions 1 and 3, and subject further to the approval of all relevant authorities, including but not limited to the approval-in-principle being obtained from Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing of and quotation for all the ICPS and Warrants to be issued hereunder and all the new ordinary shares of RM0.50 each to be issued arising from the exercise of the Warrants and conversion of the ICPS (whether in its original form or with or subject to any condition, modification, variation and/or amendment imposed by Bursa Securities), the approval be and is hereby given to the Directors to:-*

(i) allot and issue by way of a renounceable rights issue of 102,000,408 ICPS at an issue price of RM0.50 per ICPS to the shareholders of Ho Hup whose names appear on the Record of Depositors at the close of business on an entitlement date to be determined by the Directors and to be announced by the Company ("Entitled Shareholders") on the basis of one (1) ICPS for every one (1) existing ordinary share of RM0.50 each in Ho Hup subscribed after the Proposed Par Value Reduction;

(ii) allot and issue 51,000,204 free Warrants to those Entitled Shareholders who have successfully applied for the ICPS on the basis of one (1) Warrant for every two (2) ICPS successfully subscribed;

(iii) constitute the Warrants upon the terms and conditions of a deed poll to be executed by Ho Hup ("Deed Poll"), the principal terms of which are set out in Section 2.2.6 of the Circular to Shareholders dated 17 September 2013;

Company No. 14034-W

HO HUP CONSTRUCTION COMPANY BERHAD
(Company No. 14034-W)
(Incorporated in Malaysia)

EXTRACT OF THE MINUTES OF THE EXTRAORDINARY GENERAL MEETING HELD ON 10 OCTOBER 2013 AT BUKIT JALIL GOLF AND COUNTRY RESORT, LANGKAWI ROOM, JALAN JALIL PERKASA 3, BUKIT JALIL, 57000 KUALA LUMPUR

AND THAT *any ICPS which are not taken up or not validly taken up shall be made available for excess applications by the Entitled Shareholders and/or their renouncee(s) under the excess ICPS application and such excess ICPS shall be allocated in a fair and equitable manner on a basis to be determined by the Directors in their absolute discretion and announced later by the Company.*

AND THAT *the Directors be and are hereby entitled to deal with all or any of the fractional entitlement of the ICPS and Warrants arising from the Proposed Rights Issue of ICPS with Warrants, which are not validly taken up or which are not allotted for any reason whatsoever, in such manner as the Directors may in their absolute discretion deem fit and in the best interest of the Company.*

AND THAT *the approval be and is hereby given to the Directors to allot and issue such number of new ordinary shares of RM0.50 each in Ho Hup credited as fully paid-up which arising from the exercise of the Warrants and conversion of the ICPS and that such approval shall remain in full force and effect for the duration of the tenure of the Warrants and ICPS and to do such acts and things including but not limited to the application to Bursa Securities for the listing of and quotation for such number of new ordinary shares which may from time to time be issued and allotted upon the exercise of the Warrants and conversion of the ICPS.*

AND THAT *such new ordinary shares of RM0.50 each in Ho Hup to be issued arising from the exercise of the Warrants and conversion of the ICPS shall rank pari passu in all respects with the existing ordinary shares of RM0.50 each except that they shall not be entitled to any rights, dividends, allotment and/or other distributions for which the relevant entitlement date precedes the relevant allotment date of the said new ordinary shares.*

AND THAT *the Directors be and are hereby authorised to enter into and execute the Deed Poll with full powers to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required by the relevant authorities or deemed necessary by the Board, and with full powers to implement and give effect to the terms and conditions of the Deed Poll.*

AND THAT the Directors be and are further authorised to do all acts, deeds and things and execute all necessary documents as they may deem fit or expedient in order to carry out, finalise and give effect to the Proposed Rights Issue of ICPS with Warrants with full powers to assent to or make any condition, modification, variation and/or amendment as may be imposed by the relevant authorities and to take all steps as they may consider necessary or expedient in the best interest of the Company in order to implement, finalise and give full effect to the Proposed Rights Issue of ICPS with Warrants."

CERTIFIED TRUE COPY

DIRECTOR **DIRECTOR**

Dated: 14 NOV 2013

SALIENT TERMS OF THE RIGHTS ICPS

Terms		Details
Issue Size	:	102,000,408 ICPS and in multiples of RM0.50 each
Par Value	:	RM0.01 per ICPS
Issue Price	:	RM0.50 per ICPS
Tenure	:	Three (3) years
Maturity Date	:	The day immediately preceding the third (3rd) anniversary from the date of issue of the Rights ICPS unless the tenure of the ICPS, if permitted by law, is extended by our Company and the ICPS holders. If the maturity date is not a market day, the maturity date shall be the market day immediately following such date.
Board Lot	:	The Rights ICPS are tradeable upon listing in board lots of 100 ICPS.
Dividends	:	A cumulative preference dividend rate per annum of 2.5 sen per ICPS shall be payable out of post taxation profits. The dividends, if any, shall be paid within fourteen (14) market days from every six (6) months from the anniversary of the date on which the ICPS is issued by our Company or at such other time(s) as may be determined by our Directors. Each ICPS will cease to receive dividends from and including the date the ICPS is converted save for dividends declared and unpaid up to the date the notice is received by our Company from the ICPS holder to convert the ICPS into new Ho Hup Shares. No dividends shall be paid on the ordinary shares of Ho Hup unless the dividends on the ICPS have first been paid. The RCPS shall however rank in priority to the ICPS in respect of the right to receive dividends.
Form and denomination	:	The ICPS are to be issued in registered form and constituted by our Company's Memorandum and Articles of Association.
Conversion Rights	:	(a) Each ICPS carries the entitlement to convert into new Ho Hup Shares at the Conversion Ratio through the surrender of the ICPS by the ICPS holder. (b) No adjustment to the Conversion Price shall be made for any declared and unpaid dividends on the ICPS surrendered for conversion. (c) If the conversion results in a fractional entitlement to ordinary shares of our Company, such fractional entitlement shall be disregarded and no refund or credit, whether in the form of ICPS, cash or otherwise, shall be given in respect of the disregarded fractional entitlement.
Conversion Period	:	(a) The ICPS may be converted at any time from the date of issue of the ICPS up to the Maturity Date at the option of the ICPS holder into such number of ordinary shares of our Company without the payment of additional consideration by the ICPS holder, as determined by the Conversion Ratio and Conversion Price.

Terms		Details
		(b) Any remaining ICPS that are not converted by the Maturity Date shall be automatically converted into new Ho Hup Shares without the payment of additional consideration by the ICPS holder, into such number of fully paid-up Ho Hup Shares, as determined by the Conversion Ratio and the Conversion Price.
Conversion Ratio	:	Each ICPS shall be convertible at the option of the holder, into one (1) fully paid Ho Hup Share and without the payment of additional consideration by the ICPS holder thereof.
Conversion Price	:	RM0.50 per ICPS for one (1) Ho Hup Share or subject to adjustment at the determination of Ho Hup.
Ranking of the ICPS	:	The ICPS shall rank *pari passu* amongst themselves and shall rank after the holders of the RCPS but in priority to any other class of shares in the capital of our Company. In the event of liquidation, dissolution, winding-up, reduction of capital or other repayment of capital (other than on redemption of any RCPS or any other class of redeemable shares):- (a) With the exception of holders of RCPS in respect to any RCPS dividends that has been declared and remaining in arrears, the ICPS shall confer on the holders the right to receive in priority to the holders of any other class of shares in Ho Hup, cash repayment in full of the amount of any ICPS dividend that has been declared and remaining in arrears. After the payment of any dividends to the holders of RCPS and ICPS, the remaining assets shall be distributed firstly to the holders of RCPS in full of the amount which is equal to the Issue Price for each RCPS, and secondly, to the holders of ICPS in full of the amount which is equal to the Issue Price for each ICPS, provided that there shall be no further right to participate in any surplus capital or surplus profits of Ho Hup. (b) In the event that Ho Hup has insufficient assets to permit payment of the full Issue Price to the RCPS holders and to the ICPS holders, the assets of Ho Hup shall be distributed according to the liquidation preferences firstly, to the RCPS holders, secondly, to the ICPS holders.
Ranking of new Ho Hup Shares to be issued pursuant to the conversion of the ICPS	:	All new Ho Hup Shares to be issued pursuant to the conversion of the ICPS shall, upon allotment and issue, rank *pari passu* in all respects with the existing Ho Hup Shares except that such new Ho Hup Shares shall not entitle its holders to any dividends, rights, allotments, and/or other distributions on or prior to the relevant date of allotment of the new Ho Hup Shares arising from the conversion of the ICPS.
Adjustment to Conversion Price	:	The Conversion price will be adjusted, at the determination of Ho Hup, in all or any of the following cases:- (a) an alteration of the par value of the Ho Hup Shares by reason of consolidation or subdivision; or (b) a bonus issue of fully paid-up Ho Hup Shares or any other capitalisation issue for accounting purposes; or (c) a capital distribution to shareholders made by Ho Hup whether on a reduction of capital or otherwise, but excluding any cancellation of capital which is lost or unrepresented by assets; or

Terms		Details
		(d) a rights issue of Ho Hup Shares; or (e) any other circumstances that our Board deems necessary, provided that any adjustment to the Conversion Price will be rounded to the nearest Ringgit Malaysia one sen (RM0.01) and under no circumstances shall any adjustment result in the Conversion Price falling below the par value of Ho Hup Shares. No adjustment to the Conversion Price will be made unless the computation has been certified by the external auditors of Ho Hup.
Redemption	:	The ICPS are not redeemable.
Rights of the ICPS holders	:	The ICPS holders are not entitled to any voting right or participation in any rights, allotments and/or other distributions in our Company except in the following circumstances until and unless such holder converts his ICPS into new Ho Hup Shares:- (a) upon any resolution which varies or is deemed to vary the rights and privileges attaching to the ICPS; (b) upon any resolution for the winding up of Ho Hup; and (c) other circumstances as may be provided under law and applicable to preference shares and/or preference shareholders from time to time.
Listing	:	Approval-in-principle has been obtained from Bursa Securities for the admission of the ICPS to the Official List of Bursa Securities as well as for the listing of and quotation for the ICPS and new Ho Hup Shares to be issued arising from the conversion of the ICPS.

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SALIENT TERMS OF THE WARRANTS

Terms		**Details**
Issue Size	:	51,000,204 Warrants to subscribe for 51,000,204 new Ho Hup Shares to be issued to the Entitled Shareholders on the basis of one (1) Warrant for every two (2) Rights ICPS subscribed pursuant to the Rights Issue with Warrants.
Detachability	:	The Warrants which are to be issued pursuant to the Rights Issue with Warrants are immediately detachable upon allotment and issue of the Rights ICPS. The Warrants will be traded separately.
Deed Poll	:	The Warrants will be constituted by the Deed Poll.
Exercise Price	:	The exercise price of the Warrants is RM0.60 per Warrant. The exercise price and the number of outstanding Warrants shall be subject to the adjustments in accordance with the terms and provisions of the Deed Poll during the Exercise Period.
Exercise Period	:	The Warrants may be exercised at any time during the tenure of the Warrants of five (5) years including and commencing from the issue date of the Warrants until 5.00 p.m. on the expiry date. The rights attached to the Warrants which are not exercised during the Exercise Period will thereafter lapse.
Exercise Rights	:	Each Warrant entitles the registered Warrant holder to subscribe for one (1) new Ho Hup Share at the Exercise Price during the Exercise Period and shall be subject to adjustments in accordance with the provisions of the Deed Poll.
Mode of Exercise	:	The registered holder of a Warrant is required to lodge a subscription form, as set out in the Deed Poll, with our Company's registrar, duly completed and signed together with payment of the Exercise Price by bankers' draft or cashier's order drawn on a bank operating in Malaysia or a money order or postal order issued by a post office in Malaysia.
Mode of Transfer	:	The Warrants are transferable by an instrument of transfer in the usual or common form or such other form as our Board and Bursa Securities may approve.
Board Lot	:	The Warrants are tradeable upon listing in board lots of 100 units carrying rights to subscribe for 100 new Ho Hup Shares at any time during the Exercise Period or such other number of units as may be prescribed by Bursa Securities.
Status of new Ho Hup Shares to be issued pursuant to the exercise of the Warrants	:	All new Ho Hup Shares to be issued arising from the exercise of the Warrants shall upon allotment and issue rank *pari passu* in all respects with the existing Ho Hup Shares except that such new Ho Hup Shares shall not entitle its holders to any dividends, rights, allotments, and/or other distributions on or prior to the relevant date of allotment of the new Ho Hup Shares arising from the exercise of the Warrants.

Terms		Details
Rights of the Warrant holders	:	The Warrant holders are not entitled to any voting right or participation in any dividends, rights, allotments and/or other distributions in our Company until and unless such holder of Warrants exercise their Exercise Rights.
Rights in the event of winding-up, liquidation, compromise and/or arrangement	:	Where a resolution has been passed for a member's voluntary winding up of our Company, or where there is a compromise or arrangement, then:- (a) For the purpose of such winding up, compromise or arrangement (other than a consolidation, amalgamation or merger in which our Company is the continuing corporation) to which the Warrant holders or some persons designated by them for such purposes by a special resolution, will be a party, the terms of such winding up, compromise or arrangement will be binding on all the Warrant holders; and (b) In any other case, every Warrant holder shall be entitled within six (6) weeks after the passing of such resolution for a member's voluntary winding-up of our Company or within six (6) weeks after the granting of the order by the Court approving the compromise or arrangement, by the irrevocable surrendering of his Warrants to our Company, exercise his Warrants and be treated as if he had exercised the Warrants immediately prior to the commencement of such winding up, compromise or arrangement and be entitled to receive out of the assets of our Company which would be available in liquidation if he had on such date been the holder of the new Shares to which he would have become entitled pursuant to such action, and the liquidator of our Company will give effect to such election accordingly. If our Company is wound up, all exercise rights which have not been exercised within six (6) weeks of the passing of such resolution, shall lapse and the Warrants shall cease to be valid for any purpose.
Adjustments in the Exercise Price and/or number of Warrants	:	The Exercise Price and/or the number of Warrants held by each Warrant holder may from time to time be adjusted in the event of any alteration to the share capital of our Company in accordance with the provisions as set out in the Deed Poll.
Further Issues	:	Subject to the provisions of the Deed Poll, our Company will be at liberty to issue shares or other securities convertible to shares to shareholders either for cash or as bonus distribution and further subscription rights upon such terms and conditions as our Company sees fit. Warrant holders will not have any participating rights in such issue unless the Warrant holder becomes a shareholder of our Company by exercising his Exercise Rights or otherwise resolved by our Company in general meeting.
Listing	:	Approval-in-principle has been obtained from Bursa Securities for the admission of the Warrants to the Official List of Bursa Securities as well as for the listing of and quotation for the Warrants and new Ho Hup Shares to be issued arising from the exercise of the Warrants.
Governing Law	:	Laws of Malaysia.

INFORMATION ON OUR COMPANY

1. HISTORY AND BUSINESS

Ho Hup was incorporated in Malaysia as a private limited company under the Act on 24 March 1973 under the name of Ho Hup Construction Company Sdn Berhad. It was converted into a public limited company on 25 February 1991 and adopted its present name. Ho Hup was listed on the Main Board (now known as the Main Market) of Bursa Securities on 25 February 1991.

The principal activities of Ho Hup consist of foundation engineering, civil engineering and building contracting works, whilst the principal activities of its subsidiaries and associate company are disclosed in Section 5 below.

2. SHARE CAPITAL

As at the LPD, our authorised and issued and paid-up share capital is as follows:-

	No. of Shares	Par value RM	No. of Rights ICPS	Par value RM	No. of RCPS	Par value RM	Total RM
Authorised share capital							
Ordinary shares	990,000,000	0.50	200,000,000	0.01	300,000,000	0.01	500,000,000
Issued and fully paid-up share capital							
Ordinary shares	102,000,408	0.50	-	-	-	-	51,000,204

Changes in Issued and Paid-Up Share Capital

The changes in our Company's issued and paid-up share capital since incorporation are as follows:-

Date of allotment	No. of shares allotted	Par value RM	Consideration	Total RM
24.03.1973	2	1.00	Subscribers' shares	2
15.10.1975	500,000	1.00	Cash	500,002
21.03.1983	500,002	1.00	Bonus shares	1,000,004
16.12.1983	3,000,012	1.00	Bonus shares	4,000,016
11.02.1991	28,000,112	1.00	Bonus shares	32,000,128
11.02.1991	28,000,112	1.00	Cash	60,000,240
05.03.2004	12,000,048	1.00	Bonus shares	72,000,288
05.03.2004	30,000,120	1.00	Cash	102,000,408
11.11.2013*	-	0.50	-	51,000,204

Note:

* *Pursuant to the Par Value Reduction.*

3. SUBSTANTIAL SHAREHOLDERS

Based on our Register of Substantial Shareholders as at the LPD, the proforma effects of the Rights Issue with Warrants on the shareholdings of our substantial shareholders are as follows:

	After the Par Value Reduction				As at the LPD			
	<---Direct -->		<--Indirect-->		<--Direct --->		<--Indirect-->	
	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%
FHB	23,115	22.66	-	-	23,115	22.66	-	-
Dato' Low Tuck Choy[(1)]	2,608	2.56	25,496	25.00	2,608	2.56	25,496	25.00
Low Teik Kien[(1)]	500	0.49	25,496	25.00	500	0.49	25,496	25.00
LCS	23,446	22.99	-	-	23,446	22.99	-	-
Low Lai Yoong[(2)]	871	0.85	23,812	23.34	871	0.85	23,812	23.34
Datin Chan Bee Leng[(3)]	-	-	28,104	27.55	-	-	28,104	27.55
Low Kheng Lun[(4)]	-	-	23,446	22.99	-	-	23,446	22.99
Formis Resources Berhad[(5)]	-	-	23,115	22.66	-	-	23,115	22.66
TMN[(6)]	-	-	23,115	22.66	-	-	23,115	22.66
Red Zone Development Sdn Bhd[(6)]	-	-	23,115	22.66	-	-	23,115	22.66
Monteiro Gerard Clair[(7)]	-	-	23,115	22.66	-	-	23,115	22.66
Wong Kit-Leong[(7)]	-	-	23,115	22.66	-	-	23,115	22.66
Raymond Tan[(7)]	-	-	23,115	22.66	-	-	23,115	22.66
Dato' Mah Siew Kwok[(8)]	4,650	4.56	23,415	22.96	4,650	4.56	23,415	22.96
Insas Berhad[(9)]	-	-	10,584	10.38	-	-	10,584	10.38
Dato' Thong Kok Khee[(10)]	-	-	10,584	10.38	-	-	10,584	10.38
Insas Plaza Sdn Bhd	6,584	6.46	-	-	6,584	6.46	-	-

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	Assuming after full conversion of Rights ICPS*				Assuming after full conversion of RCPS				Assuming after full exercise of Warrants*			
	<---Direct -->		<--Indirect-->		<--Direct --->		<--Indirect-->		<---Direct -->		<--Indirect->	
	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%
FHB	46,230	22.66	-	-	46,230	13.57	-	-	57,788	14.76	-	-
Dato' Low Tuck Choy(1)	5,215	2.56	50,992	25.00	5,275	1.55	64,005$^{\Phi}$	18.79	6,579	1.68	76,753$^{\Phi}$	19.60
Low Teik Kien(1)	1,000	0.49	50,992	25.00	1,090	0.32	65,222$^{\Omega}$	19.15	1,340	0.34	77,970$^{\Omega}$	19.91
LCS	46,892	22.99	-	-	57,926	17.01	-	-	69,649	17.78	-	-
Low Lai Yoong(2)	1,741	0.85	47,623	23.34	1,741	0.51	59,007$^{\delta}$	17.32	2,176	0.56	70,912$^{\delta}$	18.11
Datin Chan Bee Leng(3)	-	-	56,207	27.55	-	-	69,280$^{\lambda}$	20.34	-	-	83,331$^{\lambda}$	21.28
Low Kheng Lun(4)	-	-	46,892	22.99	-	-	57,926	17.01	-	-	69,649	17.78
Ho Hup's unsecured creditors@	-	-	-	-	122,255	35.89	-	-	122,255	31.22	-	-
Formis Resources Berhad(5)	-	-	46,230	22.66	-	-	46,230	13.57	-	-	57,788	14.76
TMN(6)	-	-	46,230	22.66	-	-	46,230	13.57	-	-	57,788	14.76
Red Zone Development Sdn Bhd(6)	-	-	46,230	22.66	-	-	46,230	13.57	-	-	57,788	14.76
Monteiro Gerard Clair(7)	-	-	46,230	22.66	-	-	46,230	13.57	-	-	57,788	14.76
Wong Kit-Leong(7)	-	-	46,230	22.66	-	-	46,230	13.57	-	-	57,788	14.76
Raymond Tan(7)	-	-	46,230	22.66	-	-	46,230	13.57	-	-	57,788	14.76
Dato' Mah Siew Kwok(8)	9,300	4.56	46,830	22.96	9,300	2.73	46,830	13.75	11,625	2.97	58,538	14.95
Insas Berhad(9)	-	-	21,168	10.38	-	-	21,168	6.21	-	-	26,461	6.76
Dato' Thong Kok Khee(10)	-	-	21,168	10.38	-	-	21,168	6.21	-	-	26,461	6.76
Insas Plaza Sdn Bhd	13,168	6.46	-	-	13,168	3.87	-	-	16,461	4.20	-	-

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Notes:-

(1) Deemed interest by virtue of his substantial shareholdings in LCS and Estate of Low Chee pursuant to Section 6A of the Act.

(2) Deemed interest by virtue of her substantial shareholdings in LCS and APT Avenue Sdn Bhd pursuant to Section 6A of the Act.

(3) Deemed interest by virtue of her husband, Dato' Low Tuck Choy's substantial shareholdings in LCS and Estate of Low Chee pursuant to Section 6A of the Act and her husband's direct shareholdings in Ho Hup.

(4) Deemed interest by virtue of his substantial shareholdings in LCS pursuant to Section 6A of the Act.

(5) Deemed interest by virtue of its shareholdings in wholly-owned subsidiary, FHB pursuant to Section 6A of the Act.

(6) Deemed interest by virtue of his/its substantial shareholdings in Formis Resources Berhad, the holding company of FHB pursuant to Section 6A of the Act.

(7) Deemed interest by virtue of his substantial shareholdings in Red Zone Development Sdn Bhd, a substantial shareholder of Formis Resources Berhad, the holding company of FHB pursuant to Section 6A of the Act.

(8) Deemed interest by virtue of his substantial shareholdings in Formis Resources Berhad, the holding company of FHB pursuant to Section 6A of the Act and his spouse's and daughter's direct shareholdings in Ho Hup.

(9) Deemed interest by virtue of its shareholdings in wholly-owned subsidiaries, Insas Plaza Sdn Bhd and Montego Assets Ltd, and substantial shareholdings in its associate company, Winfields Development Sdn Bhd.

(10) Deemed interest by virtue of his substantial shareholdings in Insas Berhad and his indirect substantial shareholdings in Winfields Development Sdn Bhd pursuant to Section 6A of the Act.

TMN: Tan Sri Dato' Seri Megat Najmuddin bin Datuk Seri Dr Hj Megat Khas.

** Assuming all shareholders subscribe for their full entitlement under the Rights Issue with Warrants.*

@ Excludes Dato' Low Tuck Choy, Low Teik Kien, Estate of Low Chee, LCS, Concrete Pavers Industries Sdn Bhd and Tara Technic Sdn Bhd pursuant to Section 6A of the Act.

Φ Deemed interest by virtue of his substantial shareholdings in LCS, Estate of Low Chee and Concrete Pavers Industries Sdn Bhd pursuant to Section 6A of the Act.

Ω Deemed interest by virtue of his substantial shareholdings in LCS, Estate of Low Chee, Concrete Pavers Industries Sdn Bhd and Tara Technic Sdn Bhd pursuant to Section 6A of the Act.

δ Deemed interest by virtue of her substantial shareholdings in LCS, APT Avenue Sdn Bhd and Concrete Pavers Industries Sdn Bhd pursuant to Section 6A of the Act.

λ Deemed interest by virtue of her husband, Dato' Low Tuck Choy's substantial shareholdings in LCS, Estate of Low Chee and Concrete Pavers Industries Sdn Bhd pursuant to Section 6A of the Act and her husband, Dato' Low Tuck Choy's direct shareholdings in Ho Hup.

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4. BOARD OF DIRECTORS

The age, profession, designation, nationalities and addresses of our Board are set out under the Corporate Information on Board of Directors on page (1) of this Abridged Prospectus.

The proforma effects of the Rights Issue with Warrants on the shareholdings of our Board based on our Register of Directors' Shareholdings as at the LPD are as follows:

	After the Par Value Reduction				As at the LPD			
	<---Direct -->		<--Indirect-->		<--Direct --->		<--Indirect-->	
	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%
Tan Sri Dato' Kamaruzzaman Bin Shariff	1	~	-	-	1	~	-	-
Dato' Ramli Bin Yusuff	-	-	-	-	-	-	-	-
Wong Kit-Leong[(1)]	-	-	23,115	22.66	-	-	23,115	22.66
Chow Seck Kai	1,285	1.26	-	-	1,285	1.26	-	-
Dimitrios Pantazaras	-	-	-	-	-	-	-	-
Datuk Seri Panglima Sulong Matjeraie	-	-	-	-	-	-	-	-
Dato' Thong Kok Khee[(2)]	-	-	10,584	10.38	-	-	10,584	10.38
Datin Chan Bee Leng[(3)]	-	-	28,104	27.55	-	-	28,104	27.55
Donatian Felix Dorairaj	-	-	-	-	-	-	-	-
Low Kheng Lun[(4)]	-	-	23,446	22.99	-	-	23,446	22.99
Dato' Mah Siew Kwok[(5)]	4,650	4.56	23,415	22.96	4,650	4.56	23,415	22.96

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	Assuming after full conversion of Rights ICPS*				Assuming after full conversion of RCPS				Assuming after full exercise of Warrants*			
	<---Direct -->		<--Indirect-->		<--Direct --->		<--Indirect-->		<---Direct -->		<--Indirect->	
	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%
Tan Sri Dato' Kamaruzzaman Bin Shariff	1	~	-	-	1	~	-	-	1	~	-	-
Dato' Ramli Bin Yusuff	-	-	-	-	-	-	-	-	-	-	-	-
Wong Kit-Leong[(1)]	-	-	46,230	22.66	-	-	46,230	13.57	-	-	57,788	14.76
Chow Seck Kai	2,570	1.26	-	-	2,570	0.75	-	-	3,213	0.82	-	-
Dimitrios Pantazaras	-	-	-	-	-	-	-	-	-	-	-	-
Datuk Seri Panglima Sulong Matjeraie	-	-	-	-	-	-	-	-	-	-	-	-
Dato' Thong Kok Khee[(2)]	-	-	21,168	10.38	-	-	21,168	6.21	-	-	26,461	6.76
Datin Chan Bee Leng[(3)]	-	-	56,207	27.55	-	-	69,280[λ]	20.34	-	-	83,331[λ]	21.28
Donatian Felix Dorairaj	-	-	-	-	-	-	-	-	-	-	-	-
Low Kheng Lun[(4)]	-	-	46,892	22.99	-	-	57,926	17.01	-	-	69,649	17.78
Dato' Mah Siew Kwok[(5)]	9,300	4.56	46,830	22.96	9,300	2.73	46,830	13.75	11,625	2.97	58,538	14.95

Notes:-

~ *Negligible.*

(1) *Deemed interest by virtue of his substantial shareholdings in Red Zone Development Sdn Bhd, a substantial shareholder of Formis Resources Berhad, the holding company of FHB pursuant to Section 6A of the Act.*

(2) *Deemed interest by virtue of his substantial shareholdings in Insas Berhad and his indirect substantial shareholdings in Winfields Development Sdn Bhd pursuant to Section 6A of the Act.*

(3) *Deemed interest by virtue of her husband, Dato' Low Tuck Choy's substantial shareholdings in LCS and Estate of Low Chee pursuant to Section 6A of the Act and her husband's direct shareholdings in Ho Hup.*

(4) *Deemed interest by virtue of his substantial shareholdings in LCS pursuant to Section 6A of the Act.*

(5) *Deemed interest by virtue of his substantial shareholdings in Formis Resources Berhad, the holding company of FHB pursuant to Section 6A of the Act and his spouse's and daughter's direct shareholdings in Ho Hup.*

* *Assuming all shareholders subscribe for their full entitlement under the Rights Issue with Warrants.*

λ *Deemed interest by virtue of her husband, Dato' Low Tuck Choy's substantial shareholdings in LCS, Estate of Low Chee and Concrete Pavers Industries Sdn Bhd pursuant to Section 6A of the Act and her husband, Dato' Low Tuck Choy's direct shareholdings in Ho Hup.*

5. SUBSIDIARY AND ASSOCIATED COMPANIES

Our subsidiaries as at the LPD are as follows:-

Name	Principal activities	Effective equity interest	Date and place of incorporation	Issued and paid-capital RM (unless otherwise stated)
Subsidiaries				
BJDSB	Property development	70.0%	05.04.1994/ Malaysia	15,000,000
Tru-Mix	Manufacturing and distribution of ready-mix concrete	90.0%	25.11.1991/ Malaysia	500,000
HHERSB	Inactive	100.0%	14.01.1993/ Malaysia	200,000
H2Energy Corporation Sdn Bhd	Engineering, procurement, construction and commissioning of pipeline system	100.0%	06.04.1993/ Malaysia	20,000,000
Ho Hup Jaya Sdn Bhd	Inactive	100.0%	17.03.1982/ Malaysia	5,000,000
Ho Hup Construction Company (India) Pte Ltd	Construction	100.0%	17.04.2001/ India	INR100,000
Suria Jayajuta Sdn Bhd	Dormant	70.0%[#]	27.07.2011/ Malaysia	2
Ho Hup Construction Company (L) Ltd.	Property development, construction, investment holding and trading	100.0%[@]	13.05.2013/ Malaysia	USD1,000
Associate Company				
Madagascar Malaysia Equipment Rental Pte Ltd	Dormant	49.8%	23.06.2009/ Madagascar	MGA10,000,000

Notes:

#	*Held through BJDSB.*
@	*Newly incorporated subsidiary in Labuan on 13 May 2013.*
INR	*Indian rupee*
MGA	*Malagasy ariary*

6. PROFIT AND DIVIDEND RECORDS

The profit and dividend records based on our Group's audited consolidated financial statements from the FYE 31 December 2010 to 31 December 2012 and the unaudited consolidated financial statements for the six (6)-month financial period ended 30 June 2013 are as follows:

	←Audited FYE 31 December→			Unaudited six (6)-month 30 June
	2010	**2011**	**2012**	**2013**
Revenue (RM'000)	65,123	29,998	39,976	39,932
Other operating income (RM'000)	29,096	23,472	3,832	9,160
(Loss)//Profit before taxation (RM'000)	(16,093)	(10,615)	(16,707)	6,989
Add:				
Finance costs (RM'000)	7,707	8,966	9,112	476
Depreciation and amortisation (RM'000)	2,351	1,520	629	311
Less:				
Interest income (RM'000)	63	64	189	13
(Loss)/Earnings before interest, taxation, depreciation, and amortisation (RM'000)	**(6,098)**	**(193)**	**(7,155)**	**7,763**
Share of results from associate (RM'000)	21	-	-	-
Taxation income/(expense) (RM'000)	2,451	(201)	4,949	-
(Loss)/Profit after taxation (RM'000)	(13,642)	(10,816)	(11,758)	6,989
Non-controlling interests (RM'000)	(36)	(470)	350	164
(Loss)/Profit after taxation and non-controlling interests (RM'000)	(13,606)	(10,346)	(12,108)	6,825
Number of ordinary shares in issue ('000)	102,000	102,000	102,000	102,000
Gross profit/(loss) margin (%)	18.10	3.49	(6.11)	12.42
Net (loss)/profit margin (%)	(20.95)	(36.06)	(29.41)	17.50
Total borrowings (RM'000)	84,671	85,756	10,710	10,694
Gross profit/(loss) per share (sen)	11.56	1.03	(2.40)	4.86
Net (loss)/profit per share (sen)	(13.37)	(10.60)	(11.53)	6.85
Basic (loss)/profit per share attributable to owners of our Company (sen)	(13.34)	(10.14)	(11.87)	6.69
Diluted (loss)/profit per share (sen)	n/a	n/a	n/a	n/a

Note:

n/a *not applicable*

Commentary on Financial Performance

FYE 31 December 2010

For the FYE 31 December 2010, our Group recorded a loss after taxation of RM13.6 million (2009: RM34.7 million) on a lower Group revenue of RM65.1 million (2009: RM80.1 million). The lower losses were mainly due to losses offset against a gain on disposal of equipment and machineries amounting to RM14.8 million and the write-back of provision for doubtful debts no longer required of RM10.8 million as compared to the recognition of loss of RM23.3 million arising from the settlement with the Government of Madagascar in the FYE 31 December 2009. As a result of the loss for the year, our Group's shareholders' equity declined to a deficit of RM29.1 million from RM15.7 million in FYE 31 December 2009.

FYE 31 December 2011

For the FYE 31 December 2011, our Group recorded a loss after taxation of RM10.8 million (2010: RM13.6 million) on a lower Group revenue of RM30.0 million (2010: RM65.1 million). The lower losses were mainly due to lower impairment loss of trade receivables amounting to RM70,000 (2010: RM4.3 million), several reversals of impairment losses on amounts owing by associate companies, trade and other receivables, reversal of accrued payables and write back of provision for further costs which amounting to a total of approximately RM4.5 million (2010: Nil) and reversal of foreseeable losses for projects of RM1.8 million. However, these are offset against higher legal and professional fees of RM5.2 million and impairment of property, plant and equipment of RM7.0 million. As a result of the loss for the year, our Group's shareholders' equity declined to a deficit of RM39.6 million from RM29.1 million in FYE 31 December 2010.

FYE 31 December 2012

For the FYE 31 December 2012, our Group recorded a loss after taxation of RM11.8 million (2011: RM10.8 million) on a higher Group revenue of RM40.0 million (2011: RM30.0 million). The higher losses were mainly due to the recognition of project cost-overrun of approximately RM5.7 million on a project which was completed in prior years after finalisation of the project accounts. Costs incurred mainly salaries charged by the main contractor for assisting in completing the project and interest costs due to payments made on behalf of Ho Hup to all suppliers in order to complete the project. Besides that, higher write back of provision of RM12.0 million in the FYE 31 December 2011 due to verification of proof of debt exercise for the creditors, had contributed to the significant decrease in other income and thus higher losses during the financial year. However, these were offset against lower legal and professional fees of RM5.3 million, lower bad debts written off of RM2.4 million, lower staff costs of RM2.2 million and impairment loss on property, plant and equipment of RM7.0 million as compared to the FYE 31 December 2011. As a result of the loss for the year, our Group's shareholders' equity declined to a deficit of RM51.8 million from RM39.6 million in FYE 31 December 2011.

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7. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of Ho Hup shares as traded on Bursa Securities for the past twelve (12) months are as follows:

	High (RM)	Low (RM)
2012		
November	0.785	0.695
December	0.760	0.695
2013		
January	0.730	0.685
February	0.700	0.610
March	0.665	0.610
April	0.790	0.585
May	0.860	0.680
June	0.850	0.770
July	0.995	0.795
August	1.470	0.915
September	1.420	0.960
October	1.930	1.270

The last transacted price of Ho Hup shares on 31 July 2012, being the last market day immediately before the announcement of the Regularisation Exercise was RM0.66 per share.

The last transacted price of Ho Hup Shares on 27 November 2013, being the day prior to the ex-date of the Rights Issue with Warrants was RM1.79 per Share.

The last transacted price of Ho Hup Shares on 13 November 2013, being the LPD was RM1.75 per Share.

(Source: M&A Securities)

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PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF OUR GROUP AS AT 31 DECEMBER 2012 TOGETHER WITH THE NOTES AND REPORTING ACCOUNTANTS' LETTER THEREON

UHY

UHY (AF1411)
Chartered Accountants
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Web www.uhy.com.my

Date: 2 2 NOV 2013

The Board of Directors
Ho Hup Construction Company Berhad
(Company No. 14034-W)
No. 18 Jalan 17/155C
Bandar Bukit Jalil
57000 Kuala Lumpur
Malaysia

Dear Sirs,

HO HUP CONSTRUCTION COMPANY BERHAD ("HO HUP" OR "THE COMPANY") AND ITS SUBSIDIARIES (COLLECTIVELY KNOWN AS "THE GROUP")
- PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

We have reviewed the proforma consolidated statements of financial position of the Group as at 31 December 2012 together with the accompanying notes, of which the Directors are solely responsible, as set out in the accompanying statements (which have been prepared for illustration purposes only) for inclusion in the Abridged Prospectus.

Our work which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the proforma consolidated statements of financial position to the audited consolidated financial statements of the Group, considering the evidence supporting the adjustments and discussing the proforma consolidated statements of financial position with the Directors of the Group.

As the proforma consolidated statements of financial position has been prepared for illustrative purposes only, such information may not because of its nature, reflect the actual financial position, results and cash flow of the Group. Furthermore, such information does not purport to predict the future financial position, results and cash flow of the Group.

In our opinion,

(a) the proforma consolidated statements of financial position of the Group as at 31 Deeember 2012, have been properly compiled on the basis set out in the accompanying notes to the proforma consolidated statements of financial position using financial statements prepared in accordance with the provision of the Financial Reporting Standard in Malaysia, and in a manner consistent with both the format of the audited consolidated financial statements and accounting policies normally adopted by the Group in the preparation of the audited consolidated financial statements of the Company for the financial year ended 31 December 2012; and

(b) the adjustments made to the information used in the preparations of the proforma consolidated statements of financial position are appropriate for the purpose of preparing the proforma consolidated statements of financial position.

Company No. 14034-W

UHY

This letter has been prepared for the purpose of inclusion in the Circular to the Shareholders of Ho Hup in connection with the Proposed Regularisation Exercise and should not be used, circulated, quoted or otherwise referred to in any document thereon for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully,

UHY
Firm Number: AF 1411
Chartered Accountants

YEOH AIK CHUAN
Approved Number: 2239/07/14 (J)
Chartered Accountant

Kuala Lumpur, Malaysia

HO HUP CONSTRUCTION COMPANY BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

Proforma Consolidated Statements of Financial Position

The proforma consolidated statements of financial position as set out below are provided for illustrative purposes only to show the effects on the consolidated statement of financial position of the Group as at 31 December 2012 had the regularisation exercise been effected on that date, and should be read in conjunction with the notes accompanying the proforma statements of financial position of the Group.

	Notes		Proforma I	Proforma II	Proforma III	Proforma IV	Proforma V	Proforma VI	Proforma VII
		Audited Consolidated Statements of Financial Position as at 31-Dec-12 RM'000	After the Par Value Reduction RM'000	After Proforma I & Rights Issue of ICPS with Warrants RM'000	After Proforma II & Scheme of Arrangement with Creditors RM'000	After Proforma III & Utilisation of Proceeds RM'000	After Proforma IV &Assume Full Conversion of ICPS RM'000	After Proforma V &Assume Full Conversion of RCPS RM'000	After Proforma VI &Assume full exercise of Warrants RM'000
NON-CURRENT ASSETS									
Property, plant and equipment		1,608	1,608	1,608	1,608	1,608	1,608	1,608	1,608
Land held for property development		111,307	111,307	111,307	111,307	111,307	111,307	111,307	111,307
Other receivables	3	4,216	4,216	4,216	4,216	4,216	4,216	4,216	4,216
		117,131	117,131	117,131	117,131	117,131	117,131	117,131	117,131
CURRENT ASSETS									
Land and property development cost		15,527	15,527	15,527	15,527	15,527	15,527	15,527	15,527
Amount owing by customers on contract		1,099	1,099	1,099	1,099	1,099	1,099	1,099	1,099
Inventories		319	319	319	319	319	319	319	319
Trade receivables		14,394	14,394	14,394	14,394	14,394	14,394	14,394	14,394
Other receivables	3	28,487	28,487	28,487	46,111	46,111	46,111	46,111	46,111
Fixed deposits with licensed banks		1,543	1,543	1,543	1,543	1,543	1,543	1,543	1,543
Cash and bank balances	4	2,482	2,482	53,482	53,482	52,545	52,545	52,545	83,145
		63,851	63,851	114,851	132,475	131,538	131,538	131,538	162,138
Total Assets		**180,982**	**180,982**	**231,982**	**249,606**	**248,669**	**248,669**	**248,669**	**279,269**

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	Notes	Audited Consolidated Statement of Financial Position as at 31-Dec-12 RM'000	Proforma I After the Par Value Reduction RM'000	Proforma II After Proforma I & Rights Issue of ICPS with Warrants RM'000	Proforma III After Proforma II & Scheme of Arrangement with Creditors RM'000	Proforma IV After Proforma III & Utilisation of Proceeds RM'000	Proforma V After Proforma IV &Assume Full Conversion of ICPS RM'000	Proforma VI After Proforma V &Assume Full Conversion of RCPS RM'000	Proforma VII After Proforma VI &Assume full exercise of Warrants RM'000
EQUITY									
Share capital	5	102,000	51,000	51,000	51,000	51,000	102,000	170,317	195,817
Share premium	6	-	-	49,980	116,931	116,931	66,951	-	5,100
Warrant reserve	7	-	-	8,670	8,670	8,670	8,670	8,670	-
ICPS	8	-	-	1,020	1,020	1,020	-	-	-
RCPS	9	-	-	-	1,366	1,366	1,366	-	-
Foreign exchange reserve		4,907	4,907	4,907	4,907	4,907	4,907	4,907	4,907
Accumulated losses	10	(158,716)	(107,716)	(116,386)	(116,386)	(117,323)	(117,323)	(117,323)	(108,653)
		(51,809)	(51,809)	(809)	67,508	66,571	66,571	66,571	97,171
Non controlling interest		992	992	992	992	992	992	992	992
		(50,817)	(50,817)	183	68,500	67,563	67,563	67,563	98,163
CURRENT LIABILTIES									
Provision for liquidated ascertain damages		19,439	19,439	19,439	19,439	19,439	19,439	19,439	19,439
Trade payables	11	49,972	49,972	49,972	23,432	23,432	23,432	23,432	23,432
Other payables	12	151,292	151,292	151,292	135,600	135,600	135,600	135,600	135,600
Bank borrowings	13	10,710	10,710	10,710	2,249	2,249	2,249	2,249	2,249
Tax payable		386	386	386	386	386	386	386	386
		231,799	231,799	231,799	181,106	181,106	181,106	181,106	181,106
Total Equities and Liabilities		**180,982**	**180,982**	**231,982**	**249,606**	**248,669**	**248,669**	**248,669**	**279,269**
Par value per ordinary share (RM)		1.00	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Number of ordinary shares		102,000	102,000	102,000	102,000	102,000	204,000	340,634	391,634
Net Assets/ (Net Liabilities)/ Share		(0.51)	(0.51)	(0.01)	0.66	0.65	0.33	0.20	0.25
Borrowings (All interest bearing debts) (RM)		10,710	10,710	10,710	2,249	2,249	2,249	2,249	2,249
Gearing (Times)		(0.21)	(0.21)	(13.24)	0.03	0.03	0.03	0.03	0.02

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UHY CHARTERED ACCOUNTANTS (AF 1411)

HO HUP CONSTRUCTION COMPANY BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

1. Basis of Preparation

1.1 The Proforma consolidated statements of financial position of the Group as at 31 December 2012, for which the Directors of the Group are solely responsible, has been prepared for illustration purposes only, to show the effects on the audited consolidated statement of financial position of the Group had the regularisation exercise been effected on that date, and should be read in conjunction with the notes accompanying thereto.

1.2 The Proforma consolidated statements of financial position of the Group as at 31 December 2012 has been prepared based on the audited consolidated statements of financial position of the Group as at 31 December 2012.

1.3 The Proforma consolidated statements of financial position of the Group has been prepared in a manner consistent with both the format of the financial statements and accounting policies adopted by the Group in the preparation of its audited consolidated financial statements for the financial year ended 31 December 2012, which have been prepared by the Directors in accordance with the Financial Reporting Standards in Malaysia.

2. The Regularisation Exercise

The Proforma consolidated statements of financial position of the Group has been prepared assuming the following transactions are effected as at 31 December 2012. The proposals to be undertaken by the Group comprise the followings:-

2.1 Proforma I –Par Value Reduction

Ho Hup reduced its issued and paid-up share capital comprising ordinary shares of RM1.00 each in Ho Hup via the eancellation of RM0.50 from the par value of each ordinary share of RM1.00 ("Ho Hup Share") in Ho Hup pursuant to Section 64 of the Act which was effective on 11 November 2013 ("Par Value Reduction")

The issued and paid-up share capital of Ho Hup as at the 31 December 2012 is RM102,000,408 comprising 102,000,408 ordinary shares of RM1.00 each. The Par Value Reduction resulted in a credit of RM51,000,204 which was utilised to reduce the Company's accumulated losses.

The issued and paid-up share capital of Ho Hup reduced to RM51,000,204 comprising 102,000,408 Ho Hup Shares.

HO HUP CONSTRUCTION COMPANY BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONT'D)

2.2 Proforma II –Rights Issue of Irredeemable Convertible Preference Shares ("ICPS") with Warrants

Proforma II incorporates the effect of Proforma I and the rights issue of ICPS with warrants undertaken by Ho Hup. Ho Hup is undertake a renounceable rights issue of 102,000,408 ICPS together with 51,000,204 free detachable warrants ("Warrants") at an issue price of RM0.50 per ICPS on the basis of one (1) ICPS for every one (1) existing Ho Hup Share together with one (1) warrant for every two (2) ICPS subscribed ("Right Issue of ICPS with Warrants").

Based on valuation performed by an independent firm dated 1 July 2011, the fair value of the Warrants ranges from RM0.17 to RM0.24 per warrant. The Directors of the Group have considered the valuation performed by independent valuer and have accepted the fair value of RM0.17 per Warrant or a warrant reserve of RM8.67 million on the 51,000,204 Warrants to be issued.

The Right Issue of ICPS with Warrants is assumed to be completed after the Par Value Reduction.

2.3 Proforma III –Scheme of Arrangement with the Creditors

Proforma III incorporates the effect of Proforma II and the settlement to Ho Hup and one of its subsidiaries, Bukit Jalil Development Sdn Bhd ("BJDSB")'s unsecured creditors which are owed approximately RM68.32 million and RM189.34 million respectively as at 31 October 2010 ("Cut-Off Date").

a) <u>Ho Hup's Unsecured Creditors</u>

The Group expects to settle the unsecured creditors (including Tru-Mix Concrete Sdn Bhd, a 90% owned subsidiary of Ho Hup and H2Energy Corporation Sdn Bhd, a wholly owned subsidiary of Ho Hup amounting to approximately RM12.58 million and RM5.04 million respectively) of Ho Hup by way of the issuance of up to 136,634,138 Redeemable Convertible Preference Shares ("RCPS") at an issue price of RM0.50 each. It is assumed that Tru-Mix Concrete Sdn Bhd's and H2Energy Corporation Sdn Bhd's RCPS entitlements amounting to an aggregate of 35.24 million RCPS will be successfully placed out to independent third (3rd) parties prior to the allotment of the RCPS.

HO HUP CONSTRUCTION COMPANY BERHAD AND ITS SUBSIDIARIES NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONT'D)

2.3 **Proforma III –Scheme of Arrangement with the Creditors (Cont'd)**

a) Ho Hup's Unsecured Creditors (Cont'd)

The issuance of RCPS to Ho Hup's unsecured creditors shall be based on the following principal terms:

(i) Up to 136,634,138 RCPS shall be allotted and issued to Ho Hup's unsecured creditors or parties nominated by Ho Hup's unsecured creditors in proportion of their outstanding scheme liabilities recognised by Ho Hup as at the Cut-off Date, for which the said unsecured creditors are required to waive all interest charged, penalty/overdue interests and any other incidental charges accruing after the Cut-off Date until the listing of the RCPS on Bursa Malaysia Securities Berhad ("Bursa Securities");

(ii) Ho Hup's unsecured creditors shall unconditionally release and discharge Ho Hup in full from all obligations and liabilities (including indemnities, undertakings, judgments awarded and/or other obligations, if any) and where applicable, withdraw and/or discontinue all legal proceedings whatsoever with no order as to costs and liberty to file afresh against Ho Hup in their capacity as defendant or respondent, upon issuance of the RCPS; and

(iii) All obligations and liabilities of Ho Hup under the corporate guarantees extended to Ho Hup's unsecured creditors shall be discharged and/or released in full upon the issuance of the RCPS.

b) BJDSB's Unsecured Creditors

The Group expects to generate sufficient cash flow from the following development plans to repay the unsecured creditors of BJDSB as at the Cut-off Date:-

(i) Eighteen percent (18%) of the total Gross Development Value of the five sixth (5/6) portion measuring approximately 202,500 square meters ("JD Land") of the 60 acres land shall be developed by PHSB, subject to a minimum entitlement of RM220 million ("BJDSB's Entitlement"); and

(ii) Commercial and residential development ("Parcel A and Parcel E) within the one sixth (1/6) portion measuring approximately 40,500 square meters ("BJDSB Land") of the 60 acres land to be developed by BJDSB.

Hence, the proforma consolidated statements of financial position would not incorporate the repayment to BJDSB's unsecured creditors.

**HO HUP CONSTRUCTION COMPANY BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONT'D)**

2.3 **Proforma III –Scheme of Arrangement with the Creditors (Cont'd)**

b) BJDSB's Unsecured Creditors (Cont'd)

The repayment to BJDSB's unsecured creditors which are owed in aggregate of approximately RM189.34 million as at the 31 October 2010 will be settled in the following manner:-

(i) Accrued interest, if any, up to the Cut-off Date shall be capitalised together with the principal outstanding amount as total debts to be settled;

(ii) All default interest, penalties, costs, fees and other charges or accruing or incurred, if any, after the Cut-off Date shall be waived;

(iii) The amount of debt for BJDSB's unsecured creditors shall be restructured based on the following salient terms:-

- The principal amounts shall be repaid from the net proceeds from the development of the BJDSB Land and BJDSB's Entitlement. The repayment shall be in four (4) quarterly instalments, the first of which shall be within sixty (60) days from listing of the ICPS and RCPS on Bursa Securities or 120 days from the completion of the last approval obtained pursuant to the scheme of arrangement with the BJDSB's unsecured creditors, whichever is earlier. Thereafter, the repayment shall be paid every three (3) months.

- The restructured debt shall be unsecured.

(iv) BJDSB's unsecured creditors shall unconditionally release and discharge BJDSB and/or Ho Hup in full from all obligations and liabilities (including indemnities, undertakings, judgments awarded and/or other obligations, if any) and where applicable, withdraw and/or discontinue all legal proceedings whatsoever with no order as to costs and liberty to file afresh against BJDSB and/or Ho Hup in their capacity as defendant or respondent, upon full repayment of the outstanding principal amounts; and

(v) All obligations and liabilities of BJDSB and/or Ho Hup under the corporate guarantees extended to BJDSB's unsecured creditors (if any) shall be discharged and/or released in full upon full repayment of the outstanding principal amounts.

The Scheme of Arrangement with the Creditor is assumed to be implemented after the Par Value Reduction and the Right Issue of ICPS with Warrants.

HO HUP CONSTRUCTION COMPANY BERHAD AND ITS SUBSIDIARIES NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONT'D)

2.4 Proforma IV –Utilisation of Proceeds

Proforma IV incorporates the effects of Proforma III and the utilisation of the proceeds arising from the Rights Issue of ICPS with Warrants amounting to RM51.00 million. The proceeds is to be utilised as follows:-

	RM'000	Expected time frame for utilisation of proceeds
To fund future projects [(a)]	8,000	Within 24 months from the listing of the ICPS
To repay term loan [(b)]	40,000	Within 12 months from the listing of the ICPS
Estimated expenses in relation to the regularisation exercise[(c)]	3,000	Within one (1) month from the listing of the ICPS
Total estimated proceeds	**51,000**	

Notes:-

(a) At this juncture, the Board of Directors of Ho Hup has not finalised the terms of any of new project. The proposed allocation is intended to serve as a standby funding for the Ho Hup Group to embark on future projects relating to construction and/or property development. Ho Hup had submitted proposals to bid for various construction projects of approximately RM2,838.4 million. The said allocation will serve as working capital to embark on future construction projects and payment for development expense to sub-contractors, project consultants and for the purchase of raw materials for Ho Hup's future property development projects. In the event the actual amounts utilised are less than the allocated amounts, the excess allocated amount shall be utilised as working capital for the Ho Hup Group.

(b) The repayment of term loan is in respect of the court ordered buy-out of the 30% equity interest in BJDSB from Zen Courts. As at the LPD, the Company had drawn down the term loan amounting to RM40.0 million offered by a financial institution.

(c) The estimated expenses comprise professional fees, fees to be paid to the relevant authorities, printing and advertising charges and miscellaneous charges which are estimated at RM3.00 million for the regularisation exercise If the actual expenses incurred pursuant to the regularisation exercise are higher than the amount budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual expenses are lower than the amount budgeted, the excess will be utilised for working capital.

2.5 Proforma V – Assuming Full Conversion of ICPS

Proforma V incorporates the effects of Proforma IV and assumes that 102,000,408 ICPS at par of RM0.01 each is fully converted into 102,000,408 Ho Hup Shares (after the Par Value Reduction) without payment of additional consideration by the holder.

HO HUP CONSTRUCTION COMPANY BERHAD AND ITS SUBSIDIARIES NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONT'D)

2.6 **Proforma VI – Assuming Full Conversion of RCPS**

Proforma VI incorporates the effects of Proforma V and assumes that 136,634,138 RCPS at par of RM0.01 each is fully converted into 136,634,138 Ho Hup Shares (after the Par Value Reduction) without payment of additional consideration by the holder.

2.7 **Proforma VII – Assuming Full Exercise of Warrants**

Proforma VII incorporates the effects of Proforma VI and assumes that all 51,000,204 Warrants are fully exercised at an exercise price of RM0.60 per Warrant to subscribe for Ho Hup Shares (after the Par Value Reduction).

3. Other Receivables

	RM'000
Balance as at 31 December 2012	32,703
Arising from the Scheme of Arrangement with Creditors	[a]17,624
As per Proforma III, IV, V, VI &VII	50,327

Note:-

(a) *Tru-Mix Concrete Sdn Bhd's and H2Energy Corporation Sdn Bhd's RCPS entitlements amounting to an aggregate of RM17.62 million will be successfully placed out to independent third (3rd) parties prior to the allotment of the RCPS.*

4. Cash and Bank Balances

	RM'000
Balance as at 31 December 2012	2,482
Arising from the Rights Issue of ICPS with Warrants	[a]51,000
As per Proforma II & III	53,482
Arising from the Utilisation of Proceeds	[b] (937)
As per Proforma IV,V&VI	52,545
Assuming full exercise of Warrants	[c]30,600
As per Proforma VII	83,145

Notes:-

(a) *Net cash inflow from the Rights Issue of ICPS with Warrants of 102,000,408 ICPS together with 51,000,204 free detachable warrants at an issue price of RM0.50 per ICPS;*

(b) *Balance of provision for the estimated expenses of RM3.00 million for the regularisation exercise; and*

(c) *Net cash inflow from the exercise of 51,000,204 Warrants to subscribe for Ho Hup Shares at an exercise price of RM0.60 per Warrants.*

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UHY CHARTERED ACCOUNTANTS (AF 1411)

HO HUP CONSTRUCTION COMPANY BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONT'D)

5. Share Capital

	RM'000
Balance as at 31 December 2012	102,000
Arising from the Par Value Reduction	(51,000)
As per Proforma I,II, III, IV	51,000
Assuming full conversion of ICPS	51,000
As per Proforma V	102,000
Assuming full conversion of RCPS	68,317
As per Proforma VI	170,317
Assuming full exercise of Warrants	25,500
As per Proforma VII	195,817

6. Share Premium

	RM'000
Balance as at 31 December 2012	-
Arising from the Rights Issue of ICPS with Warrants	[(a)]49,980
As per Proforma II	49,980
Arising from the Scheme of Arrangement with Creditors	[(b)]66,951
As per Proforma III & IV	116,931
Assuming full conversion of ICPS	[(c)] (49,980)
As per Proforma V	66,951
Assuming full conversion of RCPS	[(d)] (66,951)
As per Proforma VI	-
Assuming full exercise of Warrants	[(e)]5,100
As per Proforma VII	5,100

Notes:-

(a) *Arising from the issuance of 102,000,408 ICPS (Par value: RM0.01 per ICPS) at an issue price of RM0.50 per ICPS;*

(b) *Arising from the issuance of 136,634,138 RCPS (par value: RM0.01 per RCPS) at an issue price of RM0.50 per RCPS;*

(c) *Arising from the conversion of 102,000,408 ICPS (par value: RM0.01 per ICPS) into Ho Hup Shares (after the Par Value Reduction);*

(d) *Arising from the conversion of 136,634,138 RCPS (par value:RM0.01 per RCPS) into Ho Hup Shares (after the Par Value Reduction); and*

(e) *Share premium arising from the exercise of 51,000,204 Warrants at an exercise price of RM0.60 per Warrant to subscribe for Ho Hup Shares (after the Par Value Reduction).*

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UHY
CHARTERED ACCOUNTANTS
(AF 1411)

HO HUP CONSTRUCTION COMPANY BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONT'D)

7. Warrant Reserve

	RM'000
Balance as at 31 December 2012	-
Arising from the Rights Issue of ICPS with Warrants	[(a)]8,670
As per Proforma II, III, IV,V&VI	8,670
Assuming full exercise of Warrants	(8,670)
As per Proforma VII	-

Note:-

(a) The warrant reserve on the 51,000,204 Warrants was based on the fair value of RM0.17 per Warrant.

8. Irredeemable Convertible Preference Shares

	RM'000
Balance as at 31 December 2012	-
Arising from the Rights Issue of ICPS with Warrants	1,020
As per Proforma II, III, IV	1,020
Assuming full conversion of ICPS	(1,020)
As per Proforma V, VI & VII	-

9. Redeemable Convertible Preference Shares

	RM'000
Balance as at 31 December 2012	-
Arising from the Scheme of Arrangement with Creditors	1,366
As per Proforma III, IV & V	1,366
Assuming full conversion of RCPS	(1,366)
As per Proforma VI & VII	-

10. Accumulated Losses

	RM'000
Balance as at 31 December 2012	(158,716)
Arising from the Par Value Reduction	51,000
As per Proforma I	(107,716)
Arising from the Rights Issue of ICPS with Warrants	(8,670)
As per Proforma II & III	(116,386)
Arising from the Utilisation of Proceeds	(937)
As per Proforma IV, V & VI	(117,323)
Assuming full exercise of Warrants	8,670
As per Proforma VII	(108,653)

HO HUP CONSTRUCTION COMPANY BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONT'D)

11. Trade Payables

	RM'000
Balance as at 31 December 2012	49,972
Arising from the Scheme of Arrangement with Creditors	(26,540)
As per Proforma III, IV, V, VI & VII	23,432

12. Other Payables

	RM'000
Balance as at 31 December 2012	151,292
Arising from the Scheme of Arrangement with Creditors	(15,692)
As per Proforma III, IV, V, VI & VII	135,600

13. Bank Borrowings

	RM'000
Balance as at 31 December 2012	10,710
Arising from the Scheme of Arrangement with Creditors	(b) (8,461)
As per Proforma III, IV, V, VI & VII	2,249

Notes:

(a) Consist of unsecured financial lenders, namely Alliance Investment Bank Berhad, RHB Bank Berhad, United Overseas Bank (Malaysia) Berhad amounting to RM3.00 million, RM2.60 million and RM2.86 million respectively as at the Cut-Off Date.

CERTIFIED TRUE COPY

UHY

....
TEE GUAN PIAN
B.Acc (Hons), CA(M), CPA(M), ATII, AICA
SENIOR PARTNER
UHY
AF 1411

HO HUP CONSTRUCTION COMPANY BERHAD

(Company No.: 14034-W)
(Incorporated in Malaysia)

FINANCIAL STATEMENTS

31 DECEMBER 2012

Registered office:
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

Principal place of business:
No. 18, Jalan 17/155C
Bandar Bukit Jalil
57000 Kuala Lumpur

HO HUP CONSTRUCTION COMPANY BERHAD
(Incorporated in Malaysia)

FINANCIAL STATEMENTS

31 DECEMBER 2012

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HO HUP CONSTRUCTION COMPANY BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

Principal Activities

The principal activities of the Company are those of foundation engineering, civil engineering, building contracting works and hire of plant and machinery.

The principal activities of the subsidiary companies, associated companies and jointly controlled entities are disclosed in Notes 5, 6 and 7 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

The Company on 31 July 2008 announced that it is deemed an affected listed issuer pursuant to the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad in relation to Practice Note No. 17/2005 as the auditors have expressed a disclaimer opinion in the Company's audited financial statements for the financial year ended 31 December 2007.

The details of the Proposed Regularisation Plan are disclosed in Note 33(i)(a) to the financial statements.

Financial Results

	Group RM'000	Company RM'000
Loss before taxation	(16,707)	(17,721)
Taxation	4,949	2,595
Net loss for the financial year	(11,758)	(15,126)
Attributable to:		
Owners of the parent	(12,108)	
Non-controlling interest	350	
	(11,758)	

Dividend

No dividend has been paid or declared by the Company since the end of the previous financial year.

Reserves and Provisions

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

Issue of Shares and Debentures

There were no issues of shares or debentures during the financial year.

Options Granted Over Unissued Shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Directors

The Directors in office since the date of the last report are as follows:

Tan Sri Dato' Kamaruzzaman bin Shariff
Dato' Ramli bin Yusuff
Chow Seck Kai
Donatian Felix Dorairaj
Wong Kit-Leong
Dimitrios Pantazaras
Dato' Thong Kok Khee
Datin Chan Bee Leng
Low Kheng Lun

Directors' Interests

Details of holdings in the share capital of the Company or its related corporations by the Director in office at the end of the financial year, according to the register required to be kept under Section 134 of the Companies Act, 1965, were as follows:

	Number of ordinary shares of RM1.00 each			
	At 1.1.2012	**Acquired**	**Disposed**	**At 31.12.2012**
Ho Hup Construction Company Berhad				
Direct interest				
Tan Sri Dato' Kamaruzzaman bin Shariff	1,000	-	-	1,000
Chow Seck Kai	1,284,600	-	-	1,284,600
Datin Chan Bee Leng	40,000	-	-	40,000

Directors' Interests (Cont'd)

	Number of ordinary shares of RM1.00 each			
	At 1.1.2012	**Acquired**	**Disposed**	**At 31.12.2012**
Ho Hup Construction Company Berhad				
Indirect interest				
Dato' Thong Kok Khee [(1)]	4,070,000	-	-	4,070,000
Datin Chan Bee Leng [(2)]	27,770,129	-	-	27,770,129
Wong Kit-Leong [(3)]	21,000,000	150,000	-	21,150,000

Notes:

1 Deemed interest pursuant to Section 6A of the Companies Act, 1965 ("the Act") by virtue of his substantial shareholdings in Insas Berhad and indirect substantial shareholdings in Winfields Development Sdn. Bhd.

2 Disclosure made pursuant to Section 134(12)(c) of the Act on the interests held by her spouse and her spouse's substantial shareholdings in Low Chee & Sons Sdn. Bhd. pursuant to Section 6A of the Act.

3 Deemed interest pursuant to Section 6A of the Act by virtue of his substantial shareholdings in Red Zone Development Sdn. Bhd., a substantial shareholder of Formis Resources Berhad which is the holding company of Formis Holdings Berhad.

None of the other Directors holding office at the end of the financial year had any interest in the ordinary shares of the Company or its related corporations during the financial year.

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 31(b) to the financial statements.

Neither during nor at the end of the financial year, was the Company or its subsidiary companies a party to any arrangement the object of which is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Other Statutory Information

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

   (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realise in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

   (i) the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

   (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) At the date of this report, there does not exist:

   (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

   (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.

Other Statutory Information (Cont'd)

(f) In the opinion of the Directors:

(i) no contingent or other liabilities of the Group and of the Company have become enforceable or are likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due;

(ii) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Significant and Subsequent Events

The significant and subsequent events are disclosed in Note 33 to the financial statements.

Auditors

The Auditors, Messrs UHY, have expressed their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 25 April 2013.

CHOW SECK KAI

WONG KIT-LEONG

KUALA LUMPUR

HO HUP CONSTRUCTION COMPANY BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
Pursuant to Section 169(15) of the Companies Act, 1965

We, CHOW SECK KAI and WONG KIT-LEONG, being two of the Directors of HO HUP CONSTRUCTION COMPANY BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 12 to 108 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a truc and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 109 have been compiled in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 25 April 2013.

CHOW SECK KAI	WONG KIT-LEONG

KUALA LUMPUR

HO HUP CONSTRUCTION COMPANY BERHAD
(Incorporated in Malaysia)

STATUTORY DECLARATION
Pursuant to Section 169(16) of the Companies Act, 1965

I, WONG KIT-LEONG, being the Director primarily responsible for the financial management of HO HUP CONSTRUCTION COMPANY BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 12 to 109 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed WONG KIT-LEONG at KUALA LUMPUR in the Federal Territory this 25 April 2013)

WONG KIT-LEONG

Before me,

COMMISSIONER FOR OATHS

UHY

UHY (AF1411)
Chartered Accountants
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HO HUP CONSTRUCTION COMPANY BERHAD
(Company No: 14034-W)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Ho Hup Construction Company Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 12 to 108.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HO HUP CONSTRUCTION COMPANY BERHAD (CONT'D)
(Company No: 14034-W)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2(b) to the financial statements. The Group and the Company incurred a net loss of RM11.76 million and RM15.13 million respectively during the financial year ended 31 December 2012. As at 31 December 2012, the Group's and the Company's current liabilities exceeded its current assets by RM167.95 million and RM3.69 million respectively. The Group's shareholders' deficit as at 31 December 2012 amounted to RM50.82 million.

The Company has been an Affected Listed Issuer under Amended PN17 of Bursa Malaysia Securities Berhad Main Market Listing Requirements since 31 July 2008. On 28 September 2012, the Company had submitted the revised Proposed Regularisation Plan to Bursa Malaysia Securities Berhad and Bank Negara Malaysia and currently awaiting approval.

The financial statements of the Group and of the Company are prepared on a going concern basis. The ability of the Group and of the Company to continue as going concerns is dependent upon the approval from the regulatory authorities and successful and timely implementation of the revised Proposed Regularisation Plan, and/or attaining future profitability in operations.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HO HUP CONSTRUCTION COMPANY BERHAD (CONT'D)
(Company No: 14034-W)
(Incorporated in Malaysia)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the followings:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of the subsidiary companies of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.

(c) We are satisfied that the accounts of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the accounts of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out on page 109 is solely disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

UHY

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HO HUP CONSTRUCTION COMPANY BERHAD (CONT'D)
(Company No: 14034-W)
(Incorporated in Malaysia)

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

UHY
Firm Number: AF 1411
Chartered Accountants

LO KUAN CHE
Approved Number: 3016/11/14 (J)
Chartered Accountant

KUALA LUMPUR

25 April 2013

HO HUP CONSTRUCTION COMPANY BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

		GROUP		COMPANY	
		2012	2011	2012	2011
	Note	RM'000	RM'000	RM'000	RM'000
Non-Current Assets					
Property, plant and equipment	3	1,608	2,089	892	1,191
Land and property development costs	4	111,307	124,192	-	-
Investment in subsidiary companies	5	-	-	15,632	15,632
Investment in associated companies	6	-	-	-	-
Investment in jointly controlled entities	7	-	-	-	-
Other receivables	8	4,216	-	4,216	-
		117,131	126,281	20,740	16,823
Current Assets					
Land and property development costs	4	15,527	441	-	-
Amount owing by customers on contracts	9	1,099	-	1,099	-
Inventories	10	319	175	-	-
Trade receivables	11	14,394	13,288	2,852	6,483
Other receivables	8	28,487	4,150	26,531	2,041
Amount owing by subsidiary companies	12	-	-	73,988	150,830
Amount owing by associated companies	13	-	-	-	-
Fixed deposits with licensed banks	14	1,543	5,490	564	4,165
Cash and bank balances	14	2,482	1,074	109	207
		63,851	24,618	105,143	163,726
Non-current asset held for sale	15	-	7,021	-	-
		63,851	31,639	105,143	163,726
Total Assets		180,982	157,920	125,883	180,549

HO HUP CONSTRUCTION COMPANY BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONT'D)

		GROUP		COMPANY	
		2012	2011	2012	2011
	Note	RM'000	RM'000	RM'000	RM'000
Equity					
Share capital	16	102,000	102,000	102,000	102,000
Foreign exchange reserve		4,907	4,969	-	-
Accumulated losses		(158,716)	(146,608)	(84,954)	(69,828)
Equity attributable to owners of the parent		(51,809)	(39,639)	17,046	32,172
Non-controlling interest		992	642	-	-
		(50,817)	(38,997)	17,046	32,172
Current Liabilities					
Provision for liquidated ascertained damages	17	19,439	16,910	-	-
Trade payables	18	49,972	31,761	27,162	21,982
Other payables	19	151,292	57,495	54,429	35,438
Amount owing to subsidiary companies	12	-	-	18,784	18,277
Amount owing to an associated company	13	-	2,200	-	2,200
Hire purchase payables	20	-	15	-	15
Bank borrowings	21	10,710	85,741	8,462	70,465
Tax payable		386	2,795	-	-
Total Liabilities		231,799	196,917	108,837	148,377
Total Equity and Liabilities		180,982	157,920	125,883	180,549

The accompanying notes form an integral part of the financial statements.

HO HUP CONSTRUCTION COMPANY BERHAD

(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

		GROUP		COMPANY	
		2012	2011	2012	2011
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	22	39,976	29,998	2,813	-
Cost of sales	23	(42,419)	(28,950)	(8,370)	(2,526)
Gross (loss)/profit		(2,443)	1,048	(5,557)	(2,526)
Other income		3,832	23,472	2,855	19,891
Administration expenses		(4,331)	(7,293)	(1,894)	(3,000)
Other operating expenses		(4,653)	(18,876)	(4,977)	(17,708)
Finance costs	24	(9,112)	(8,966)	(8,148)	(7,386)
Loss before taxation	25	(16,707)	(10,615)	(17,721)	(10,729)
Taxation	26	4,949	(201)	2,595	-
Net loss for the financial year		(11,758)	(10,816)	(15,126)	(10,729)
Other comprehensive income:					
- Foreign exchange differences, representing net loss not recognised in the statements of comprehensive income		(62)	(181)	-	-
Net loss for the financial year, representing total comprehensive income for the financial year		(11,820)	(10,997)	(15,126)	(10,729)
Net loss for the financial year attributable to:					
Owners of the parent		(12,108)	(10,346)		
Non-controlling interest		350	(470)		
		(11,758)	(10,816)		
Net loss for the financial year, representing total comprehensive income attributable to:					
Owners of the parent		(12,170)	(10,527)		
Non-controlling interest		350	(470)		
		(11,820)	(10,997)		
Loss per share attributable to owners of the parent (sen):					
Basic	28	(11.9)	(10.1)		

The accompanying notes form an integral part of the financial statements.

HO HUP CONSTRUCTION COMPANY BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Attributable to Owners of the Parent				
Group	**Share Capital RM'000**	**Non-Foreign Exchange Reserve RM'000**	**Accumulated Losses RM'000**	**Non-Controlling Interest RM'000**	**Total Equity RM'000**
At 1 January 2011	102,000	4,853	(135,965)	1,154	(27,958)
Net loss for the financial year	-	-	(10,346)	(470)	(10,816)
Other comprehensive income for the financial year	-	(181)	-	-	(181)
Total comprehensive income for the financial year	-	(181)	(10,346)	(470)	(10,997)
Transactions with owners:					
Disposal of subsidiary companies	-	297	(297)	(42)	(42)
At 31 December 2011	102,000	4,969	(146,608)	642	(38,997)
At 1 January 2012	102,000	4,969	(146,608)	642	(38,997)
Net loss for the financial year	-	-	(12,108)	350	(11,758)
Other comprehensive income for the financial year	-	(62)	-	-	(62)
Total comprehensive income for the financial year	-	(62)	(12,108)	350	(11,820)
At 31 December 2012	102,000	4,907	(158,716)	992	(50,817)

HO HUP CONSTRUCTION COMPANY BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

	Share Capital RM'000	Accumulated Losses RM'000	Total RM'000
Company			
At 1 January 2011	102,000	(59,099)	42,901
Net loss for the financial year, representing total comprehensive income for the financial year	-	(10,729)	(10,729)
At 31 December 2011	102,000	(69,828)	32,172
At 1 January 2012	102,000	(69,828)	32,172
Net loss for the financial year, representing total comprehensive income for the financial year	-	(15,126)	(15,126)
At 31 December 2012	102,000	(84,954)	17,046

The accompanying notes form an integral part of the financial statements.

HO HUP CONSTRUCTION COMPANY BERHAD
(Incorporated In Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	GROUP		COMPANY	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Cash Flows From Operating Activities				
Loss before taxation	(16,707)	(10,615)	(17,721)	(10,729)
Adjustments for:				
Bad debts written off	34	2,486	34	3,313
Depreciation of property, plant and equipment	629	1,520	296	1,207
Deposits written off	33	-	-	-
Fair value adjustment on other receivables	659	-	659	-
Impairment on trade receivables	35	70	-	70
Impairment on other receivables	556	-	556	-
Impairment on amount owing by subsidiary companies	-	-	2,538	653
Impairment on property, plant and equipment	-	6,966	-	6,911
Provision for retrenchment benefits	-	1,488	-	614
Gain on disposal of investment in subsidiary companies	-	(1,124)	-	-
Gain on disposal of non-current asset held for sale	(1,591)	-	-	-
Gain on disposal of property, plant and equipment	(532)	(3,098)	(161)	(2,421)
Provision for liquidated ascertained damages	2,529	-	-	-
Reversal of impairment on amount owing by subsidiary companies	-	-	-	(828)
Reversal of impairment on amount owing by associated companies	-	(2,326)	-	(2,326)
Reversal of impairment on trade receivables	(604)	(184)	(604)	(159)
Reversal of impairment on other receivables and deposits	(17)	(835)	(17)	(835)
Reversal of foreseeable loss	-	(1,800)	-	(1,800)
Reversal of over accruals payables	(1)	(227)	-	-
Writeback of provision for further cost	-	(980)	-	-
Writeback of provision for value added tax	(1,943)	-	-	-
Interest income	(147)	(64)	(98)	(42)
Interest expenses	9,112	8,966	8,148	7,386
Operating (loss)/profit before working capital changes	(7,955)	243	(6,370)	1,014

HO HUP CONSTRUCTION COMPANY BERHAD
(Incorporated In Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

	GROUP		COMPANY	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Changes in working capital				
Land and property development costs	(1,417)	(456)	-	-
Amount owing by/to customers on contracts	(1,099)	-	(1,099)	-
Inventories	(145)	19	-	-
Receivables	(30,355)	34,380	48,601	45,129
Payables	116,529	(40,075)	22,478	(39,236)
	83,513	(6,132)	69,980	5,893
Cash generated from/(used in) operations	75,558	(5,889)	63,610	6,907
Interest paid	(9,896)	(8,966)	(8,148)	(7,386)
Payments for provision for liquidated ascertained damages	-	(13)	-	-
Tax paid	(55)	(477)	-	(8)
Tax refund	2,595	-	2,595	-
	(7,356)	(9,456)	(5,553)	(7,394)
Net cash from/(used in) operating activities	68,202	(15,345)	58,057	(487)
Cash Flows From Investing Activities				
Net cash outflow from disposal of subsidiary companies [Note 5(d)]	-	(182)	-	-
Purchase of property, plant and equipment	(327)	(3,230)	(28)	(42)
Proceeds from disposal of property, plant and equipment	710	7,438	192	3,704
Proceeds/Deposits received for disposal of land held for sale	3,837	2,865	-	-
Interest received	147	64	98	42
Net cash from investing activities	4,367	6,955	262	3,704

HO HUP CONSTRUCTION COMPANY BERHAD
(Incorporated In Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

	GROUP		COMPANY	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash Flows From Financing Activities				
Drawdown of term loans	-	75,000	-	62,000
Repayment of term loans	(75,003)	-	(62,003)	
Repayment of bank borrowings	-	(73,713)	-	(61,566)
Repayment of hire purchase payables	(15)	(86)	(15)	(86)
Net cash (used in)/from financing activities	(75,018)	1,201	(62,018)	348
Net (decrease)/increase in cash and cash equivalents	(2,449)	(7,189)	(3,699)	3,565
Effect of changes in foreign exchange rate	(62)	(180)	-	-
Cash and cash equivalents at beginning of the financial year	1,429	8,798	1,513	(2,052)
	(1,082)	1,429	(2,186)	1,513
Less: Cash and cash equivalents restricted from use [Note 14]	(698)	(5,517)	-	(4,165)
Cash and cash equivalents at end of the financial year [Note 14]	(1,780)	(4,088)	(2,186)	(2 652)

The accompanying notes form an integral part of the financial statements.

HO HUP CONSTRUCTION COMPANY BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1. **Corporate Information**

The principal activities of the Company are those of foundation engineering, civil engineering, building contracting works and hire of plant and machinery.

The principal activities of the subsidiary companies, associated companies and jointly controlled entities are disclosed in Notes 5, 6 and 7.

The Company is a public limited liability company, incorporated in Malaysia under the Companies Act, 1965 and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur.

The principal place of business of the Company is located at No.18, Jalan 17/155C, Bandar Bukit Jalil, 57000 Kuala Lumpur.

2. Basis of Preparation and Significant Accounting Policies

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared on the historical cost convention except as disclosed in the notes to the financial statements and in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand except when otherwise stated.

(b) Going concern assumption

The Group and the Company incurred a net loss of RM11.76 million and RM15.13 million (2011: RM10.82 million and RM10.73 million) respectively during the financial year ended 31 December 2012. As at 31 December 2012, the Group's and the Company's current liabilities exceeded its current assets by RM167.95 million and RM3.69 million (2011: RM165.28 million and Nil) respectively. The Group's shareholders' deficit as at 31 December 2012 amounted to RM50.82 million (2011: RM39.00 million).

2. **Basis of Preparation and Significant Accounting Policies (Cont'd)**

(b) Going concern assumption (Cont'd)

The Company has been an Affected Listed Issuer under Amended PN17 of Bursa Malaysia Securities Berhad Main Market Listing Requirements since 31 July 2008. On 28 September 2012, the Company had submitted the revised Proposed Regularisation Plan to Bursa Malaysia Securities Berhad and Bank Negara Malaysia and currently awaiting approval.

The details of the Proposed Regularisation Plan are disclosed in Note 33(i)(a).

As disclosed in Note 33(ii), on 16 March 2010, Bukit Jalil Development Sdn. Bhd. ("BJD") entered into a Joint Development Agreement ("JDA") with Pioneer Haven Sdn. Bhd. ("PHSB") to develop the aforesaid freehold land into a mixed development project. However, the present Board of Directors appointed on 17 March 2010, has filed a suit to declare the JDA void. On 3 July 2012, the Company on behalf of BJD and PHSB had come to a settlement pursuant to the legal suit relating to the JDA and on the same date, entered into the Supplemental Agreement. Upon the execution of the Supplemental Agreement, the Company had agreed inter alia to discontinue its appeal to the Federal Court and to withdraw with the said legal suit and with no liberty to file afresh.

The appropriateness of preparing the financial statements of the Group and of the Company on going concern basis is dependent upon the approval from regulatory authorities and successful and timely implementation of the revised Proposed Regularisation Plan to regularise the financial condition and business operations of the Group and of the Company.

The Directors are of the opinion that, the revised Proposed Regularisation Plan will be successfully implemented to regularise the financial condition and level of operations of the Group and of the Company. As such, the financial statements of the Group and of the Company do not include any adjustment and classification relating to the recorded assets and liabilities that may be necessary should the Group and the Company be unable to continue as going concerns.

(c) Significant accounting policies

During the financial year, the Group and the Company have adopted the following new Financial Reporting Standards ("FRSs"), Issues Committee ("IC") Interpretations and Amendments to FRSs and IC Interpretations which are effective and mandatory for the current financial year:

Amendments to IC Interpretation 14	Prepayment of a Minimum Funding Requirement
Amendments to FRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to FRS 7	Disclosures - Transfers of Financial Assets
Amendments to FRS 112	Deferred Tax: Recovery of Underlying Assets
FRS 124	Related Party Disclosures (revised)
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

2. **Basis of Preparation and Significant Accounting Policies (Cont'd)**

(c) Significant accounting policies (Cont'd)

Adoption of the above FRSs, IC Interpretations, Amendments to FRSs and IC Interpretations did not have any significant effect on the financial statements of the Group and of the Company.

The Group and the Company have not early adopted the following new FRSs, IC Interpretations and Amendments to FRSs, which have been issued as at the date of authorisation of these financial statements and will be effective for the financial periods as stated below:

		Effective date for financial periods beginning on or after
Amendments to FRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to FRS 1	Government Loans	1 January 2013
Amendments to FRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to FRS 10, FRS 11 and FRS 12	Consolidated Financial Statements, Joint Arrangement and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
FRS 10	Consolidated Financial Statements	1 January 2013
FRS 11	Joint Arrangements	1 January 2013
FRS 12	Disclosure of Interests in Other Entities	1 January 2013
FRS 13	Fair Value Measurement	1 January 2013
FRS 119 (2011)	Employee Benefits	1 January 2013
FRS 127 (2011)	Separate Financial Statements	1 January 2013
FRS 128 (2011)	Investments in Associates and Joint Ventures	1 January 2013
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Improvements to FRSs (2012)		1 January 2013
Amendments to FRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 9 (IFRS 9 (2009))	Financial Instruments	1 January 2015
FRS 9 (IFRS 9 (2010))	Financial Instruments	1 January 2015

2. **Basis of Preparation and Significant Accounting Policies (Cont'd)**

(c) Significant accounting policies (Cont'd)

The above new FRSs, IC Interpretations and Amendments to FRSs will be adopted in the annual financial statements of the Group and of the Company when they become effective and the initial applications of these FRSs, IC Interpretations and Amendments to FRSs will have no significant impact on the financial statements of the Group and of the Company, except as discussed below:

FRS 9 Financial Instruments

FRS 9 (IFRS 9 (2009)) replaces the guidance in FRS 139 Financial Instruments: Recognition and Measurement on classification and measurement of financial asset. FRS 9 requires financial asset to be measured at fair value or amortised cost. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

FRS 9 (IFRS 9 (2010)) includes the requirements for the classification and measurement of financial liabilities and for derecognition. Measurement for financial liability designated as at fair value through profit or loss, requires the amount of change in the fair value of the financial liability, that is attributable to the change of credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

Under FRS 139, the entire amount of the change in fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The adoption of FRS 9 will result in a change in accounting policy. The Group is currently examining the financial impact of adopting FRS 9.

2. **Basis of Preparation and Significant Accounting Policies (Cont'd)**

(c) Significant accounting policies (Cont'd)

FRS 10 Consolidated Financial Statements

FRS 10 replaces all the guidance on control and consolidation in FRS 127 Consolidated and Separate Financial Statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

FRS 10 changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements.

The adoption of FRS 10 may lead to consolidation of entities that were previously not included in the Group. The Group is currently examining the financial impact of application of FRS 10.

FRS 13 Fair Value Measurement

FRS 13 defines fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. The definition of fair value under this standard emphasises the principle that fair value is a market-based measurement, not an entity specific measurement.

The adoption of FRS 13 will result in a change in accounting policy. The Group is currently examining the financial impact of adopting FRS 13.

FRS 119 Employee Benefits (2011)

This revised FRS 119 will supersede the existing FRS 119 when effective. This new standard makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. Past service costs, whether unvested or already vested, are recognised immediately in the profit or loss as incurred and the annual defined benefit costs in the profit or loss will include net interest expense/ income on the defined benefit asset/liability.

The adoption of FRS 119 (2011) will result in a change in accounting policy. The Group is currently examining the financial impact of adopting FRS 119 (2011).

2. **Basis of Preparation and Significant Accounting Policies (Cont'd)**

(c) Significant accounting policies (Cont'd)

FRS 127 Separate Financial Statements (2011)

Upon the adoption of FRS 10, the accounting requirements relating to the preparation of consolidated financial statements are no longer covered under FRS 127. This revised FRS 127 only cover the requirements relating to the accounting for investments in subsidiary companies, associated companies and joint ventures in the separate financial statements of the entity. In such cases, the entity should account for such investments either at cost, or in accordance with FRS 9.

The adoption of FRS 127 (2011) will result in a change in accounting policy. The Group is currently examining the financial impact of adopting FRS 127 (2011).

FRS 128 Investments in Associates and Joint Ventures (2011)

This revised FRS 128 incorporates the requirements for accounting for joint ventures, as well as associates, to be equity accounted following the issue of FRS 11. However, the revised FRS 128 exempts the investor from applying equity accounting in certain circumstances, i.e. where the investment in the associated company or joint venture is held indirectly via venture capital organisations or mutual funds and similar entities. In such cases, the entity shall measure the investment at fair value through profit or loss, in accordance with FRS 9.

The adoption of FRS 128 (2011) will result in a change in accounting policy. The Group is currently examining the financial impact of adopting FRS 128 (2011).

New Malaysian Financial Reporting Standards ("MFRS Framework")

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework"). The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture ("MFRS 141") and IC Interpretation 15 Agreements for Construction of Real Estate ("IC Interpretation 15"), including its parent, significant investor and venturer (hereinafter called "Transitioning Entities").

On 30 June 2012, the MASB announced that the mandatory effective date for adoption of the new MFRS by the Transitioning Entities deferred from 1 January 2013 to 1 January 2014.

2. **Basis of Preparation and Significant Accounting Policies (Cont'd)**

(c) Significant accounting policies (Cont'd)

New Malaysian Financial Reporting Standards ("MFRS Framework") (Cont'd)

The Group is subject to the application of IC Interpretation 15, therefore falls within the scope definition of Transitioning Entities and has opted to defer adoption of the new MFRS Framework. Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the financial year ending 31 December 2014. In presenting the Group's first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group is currently assessing the implications and financial impact of transition to the MFRS Framework. Accordingly, the financial performance and financial position as disclosed in these financial statements for the financial year ended 31 December 2012 could be different if prepared under the MFRS Framework.

(d) Significant accounting estimates and judgements

The summary of accounting policies are essential to understand the Group's and the Company's results of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Directors exercise their judgement in the process of applying the Group's accounting policies.

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The key assumptions concerning the future and other key sources of estimation or uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

2. **Basis of Preparation and Significant Accounting Policies (Cont'd)**

(d) Significant accounting estimates and judgements (Cont'd)

(i) Depreciation of property, plant and equipment (Note 3)

The costs of property, plant and equipment of the Group and of the Company are depreciated on a straight-line basis over the useful lives of the assets. Management estimates the useful lives of the property, plant and equipment as disclosed in Note 2(e)(iii). These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could have impact on the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Property development costs (Note 4)

The Group recognises property development revenue and expenses in the profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

(iii) Impairment of investment in associated companies (Note 6)

The carrying values of investment in associated companies and the related goodwill are reviewed for impairment in accordance with FRS 136, Impairment of Assets.

In the determination of the value in use of the investment, the Group and the Company is required to estimate the expected cash flows to be generated by the associated company and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

2. **Basis of Preparation and Significant Accounting Policies (Cont'd)**

(d) Significant accounting estimates and judgements (Cont'd)

(iv) Construction costs (Note 9)

The Group and the Company recognises contracts revenue and contracts costs in the profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that contracts cost incurred for work performed to date as a percentage of the estimated contracts costs. Significant judgement is required in determining the stage of completion, the extent of the contracts costs incurred, the estimated total contracts revenue and costs, as well as the recoverability of the constructions contracts. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

(v) Income taxes

The Group and the Company has exposure to income taxes in numerous jurisdictions. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is involved especially in determining tax base allowances and deductibility of certain expenses in determining the Group-wide provision for income taxes. The Group and the Company recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will have impact on the income tax and deferred tax provisions in the period in which such determination is made.

(vi) Impairment on financial assets (Notes 8 and 11)

The Group and the Company assess at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

2. **Basis of Preparation and Significant Accounting Policies (Cont'd)**

(d) Significant accounting estimates and judgements (Cont'd)

(vii) Provision for liquidated ascertained damages

Provision for liquidated ascertained damages is recognised for expected liquidated ascertained damages claims based on the terms of the applicable sale and purchase agreements and is provided up to the actual or estimated completion date of development projects.

(viii) Contingent liabilities

The Group and the Company determines whether a present obligation in relation to a material litigation existed at the end of the reporting period by taking into consideration all available evidence, including the opinion of the solicitors. The evidence considered includes any additional evidence provided by events after the end of the reporting period. On the basis if such evidence, the Group and the Company evaluate if a provision needs to be recognised in the financial statements.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 2(m).

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

2. **Basis of Preparation and Significant Accounting Policies (Cont'd)**

(e) Property, plant and equipment (Cont'd)

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation of property, plant and equipment is recognised in the profit or loss on a straight-line basis over the estimated useful lives of property, plant and equipment. Leasehold land is depreciated over the remaining lease period of 51 years.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Furniture, fittings and office equipment	5 - 10 years
Motor vehicles	5 years
Plant and machinery	10 - 20 years
Renovations	10 years
Tools and technical equipment	5 - 10 years

The residual values, useful lives and depreciation method are reviewed at each reporting period end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits in the property, plant and equipment.

2. **Basis of Preparation and Significant Accounting Policies (Cont'd)**

(f) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies and its associated companies through equity accounting, which are made up to the end of the financial year.

(i) Subsidiary companies

Subsidiary companies are those companies in which the Group has long term equity interest and has the power, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights.

Investment in subsidiary companies is stated at cost less any impairment losses in the Company's statement of financial position, unless the investment is held for sale or distribution. The cost of investments includes transaction costs.

Upon the disposal of investment in a subsidiary, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

(ii) Consolidation

Subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Changes in the Company owners' ownership interest in a subsidiary company that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary company. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

2. **Basis of Preparation and Significant Accounting Policies (Cont'd)**

(f) Basis of consolidation (Cont'd)

(ii) Consolidation (Cont'd)

The acquisition method of accounting is used to account for the purchase of subsidiary companies. The consideration transferred for acquisition of a subsidiary company is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, as well as any contingent consideration given. Acquisition related costs are expensed off in the profit or loss as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition.

In a business combination achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in the consolidated statements of comprehensive income.

(iii) Non-controlling interests

Non-controlling interest is the equity in a subsidiary company not attributable, directly or indirectly, to the Group. On an acquisition-by-acquisition basis, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

All earnings and losses of the subsidiary company are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated.

2. **Basis of Preparation and Significant Accounting Policies (Cont'd)**

(f) Basis of consolidation (Cont'd)

(iv) Associated companies

Associated companies are entities in which the Group has significant influence, but no control, over their financial and operating policies. Investments in associated companies are accounted for using the equity method of accounting. Investments in associated companies include goodwill identified on acquisition, net of any accumulated impairment loss in accordance with Note 2(m).

Equity accounting involves recording investments in associated companies initially at cost, and recognising the Group's share of its associated companies' post-acquisition results and its share of post-acquisition net results and other changes to comprehensive income against the carrying amount of the investments. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

When the Group ceases to have significant influence over an associated company, it is accounted for as a disposal of the entire interest in that associated company, with a resulting gain or loss being recognised in profit or loss. Any retaining investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. Any difference between the carrying amount of the associated company upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

When the Group's interest in an associated company reduces but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss.

Unrealised gains and losses resulting from transactions between the Group and the associated company are eliminated to the extent of the interest in the associated company.

In the Company's separate financial statements, investments in associated company are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2. **Basis of Preparation and Significant Accounting Policies (Cont'd)**

(f) Basis of consolidation (Cont'd)

(v) Jointly controlled entities

A jointly controlled entity is an entity in which the Group has joint control over its economic activity established under a contractual arrangement.

Interest in jointly controlled entity is accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2(f)(iv).

(g) Land held for property development and property development costs

(i) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

(ii) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs. Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

2. **Basis of Preparation and Significant Accounting Policies (Cont'd)**

(g) Land held for property development and property development costs (Cont'd)

(ii) Property development costs (Cont'd)

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project including costs to be incurred over the defects liability period shall be recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the profit or loss over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the statements of comprehensive income is classified as progress billings within trade payables.

(h) Financial assets

Financial assets are recognised on the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

2. **Basis of Preparation and Significant Accounting Policies (Cont'd)**

(h) Financial assets (Cont'd)

The Group and the Company classify their financial assets depending on the purpose for which it was acquired at initial recognition, into the following categories:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading, including derivative or financial assets that are designated into this category upon initial recognition. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

After initial recognition, financial assets in this category are measured at fair value with any gains or losses arising from changes in the fair values recognised in profit or loss in the period in which the changes arise.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the end of the reporting period which are presented as non-current assets.

After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group and the Company have the positive intention and ability to hold to maturity. They are classified as non-current assets, except for those having maturity within 12 months after the end of the reporting period which are classified as current.

After initial recognition, financial assets categorised as held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when held-to-maturity investments are derecognised or impaired, and through the amortisation process.

2. **Basis of Preparation and Significant Accounting Policies (Cont'd)**

(h) Financial assets (Cont'd)

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the end of the reporting period.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment loss.

Regular way purchase or sale of financial assets

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company has transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in the profit or loss.

2. **Basis of Preparation and Significant Accounting Policies (Cont'd)**

(i) Inventories

Inventories which represent construction materials and unsold property are stated at the lower of cost (determined on the first-in, first-out basis) and net realisable value. The cost of unsold property comprises cost associated with the acquisition of land, direct costs and appropriate proportions of common costs.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the costs necessary to make the sale.

(j) Construction contracts

Construction contracts are stated at cost plus attributable profits less applicable progress billings and allowances for foreseeable losses, if any.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised over the period of the contracts as revenue and expenses respectively by reference to the stage of completion of the contract activities at the end of the reporting period. The stage of completion is determined by the surveys of work performed and completion of a physical proportion of the contract work.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and contract costs are recognised as expenses in the period in which they are incurred.

Irrespective whether the outcome of a construction contract can be estimated reliably, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probably that they will result in revenue and they are capable of being reliably measured.

The aggregate of the costs incurred and the profit or loss recognised on each contract is compared against the progress billings up to the year end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is presented as amounts owing by contract customers. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as amounts owing to contract customers.

2. **Basis of Preparation and Significant Accounting Policies (Cont'd)**

(k) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in statements of comprehensive income.

(l) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(m) Impairment of assets

(i) Non-financial assets

The carrying amounts of assets except for inventories are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the profit or loss in the period in which it arises.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

2. **Basis of Preparation and Significant Accounting Policies (Cont'd)**

(m) Impairment of assets (Cont'd)

(i) Non-financial assets (Cont'd)

Previously recognised impairment losses are assessed at the end of each reporting period whether there is any indication that the loss has decreased or no longer exists. An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(ii) Financial assets

All financial assets, other than those at fair value through profit or loss, are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

Financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

2. **Basis of Preparation and Significant Accounting Policies (Cont'd)**

(m) Impairment of assets (Cont'd)

(ii) Financial assets (Cont'd)

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in the profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, the amount of impairment loss is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised. When a decline of fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss is reclassified from equity to profit or loss.

Impairment losses on available-for-sale equity investment that is carried at cost are not reversed in profit or loss in the subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss, if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

2. **Basis of Preparation and Significant Accounting Policies (Cont'd)**

(n) Share capital

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(o) Financial liabilities

Financial liabilities are recognised on the statements of financial position when, and only when the Group and the Company become a party to the contractual provisions of the financial instrument.

All financial liabilities are initially recognised at fair value plus transaction cost and subsequently carried at amortised cost using the effective interest method, other than those categorised as fair value through profit or loss. Changes in the carrying value of these liabilities are recognised in the profit or loss.

The Group and the Company classify their financial liabilities at initial recognition, into the following categories:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, derivative (except for financial guarantee contracts or a designated and effective hedging instrument) and financial liabilities designated into this category upon initial recognition.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

(ii) Other liabilities measured at amortised cost

Other financial liabilities are non-derivatives financial liabilities. The Group's and the Company's other financial liabilities comprise trade and other payables and borrowings. Other financial liabilities are classified as current liabilities; except for maturities more than 12 months after the end of the reporting period, in which case they are classified as non-current liabilities.

Other liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

2. **Basis of Preparation and Significant Accounting Policies (Cont'd)**

(o) Financial liabilities (Cont'd)

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specific payment to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised initially at fair value and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. Subsequently, the carrying amount is measured at the higher of the best estimate of the obligation under the contract in accordance with FRS 137 at the reporting period and the initial amount recognised less accumulated amortisation. If the carrying amount of the financial guarantee contract is lower than the obligation, the carrying amount is adjusted to the obligation amount and accounted for as a provision.

Derecognition

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Offsetting of financial instruments

A financial asset and financial liability are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(p) Provisions for liabilities

Provisions for liabilities are recognised when the Group and the Company have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

2. **Basis of Preparation and Significant Accounting Policies (Cont'd)**

(q) Lease and hire purchase

A lease is recognised as a finance lease if it transfers substantially to the Group and to the Company all the risks and rewards incidental to ownership. All other leases are treated as operating leases.

Assets acquired by way of hire purchase are stated at an amount equal to the lower of their fair values and the present value of the minimum hire purchase payments at the inception of the hire purchase, less accumulated depreciation and impairment losses. The corresponding liability is included in the statements of financial position as liabilities. In calculating the present value of the minimum hire purchase payments, the discount factor used is the interest rate implicit in the hire purchase, when it is practical to determine; otherwise, the Group's incremental borrowing rate is used.

Hire purchase payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total hire purchase commitments and the fair value of the assets acquired, are recognised as an expense in profit or loss over the term of the relevant hire purchase so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each reporting period.

The depreciation policy for hire purchase assets is consistent with that for depreciable property, plant and equipment which are owned.

Lease rental under operating lease is charged to the profit or loss on a straight line basis over the term of the relevant lease.

(r) Foreign currency

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

2. **Basis of Preparation and Significant Accounting Policies (Cont'd)**

(r) Foreign currency (Cont'd)

(ii) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the rate at the date of transaction.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

(a) Assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the end of the reporting period;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

(c) All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

2. **Basis of Preparation and Significant Accounting Policies (Cont'd)**

(s) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and to the Company and when the revenue can be measured reliably, on the following bases:

(i) Construction contracts

Revenue from construction contracts is accounted in accordance to the accounting policies as disclosed in Note 3(j).

(ii) Sale of development properties

Revenue from sale of development properties is accounted in accordance to the accounting policies as disclosed in Note 3(g)(ii).

(iii) Sale of goods

Revenue from sales of goods is recognised when significant risk and rewards have been transferred to the buyer, net of discounts.

(iv) Hire of plant and machinery

Revenue from hire of plant and machinery is recognised over the term of lease.

(v) Interest income

Interest income is recognised on accruals basis using the effective interest method.

2. **Basis of Preparation and Significant Accounting Policies (Cont'd)**

(u) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(v) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

2. **Basis of Preparation and Significant Accounting Policies (Cont'd)**

(v) Income taxes (Cont'd)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance, being a tax incentive that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(w) Employee benefits

(i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensation absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(x) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

3. Property, Plant and Equipment

Group	Freehold buildings RM'000	Leasehold land and building RM'000	Furniture, fittings and office equipmemt RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Renovations RM'000	Tools and technical equipment RM'000	Total RM'000
2012								
At 1 January 2012	966	354	5,314	10,076	61,172	727	3,184	81,793
Additions	-	-	67	28	185	24	23	327
Disposals	(225)	-	(54)	(1,697)	(962)	-	-	(2,938)
Exchange difference	-	-	(2)	-	-	-	-	(2)
At 31 December 2012	741	354	5,325	8,407	60,395	751	3,207	79,180
Accumulated depreciation								
At 1 January 2012	94	148	5,013	9,940	44,343	442	2,816	62,796
Charge during the financial year	15	7	88	106	206	53	154	629
Disposals	(23)	-	(54)	(1,666)	(962)	-	-	(2,705)
Exchange difference	-	-	(1)	-	-	-	-	(1)
At 31 December 2012	86	155	5,046	8,380	43,587	495	2,970	60,719
Accumulated impairment losses								
At 1 January 2012	55	-	-	-	16,808	-	45	16,908
Disposal	(55)	-	-	-	-	-	-	(55)
At 31 December 2012	-	-	-	-	16,808	-	45	16,853
Carrying amount								
At 31 December 2012	655	199	279	27	-	256	192	1,608

3. Property, Plant and Equipment (Cont'd)

Group	Freehold buildings RM'000	Leasehold land and building RM'000	Furniture, fittings and office equipmemt RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Renovations RM'000	Tools and technical equipment RM'000	Total RM'000
2011								
At 1 January 2011	966	354	5,271	16,150	72,563	680	3,160	99,144
Additions	-	-	61	13	3,085	47	24	3,230
Disposal	-	-	(7)	(6,087)	(14,476)	-	-	(20,570)
Exchange difference	-	-	(11)	-	-	-	-	(11)
At 31 December 2011	966	354	5,314	10,076	61,172	727	3,184	81,793
Accumulated depreciation								
At 1 January 2011	77	141	4,935	15,567	53,678	406	2,710	77,514
Charge during the financial year	17	7	85	248	1,014	43	106	1,520
Disposals	-	-	(2)	(5,879)	(10,349)	-	-	(16,230)
Reclassification	-	-	3	4	-	(7)	-	-
Exchange difference	-	-	(8)	-	-	-	-	(8)
At 31 December 2011	94	148	5,013	9,940	44,343	442	2,816	62,796
Accumulated impairment								
At 1 January 2011	-	-	-	-	9,942	-	-	9,942
Charge during the financial year	55	-	-	-	6,866	-	45	6,966
At 31 December 2011	55	-	-	-	16,808	-	45	16,908
Carrying amount								
At 31 December 2011	817	206	301	136	21	285	323	2,089

3. Property, Plant and Equipment (Cont'd)

Company	Freehold buildings RM'000	Leasehold land and building RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Renovations RM'000	Tools and technical equipment RM'000	Total RM'000
2012								
At 1 January 2012	100	354	3,766	3,698	57,108	455	3,004	68,485
Additions	-	-	28	-	-	-	-	28
Disposals	-	-	(54)	(629)	-	-	-	(683)
At 31 December 2012	100	354	3,740	3,069	57,108	455	3,004	67,830
Accumulated depreciation								
At 1 January 2012	44	148	3,517	3,550	40,300	227	2,655	50,441
Charge during the financial year	2	7	64	89	-	32	102	296
Disposals	-	-	(54)	(598)	-	-	-	(652)
At 31 December 2012	46	155	3,527	3,041	40,300	259	2,757	50,085
Accumulated impairment								
At 1 January 2012/ At 31 December 2012	-	-	-	-	16,808	-	45	16,853
Carrying amount								
At 31 December 2012	54	199	213	28	-	196	202	892

3. Property, Plant and Equipment (Cont'd)

Company	Freehold buildings RM'000	Leasehold land and building RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Renovations RM'000	Tools and technical equipment RM'000	Total RM'000
2011								
At 1 January 2011	100	354	3,731	7,002	68,449	468	2,991	83,095
Additions	-	-	42	-	-	-	-	42
Reclassification	-	-	-	-	-	(13)	13	-
Disposals	-	-	(7)	(3,304)	(11,341)	-	-	(14,652)
At 31 December 2011	100	354	3,766	3,698	57,108	455	3,004	68,485
Accumulated depreciation								
At 1 January 2011	42	141	3,458	6,445	49,769	195	2,553	62,603
Charge during the financial year	2	7	61	211	792	32	102	1,207
Disposals	-	-	(2)	(3,106)	(10,261)	-	-	(13,369)
At 31 December 2011	44	148	3,517	3,550	40,300	227	2,655	50,441
Accumulated impairment								
At 1 January 2011	-	-	-	-	9,942	-	-	9,942
Charge during the financial year	-	-	-	-	6,866	-	45	6,911
At 31 December 2011	-	-	-	-	16,808	-	45	16,853
Carrying amount								
At 31 December 2011	56	206	249	148	-	228	304	1,191

3. **Property, Plant and Equipment (Cont'd)**

(a) The carrying amount of property, plant and equipment of the Group and of the Company acquired under lease and hire purchase arrangement are as follows:

	Group/Company	
	2012	**2011**
	RM'000	**RM'000**
Motor vehicles	-	88

(b) The remaining lease term of leasehold land is 51 (2011: 52) years.

4. **Land and Property Development Costs**

	Group	
	2012	**2011**
	RM'000	**RM'000**
Non-Current Asset		
Land held for property development		
Freehold land, at cost		
At 1 January	124,192	122,463
Additions	1,042	1,802
Transferred to current property development costs	(13,927)	(73)
At 31 December	111,307	124,192

(a) The freehold land under individual title Geran 42277, Lot No 36101, Mukim of Petaling, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan measuring in land area of approximately 243,000 square metres was charged to Insas Credit & Leasing Sdn. Bhd. On 28 December 2012, Pioneer Haven Sdn. Bhd. ("PHSB") had made a final and full settlement of RM75 million loan with Insas Credit & Leasing Sdn. Bhd. on behalf of Ho Hup and BJD in accordance with the Supplemental Agreement dated 3 July 2012 between BJD and PHSB as disclosed in Note 33(ii). PHSB shall be entitled at its own cost and expense to charge or otherwise encumber the land as security and collateral for the purposes of refinancing the indebtedness on 5/6 of the land amounting an approximate area of 202,500 square metres.

4. **Land and Property Development Costs (Cont'd)**

	Group 2012 RM	Group 2011 RM
Current Asset		
Freehold land, at cost		
At 1 January	1,387	13,710
Transferred from non-current property development costs	5,436	-
Transferred to completed projects	-	(12,323)
At 31 December	6,823	1,387
Property development costs		
At 1 January	10,872	114,840
Addition during the financial year	3,380	4,696
Transferred from non-current property development costs	8,491	73
Transferred to completed projects	-	(108,737)
At 31 December	22,743	10,872
Cost recognised in the statements of comprehensive income		
At 1 January	11,818	126,837
Recognised during the financial year	2,221	6,041
	14,039	132,878
Less: Completed projects	-	(121,060)
	14,039	11,818
Total land and property development costs	15,527	441

(b) Included in the property development costs incurred during the financial year are the following:

	Note	Group 2012 RM'000	Group 2011 RM'000
Term loan interest	24	784	-
Directors' remuneration	25(b)	384	-
Staff costs	29	553	-

5. **Investment in Subsidiary Companies**

(a) Investment in subsidiary companies

	Company 2012 RM'000	Company 2011 RM'000
Unquoted shares, at cost		
In Malaysia	40,587	40,587
Outside Malaysia	8	8
	40,595	40,595
Less: Accumulated impairment		
In Malaysia	24,955	24,955
Outside Malaysia	8	8
	24,963	24,963
	15,632	15,632

(b) The subsidiary companies and shareholdings therein are as follows:

	Name of Company	Country of incorporation	Equity interest 2012 %	Equity interest 2011 %	Principal activities
	Direct holding:				
	H2 Energy Corporation Sdn. Bhd.	Malaysia	100	100	Engineering, procurement, construction and commissioning of pipeline system
	Tru-mix Concrete Sdn. Bhd.	Malaysia	90	90	Manufacturing and distribution of ready-mix concrete
@	Bukit Jalil Development Sdn. Bhd.	Malaysia	70	70	Property development

5. **Investment in Subsidiary Companies (Cont'd)**

(b) The subsidiary companies and shareholdings therein are as follows: (Cont'd)

	Name of Company	Country of incorporation	Equity interest (%) 2012	Equity interest (%) 2011	Principal activities
	Direct holding:				
@	Ho Hup Jaya Sdn. Bhd.	Malaysia	100	100	Inactive
@	Ho Hup Equipment Rental Sdn. Bhd.	Malaysia	100	100	Rental of equipment
*	Ho Hup Construction Company (India) Pte. Ltd.	India	100	100	Construction
	Indirect holding:				
	Subsidiary company of Bukit Jalil Development Sdn. Bhd.				
	Suriajaya Juta Sdn. Bhd.	Malaysia	100	100	Dormant

* Subsidiary companies not audited by UHY

@ The auditors' reports of the financial statements of these subsidiary companies contain an emphasis of matter relating to the appropriateness of presenting the financial statements on a going concern basis

5. **Investment in Subsidiary Companies (Cont'd)**

(c) Acquisition of a subsidiary company

The summary of effects of the acquisition on the financial position of the Group is as follows:

	Group	
	2012	**2011**
	RM'000	**RM'000**
Cash and bank balances	-	1
Amount owing to holding company	-	(1)
	-	-

(d) Disposal of subsidiary companies

The fair value of the assets and liabilities disposed is as follows:

	Group	
	2012	**2011**
	RM'000	**RM'000**
Trade receivables	-	456
Other receivables	-	39
Cash and bank balances	-	182
Trade payables	-	(282)
Other payables	-	(556)
Amount owing to holding company	-	(863)
Tax payable	-	(6)
Deferred taxation	-	(52)
Non-controlling interest	-	(42)
Group's share of net liabilities	-	(1,124)
Gain on disposal of subsidiary companies	-	1,124
Disposal proceeds settled by cash	-	-
Less: Cash and cash equivalents of subsidiary companies disposed	-	(182)
Net cash outflow arising from the disposal of subsidiary companies	-	(182)

6. Investment in Associated Companies

(a) Investment in associated companies

	Group/Company 2012 RM'000	Group/Company 2011 RM'000
Unquoted shares, at cost	10,327	10,327
Less: Accumulated impairment	(10,327)	(10,327)
	-	-

(b) The associated companies and shareholdings therein are as follows:

	Name of company	Country of incorporation	Effective interest 2012 %	Effective interest 2011 %	Principal activities
	Direct holding:				
*	Shanghai San Ho Hup Pile Co. Ltd.	The Republic of China	45	45	Manufacturing and trading of concrete spun piles
*	Madagascar Malaysia Equipment Rental	Madagascar	49.8	49.8	Dormant

* Associated company not audited by UHY

(c) The summarised financial information of the associated companies, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	Group 2012 RM'000	Group 2011 RM'000
Assets and liabilities		
Non-current assets	7,125	9,570
Current assets	2,338	3,740
Total assets	9,463	13,310
Current liabilities	(1,431)	(3,068)
	8,032	10,242
Results		
Revenue	-	14,864
Net loss for the financial year	(1,628)	(6,798)

6. **Investment in Associated Companies (Cont'd)**

(d) The unrecognised share of losses of the associated companies is as follows:

	Group 2012 RM'000	Group 2011 RM'000
At 1 January	11,727	8,668
Addition during the financial year	733	3,059
At 31 December	12,460	11,727

7. **Investment in Jointly Controlled Entities**

(a) Investment in jointly controlled entities

	Group/Company 2012 RM'000	Group/Company 2011 RM'000
Unquoted shares, at cost	250	250
Share of post-acquisition reserves	-	-
	250	250
Less: Accumulated impairment	(250)	(250)
	-	-

(b) The jointly controlled entities and shareholdings therein are as follows:

Name of company	Country of incorporation	Effective interest 2012 %	Effective interest 2011 %	Principal activities
* Ho Hup-Star-Zaks Joint Venture	Malaysia	50	50	Completed
* Ho Hup-Simplex Joint Venture	India	50	50	Inactive

* Jointly controlled entity not audited by UHY

8. Other Receivables

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Non-current				
Other receivables	4,875	-	4,875	-
Less: Fair value adjustment	(659)	-	(659)	-
Net carrying amount	4,216	-	4,216	-
Current				
Other receivables	32,163	7,696	30,774	5,745
Deposits	3,254	3,111	2,397	2,397
Prepayments	393	127	-	-
	35,810	10,934	33,171	8,142
Less: Accumulated impairment on other receivables [Note 8(iii)]	(5,471)	(4,915)	(5,049)	(4,493)
Less: Accumulated impairment on deposits [Note 8(iv)]	(1,852)	(1,869)	(1,591)	(1,608)
	(7,323)	(6,784)	(6,640)	(6,101)
	28,487	4,150	26,531	2,041

(i) Included in the deposits of the Group and of the Company is an amount of deposit of RM1.5 million (2011: RM1.5 million) paid in relation to a proposed acquisition of 51% of the total issued and paid-up share capital of Urban Shift Sdn. Bhd. This acquisition was abandoned in prior year. Impairment loss has been recognised in respect of the entire deposit.

(ii) Included in the other receivables is an amount of RM26.02 million, representing project advances to a sub-contractor for a construction contract undertaken by the Company.

8. **Other Receivables (Cont'd)**

(iii) Movements in impairment are as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 January	4,915	5,750	4,493	5,328
Impairment made	556	-	556	-
Reversal of impairment	-	(835)	-	(835)
At 31 December	5,471	4,915	5,049	4,493

(iv) Movements in impairment on deposits are as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 January	1,869	1,869	1,608	1,608
Reversal of impairment	(17)	-	(17)	-
At 31 December	1,852	1,869	1,591	1,608

9. **Amount Owing by Customers on Contracts**

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Construction cost incurred to date	3,742	149,718	3,742	149,718
Add: Attributable profits	145	517	145	517
	3,887	150,235	3,887	150,235
Less: Progress billings	(2,788)	(150,235)	(2,788)	(150,235)
	1,099	-	1,099	-
Retention sum included in trade receivables	6,891	18,259	6,891	18,259

9. **Amount Owing by Customers on Contracts (Cont'd)**

Included in the construction cost incurred during the financial year are the following:

		Group		Company	
		2012	2011	2012	2011
	Note	RM'000	RM'000	RM'000	RM'000
Staff costs	29				
- Salaries and wages		46	515	46	515
- EPF		6	61	6	61
- SOCSO		-	9	-	9
- Other staff related expenses		2	30	2	30
		54	615	54	615

10. **Inventories**

	Group	
	2012	2011
	RM'000	RM'000
At cost:		
Construction materials	319	175

11. **Trade Receivables**

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Trade receivables	57,714	45,809	45,812	38,679
Retention sum on contracts	6,891	18,259	6,891	18,259
	64,605	64,068	52,703	56,938
Less: Accumulated impairment	(50,211)	(50,780)	(49,851)	(50,455)
	14,394	13,288	2,852	6,483

Trade receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.

The Group's and the Company's normal trade credit terms range from 14 to 90 days (2011: 14 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

11. **Trade Receivables (Cont'd)**

Movements in impairment (individually impaired) on trade receivables during the financial year are as follows:

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
At 1 January	50,780	50,894	50,455	50,544
Impairment made	35	70	-	70
Reversal of impairment	(604)	(184)	(604)	(159)
At 31 December	50,211	50,780	49,851	50,455

Analysis of the trade receivables and retention sum on contracts ageing are as follows:

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Neither past due nor impaired	3,838	5,833	1,669	-
Past due less than 30 days not impaired	1,751	187	-	-
Past due for 31 days not impaired	8,805	7,268	1,183	6,483
	10,556	7,455	1,183	6,483
	14,394	13,288	2,852	6,483
Impaired	50,211	50,780	49,851	50,455
	64,605	64,068	52,703	56,938

The Group and the Company has not made impairment on certain past due receivables as the Directors are of the view that the receivables are recoverable.

(a) The Group's and the Company's credit exposures are concentrated mainly on 2 (2011: 1) and 1 (2011: 1) trade receivables respectively, which accounted for 17% (2011: 36%) and 58% (2011: 74%) respectively of the total trade receivables as at 31 December 2012.

(b) Included in the trade receivables of the Group and of the Company are the following amounts owing from one (2011: one) customer for contracts under dispute. The Company has entered into a settlement with the debtor over the dispute amount. Details of these debts are as follows:

	Group/Company	
	2012	2011
	RM'000	RM'000
Gross amount receivable	9,275	9,875
Less: Accumulated impairment	(8,117)	(8,117)
Net amount receivable	1,158	1,758

12. **Amount Owing by/(to) Subsidiary Companies**

(a) Amount owing by subsidiary companies

	Company	
	2012	**2011**
	RM'000	**RM'000**
Amount owing by subsidiary companies	111,790	186,094
Less: Accumulated impairment	(37,802)	(35,264)
	73,988	150,830

These represent trade and non trade balances which are unsecured, interest free and repayable on demand.

Movements in impairment on amount owing by subsidiary companies during the financial year are as follows:

	Company	
	2012	**2011**
	RM'000	**RM'000**
At 1 January	35,264	35,439
Impairment made	2,538	653
Reversal of impairment	-	(828)
At 31 December	37,802	35,264

(b) Amount owing to subsidiary companies

These represent trade and non trade balances which are unsecured, interest free and repayable on demand.

13. **Amount Owing by/(to) Associated Companies**

(a) Amount owing by associated companies

Movements in impairment as follows:

	Group/Company 2012 RM'000	Group/Company 2011 RM'000
At beginning of the financial year	-	2,326
Reversal of impairment	-	(2,326)
At end of the financial year	-	-

(b) Amount owing to an associated company

This represents trade and non trade balances which are unsecured, interest free and repayable on demand.

14. **Cash and Cash Equivalents**

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Fixed deposits with licensed banks		1,543	5,490	564	4,165
Cash and bank balances		2,482	1,074	109	207
		4,025	6,564	673	4,372
Less: Bank overdrafts	21	(5,107)	(5,135)	(2,859)	(2,859)
		(1,082)	1,429	(2,186)	1,513
Less: Cash and cash equivalents restricted from use					
Cash held under Housing Development Account	(a)	275	270	-	-
Sinking fund accounts restricted from use	(b)	158	207	-	-
Fixed deposits with licensed banks	(c)	-	5,040	-	4,165
Pledged for banker guarantee		265	-	-	-
		698	5,517	-	4,165
Cash and cash equivalents		(1,780)	(4,088)	(2,186)	(2,652)

14. **Cash and Cash Equivalents (Cont'd)**

(a) Cash held under Housing Development Account of the Group are held pursuant to Section 7A of the Housing Developers (Control and Licensing) Act, 1966 and are therefore restricted from use in other operations.

(b) This represents cash at banks of the Group placed in sinking funds for the purpose of expenditure incurred in repairs and maintenance of certain properties, as required by the Building and Common Property (Maintenance and Management) Act, 2007.

(c) Fixed deposits with licensed banks of the Group and of the Company are pledged to licensed financial institutions as security for credit facilities granted to the Group and to the Company as disclosed in Note 21 and hence, are not available for general use.

The weighted average interest rates of deposits of the Group and of the Company at the end of the reporting period are 2.89% and 2.50% (2011: 2.75% and 2.75%) per annum respectively.

The average maturities of deposits of the Group and of the Company are 30 days and 30 days (2011: 30 days and 30 days) respectively.

15. **Non-Current Asset Held for Sale**

	Group	
	2012	**2011**
	RM'000	**RM'000**
Land costs	-	2,732
Property development costs	-	4,289
	-	7,021

The disposal of non-current asset held for sale was completed during the financial year and net gain of RM1,591,000 was recognised in the profit or loss.

16. Share Capital

	Group/Company			
	Number of shares		Amount	
	2012	2011	2012	2011
	'000	'000	RM'000	RM'000
Ordinary shares of RM1.00 each				
Authorised				
At 1 January/31 December	200,000	200,000	200,000	200,000
Issued and fully paid				
At 1 January/31 December	102,000	102,000	102,000	102,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

17. Provision for Liquidated Ascertained Damages

	Group	
	2012	2011
	RM'000	RM'000
At 1 January	16,910	16,923
Current year provision	2,529	-
Payments made	-	(13)
At 31 December	19,439	16,910

Provision for liquidated ascertained damages is in respect of property development projects undertaken by the Company. The provision is recognised for expected liquidated damages claims based on the terms of the applicable sale and purchase agreements.

18. Trade Payables

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Trade payables	37,190	31,309	27,090	13,113
Retention sum on contracts	83	11	72	8,869
Progress billing in respect of property development costs	12,699	441	-	-
	49,972	31,761	27,162	21,982

18. **Trade Payables (Cont'd)**

The normal trade credit terms granted to the Group and to the Company range from 30 to 120 days (2011: 30 to 120 days). Other credit terms are assessed and approved on a case to case basis.

Trade payables of the Group and of the Company amounting to RM3.26 million (2011: RM10.22 million) are under litigation.

19. **Other Payables**

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Other payables	129,380	21,763	47,878	16,961
Accruals	10,383	19,962	6,504	16,830
Deposits received	10,491	15,770	47	1,647
Prepayment of progress billing	1,038	-	-	-
	151,292	57,495	54,429	35,438

(a) Included in other payables is an amount of RM78.11 million (2011: Nil) owing to Pioneer Haven Sdn. Bhd. ("PHSB") pursuant to the Supplemental Agreement entered between the Company, BJD and PHSB as disclosed in Note 33(ii)(d).

(b) Included in the other payables is an amount of RM26.02 million, representing prepayment of progress billing from a customer for a construction contract undertaken by the Company.

(c) Included in the previous year's deposits received is an amount of RM4.78 million in respect of disposal of non-current asset held for sale which was completed during the financial year as disclosed in Note 15.

(d) Included in the deposit received by the Group are booking fees/deposits of approximately RM9.28 million (2011: RM9.28 million) which was previously collected. These purchasers have submitted their Proof of Debts and are part of the Section 176 Scheme Creditor.

20. Hire Purchase Payables

	Group/Company 2012 RM'000	Group/Company 2011 RM'000
(a) **Minimum hire purchase payments**		
Within one year	-	15
Less : Future finance charges	-	-
Present value of hire purchase liabilities	-	15
(b) **Present value of hire purchase liabilities**		
Repayable within one year	-	15

In the previous financial year, the hire purchase liabilities interest was charged at rates ranging from 2.60% to 5.25% per annum.

21. Bank Borrowings

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Secured				
Fixed rate				
Term loans	-	75,003	-	62,003
	-	75,003	-	62,003
Unsecured				
Floating rate				
Term loan	2,606	2,606	2,606	2,606
Bank overdrafts	5,107	5,135	2,859	2,859
Revolving credits	2,997	2,997	2,997	2,997
	10,710	10,738	8,462	8,462
Total bank borrowings repayable within twelve months	10,710	85,741	8,462	70,465

The Group and the Company did not meet repayment obligations relating to certain bank borrowings amounting to RM8.46 million (2011: RM8.46 million) and RM8.46 million (2011: RM8.46 million) respectively. The defaulted borrowings as at 31 December 2012 and 2011 were included under Section 176 Scheme and the restraining order has been extended for a further period of three (3) months from 24 April 2013 as disclosed in Note 33(i)(b).

21. **Bank Borrowings (Cont'd)**

The weighted average interest rates per annum (excluding penalty interest rates) during the financial year are as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	%	**%**	**%**	**%**
Bank overdrafts	8.40	8.35	8.40	8.35
Revolving credits	8.01	8.10	8.01	8.10
Term loans	8.80	12.00	8.80	12.00

The above credit facilities obtained from licensed banks were secured by the following:

(a) The bank overdrafts of a subsidiary company was supported by way of corporate guarantee provided by the holding company;

(b) The revolving credits of the Group and of the Company were supported by way of corporate guarantee provided by a subsidiary company;

(c) The fixed rate secured term loans of the Group and of the Company were settled during the financial year.

As disclosed in the previous financial year, the fixed rate secured term loans were secured by the following:

(i) Fixed deposits with licensed banks of the Group and of the Company as disclosed in Note 14;

(ii) Third party first legal charge over land held by BJD under Lot 36101, Mukim Petaling, Kuala Lumpur;

(iii) Assignment of all proceeds arising from any sale, development, joint venture or other arrangements relating to the land held by; and

(iv) In the event the JDA is terminated/declared null and void, the Company shall grant to Insas Properties Sdn. Bhd. or its related companies the first right to undertake development of the land on joint venture basis subject to the terms to be agreed by the parties.

22. Revenue

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Construction contracts	2,813	-	2,813	-
Sale of development properties	3,936	10,989	-	-
Non-current asset held for sale	8,612	-	-	-
Sale of goods	24,615	19,007	-	-
Hire of plant and machinery	-	2	-	-
	39,976	29,998	2,813	-

23. Cost of Sales

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Construction contract costs	8,370	2,526	8,370	2,526
Property development costs	2,221	6,041	-	-
Non-current asset held for sale	7,021	-	-	-
Cost of goods sold	24,573	18,760	-	-
Others	234	1,623	-	-
	42,419	28,950	8,370	2,526

Included in the construction contract costs of the Group and of the Company is an amount of RM5.7 million (2011: Nil) arising from the recognition of additional project cost on a project which was completed in prior year.

24. Finance Costs

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Interest expenses on:					
Bank overdrafts		428	431	240	243
Revolving credits		240	238	240	238
Hire purchase		-	279	-	279
Term loans		9,228	7,894	7,668	6,626
Late payment		-	124	-	-
		9,896	8,966	8,148	7,386
Less: Interest expense capitalised in property development costs	4	(784)	-	-	-
		9,112	8,966	8,148	7,386

25. Loss before Taxation

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration (Note a)	163	123	115	78
Bad debts written off	34	2,486	34	3,313
Impairment on:				
- Trade receivables	35	70	-	70
- Other receivables	556	-	556	-
- Amount owing by subsidiary companies	-	-	2,538	653
- Property, plant and equipment	-	6,966	-	6,911
Depreciation of property, plant and equipment	629	1,520	296	1,207
Directors' remuneration (Note b)	(202)	1,027	(202)	655
Deposits written off	33	-	-	-
Fair value adjustment on other receivables	659	-	659	-
Provision for retrenchment benefits	-	1,488	-	614
Provision for liquidated ascertained damages	2,529	-	-	-
Rental of office and store	88	42	88	16
Rental of equipment	-	6	-	-
Staff costs (Note 29)	4,043	6,082	1,494	2,272
Interest income				
- deposits with licensed banks	(147)	(45)	(98)	(23)
- other	-	(19)	-	(19)
Gain on disposal of investment in subsidiary companies	-	(1,124)	-	-
Gain on disposal of non-current asset held for sale	(1,591)	-	-	-
Gain on disposal of property, plant and equipment	(532)	(3,098)	(161)	(2,421)
Gain on foreign exchange				
- Realised	-	(80)	-	(80)
Rental income	(138)	(263)	-	(10)
Reversal of impairment on amount owing by subsidiary companies	-	-	-	(828)
Reversal of impairment on amount owing by associated companies	-	(2,326)	-	(2,326)

25. Loss before Taxation (Cont'd)

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Reversal of impairment on trade receivables	(604)	(184)	(604)	(159)
Reversal of impairment on other receivables and deposits	(17)	(835)	(17)	(835)
Reversal of foreseeable loss	-	(1,800)	-	(1,800)
Reversal of over accrued payables	(1)	(227)	-	-
Writeback of provision for further cost	-	(980)	-	-
Writeback of provision for value added tax	(1,943)	-	-	-

(a) Auditors' remuneration

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Auditors of the Company				
- Statutory audit				
- Current year	106	100	76	68
- Under provision in prior years	8	-	8	-
- Non-statutory audit				
- Current year	5	-	5	-
- Under provision in prior years	5	-	5	-
	124	100	94	68
Other auditors				
- Statutory audit				
- Current year	39	23	21	10
	39	23	21	10
	163	123	115	78

25. **Loss before Taxation (Cont'd)**

(b) Directors' remuneration

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Executive Director				
- Salaries and other emoluments	629	724	629	421
- EPF	75	85	75	34
- Benefit-in-kind	39	36	39	18
	743	845	743	473
Less: Director's remuneration capitalised in property development costs [Note 4(b)]	(384)	-	(384)	-
	359	845	359	473
Non-executive Directors				
- Other emoluments	281	182	281	182
	640	1,027	640	655
Over provision of Directors' fee in prior years	(842)	-	(842)	-
	(202)	1,027	(202)	655

26. **Taxation**

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Tax expenses for the financial year				
Current income tax:				
Current tax provision				
- in Malaysia	-	218	-	-
Over provision in prior years	(4,949)	(17)	(2,595)	-
	(4,949)	201	(2,595)	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2011: 25%) of the estimated assessable loss for the financial year.

26. **Taxation (Cont'd)**

A reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Loss before taxation	(16,707)	(10,615)	(17,721)	(10,729)
Taxation at Malaysian statutory tax rate of 25% (2011: 25%)	(4,177)	(2,654)	(4,430)	(2,682)
Income not subject to tax	(641)	(1,458)	(641)	(1,454)
Expenses not deductible for tax purposes	1,067	5,284	1,059	4,051
Deferred tax assets not recognised	4,020	85	4,012	85
Utilisation of previously unrecognised capital allowances and tax losses	(269)	(1,039)	-	-
Over provision of taxation in prior years	(4,949)	(17)	(2,595)	-
Tax expense for the financial year	(4,949)	201	(2,595)	-

Income tax savings arising from tax losses:

	Group	
	2012	**2011**
	RM'000	**RM'000**
Income tax savings arising from utilisation of prior year losses previously not recognised	269	1,039

The Group has unused tax losses, unutilised capital allowances and unutilised reinvestment allowances amounting to approximately RM194.15 million (2011: RM179.57 million) available for carry forward to set-off against future taxable profits.

The Company has unused tax losses and unutilised capital allowances amounting to approximately RM111.37 million (2011: RM95.36 million) available for carry forward to set-off against future taxable profits.

27. **Deferred Tax**

	Group 2012 RM'000	Group 2011 RM'000
At 1 January	-	52
Disposal of subsidiary companies	-	(52)
At 31 December	-	-

This is in respect of estimated deferred tax liability/(assets) arising from temporary differences as follows:

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Unused tax losses	255	391	122	165
Unutilised capital allowances	1,957	1,925	1,957	1,925
Difference between the carrying amount of property, plant and equipment and its tax base	(2,212)	(2,316)	(2,079)	(2,090)
	-	-	-	-

The estimated temporary differences for which no deferred tax assets have been recognised in the financial statements are as follows:

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Unused tax losses	185,274	170,271	103,055	87,008
Unutilised reinvestment allowances	33	33	-	-
	185,307	170,304	103,055	87,008

The unused tax losses, unutilised capital allowances and unutilised reinvestment allowances of the Group are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

The unused tax losses and unutilised capital allowances of the Company are available for offsetting against future taxable profits subject to no substantial change in shareholdings under the Income Tax Act, 1967 and guidelines issued by the tax authority.

28. Loss Per Share

The basic loss per share has been calculated based on the consolidated loss after taxation for the financial year attributable to owners of the parent for the Group and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2012	2011
Basic Loss Per Share		
Net loss for the financial year, attributable to the owners of the parent (RM'000)	(12,108)	(10,346)
Weighted average number of ordinary shares in issue ('000)	102,000	102,000
Basic loss per share, attributable to the owners of the parent (sen)	(11.9)	(10.1)

The Group and the Company have no dilution in their earnings per ordinary share as there are no dilutive potential ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the end of the financial year and before the authorisation of these financial statements.

29. Staff Costs

		Group		Company	
		2012	2011	2012	2011
	Note	RM'000	RM'000	RM'000	RM'000
Total staff costs for for financial year (excluding Directors)		4,650	6,697	1,548	2,887
Less: Staff costs capitalised					
- construction contracts costs	9	(54)	(615)	(54)	(615)
- property development costs	4	(553)	-	-	-
		4,043	6,082	1,494	2,272

Included in the total staff costs above are contributions made to the Employees Provident Fund under a defined contribution plan of the Group and of the Company amounting to RM0.37 million and RM0.11 million (2011: RM0.50 million and RM0.30 million) respectively.

30. Operating Lease Arrangements

The Group has entered into non-cancellable operating lease agreements for the use of buildings. These leases have an average life of between 2 and 3 years with renewal or purchase option included in the contracts. All contracts include fixed rentals for an average of 2 to 3 years. There are no restrictions placed upon the Group by entering into these leases.

The future minimum rental payable under cancellable operating leases for the use of buildings at the end of the reporting period but not recognised as liabilities are as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Future minimum lease rental payments				
Not later than 1 year	-	88	-	88
Later than 1 year and not later than 5 years	-	22	-	22
	-	110	-	110

31. Related Party Disclosures

(a) Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or to the Company if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of Company either directly or indirectly. The key management personnel include all the Directors of the Group and of the Company and certain members of senior management of the Group and the Company.

The Group has related party relationship with its associated companies, jointly controlled entities, Company's Directors, shareholders and a Director of a subsidiary company.

The Company has related party relationship with its subsidiary companies, associated companies and jointly controlled entities.

31. **Related Party Disclosures (Cont'd)**

(b) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	2012 RM'000	2011 RM'000
Group		
Transaction with Directors of the Company		
Progress billing received/receivable	3,113	-
Transaction with company in which a Director of the Company has interest		
Progress billing received/receivable	4,027	-
Transaction with a Director of a subsidiary company		
Progress billing received/receivable	1,280	-
Transaction with companies in which a substantial shareholder has interest		
Progress billing received/receivable	2,280	-
Company		
Transaction with a subsidiary company		
Progress billings for construction work - BJD	-	3,969

(c) Information regarding outstanding balances arising from related party transactions as at 31 December 2012 is disclosed in Notes 12 and 13.

(d) Information regarding compensation of key management personnel is as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Short-term employee benefits	2,523	2,409	782	1,254
Benefit-in-kind	83	93	68	84
	2,606	2,502	850	1,338

Key management personnel include personnel having authority and responsibility for planning, directing and controlling the activities of the entity, including any Director of the Group and of the Company.

32. Segmental Information

The main business segments of the Group comprise the following:

Construction	Foundation and civil engineering, building contracting works and engineering, procurement, construction and commissioning of pipeline system
Property development	Development of residential and commercial properties
Manufacturing	Manufacturing and distribution of ready-mixed concrete
Others	Hire of machinery

Performance is measured based on segment profit before taxation, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Executive Director, who is the Group's chief operating decision maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

Segment assets information is neither included in the internal management reports nor provided regularly to the Executive Director. Hence no disclosure is made on segment assets. Segment information is primarily presented in respect of the Group's business segment which is based on the Group's management and internal reporting structure.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Executive Director. Hence no disclosure is made on segment liabilities. Segment information is primarily presented in respect of the Group's business segment which is based on the Group's management and internal reporting structure.

32. Segmental Information (Cont'd)

	Construction RM'000	Property development RM'000	Manufacturing RM'000	Others RM'000	Adjustments and eliminations RM'000	Per consolidated financial statements RM'000
2012						
Revenue						
External sales	2,813	12,548	24,615	-	-	39,976
Total revenue	2,813	12,548	24,615	-	-	39,976
Results						
Segment results	(9,671)	(314)	(106)	(189)	2,538	(7,742)
Interest income	98	49	-	-	-	147
Finance costs	(8,148)	(776)	(188)	-	-	(9,112)
(Loss)/Profit before taxation	(17,721)	(1,041)	(294)	(189)	2,538	(16,707)
Taxation	2,595	2,306	-	48	-	4,949
Net (loss)/profit for the financial year	(15,126)	1,265	(294)	(141)	2,538	(11,758)
Assets						
Additions to non-current assets	28	40	259	-	-	327

32. Segmental Information (Cont'd)

	Construction RM'000	Property development RM'000	Manufacturing RM'000	Others RM'000	Adjustments and eliminations RM'000	Per consolidated financial statements RM'000
2012						
Non-cash (income)/expenses						
Bad debts written off	34	-	-	-	-	34
Depreciation of property, plant and equipment	296	20	305	8	-	629
Deposits written off	-	33	-	-	-	33
Gain on disposal of non-current asset held for sale	-	(1,591)	-	-	-	(1,591)
Gain on disposal of property, plant and equipment	(161)	-	(371)	-	-	(532)
Fair value adjustment on other receivables	659	-	-	-	-	659
Impairment on:						
- Trade receivables	-	35	-	-	-	35
- Other receivables	556	-	-	-	-	556
- Amount owing by a subsidiary company	2,538	-	-	-	(2,538)	-
Provision for liquidated ascertained damages	-	2,529	-	-	-	2,529
Reversal of impairment on:						
- Trade receivables	(604)	-	-	-	-	(604)
- Other receivables and deposits	(17)	-	-	-	-	(17)
Reversal of over accruals payables	-	-	-	(1)	-	(1)
Writeback of provision for value added tax	(1,943)	-	-	-	-	(1,943)

32. Segmental Information (Cont'd)

	Construction RM'000	Property development RM'000	Manufacturing RM'000	Others RM'000	Adjustments and eliminations RM'000	Per consolidated financial statements RM'000
2011						
Revenue						
External sales	-	10,989	19,007	2	-	29,998
Total revenue	-	10,989	19,007	2	-	29,998
Results						
Segment results	(3,385)	(263)	310	298	1,327	(1,713)
Interest income	42	21	-	1	-	64
Finance costs	(7,386)	(1,392)	(188)	-	-	(8,966)
(Loss)/Profit before taxation	(10,729)	(1,634)	122	299	1,327	(10,615)
Taxation	-	25	-	(226)	-	(201)
Net (loss)/profit for the financial year	(10,729)	(1,609)	122	73	1,327	(10,816)
Assets						
Additions to non-current assets	42	15	116	3,057	-	3,230

32. Segmental Information (Cont'd)

	Construction RM'000	Property development RM'000	Manufacturing RM'000	Others RM'000	Adjustments and eliminations RM'000	Per consolidated financial statements RM'000
2011						
Non-cash (income)/expenses						
Bad debts written off	3,313	-	-	-	(828)	2,486
Depreciation of property, plant and equipment	1,207	19	292	2	-	1,520
Gain on disposal of property, plant and equipment	(2,421)	(53)	(531)	(93)	-	(3,098)
Impairment on:						
- Property, plant and equipment	6,911	-	55	-	-	6,966
- Trade receivables	70	-	-	-	-	70
Provision of retrenchment benefits	614	-	-	874	-	1,488
Gain on disposal of investment in subsidiary companies	-	-	-	-	(1,124)	(1,124)
Reversal of impairment on amount owing by subsidiary companies	828	-	-	-	(828)	-
Reversal of impairment on amount owing by associated companies	(2,326)	-	-	-	-	(2,326)
Reversal of impairment on trade receivables	(159)	-	(25)	-	-	(184)
Reversal of impairment on other receivables	(835)	-	-	-	-	(835)
Reversal of over accruals payables	-	-	-	(227)	-	(227)
Writeback of provision for further cost	-	-	-	(980)	-	(980)

33. **Significant and Subsequent Events**

The following significant and subsequent events took place for the Company and its subsidiary companies during and subsequent to the financial year:

(i) Ho Hup Construction Company Berhad ("Ho Hup" or "the Company")

(a) Proposed Regularisation Plan

On 31 July 2008, it was announced that Ho Hup is an affected issuer under paragraph 2.1(d) of Practice Note No. 17/2005 of the Bursa Securities Listing Requirements ("LR") as the Company's auditors had expressed a disclaimer opinion in the Company's audited financial statements for the financial year ended 31 December 2007.

The provisions of PN17/2005 of the Bursa Securities LR require Ho Hup to submit a regularisation plan to the relevant approving authorities that is substantive and sufficiently comprehensive within eight (8) months from the date of the first announcement to regularise its financial condition.

Since 1 April 2009, the Company had announced that Bursa Securities had granted the Company a few extensions of time.

On 30 October 2009, the Company had submitted its first proposed regularisation plan for the Company ("Initial Proposed Regularisation Plan").

On 22 January 2010, in view of various feedback received from the Company's shareholders on the Initial Proposed Regularisation Plan and certain changes contemplated to the Initial Proposed Regularisation Plan, the Company had submitted an application to Bursa Securities for an extension of time for it to submit a revised regularisation plan.

On 1 March 2011, the Company announced that it had entered into the Definitive Agreement with Plenitude Frontier Sdn Bhd (Plenitude) to undertake a proposed regularisation plan with the intention of restoring Ho Hup onto stronger financial footing.

33. **Significant and Subsequent Events (Cont'd)**

(i) Ho Hup Construction Company Berhad ("Ho Hup" or "the Company") (Cont'd)

(a) Proposed Regularisation Plan (Cont'd)

On 30 June 2011, the Company announced that it had entered into a Second Restated Share Sale Agreement ("SSA") with Plenitude to acquire 100% equity interest in Fivestar Development (Puchong) Sdn Bhd ("Fivestar"). Pursuant thereto, on the same date, the Company and Plenitude entered into a Supplemental Definitive Agreement to vary the components of the Company's proposed regularisation plan.

Further to the announcement on 30 June 2011, the Company announced that the Board had proposed to vary the revised regularisation plan by varying the exercise period of the warrant from ten (10) years to five (5) years and fixing the exercise price of the warrants at RM0.60 per warrant.

On 19 July 2011, the Company has submitted the revised proposed regularisation plan to Bursa Securities.

On 17 February 2012, the Company announced that it had entered into a Deed of Mutual Termination with Plenitude to terminate the Principal SSA including all variations and supplements thereto, in respect of the Proposed Acquisition, the Definitive Agreement including all variations and supplements thereto, in respect of the revised proposed regularisation plan and the Option Agreement.

Pursuant to the mutual termination of the Principal SSA, the Definitive Agreement and Option Agreement, the Company had on 20 February 2012 submitted an application for an extension of time up until 30 June 2012 to submit a variation of the proposed regularisation plan to Bursa Securities.

On 3 July 2012, the Company announced that Ho Hup, BJD and PHSB had come to an amicable settlement pursuant to the legal suit relating to the JDA and on the same date, entered into a Supplemental Agreement. Upon the execution of the Supplemental Agreement, Ho Hup had agreed inter alia to discontinue its appeal to the Federal Court and to withdraw the said legal suit and with no liberty to file afresh.

33. **Significant and Subsequent Events (Cont'd)**

(i) Ho Hup Construction Company Berhad ("Ho Hup" or "the Company") (Cont'd)

(a) Proposed Regularisation Plan (Cont'd)

On 27 July 2012, the Company announced that Bursa Securities had granted Ho Hup an extension of time up until 30 September 2012 to submit its revised regularisation plan to Bursa Securities.

Taking into account the mutual termination of the Definitive Agreement, Principal SSA and Option Agreement, including all subsequent restated and supplemental agreements and the Supplemental Agreement entered between Ho Hup, BJD and PHSB on 3 July 2012 pursuant to the legal suit relating to the JDA as disclosed in Note 33(ii), on 1 August 2012, the Company announced the revised regularisation plan which comprises the following:

(i) Proposed Par Value Reduction

Proposed share capital reduction of the existing issued and paid-up share capital of Ho Hup of RM102,000,408 comprising 102,000,408 ordinary shares of RM1.00 each, to RM51,000,204 comprising 102,000,408 ordinary shares of RM0.50 each ("Ho Hup Shares") to reduce the accumulated losses of Ho Hup;

(ii) Proposed Rights Issue of Irredeemable Convertible Preference Shares with Warrants

Proposed renounceable rights issue of 102,000,408 new Irredeemable Convertible Preference Shares ("ICPS") together with 51,000,204 free detachable warrants ("Warrants") at an issue price of RM0.50 per ICPS on the basis of one (1) ICPS for every one (1) existing Ho Hup Share held together with one (1) Warrants for every two (2) ICPS subscribed held after the Proposed Par Value Reduction;

(iii) Proposed Scheme of Arrangement with Creditors

Proposed scheme of arrangement with the creditors of Ho Hup and BJD pursuant to Section 176 of the Companies Act, 1965 in respect of the amounts owing to the unsecured creditors of Ho Hup and BJD aggregating RM257.66 million as at 31 October 2010;

33. **Significant and Subsequent Events (Cont'd)**

(i) Ho Hup Construction Company Berhad ("Ho Hup" or "the Company") (Cont'd)

(a) Proposed Regularisation Plan (Cont'd)

(iv) Proposed Amendments

Proposed amendments to the existing Memorandum and Articles of Association of Ho Hup to facilitate the reduction in the par value of the shares in Ho Hup from RM1.00 per share to RM0.50 per share resulting from the Proposed Par Value Reduction, the issuance of ICPS pursuant to the Proposed Rights Issue of ICPS with Warrants and the issuance of redeemable convertible preference shares ("RCPS") pursuant to the Proposed Scheme of Arrangement with Creditors; and

(v) Proposed Increase in Authorised Share Capital.

Proposed increase in authorised share capital involving the increase in the authorised share capital of Ho Hup from RM200,000,000 comprising 200,000,000 ordinary shares of RM1.00 each to RM500,000,000 comprising 990,000,000 ordinary shares of RM0.50 each of Ho Hup Shares, 200,000,000 ICPS of RM0.01 par value each and 300,000,000 RCPS of RM0.01 par value each to accommodate the creation of ICPS and RCPS pursuant to the Proposed Rights Issue of ICPS with Warrants and Proposed Scheme of Arrangement with Creditors respectively and the issuance of new Ho Hup Shares in the future arising from the conversion of ICPS and RCPS and exercise of Warrants.

On 23 August 2012, the Company appointed Covenant Equity Consulting Sdn Bhd as the independent adviser to opine on the fairness of the Proposed Regularisation Plan to the shareholders of Ho Hup and to mitigate any conflict of interest in respect of M&A Securities Sdn Bhd being the Adviser to Ho Hup for the Proposed Regularisation Plan.

On 28 September 2012, the Company announced that the revised Proposed Regularisation Plan was submitted to Bursa Securities and Bank Negara Malaysia and currently awaiting approval.

33. **Significant and Subsequent Events (Cont'd)**

(i) Ho Hup Construction Company Berhad ("Ho Hup" or "the Company") (Cont'd)

(b) Restraining order under Section 176(10) of the Companies Act, 1965

The Company and two of its subsidiary companies namely Bukit Jalil Development Sdn. Bhd. ("BJD") and Tru-mix Concrete Sdn. Bhd. ("TCSB"), collectively referred to as the Applicants had on 20 October 2010 obtained an Order from the High Court of Malaya ("High Court") pursuant to Section 176 of the Companies Act, 1965 which inter-alia, granted the Applicants leave to convene a Scheme Creditors meeting to consider and/or approve the Proposed Restructuring Scheme and Creditors Scheme of Arrangement, and ordered that all further proceedings and/or action against the Applicants including but not limited to winding-up, execution and/or arbitration proceedings be restrained for a period of 90 days from the date of order.

On 23 April 2013, the High Court of Malaya at Kuala Lumpur had further extended the restraining order in respect of Ho Hup and BJD for a further period of three (3) months from 24 April 2013.

33. **Significant and Subsequent Events (Cont'd)**

(ii) Bukit Jalil Development Sdn. Bhd. ("BJD")

On 16 March 2010, BJD entered into a JDA with Pioneer Haven Sdn. Bhd. ("PHSB"), a subsidiary of Malton Berhad to develop a piece of freehold land held under individual title Geran 42277, Lot No. 36101, Mukim of Petaling, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur, measuring in land area of approximately 243,000 square metres ("60-Acre Land") into a mixed commercial and residential development subject to the terms and conditions stipulated in the JDA.

Under the JDA, this development is to be carried out and completed in phases over the next ten (10) years from the date of the approval of the development order for the master layout plan with option to extend for a further five (5) years. The development order for the master layout plan was approved on 10 October 2007 but has since lapsed. An amended application was submitted to Dewan Bandaraya Kuala Lumpur ("DBKL") on 26 November 2009.

On 27 April 2010, Ho Hup announced that it has filed a legal suit in the Kuala Lumpur High Court in respect of the JDA ("the Suit") wherein the Company claimed to the High Court to declare the JDA null and void.

Ho Hup has also applied to the High Court for certain injunctions against PHSB and each of the other defendants of the Suit to restrain them from acting pursuant to the JDA. On 13 October 2010, the court has granted injunction to the Company.

The Court of Appeal had on the 20 December 2011 allowed the four (4) appeals by certain former Directors of Ho Hup and by PHSB with costs and dismissed Ho Hup's cross appeals in those four (4) matters. In this respect, Ho Hup has filed an application for leave to file an appeal to the Federal Court on the 16 January 2012. The Federal Court fixed the hearing of all 4 applications for leave on 17 May 2012.

On 30 January 2012, in respect of the Ho Hup's application of the "preservation of the rights and interest" of Ho Hup concerning the land in Bukit Jalil, the Court of Appeal has ruled on the consent judgement was entered into whereby PHSB shall not give effect to the JDA and Endorsement and Undertaking of the 16 March 2010 and Ho Hup is restrained to deal, transfer or encumber the said land pending the outcome of its appeal to the Federal Court.

Ho Hup is also to provide full disclosure in writing within 14 days from 30 January 2012 on the status and development or proposed development of the said land of which has since been complied with. PHSB has withdrawn its application in consideration thereof, with liberty to re-apply.

33. **Significant and Subsequent Events (Cont'd)**

(ii) Bukit Jalil Development Sdn. Bhd. ("BJD") (Cont'd)

On 3 July 2012, the Board announced that Ho Hup, BJD and PHSB had come to a settlement pursuant to the legal suit relating to the JDA and on the same date, entered into the Supplemental Agreement, wherein the principal terms of the Supplemental Agreement are as follows:

(a) The joint development of the freehold land owned by BJD in Bukit Jalil held under title Geran 42277, Lot No. 36101, Mukim of Petaling, District of Kuala Lumpur, Wilayah Persekutuan measuring approximately 243,000 square metres ("60-Acre Land") shall be on five sixths (5/6) of the 60-Acre Land measuring approximately 202,500 square metres ("JD Land");

(b) BJD shall be entitled to develop the remaining one sixth (1/6) portion of the 60-Acre Land measuring approximately 40,500 square metres ("BJD Land");

(c) BJD's entitlement shall be eighteen percent (18%) of the total gross development value of the JD Land to be developed by PHSB, subject to a minimum value of entitlement of RM220 million ("BJD's Entitlement"); and

(d) PHSB agrees and undertakes to pay for and on behalf of BJD and Ho Hup towards the servicing of monthly interests and the redemption of the secured loan of RM75 million from Insas Credit & Leasing Sdn. Bhd. and the payments so made by PHSB shall be treated as an advance of part of BJD's Entitlement.

Upon execution of the Supplemental Agreement, Ho Hup had agreed inter alia to discontinue its appeal to the Federal Court and to withdrawal the said legal suit and with no liberty to file afresh.

On 28 December 2012, PHSB made a final and full settlement of RM75 million loans with Insas Credit & Leasing Sdn. Bhd. who is the sole secured creditors of Ho Hup Group on behalf of Ho Hup and BJD in accordance with the Supplemental Agreement between BJD and PHSB.

34. Contingent Liabilities

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Corporate guarantees given to a supplier of goods to a subsidiary company - unsecured				
- Limit of guarantee	-	-	10,000	-
- Amount utilised	-	-	3,579	-
Guarantees issued by financial institutions in connection with performance bonds, security and tender deposits in favour of third parties for construction projects:				
- Secured fixed deposits	265	-	-	-
- Unsecured	42,237	-	42,237	-

These secured fixed deposit guarantees are secured by fixed deposits of the Group and of the Company as disclosed in Note 14.

35. **Material Litigations**

The Group and the Company have not engaged in any litigation which will have a material effect on the business or financial position of the Group and of the Company except for the following:

(i) **Europlus Corporation Sdn Bhd v Ho Hup Construction Company Berhad Kuala Lumpur High Court Civil Suit No. S1-22-241-2004**

Europlus Corporation Sdn Bhd ("Europlus") lodged a claim in the High Court, Kuala Lumpur, vide Civil Suit No. S1-22-241-2004 on 26 February 2004. The claim is for an alleged overpayment under a project known as "Proposed Bukit Beruntung Interchange" for a sum of RM4,387,463.

The Summons and Statement of Claim was filed on 26 February 2004 and served on 1 April 2004. The Company subsequently filed an application for further and better particulars on 30 July 2004 and the matter was fixed for hearing on 19 August 2004 but adjourned to 26 October 2004. The Company obtained order in terms of the said application on 26 October 2004 and Europlus has subsequently served the Company the particulars as requested on 25 November 2004. The Company then filed its defence on 10 December 2004. The claim has since been struck off by the Court on 28 January 2008.

(ii) **Arbitration between Ho Hup Construction Company (India) Pte Ltd and Andhra Pradesh Housing Board**

On 9 March 2005, a subsidiary of the Company, Ho Hup Construction Company (India) Pte Ltd ("Ho Hup India") entered into a Joint Development Agreement with the Andhra Pradesh Housing Board ("APHB") to develop a piece of land situated at Kancha Imarat, Maheshwaran Mandal, Ranga Reddy District, Andhra Pradesh, India. Ho Hup India has been selected to implement the development of the said land into an intergrated township with an approximate development value of India Rupee ("Rs") 3.6 billion (equivalent to RM204.92 million) at Shamshabad near Hyderabad. Ho Hup India shall pay APHB development fees of Rs101,175,000 (equivalent to RM8.57 million) over a period of 5 years.

This Joint Development Agreement was subsequently terminated by APHB. The Company is disputing the termination on the ground that APHB had yet to comply with its obligations in respect of the conditions precedent under the agreement.

On 2 May 2005, Ho Hup India commenced an arbitration claim for damages amounting to Rs.2,544,512,230 (equivalent to RM200.5 million) being the unlawful termination of the abovementioned contract.

35. **Material Litigations (Cont'd)**

(ii) **Arbitration between Ho Hup Construction Company (India) Pte Ltd and Andhra Pradesh Housing Board (Cont'd)**

The award in Ho Hup India's favour was published in May 2008 on terms as follows:

(a) APHB shall pay Ho Hup India the sum of Rs16,796,250 (equivalent to RM1.42 million) together with simple interest at the rate of 12% per annum from 1 February 2006 to the date of payment;

(b) APHB shall pay partial compensation of Rs6 lakhs (equivalent to RM50,820) together with simple interest at the rate of 9% per annum from 6 January 2006 to the date of payment.

The Company's solicitors in India is taking up this matter in respect of the execution of said award as well as the appeal lodged by APHB against the same.

(iii) **Dato' Low Tuck Choy vs Ho Hup Construction Company Bhd and seven (7) others**
Kuala Lumpur High Court Civil Suit No. S3-23-160-2008

On 21 October 2008, Dato' Low Tuck Choy ("Plaintiff") served the Board of Directors, i.e: Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, Datuk Lye Ek Seang, Low Teik Kien, Mustapa Bin Mohamed, Lai Moo Chan, Lee Chong Hoe and Zainal Abidin Bin Mohd Yusof and the Company with a Writ of Summons dated 21 October 2008 and Statement of Claim dated 20 October 2008 (Civil Suit No. S3-23-160-2008). The Plaintiff claimed for damages including aggravated damages for libel, an injunction restraining the Defendants from publishing or causing to be published the same or similar words defamatory of the Plaintiff, and costs. The case is fixed for case management on 19 February 2013 and for Trial on the 2nd, 3rd, 6th, 7th and 8th May 2013.

35. **Material Litigations (Cont'd)**

(iv) **Dato' Low Tuck Choy vs Ho Hup Construction Company Bhd**
Kuala Lumpur High Court Civil Suit No. S-22-525-2010

On 31 July 2009, the Company was served by Dato' Low Tuck Choy ("Plaintiff") with a Writ of Summons KL High Court Civil Suit S-22-525-2009 dated 24th July 2009, seeking damages and, an injunction that the Defendants and or his agents to injunct an arbitral tribunal from handing down its award. The Statement of Defence was filed on 26 October 2009.

Subsequently, the Defendant under Kuala Lumpur High Court Suit No.22NCVC-873-09/2011 filed an application for consolidation. The same was heard on the 19 March 2012 and the judge allowed a transfer but did not order consolidation. However, on the 10 October 2012 the judge directed the respective cases to be heard separately.

In the meantime, the striking out applications filed by 1st, 2nd, 4th, 6th, 7th and 9th Defendants were dismissed by the High Court on the 10 October 2012. For the Plaintiff's application to amend the Statement of Claim and application to discharge as solicitors of the 1st, 2nd and 9th Defendants, the same were allowed by the Court on the 30 October 2012. On the 19 February 2013, the 4th, 6th and 7th Defendant's applications to amend their Defence were allowed. The matter is now fixed for further Case Management on 26 April 2013 pending compliance with Pre-trial directions.

(v) **Extreme System Sdn Bhd vs Ho Hup Construction Company Bhd and 27 others**
Kuala Lumpur High Court Suit No: D-22NCC-146-2010

On 27 January 2010, Extreme System Sdn Bhd ("Plaintiff") vide Kuala Lumpur High Court Suit No: D-22NCC-146-2010 ("the Suit") filed a suit alleging *inter alia*, breach of fiduciary duties by certain parties acting in concert, to take-over control of the Company via the acquisition of over 16,005,206 (15.69%) of its shares ("the swing vote") and the calling of an EGM to remove its entire board save for Low Teik Kien. The attempted take-over is in breach of the Malaysian Code on Take-Overs and Mergers 1998 ("Code"), the Securities Commission Act ("SCA") and for improper purposes.

The matter was scheduled for Trial from 10 January to 14 January 2011 in the High Court. However, an amicable settlement has been reached by all parties. Following the terms of the said settlement, the Plaintiff withdrew its Suit against all of the Defendants and the 2nd to 8th Defendants withdrew their counter claims in the Suit as well as their appeal to the Federal Court.

35. **Material Litigations (Cont'd)**

(vi) **Ho Hup Construction Company Bhd vs Low Chee & Sons Sdn Bhd**
Kuala Lumpur High Court Suit No. S-23-2-2010

On 7 January 2010, the Company filed suit at Kuala Lumpur High Court (Suit No. S-23-2-2010) against Low Chee & Sons Sdn Bhd ("Defendant") for damages among others, publishing a notice entitled "Important Notice to All Shareholders of Ho Hup Construction Company Berhad" ("Notice") in the Sin Chew Daily newspaper on 25 December 2009 and in The Star newspaper, Starbiz section on 28 December 2009. The contents of said Notice amounts to a very serious libel on the Company and as a consequence, its reputation has been tarnished.

The Defendant filed their Notice of Appearance on 29 January 2010. An extension of time has been agreed between parties for the Defendants to file and serve their defence. The Court has fixed the case for show cause on the 2 August 2012 and the same has since been withdrawn without liberty to file afresh and no orders as to costs.

(vii) **Ho Hup Construction Company Berhad v Bukit Jalil Development Sdn Bhd and 10 others**
Kuala Lumpur High Court Suit No. 22NCC-792-2010

The Company filed Suit No. 22NCC-792-2010 in the Kuala Lumpur High Court against Bukit Jalil Development Sdn Bhd ("BJD") and 10 others ("the Suit") in respect of the Joint Development Agreement ("JDA") dated 16 March 2010 between BJD and Pioneer Haven Sdn Bhd ("PHSB") to develop the 60 acre freehold land held under individual title Geran 42277, Lot No. 36101, Mukim Petaling, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan.

The Company claimed, inter alia, in the Statement of Claim for a declaration that the JDA, Power of Attorney (PA) and Endorsement and Undertaking are void.

On 7 June 2011, the Court granted a declaration that the JDA, PA and Endorsement and Undertaking were null and void, an order directing PHSB to account and to pay all benefits received by PHSB from the JDA, PA and Endorsement and Undertaking, an order that the Registrar of Land Titles expunge or remove the private caveat entered by PHSB on the 60-Acre Land, an order that damages be assessed by the Registrar of the High Court as against the 2nd to 8th Defendants and PHSB and costs to be paid by the 2nd to 8th Defendants and PHSB to the Company.

The Court of Appeal, on the 20 December 2011, allowed the four (4) appeals by certain former directors of the Company and PHSB with costs and dismissed the Company's cross appeals. The Company subsequently filed a Motion for leave to appeal to the Federal Court on the 16 January 2012 which has since been allowed on the 17 May 2012.

The parties have since come to an amicable settlement via their entry into a Supplemental Agreement to the JDA on the 3 July 2012. Pursuant to the terms of same, the Company withdrew its appeal to the Federal Court.

35. **Material Litigations (Cont'd)**

(viii) **Ho Hup Construction Company Bhd vs Dato' Low Tuck Choy ("DLTC") Industrial Court Suit No. 26/4-586/10**

Dato' Low Tuck Choy ("DLTC") brought an action against the Company for reinstatement as managing director of the Company. DLTC's lawyer filed the Statement of Case and the matter is now fixed for further mention on the 6 May 2013.

(ix) **Ho Hup Construction Company Bhd vs Woo Thin Choy Kuala Lumpur High Court Suit Suit No. 22NCVC-873-09/2011**

On 9 September 2011, the Company brought an action against Woo Thin Choy, the Company's former Project Director. The Company claimed that the Defendant caused the Company to suffer loss and damages of USD 2.5 million and further alleged that the Defendant breached his fiduciary, contractual and/or common law duties owed to the Company.

The Company sought relief from Court for, inter alia an order for payment of the sum of USD2.5 million by the Defendant. The Company also sought relief for an account of all sums received by the Defendant and all such assets or any part thereof as well as general damages arising from the Defendant's breach of duty owed to the Company.

Subsequently, the Defendant filed an application for consolidation of the present suit with the one under Kuala Lumpur High Court Civil Suit No. S-22-525-2009 ("Civil Suit"). The same was heard on the 19 March 2012 and the judge allowed the case to be transferred to the court hearing the said Civil Suit. However, on the 10 October 2012, the judge directed this matter to be tried separately and fixed the same for Case Management on the 6 December 2012 for Defendant to file their list of witnesses. The trial dates for this matter which was fixed on the 28 February 2013 and 1 March 2013 have since been vacated pursuant to Defendant's application for an adjournment. The Trial of this matter is now fixed from the 17 to 20 June 2013.

35. **Material Litigations (Cont'd)**

(x) **Zen Court Sdn. Bhd. vs Bukit Jalil Development Sdn. Bhd. & 2 others & 10 others**
Kuala Lumpur Sessions Court Summons No.: 52-9694-2011

Pursuant to an Agreement dated 12 September 1995 ("the 1995 JVA"), the Company and United Engineers (Malaysia) Berhad ("UEM") entered into a joint venture whereby the Company and UEM agreed to subscribe for shares in Bukit Jalil Development Sdn. Bhd. ("BJD") on a 70%-30% ratio respectively. Subsequently, on 28 September 2009, Zen Courts Sdn. Bhd. ("Zen Courts") entered into a Sale and Purchase Agreement to buy shares held by UEM in BJD.

On 9 June 2011, Zen Courts served a sealed copy of the Petition pursuant to Section 181 of the Companies Act, 1965 on BJD, the Company and Ho Hup Equipment Rental Sdn. Bhd. ("HHER") ("the Companies") claiming, inter alia, that BJD and the Company have allegedly oppressed them and would not recognise their rights under the 1995 JVA.

On 27 March 2012, the Court, after hearing the Petition, ordered a buy-out of Zen Court's stake in BJD by the Company ("Buy-Out Order"). The Court further ordered that a valuation be made on a net tangible assets basis as at the date of the Judgment to be valued by an Independent Valuer.

Pursuant to the said Buy-Out Order, Ferrier Hodgson Monteiro Heng Sdn. Bhd. ("FHMH") was appointed as said Independent Valuer on the 19 June 2012. The valuation report was issued by FHMH on the 31 December 2012.

This matter was fixed for Case Management on the 22 April 2013 and on that date, was fixed for hearing for all the said applications on the 24 June 2013.

36. **Financial Instruments**

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 2 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Loans and receivables RM'000	**Other financial liabilities at amortised cost RM'000**	**Total RM'000**
Group			
2012			
Financial Assets			
Trade receivables	14,394	-	14,394
Other receivables	32,703	-	32,703
Fixed deposits with licensed banks	1,543	-	1,543
Cash and bank balances	2,482	-	2,482
Total financial assets	51,122	-	51,122
Financial Liabilities			
Provision for liquidated ascertained damages	-	19,439	19,439
Trade payables	-	49,972	49,972
Other payables	-	151,292	151,292
Bank borrowings	-	10,710	10,710
Total financial liabilities	-	231,413	231,413

36. **Financial Instruments (Cont'd)**

(a) Classification of financial instruments (Cont'd)

	Loans and receivables RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Group			
2011			
Financial Assets			
Trade receivables	13,288	-	13,288
Other receivables	4,150	-	4,150
Fixed deposits with licensed banks	5,490	-	5,490
Cash and bank balances	1,074	-	1,074
Total financial assets	24,002	-	24,002
Financial Liabilities			
Provision for liquidated ascertained damages	-	16,910	16,910
Trade payables	-	31,761	31,761
Other payables	-	57,495	57,495
Amount owing to an associated company	-	2,200	2,200
Hire purchase payables	-	15	15
Bank borrowings	-	85,741	85,741
Total financial liabilities	-	194,122	194,122
Company			
2012			
Financial Assets			
Trade receivables	2,852	-	2,852
Other receivables	26,531	-	26,531
Amount owing by subsidiary companies	73,988	-	73,988
Fixed deposits with licensed banks	564	-	564
Cash and bank balances	109	-	109
Total financial assets	104,044	-	104,044

36. **Financial Instruments (Cont'd)**

(a) Classification of financial instruments (Cont'd)

	Loans and receivables RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Company			
2012			
Financial Liabilities			
Trade payables	-	27,162	27,162
Other payables	-	54,429	54,429
Amount owing to subsidiary companies	-	18,784	18,784
Bank borrowings	-	8,462	8,462
Total financial liabilities	-	108,837	108,837
2011			
Financial Assets			
Trade receivables	6,483	-	6,483
Other receivables	2,041	-	2,041
Amount owing by subsidiary companies	150,830	-	150,830
Fixed deposits with licensed banks	4,165	-	4,165
Cash and bank balances	207	-	207
Total financial assets	163,726	-	163,726
Financial Liabilities			
Trade payables	-	21,982	21,982
Other payables	-	35,438	35,438
Amount owing to subsidiary companies	-	18,277	18,277
Amount owing to an associated company	-	2,200	2,200
Hire purchase payables	-	15	15
Bank borrowings	-	70,465	70,465
Total financial liabilities	-	148,377	148,377

36. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its financial risks, including credit risk, liquidity risk and market risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group and the Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Financial assets that are primarily exposed to credit risks are receivables, inter-company balances and deposits, cash and bank balances.

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group and the Company's exposure to credit risk arises principally from the inability of its customers to make payments when due.

The Group has adopted a policy of only dealing with creditworthy counterparties. Receivables are monitored on an ongoing basis via Company's management reporting procedures and action will be taken for long outstanding debts.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the reporting period represents the Group and the Company's maximum exposure to credit risk in relation to financial assets. No financial assets carry a significant exposure to credit risk except as disclosed in Note 11.

36. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group and the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from its various payables, loan and borrowings.

The Group's and the Company's funding requirements and liquidity risk is managed with the objective of meeting business obligations on a timely basis. The Group monitors its cash flows and ensures that sufficient funding is in place to meet the obligations as and when they fall due. Note 33(i)(a) describes the Proposed Regularisation Plan of the Group.

The following table analyses the remaining contractual maturity for non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	On demand or within 1 year RM'000	Total contractual cash flows RM'000	Total carrying amount RM'000
Group			
2012			
Provision for liquidated ascertained damages	19,439	19,439	19,439
Trade payables	49,972	49,972	49,972
Other payables	151,292	151,292	151,292
Bank borrowings	11,618	11,618	10,710
Total financial liabilities	232,321	232,321	231,413
2011			
Financial Liabilities			
Provision for liquidated ascertained damages	16,910	16,910	16,910
Trade payables	31,761	31,761	31,761
Other payables	57,495	57,495	57,495
Amount owing to an associated company	2,200	2,200	2,200
Hire purchase payables	15	15	15
Bank borrowings	94,149	94,149	85,741
Total financial liabilities	202,530	202,530	194,122

36. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM'000	Total contractual cash flows RM'000	Total carrying amount RM'000
Company			
2012			
Financial Liabilities			
Trade payables	27,162	27,162	27,162
Other payables	54,429	54,429	54,429
Amount owing to subsidiary companies	18,784	18,784	18,784
Bank borrowings	9,182	9,182	8,462
Total financial liabilities	109,557	109,557	108,837
2011			
Financial Liabilities			
Trade payables	21,982	21,982	21,982
Other payables	35,438	35,438	35,438
Amount owing to subsidiary companies	18,277	18,277	18,277
Amount owing to an associated company	2,200	2,200	2,200
Hire purchase payables	15	15	15
Bank borrowings	77,385	77,385	70,465
Total financial liabilities	155,297	155,297	148,377

(c) Market risks

(i) Foreign currency exchange risk

The Group incurs foreign currency risk on transactions that are denominated in foreign currencies. The currencies giving rise to this risk are Indian Rupee ("INR"). The Group has not entered into any derivative instruments for hedging or trading purposes as the net exposure to foreign currency risk is not significant.

36. **Financial Instruments (Cont'd)**

(c) Market risks (Cont'd)

(i) Foreign currency exchange risk (Cont'd)

The carrying amounts of the Group's are foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

	Financial assets			
	Trade receivables RM'000	Other receivables RM'000	Cash and bank balances RM'000	Total RM'000
Group				
2011				
INR	302	979	20	1,301

	Financial liabilities		
	Trade payables RM'000	Other payables RM'000	Total RM'000
Group			
2011			
INR	-	57	57

(ii) Foreign currency risk sensitivity

A 10% strengthening of Ringgit Malaysia against the following foreign currencies at the end of the reporting period would (increase)/decrease the loss before taxation and other comprehensive income by amount shown below. This analysis assumes that all other variables remain unchanged.

	Group	
	2012 RM'000	**2011 RM'000**
INR	-	(124)
	-	(124)

A 10% weakening of Ringgit Malaysia against the above foreign currencies at the end of the reporting period would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain unchanged.

36. **Financial Instruments (Cont'd)**

(c) Market risks (Cont'd)

(iii) Interest rate risk

The Group's and the Company's exposure to interest rate risk arises primarily from financing through interest bearing financial assets and financial liabilities. The Group's and the Company's policy is to obtain the financing with the most favourable interest rates in the market.

The Group and the Company constantly monitors its interest rate risk and does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes. At the end of the reporting period, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

The Group and the Company are exposed to interest rate risk arising from its short term debts obligations, and its fixed deposits. Fixed deposits interest rate is insignificant and any fluctuations in the rate would have no material impact on the results of the Group and the Company.

The carrying amounts of the Group's and of the Company's financial instruments that are exposed to interest rate risk are as follows:

	Group		**Company**	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial asset				
Fixed deposits with licensed banks	1,543	5,490	564	4,165
Financial liability				
Bank borrowings	10,710	10,738	8,462	8,462

36. **Financial Instruments (Cont'd)**

(c) Market risks (Cont'd)

(iv) Interest rate risk sensitivity

An increase in market interest rates by 1% on financial assets and financial liabilities of the Group and of the Company which have variable interest rates at the end of the reporting period would increase the loss before taxation by RM0.09 million (2011: RM0.05 million) and RM0.08 million (2011: RM0.04 million) respectively. This analysis assumes that all other variables remain unchanged.

A decrease in market interest rates by 1% on financial assets and financial liabilities of the Group and of the Company which have variable interest rates at the end of the reporting period would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain unchanged.

(d) Fair values of financial instruments

The carrying amounts of short term receivables and payables, cash and cash equivalents and short term borrowing approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

37. **Capital Management**

The Group's management manage its capital to ensure that the Group is able to continue as a going concern and maintains an optimal capital structure, so as to maximise shareholder value. The management reviews the capital structure by considering the cost of capital and the risks associated with the capital.

Total capital managed at Group level comprises of shareholders' equity, cash and cash equivalents and bank borrowings.

37. **Capital Management (Cont'd)**

The gearing ratios are as follows:

	Group 2012	Group 2011	Company 2012	Company 2011
Total bank borrowings (RM'000)	10,710	85,741	8,462	70,465
Less: Cash and cash equivalents	1,780	4,088	2,186	2,652
Net debt	12,490	89,829	10,648	73,117
Shareholders' equity	(50,817)	(38,997)	17,046	32,172
Debt-to-equity ratio (%)	*	*	62%	227%

* Gearing ratio not applicable to the Group due to deficit in shareholders' equity as at 31 December 2012 and 2011.

The decrease in gearing ratio for the Company as at 31 December 2012 was primarily due to the repayment of debts during the financial year.

The Proposed Regularisation Plan of the Company is disclosed in Note 33(i)(a).

38. **Comparative Figures**

Certain comparative figures have been reclassified to conform with current year presentation:

	As previously stated RM'000	Reclassification RM'000	As restated RM'000
Group			
Statements of comprehensive income			
Cost of sales	24,821	4,129	28,950
Other operating expenses	23,005	(4,129)	18,876

39. **Date of Authorisation for Issue**

The financial statements of the Group and of the Company for the financial year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 25 April 2013.

Supplementary Financial Information on the Disclosure of Realised and Unrealised Profit or Losses

The breakdown of the accumulated losses of the Group and of the Company as at 31 December 2012 and 31 December 2011 into realised and unrealised amounts is as follows:

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Accumulated losses				
- Realised	(198,278)	(183,982)	(84,954)	(69,828)
Less: Consolidation adjustments	39,562	37,374	-	-
	(158,716)	(146,608)	(84,954)	(69,828)

The disclosure of realised and unrealised profits or losses is solely compiled in accordance to the Malaysian Institute of Accountants Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements issued on 20 December 2010.

The disclosure of realised and unrealised profits and losses is solely for the purpose of disclosure requirements of Bursa Securities Listing Requirements and should not be applied for any other purpose.

Company No. 14034-W

APPENDIX VII

UNAUDITED CONSOLIDATED QUARTERLY RESULTS OF OUR GROUP FOR THE SIX (6) MONTHS PERIOD ENDED 30 JUNE 2013

SIGHTED ORIGINAL DOCUMENT

CHIN MUN YEE
SECRETARY
MAICSA 7019243
19 NOV 2013

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the quarter ended 30 June 2013

The figures have not been audited.

	INDIVIDUAL QUARTER 3 MONTHS ENDED		CUMULATIVE QUARTER 6 MONTHS ENDED	
	30 June 2013 RM'000	30 June 2012 RM'000	30 June 2013 RM'000	30 June 2012 RM'000
Revenue	16,654	5,802	39,932	20,229
Cost of Sales	(15,115)	(11,574)	(34,974)	(24,145)
Gross Profit/(Loss)	1,539	(5,772)	4,958	(3,916)
Other Income	9,108	76	9,160	1,430
Gain on disposal of investments	-	-	-	-
Administrative expenses	(1,117)	(1,363)	(2,299)	(2,911)
Operating expenses	(3,146)	(2,554)	(4,367)	(4,258)
Profit/(Loss) from operating activities	6,384	(9,613)	7,452	(9,655)
Finance income	12	23	13	39
Finance cost	(243)	(2,467)	(476)	(4,896)
Net Finance Costs	(231)	(2,444)	(463)	(4,857)
Share of results of associates	-	-	-	-
Profit/(Loss) before tax	6,153	(12,057)	6,989	(14,512)
Taxation	-	2,285	-	2,286
Profit/(loss) for the period	6,153	(9,772)	6,989	(12,226)
Other Comprehensive Income/(loss), net of tax				
Foreign Currency Translation differences for foreign operations		-		-
Other Comprehensive Income/(loss) for the period, net of tax	-	-	-	-
Total Comprehensive Income/(loss) for the period, net of tax	6,153	(9,772)	6,989	(12,226)
Profit/(loss) Attributable to:				
Owners of the Company	6,450	(8,999)	6,825	(11,617)
Non Controlling Interest	(297)	(773)	164	(609)
Profit/ (loss) for the period	6,153	(9,772)	6,989	(12,226)
Total Comprehensive Income/ (loss) attributable to:				
Owners of the Company	6,450	(8,999)	6,825	(11,617)
Non Controlling Interest	(297)	(773)	164	(609)
Total comprehensive Income/(loss) for the period	6,153	(9,772)	6,989	(12,226)
Basic earnings / (loss) per share attributable to owners of the Company (sen)	**6.32**	**(8.82)**	**6.69**	**(11.39)**

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2013

The figures have not been audited.	As at 30 June 2013 RM '000 (Unaudited)	As at 31 Dec 2012 RM '000 (Audited)
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	2,920	1,608
Land Held for Property Development	114,063	111,307
Other receivables	4,216	4,216
	121,199	117,131
Current Assets		
Amount due from customer on contract	3,874	1,099
Property Development Costs	19,221	15,527
Inventories	403	319
Trade Receivables	19,309	14,394
Other Receivables	34,644	28,487
Fixed Deposits	961	1,543
Cash and Bank Balances	1,583	2,482
	79,995	63,851
TOTAL ASSETS	201,194	180,982
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of the Parent		
Share Capital	102,000	102,000
Foreign Exchange Reserves	(334)	4,907
Accumulated Losses	(146,649)	(158,716)
	(44,983)	(51,809)
Non-Controlling Interest	1,156	992
Total Equity	(43,827)	(50,817)
Current Liabilities		
Provision for liquidated ascertained damages	20,642	19,439
Short Term Borrowings	10,694	10,710
Trade Payables	36,647	49,972
Other Payables	177,038	151,292
Tax payable	-	386
	245,021	231,799
Total Liabilities	245,021	231,799
TOTAL EQUITY AND LIABILITIES	201,194	180,982
Net assets per share attributable to equity holders of the parent (RM)	**(0.44)**	**(0.51)**

Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Fina
Report for the year ended 31 December 2012 and the accompanying explanatory notes attached
to the interim financial statements

Company No. 14034-W

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the quarter ended 30 June 2013

The figures have not been audited.

	<-------------Attributable to Equity Holders of the Parent------------->					
		Non-Distributable	Distributable			
	Share Capital (RM'000)	Foreign exchange Reserves (RM'000)	Accumulated Losses (RM'000)	Total (RM'000)	Non-Controlling Interest (RM'000)	Total Equity (RM'000)
1 January 2013	102,000	4,907	(158,714)	(51,807)	992	(50,815)
Other Comprehensive Income for the period		(5,241)	5,241	-	-	-
Total Comprehensive Income/ for the period	-	-	6,825	6,825	164	6,989
At 30 June 2013	102,000	(334)	(146,649)	(44,983)	1,156	(43,827)

	<-------------Attributable to Equity Holders of the Parent------------->					
		Non-Distributable	Distributable			
	Share Capital (RM'000)	Foreign exchange Reserves (RM'000)	Accumulated losses (RM'000)	Total (RM'000)	Non-Controlling Interest (RM'000)	Total Equity (RM'000)
At 1 January 2012	102,000	4,969	(146,608)	(39,639)	642	(38,997)
Total Comprehensive loss for the quarter	-	-	(11,617)	(11,617)	(609)	(12,226)
Translation Reserves		(36)	-	(36)		(36)
At 30 June 2012	102,000	4,933	(158,225)	(51,292)	33	(51,259)

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements

Company No. 14034-W

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the quarter ended 30 June 2013

	6 months ended 30-Jun-13 RM'000	12 months ended 31 Dec 2012 RM'000
CASHFLOW FROM OPERATING ACTIVITIES		
Profit before tax	6,989	(16,707)
Adjustments for non-cash items:		
	-	
Bad Debt written off	-	34
Depreciation of Property, plant and equipment (PPE)	311	629
Deposit written off		33
Fair value adjustments on other receivable	-	659
Impairment of trade receivables		35
Impairment on other receivable		556
Gain on disposal of non current asset held for sale		(1,591)
Gain on Disposal of PPE	(0)	(532)
Gain on disposal of associated company	(9,059)	
Provision for liquidated ascertained dmanges	-	2,529
Reversal of impairment on trade receivables	-	(604)
Reversal of impairment on other receivables		(17)
Reversal of over accruals		(1)
Writeback of provision for value added tax		(1,943)
Interest Expenses	476	9,112
Interest Income	(13)	(147)
Operating (loss)/profit before working capital changes	(1,297)	(7,955)
Decrease/(Increase) in working capital		
Land and property development costs	(2,756)	(1,417)
Amount owing by/to customer on contracts	(2,775)	(1,099)
Property Development cost	(3,695)	
Inventories	(83)	(145)
Trade receivables	(4,915)	(1,106)
Other receivables	2,902	(29,249)
Provision for liquidated ascertained damages	1,202	2,530
Capital Work in Progress	-	-
Trade Payables	(13,325)	18,210
Other Payables	25,751	95,789
	2,306	83,513
Cash generated from/(used in) operations		
Interest paid	(476)	(9,896)
Interest received	13	
Tax (paid)/ recovery	-	(55)
Tax refund		2,595
Payment of Liquidated Ascertained Damages (LAD)	-	-
Exchange fluctuation adjustment		
	(463)	(7,356)
Net cash from operating activities	547	68,202
CASHFLOW FROM INVESTING ACTIVITIES		
Purchase of PPE	(2,012)	(327)
Proceeds from disposal of PPE		710
Net cash outflow on disposal of subsidiaries	-	-
Interest Received		147
Deposits for disposal of non current asset held for sale	-	3,837
	(2,012)	4,367
CASHFLOW FROM FINANCING ACTIVITIES		
Repayment of term loan		(75,003)
Draw down of term loan	-	-
Repayment of hire purchase liabilities	-	(15)
	-	(75,018)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT	(1,465)	(2,449)
Effect of changes in foreign exchange	-	(62)
Cash and cash equivalent restricted		
OPENING BALANCE	(1,082)	1,429
CLOSING BALANCE	(2,547)	(1,082)
Closing balance of cash and cash equivalents comprises:-		
Cash and bank balances	1,583	2,482
Bank overdraft	(5,091)	(5,107)
Fixed deposits with licensed banks	961	1,543
	(2,547)	(1,082)

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2012 and the accompanying explanatory notes

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

NOTES TO THE INTERIM FINANCIAL REPORT 30 JUNE 2013

1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with Financial Reporting Standard ("FRS") 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. The figures for the period in the current quarter to 30 June 2013 have not been audited.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2012. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2012.

2. Changes in accounting policies

The significant accounting policies adopted by the Group in this interim financial statements are consistent with those adopted in the annual financial statements for the financial year ended 31 December 2012 except for the following new/revised FRSs, amendments to FRSs and IC Interpretations and will be effective for the financial periods as stated below:

		Effective date for financial periods beginning on or after
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
MFRS 9(IFRS 9 2009)	Financial Instruments	1 January 2015
MRS 9 (IFRS 9 2010)	Financial Instruments	1 January 2015

The above new MFRSs, revised MFRSs, IC Interpretations and amendments to MFRSs will be adopted in the annual financial statements of the Group when they become effective and the initial applications of these Standards and IC Interpretations will have no significant impact on the financial statements of the Group.

3. Audit report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2012 was an Emphasis of Matters due to the Group and the

Company incurring a net loss of RM11.76 million and RM15.13 million respectively during the financial year ended 31 December 2012. As at 31 December 2012, the Group's current liabilities exceeded its current assets by RM167.95 million and its shareholders' deficit amounted to RM50.82 million.

The Company has been an affected listed issuer under Amended PN17 of Bursa Malaysia Securities Berhad Main Market Listing Requirements since 31 July 2008. On 13 May 2013, Bursa Malaysia has approved the Proposed Regularisation Exercise and pending implementation of the scheme.

4. Segment information

By industry segment:	Revenue		Profit after tax	
	Cumulative 6 Months Ended			
	30.6.2013 RM'000	30.6.2012 RM'000	30.6.2013 RM'000	30.6.2012 RM'000
Construction	16,545	-	6,462	(10,037)
Property development	8,334	8,576	539	(1,983)
Ready mixed concrete	15,053	11,653	28	(141)
Others	-	-	(40)	(65)
Total	39,932	20,229	6,989	(12,226)

5. Unusual items due to their nature, size or incidence

There were no unusual items affecting the assets, liabilities, equity, net income or cash flow during the financial year ended 30 June 2013.

6. Material changes in estimates

There were no changes in estimates that have had a material effect in the current quarter result.

7. Seasonal or cyclical factors

The Group's performance was not materially affected by any seasonal or cyclical factors save for unfavorable weather conditions, shortage of construction and increase in the cost of construction materials for the quarter under review.

8. Dividends paid

No dividends have been paid since the beginning of the current financial quarter.

9. Carrying amount of revalued assets

The valuations of property, plant and equipment are stated at cost less accumulated depreciation and impairment loss. No valuations have been undertaken in prior year.

10. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial period to date.

11. Changes in composition of the Group

Save for those disclosed below, there were no changes in the composition of the Group for the current quarter under review.

(a) The Company had on 13 May 2013 incorporated a new wholly-owned subsidiary, namely Ho Hup Construction Company (L) Ltd. ("HHCCL") under the Labuan Companies Act, 1990.

HHCCL has an authorised capital of USD1,000 comprising 1,000 ordinary shares each, all of which have been issued and fully paid-up.

The intended business activities are property development, construction and investment holding.

(b) The Company had on 30 May 2013 entered into an Agreement with Shanghai Dongyuan Investment Management Co., Ltd. ("Shanghai Dongyuan") to dispose of the shares held in Shanghai San Ho Hup Pile Co., Ltd ("SSHH"), at a total cash consideration of RMB39.2 million (approximately RM20.12 million) (100% equity). The Company's share of proceeds for its 45% shareholding in SSHH amounted to RMB17.64 million (approximately RM9.05 million).

12. Changes in contingent liabilities

a) Group contingent liabilities

	Group	Company	Group/Company
Type	**30.6.2013 RM'000**	**30.6.2013 RM'000**	**30.6.2012 RM'000**
Secured Bank Guarantee	4,610		-
Unsecured Bank Guarantee	42,237		-
Corporate Guarantee	-	4,225	-
Total	46,847	4,225	-

b) Apart from the above, there were no changes in contingent liabilities (other than the material litigation disclosed in Note 11 on Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad) since the last date of statement of financial position.

13. Subsequent events

Save and except for the announcements made by the Company on 31 May, 3 June, 4 June, 5 June, 27 June, 28 June,1 July, 2 July, 4 July, 15 July, 18 July, 23 July, 25 July, 26 July, 30 July, 31 July, 1 August, 6 August, 7 August, 14 August, 15 August and 16 August, the material litigation as disclosed below under explanatory note 11 Changes in Material Litigation and matters as set out herein, in the opinion of the Directors, the financial statements for the interim period have not been affected by any material event that has occurred between the end of the interim period and the date of this report.

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

30 JUNE 2013

1. Review of Performance

The Group recorded a profit after tax of RM6.2 million and revenue of RM16.7 million for the current quarter ended 30 June 2013 as compared to a loss after tax of RM9.8 million on revenue of RM5.8 million for the corresponding quarter ended last year.

The Construction sector registered a profit after tax of RM7.2 million and revenue of RM6.0 million in the current quarter as compared to a loss after tax of RM7.1 million and nil revenue for the corresponding quarter in the previous year. The higher profit is mainly due to the extraordinary gain from the disposal of an associated company, Shanghai San Ho Hup Pile Co Ltd of which this investment cost has been fully impaired in previous years. Current quarter construction revenue was mainly contributed by Kem Askar Project in Johor.

The Property Development sector registered a loss after tax of RM1 million and revenue of RM2.3 million in the current quarter as compared to a loss after tax of RM2.5 million and nil revenue for the corresponding quarter in the previous year. Revenue for the current quarter was derived mainly from the current development of Parcel A shop offices.

The Ready Mix Concrete sector registered a marginal profit after tax of RM5,074 and revenue of RM8.3 million in this quarter compared to a loss after tax of RM0.2 million and revenue of RM5.8 million in the corresponding quarter in the previous year. The higher revenue is due to commissioning of 5 plants in current year as compared to 2 plants in previous year. Despite the higher revenue, the Ready Mix division registered lower profits due to the Subang and Cheras plants being newly commissioned incurred startup costs.

2. Explanatory comments on any material change in the profit/ (loss) before taxation for the quarter reported as compared with the immediate preceding quarter

The Group registered an after tax profit of RM6.2 million in the current quarter ended June 2013 as compared to an after tax profit of RM0.8 million in the previous quarter ended 31 March 2013. The improvement in the current quarter results was mainly due to the disposal of an associated company, Shanghai San Ho Hup Pile Co Ltd, which resulted in a gain of RM9.1 million as the investment cost was fully impaired in previous years.

3. Prospects for the forthcoming financial period

On 28 September 2012, the Company submitted its revised Proposed Regularisation Exercise under Practice Note 17 of Bursa Malaysia Securities Berhad Main Market Listing Requirement to regulatory authorities.

On 13 May 2013, the Company had received the approval from Bursa Malaysia to implement the Proposed Regularisation Exercise. Barring any unforeseen circumstances, the Proposed Regularisation Exercise is expected to be completed in the fourth quarter 2013.

4. Variance of actual profit from forecast profit and shortfall in profit guarantee

This is not applicable.

5. Taxation

There is no tax liability for the current quarter due to sufficient accumulated tax losses brought forward from previous years to cover current tax liabilities.

6. Status of current corporate proposals

There were no other corporate proposals announced but not completed as at the date of this announcement, being the latest practicable date from the date of the issue of this quarterly report, other than the following:

(a) On 31 July 2008, Ho Hup announced that it is an affected issuer under paragraph 2.1 (d) of PN17/2005 of Bursa Securities as the Company's auditors, had expressed a disclaimer opinion in the Company's audited accounts for the financial year (FYE) 31 December 2007.

On 28 September 2012, the Company announced that the revised Proposed Regularisation Plan was submitted to Bursa Securities.

The revised regularisation plan comprises the following:

(i) Proposed Par Value Reduction

Proposed share capital reduction of the existing issued and paid-up share capital of Ho Hup of RM102,000,408 comprising 102,000,408 ordinary shares of RM1.00 each, to RM51,000,204 comprising 102,000,408 ordinary shares of RM0.50 each ("Ho Hup Shares") to reduce the accumulated losses of Ho Hup;

(ii) Proposed Rights Issue of Irredeemable Convertible Preference Shares with Warrants

Proposed renounceable rights issue of 102,000,408 new Irredeemable Convertible Preference Shares ("ICPS") together with 51,000,204 free detachable warrants ("Warrants") at an issue price of RM0.50 per ICPS on the basis of one (1) ICPS for every one (1) existing Ho Hup Share held together with one (1) Warrants for every two (2) ICPS subscribed held after the Proposed Par Value Reduction;

(iii) Proposed Scheme of Arrangement with Creditors

Proposed scheme of arrangement with the creditors of Ho Hup and Bukit Jalil Development Sdn Bhd (BJDSB) pursuant to Section 176 of the Companies Act, 1965 in respect of the amounts owing to the unsecured creditors of Ho Hup and BJDSB aggregating RM257.66 million as at 31 October 2010;

(iv) Proposed Amendments

Proposed amendments to the existing Memorandum and Articles of Association of Ho Hup to facilitate the reduction in the par value of the shares in Ho Hup from RM1.00 per share to RM0.50 per share resulting from the Proposed Par Value Reduction, the issuance of ICPS pursuant to the Proposed Rights Issue of ICPS with Warrants and the issuance of redeemable convertible preference shares ("RCPS") pursuant to the Proposed Scheme of Arrangement with Creditors; and

(v) Proposed Increase in Authorised Share Capital.

Proposed increase in authorised share capital involving the increase in the authorised share capital of Ho Hup from RM200,000,000 comprising 200,000,000 ordinary shares of RM1.00 each to RM500,000,000 comprising 990,000,000 ordinary shares of RM0.50 each of Ho Hup Shares, 200,000,000 ICPS of RM0.01 par value each and 300,000,000 RCPS of RM0.01 par value each to accommodate the creation of ICPS and RCPS pursuant to the Proposed Rights Issue of ICPS with Warrants and Proposed Scheme of Arrangement with Creditors respectively and the issuance of new Ho Hup Shares in the future arising from the conversion of ICPS and RCPS and exercise of Warrants.

On 13 May 2013, Bursa Malaysia had approved the above plan subject to *inter alia*, the following conditions:

i) Ho Hup and M & A Securities Sdn Bhd to fully comply with the relevant provisions under the Main Market Listing Requirements of Bursa Securities pertaining to the implementation of the Proposed Regularisation Exercise.
ii) Ho Hup and M & A Securities to inform Bursa Securities upon completion of the Proposed Regularisation Plan; and
iii) Ho Hup to furnish Bursa Securities with written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Regularisation Exercise is completed.

On 30 May 2013, M&A Securities announced that BNM had vide its letter dated 21 May 2013 approved the issuance of 954,198 RCPS, amounting to RM0.48 million to an additional non-resident creditor of Ho Hup. The approval was subject to Ho Hup complying with the following conditions:

(i) to obtain the approval and to fulfil the conditions imposed by the relevant bodies in Malaysia for the issuance of the RCPS;
(ii) to make the redemption of the RCPS in a foreign currency or in ringgit into the non-resident creditors' External Account maintained in Malaysia.
(iii) for each redemption and dividends of more than RM200,000 or the equivalent in a foreign currency, Ho Hup is to submit the required information by a licensed domestic bank (commercial banks, Islamic banks or licensed domestic investment banks) to enable the said bank to make the relevant payments on behalf of Ho Hup; and
(iv) to seek the prior consent of the Foreign Exchange Administration of BNM for any amendments to the terms and purpose of use for the RCPS by completing Form 10G.

(b) The Company and its subsidiary BJDSB had on 20 October 2010 obtained an order from the High Court of Malaya at Kuala Lumpur pursuant to Section 176 of the Companies Act 1965 which *inter alia*, granted the Company leave to convene a Scheme Creditors meeting to consider and/or approve the Proposed Restructuring Scheme ("PRS") and Creditors Scheme of Arrangement ("CSOA") and order that all further proceedings and/or action against Ho Hup including but not limited to winding up, execution and/ or arbitration proceedings be restrained for a period of 90 days from the date of the order ("RO").

On 17 July 2013, the High Court of Malaya at Kuala Lumpur had further extended the restraining order in respect of Ho Hup and BJDSB for a further period of six (6) months from 23 July 2013 to 23 January 2014 to convene the Scheme Creditors Meeting.

7. Group borrowings and debt securities

	30.6.2013 RM'000	31.12.2012 RM'000
(a) Short term borrowings denominated in Ringgit Malaysia:		
Unsecured	10,694	10,710
Total Borrowings	10,694	10,710

8. Derivative Financial instrument

For the quarter ended 30 June 2013, there have been no significant changes to the Group's exposure to credit risk, market risk and liquidity risk from the previous financial year. There have been no changes to the Group's risk management objectives, policies and processes since the previous financial year end.

9. Gains and Losses arising from Fair Value Changes of Financial Liabilities

Financial liabilities are measured at the amortised cost method; hence no gains or losses are recognised for changes in the fair values of these liabilities.

10. Breakdown of Realised and Unrealised Profits or Losses of the Group

The breakdown of the accumulated losses of the Group as at 30 June 2013, into realised and unrealised profits or losses is prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the context of disclosure pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

	At end of current quarter 30 June 2013 RM'000	**At end of previous financial year 31 December 2012 RM'000**
Accumulated Losses-Realised	(191,289)	(198,278)
Less: consolidated adjustments	44,640	39,562
	(146,649)	(158,716)

11. Changes in material litigation

(a) On 9 March 2005, a subsidiary of the Company, Ho Hup Construction Company (India) Pte Ltd ("Ho Hup India") entered into a Joint Development Agreement ("JDA") with the Andhra Pradesh Housing Board ("APHB") to develop a piece of land situated at Kancha Imarat, Maheshwaran Mandal, Ranga Reddy District, Andhra Pradesh, India. Ho Hup India has been selected to implement the development of the said land into an integrated township with an approximate development value of India Rupee ("Rs") 3.6 billion at Shamshabad near Hyderabad. Ho Hup India shall pay APHB development fees of Rs101,175,000 over a period of 5 years.

This JDA was subsequently terminated by APHB. The Company is disputing termination on the ground that APHB had yet to comply with its obligations in respect of the conditions precedent under the agreement.

On 2 May 2005, Ho Hup India commenced an arbitration claim for damages amounting to Rs.2,544,512,230 being the unlawful termination of the abovementioned contract.

The award in Ho Hup India's favour was published in May 2008.The Company has since appointed an Advocate to represent Ho Hup India in respect of execution of the said award as well as the appeal lodged by APHB against same, the latter of which is now fixed for hearing on 2 September 2013.

(b) On the 31 July 2009, the Company was served by Dato' Low Tuck Choy ("Plaintiff") with a Writ of Summons in the capacity as a nominal defendant vide KL High Court Civil Suit S-22-525-2009 dated 24 July 2009 seeking damages and injunctive relief. The statement of Defense was filed on 26 October 2009.

The Court has vacated the pre-trial Case Management on 27 August 2013 and replaced same on the 7 October 2013. This matter is fixed for Trial subsequently on 7 November 2013, 8 and 9 January 2014.

(c) On 9 June 2011, Zen Courts Sdn Bhd ("Zen Courts") served a sealed copy of a Petition pursuant to Section 181 of the Companies Act, 1965 on BJDSB, the Company and Ho Hup Equipment Rental Sdn Bhd ("HHER") ("the Companies") claiming, inter alia, that BJDSB and the Company have allegedly oppressed them and would not recognize their rights under a Joint Venture Agreement of the 12 September1995.

On 27 March 2012, the Court, after hearing the Petition, ordered a buy-out of Zen Court's stake in BJDSB by the Company ("Buy-Out Order"). The Court further ordered that a valuation be made on a net tangible assets basis as at the date of the Judgment to be valued by an Independent Valuer. Pursuant to the said Buy-Out Order, Ferrier Hodgson Monteiro Heng Sdn Bhd was appointed as said Independent

Valuer on the 19 June 2012 and the valuation report was issued on the 31 December 2012.

Zen Courts subsequently filed applications to review the valuation and for an interim payment of the amount so valued viz. RM35.97 million. The Company further filed an application to confirm the valuation pursuant to the Buy-Out Order.

On the 18 July 2013, the Court has dismissed applications filed by Zen Courts and further ordered the following:-

(1) That the Company shall purchase the 4,500,000 shares ("Shares") in BJDSB held by Zen Courts at the price of RM7.99 per share and the aggregate purchase price for the same shall be fixed at RM 35,970,000.00 (the "Purchase Price");

(2) That the buy-out of the Shares shall be completed no later than four (4) months after the date of this Order ie 18 July 2013, on a business day and at an office address in Kuala Lumpur as notified, with at least seven (7) days' prior notice in writing by the Company (or its solicitors) to Zen Courts (or its solicitors);

(3) That the buy-out of the Shares shall be completed as follows:-

   (i) The Company shall pay the Purchase Price to Zen Courts by way of bankers draft made payable to Messrs Chellam Wong;

   (ii) Zen Courts shall deliver to the Company a duly executed, valid and proper instrument of transfer for the Shares together with the corresponding share certificates as well as such other executed documents as may be necessary for revenue and stamp duty purposes;

   (iii) By consent, that interest of 5% per annum on a daily basis, to be calculated from 18 July 2013 until full payment of the Purchase Price, shall be payable by the Company to Zen Courts;

   (iv) That Zen Courts procures the resignation of Mr. Yeoh Keng Tat as a Director of BJDSB, such resignation to be effective on or before the date of completion of purchase of the Shares.

On 14 August 2013, Zen Courts filed two (2) Notices of Appeal ("Appeals") in respect of inter-alia the following Orders made on the 18 July 2013 by the Kuala Lumpur High Court:

(1) dismissing Zen Courts' application to make further representations on the Valuation Report ; and

(2) fixing the Purchase Price of the Shares at RM35,970,000.00 and related orders.

No hearing dates have as yet been fixed for the hearing of the Appeals.

(d) On 9 September 2011, the Company filed Suit No. 22NCVC-873-09/2011 in the Kuala Lumpur High Court against Woo Thin Choy, the Company's former Project Director. The Company claimed that the Defendant caused the Company to suffer loss and damages of USD 2.5 million and further alleged that the Defendant breached his fiduciary, contractual and/or common law duties owed to the Company.

The Company sought relief from Court for, inter alia, an order that the sum of USD2.5 million be paid by the Defendant. The Company also sought relief for an account of all sums received by the Defendant and all such assets or any part thereof as well as general damages arising from the Defendant's breach of duty owed to the Company.

The Trial of this matter was held on the 18 to 19 June 2013 whereupon the Company subsequently filed an application to recall Mr. ANDRIAMADY Luc Nirina as a witness and the same has since been heard and allowed by the Court on the 22 July 2013. This matter is now fixed for Case Management on the 23 August 2013 and trial subsequently on the 5 September 2013 and 22 October 2013.

Except as disclosed above, there were no other material changes in material litigation since the last annual financial year and made up to 20 August 2013, being the latest practicable date from the date of the issue of this quarterly report.

12. Dividends paid

No dividends have been recommended during the quarter under review.

13. Earnings per share

Basic earnings per share
Basic earnings per share for the financial period to-date are calculated by dividing the net profit attributable to owners of the parent by the weighted average number of ordinary shares in issue.

	Current quarter 30.06.2013	Preceding year corresponding quarter 30.06.2012	Financial period to-date 30.06.2013	Preceding year corresponding period to-date 30.06.2012
Net profit/(loss) for the period attributable to owners of the parent (RM'000)	6,450	(8,999)	6,825	(11,617)
Weighted average number of ordinary shares ('000)	102,000	102,000	102,000	102,000
Basic earnings/(loss) per share (sen) attributable to owners of the parent	6.32	(8.82)	6.69	(11.39)

14. Profit/(Loss) before Tax

	Individual Quarter 3 Months ended		Cumulative Quarter 6 Months ended	
	30.06.2013	30.06.2012	30.06.2013	30.06.2012
Profit/(Loss)before tax is arrived at after charging:-				
Depreciation of property, plant and equipment	62	169	311	338
Interest expenses	243	2,467	476	4,896
And Crediting:-				
Gain on disposal of property, plant and equipment	-	(46)	-	(52)
Gain on Disposal of associated company	9,059	-	9,059	-
Interest income	12	23	13	39
Reversal of provision no longer required	-	-	-	(1,275)

15. Comparative Figures

Certain comparative figures have been reclassified to conform to the current quarter presentation:

	As previously stated RM'000	Reclassified RM'000	As restated RM'000
Group Statement Of comprehensive Income			
Individual Quarter			
Cost of sales	10,389	1,185	11,574
Operating expenses	3,739	(1,185)	2,554
Cumulative Quarter			
Cost of sales	21,765	2,380	24,145
Operating expenses	6,639	(2,380)	4,258

By Order of the Board
Wong Kit-Leong
Executive Director
Kuala Lumpur
20 August 2013

DIRECTORS' REPORT

HO HUP
Since 1960

Ho Hup Construction Company Berhad (14034 W)
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Registered Office:
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

Date: 22 NOV 2013

To: The Entitled Shareholders of Ho Hup Construction Company Berhad

Dear Sir/Madam,

On behalf of the Board of Directors ("Board") of Ho Hup Construction Company Berhad ("Ho Hup" or "Company"), I wish to report that, after making due enquiries in relation to the Company and its subsidiary companies ("Group") during the period between 31 December 2012, being the date on which the latest audited consolidated financial statements have been made up, and the date hereof, being a date not earlier than fourteen (14) days before the date of this Abridged Prospectus, that:-

(a) the business of the Group has, in the opinion of the Board, been satisfactorily maintained;

(b) in the opinion of the Board, no circumstances have arisen since the last audited consolidated financial statements of the Group which have adversely affected the trading or the value of the assets of the Group;

(c) the current assets of the Group appear in the books at values which are believed to be realizable in the ordinary course of business;

(d) save as disclosed in Section 9.4 of the Abridged Prospectus, there are no material contingent liabilities which have arisen by reason of any guarantees or indemnities given by any company within the Group;

(e) save as disclosed in Section 9.2 of the Abridged Prospectus since the last audited consolidated financial statements of the Group, there has been no default or any known event that could give rise to a default situation, in respect of payment of either interest and/or principal sums in relation to any borrowings; and

(f) there have been no material changes in the published reserves or any unusual factors affecting the profits of the Group since the last audited consolidated financial statements of the Group.

Yours faithfully,
For and on behalf of the Board
HO HUP CONSTRUCTION COMPANY BERHAD

Wong Kit-Leong
Executive Director

ADDITIONAL INFORMATION

1. SHARE CAPITAL

(i) Save for the Rights ICPS, Warrants and the new Shares to be issued pursuant to the exercise of the Warrants and conversion of the Rights ICPS, no securities shall be allotted or issued on the basis of this Abridged Prospectus later than twelve (12) months after the date of the issuance of this Abridged Prospectus.

(ii) As at the date of this Abridged Prospectus, there is no founder, management, deferred shares or preference shares in the share capital of our Company. There is only one (1) class of shares in our Company, namely ordinary shares of RM0.50 each, all of which rank *pari passu* with one another.

(iii) All the Rights ICPS shall, upon allotment and issue, rank *pari passu* among themselves. The new Shares to be issued pursuant to the exercise of Warrants and conversion of the ICPS shall, upon allotment and issue, rank *pari passu* in all respects with the existing issued and paid-up ordinary share capital, save and except that such Shares will not be entitled to any dividend, rights, allotment and/or other distribution that may be declared, made or paid prior to the date of allotment of such Shares.

(iv) As at the date of this Abridged Prospectus, save for the Entitled Shareholders who will be provisionally allotted the Rights ICPS together with Warrants under the Rights Issue with Warrants and holders of the RCPS to be issued, no person has been or is entitled to be given an option to subscribe for any shares, stocks or debentures of our Company or our subsidiaries as of the date of this Abridged Prospectus.

(v) None of our securities have been issued or agreed to be issued either as fully paid-up, partly paid-up or otherwise than in cash, within two (2) years immediately preceding the date of this Abridged Prospectus.

2. ARTICLES OF ASSOCIATION

The provisions in our Articles of Association in relation to the remuneration of our Directors are as follows:

Article 77

Any fee paid to an alternate Director so appointed shall be deducted from the remuneration of the Director appointing him.

Article 78

(1) The non-executive Director shall be paid by way of remuneration for their services such fixed sum (not being a commission on or percentage of profits or turnover) as shall from time to time be determined by the Company in General Meeting, and such remuneration shall be divided among the Directors in such proportion and manner as the Directors may determine. Salaries payable to executive Directors may not include a commission on or percentage of turnover. In addition to such remuneration each director shall be paid such reasonable travelling, hotel and other expenses as he shall incur in attending meetings of the Directors or general meetings which he may otherwise incur on or about the business of the Company.

Article 79

(1) The remuneration of the Directors shall not be increased except at a General Meeting convened by a notice specifying the intention to propose such increase.

Article 81(3)

The remuneration of a Managing Director shall (subject to the provisions of any contracts between him and the Company from time to time) be fixed by the Directors and may be by way of fixed salary, or commission on dividends or profits of the Company or of any other company in which the Company is interested or by participation in any such profits or be any or all of these modes but shall not include a commission on or percentage of turnover.

3. MATERIAL CONTRACTS

Save as disclosed below, we confirm that there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by our Group within the past two (2) years preceding the date of this Abridged Prospectus:-

3.1 Ho Hup Group (excluding BJDSB)

(a) Share Sale Agreement dated 3 November 2010 ("Principal SSA") between Ho Hup and Plenitude (as varied by the restated Principal SSA dated 1 March 2011) for the acquisition of all the issued and paid-up ordinary shares of Fivestar Development (Puchong) Sdn Bhd and Kolektra Recreation Sdn Bhd by Ho Hup from Plenitude for purchase price of RM46,803,900.00 only by way of issuance of 93,607,800 Ho Hup Shares to Plenitude. On 30 June 2011, the parties entered into a second restated Principal SSA to vary the terms of the Principal SSA and restated Principal SSA, where Ho Hup shall only acquire ordinary shares of Fivestar Development (Puchong) Sdn Bhd from Plenitude for a purchase price of RM34,005,400.00 only by way of issuance of 68,010,800 Ho Hup Shares.

(b) Definitive Agreement dated 1 March 2011 between Ho Hup and Plenitude ("Definitive Agreement") (as varied by the supplemental Definitive Agreement dated 30 June 2011 and the second supplemental Definitive Agreement dated 18 July 2011) where Plenitude will participate in the proposed regularisation exercise of Ho Hup to uplift the status of Ho Hup as an affected listed issuer pursuant to PN 17/2005.

(c) Option Agreement dated 30 June 2011 between Ho Hup and Plenitude where Plenitude had offered to Ho Hup an option to acquire all the issued and paid-up share capital of Kolektra Recreation Sdn Bhd for a cash consideration of not less than RM12,798,500.00 only but shall not be more than the value derived based on the valuation of the assets, status of the projects and resources put into Kolektra Recreation Sdn Bhd ("Option Agreement").

(d) Deed of Termination dated 17 February 2012 between Ho Hup and Plenitude, wherein the parties had agreed to terminate the Principal SSA, restated Principal SSA dated 1 March 2011, second restated Principal SSA dated 30 June 2011, Definitive Agreement dated 1 March 2011, supplemental Definitive Agreement dated 30 June 2011, second supplemental Definitive Agreement dated 18 July 2011 and Option Agreement with effect on 17 February 2012.

(e) Moneylending Agreement dated 11 July 2011 between Ho Hup and Insas Credit & Leasing Sdn Bhd for a loan facility of RM62,000,000.00 for purposes of redemption or repayment of Ho Hup's loan to CIMB Bank Berhad. Ho Hup has paid and fully satisfied this loan facility on 28 December 2012.

(f) Shanghai Property Rights Transaction Contract dated 28 May 2013 between The Seventh Engineering Branch of the Third Shanghai Navigation Engineering Company, Heqing Industrial Development Company of Pudong New Area, Shanghai and Ho Hup (collectively the "Vendors") and Shanghai Dongyuan Investment Management Co, Ltd ("Purchaser") for the disposal of 100% equity interest in Shanghai San Ho Hup Pile Co. Ltd by the Vendors to the Purchaser for a purchase consideration of Renminbi 39.2 million only. Ho Hup holds 45% equity interest in Shanghai San Ho Hup Pile Co. Ltd and shall dispose its equity interest in Shanghai San Ho Hup Pile Co. Ltd at Renminbi 17.64 million only (approximately RM9.35 million only as at 9 September 2013). The effective date of the aforementioned agreement is 30 May 2013. On 9 September 2013, the said disposal was completed.

(g) Facilities Agreement dated 18 October 2013 between Ho Hup and United Overseas Bank (Malaysia) Bhd for a loan facility of RM40,000,000.00 which comprises two (2) fixed loans namely fixed loan 1 for a sum of RM35,970,000.00 ("FL1") and fixed loan 2 in the sum of RM4,030,000.00 ("FL2") for the following purposes:-

(i) FL1 to part finance the acquisition of Zen Courts' 30% shareholding in BJDSB comprising 4,500,000 ordinary issued and paid-up shares therein at the price of RM35,970,000.00 on the basis of RM7.99 per share as ordered by the Kuala Lumpur High Court on 18 July 2013; and

(ii) FL2 to part finance the facility fee, miscellaneous charges and other fees relating to FL1 where RM1,670,000.00 will be treated as fixed deposit for interest servicing and RM2,360,000.00 as facility fee and other miscellaneous charges.

(h) Deed of Assignment dated 14 November 2013 between Tru-Mix and Seow Lun Hoo ("SLH") for the assignment by Tru-Mix to SLH of a debt in the sum of RM12,586,959.00 owing by Ho Hup ("Debt") in consideration for the payment by SLH to Tru-Mix a cash sum of RM12,586,959.00. The Debt shall be settled by Ho Hup through the issuance of 25,173,918 RCPS to SLH.

(i) Deed of Assignment dated 14 November 2013 between H2Energy Corporation Sdn Bhd ("H2Energy") and SLH for the assignment by H2Energy to SLH of a debt in the sum of RM5,036,884.00 owing by Ho Hup ("Debt") in consideration for the payment by SLH to H2Energy a cash sum of RM5,036,884.00. The Debt shall be settled by Ho Hup through the issuance of 10,073,768 RCPS to SLH.

(j) Deed Poll in respect of the Rights Issue with Warrant dated 14 November 2013 executed by Ho Hup in connection with the provisional allotment and issue of the Warrants for the protection of the rights and interests of the persons for the time being holding Warrants in Ho Hup and whose names appear in the Register of Warrants and the Record of Depositors as the holders of the Warrants.

(k) Underwriting Agreement dated 15 November 2013 between Ho Hup and M&A Securities where M&A Securities had agreed to underwrite the remaining 55,439,179 Rights ICPS which do not form part of the Undertakings, for a commission of 1.8% of the total value of the Underwritten Shares underwritten by M&A Securities where commission is payable by Ho Hup.

3.2 BJDSB

(a) Sale and Purchase Agreement dated 29 October 2010 between BJDSB and Bayu Melati Sdn Bhd ("SPA") for a disposal of a parcel of land measuring 3.32 acres which forms part of the land held under master title Geran 55265, Lot 38472, Mukim of Petaling, District of Kuala Lumpur, Wilayah Persekutuan by BJDSB for a cash consideration of RM9,550,000. The cash consideration was subsequently adjusted to RM8,612,195 pursuant to a re-measurement conducted on the land. The SPA was completed on 23 April 2012.

(b) Moneylending Agreement dated 11 July 2011 between Insas Credit & Leasing Sdn Bhd and BJDSB for a loan facility of RM13,000,000.00 for purposes of redemption or repayment of BJDSB's loan to CIMB Bank Berhad. BJDSB has paid and fully satisfied this loan facility on 28 December 2012.

(c) Joint Development Agreement dated 16 March 2010 between BJDSB and Pioneer Haven (as varied by the Supplemental Agreement dated 3 July 2012 pursuant to the settlement of the legal suit relating to the JDA) for the purposes of development of the 60-Acre Land into mixed commercial and residential comprising, *inter-alia*, of shopping complex, shop offices, office tower, service apartments and hotel ("Development"). Prior to the execution of the Supplemental Agreement dated 3 July 2012 between BJDSB and Pioneer Haven and pursuant to the terms of the JDA, BJDSB granted to Pioneer Haven the sole and exclusive rights to the Development in consideration of BJDSB being initially granted an entitlement of 17% of the total net sales value of all the completed units, parcel end or parcels comprised in the Development which is an estimated sum of RM2,500,000,000.00 subject to a minimum value of entitlement of RM265 million or RM265 million less the value of land compulsorily acquired by the relevant authorities (if applicable).

Pursuant to the Supplemental Agreement dated 3 July 2012, the parties agreed to settle the dispute between Ho Hup and BJDSB and Pioneer Haven arising from the JDA and to vary the terms of the JDA as follows:-

(i) BJDSB shall be entitled to develop one sixth (1/6) portion measuring approximately 40,500 square meters or ten (10) acres of the 60-Acre Land;

(ii) The joint development between BJDSB and Pioneer Haven shall be on five sixths (5/6) portion measuring 202,500 square meters or fifty (50) acres of the 60-Acre Land;

(iii) BJDSB's entitlement shall be eighteen percent (18%) of the total GDV of the JD Land to be developed by Pioneer Haven, subject to a minimum value of entitlement of RM220 million; and

(iv) GDV is estimated at RM2,100,000,000.00.

4. MATERIAL LITIGATION

Save as disclosed below, our Board confirms that neither our Company nor any of our subsidiary companies are engaged in any material litigation, claims or arbitration as at the LPD, either as plaintiff or defendant, and our Board is not aware and does not has any knowledge of any proceedings pending or threatened against our Group or any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of our Group.

Ho Hup

(a) Hino Motors (M) Sdn Bhd ("HMSB") v Ho Hup (Kuala Lumpur High Court Suit No. S6-22-522-2007)

By writ of summons and statement of claim dated 21 May 2007 respectively, HMSB had commenced legal action against Ho Hup for a claim being the outstanding sum due and owed by Ho Hup for goods sold and delivered by HMSB in the sum of RM5,332,065.00 and interest of RM60,570.39. HMSB had filed an application for Summary Judgment and on 22 July 2008, the Court had allowed the application for Summary Judgment by HMSB with costs. The parties have since reached an amicable settlement. HMSB has filed a proof of debt pursuant to the Scheme of Arrangement with Creditors, and the settlement of the same will be effected upon implementation of the Scheme of Arrangement with Creditors.

(b) Alliance Investment Bank Berhad ("Alliance") v Ho Hup (Kuala Lumpur High Court Suit No. D-22-442-2009)

Alliance had commenced legal action against Ho Hup pursuant to the default of payment under a Revolving Credit Facility granted by Alliance to Ho Hup. The Court, on 10 April 2009, had ordered Ho Hup to pay the sum of RM3,824,580.09 with interest and cost of RM225.00. Via letter dated 1 September 2010, Alliance had agreed to withhold any further legal action against Ho Hup but subject to Ho Hup agreeing on the terms of payment provided by Alliance. Alliance had filed a proof of debt pursuant to the Scheme of Arrangement with Creditors and the settlement of the same will be effected upon implementation of the Scheme of Arrangement with Creditors.

(c) Lee & Yap Construction ("LYC") v Ho Hup (Notice under Section 218 of the Act)

LYC had served a notice under Section 218 of the Act dated 26 August 2008 to Ho Hup pursuant to the outstanding sum of RM503,083.74 owed by Ho Hup to LYC. The parties have since reached an amicable settlement. LYC had filed a proof of debt pursuant to the Scheme of Arrangement with Creditors, and the settlement of the same will be effected upon implementation of the Scheme of Arrangement with Creditors.

(d) Ho Hup v Liew Soo Chin (t/a Chan Kwee Keong Construction) ("LSC") (Kuala Lumpur High Court Summons No. D8-24-469-2008)

LSC had served a notice under Section 218 of the Act dated 4 November 2008 to Ho Hup pursuant to the outstanding sum of RM1,242,592.56 for the balance owed by Ho Hup to LSC in respect of the construction on Lot P.T 4772 (Parcel B3), Bukit Jalil, Mukim Petaling, Bandaraya Kuala Lumpur.

Via originating summons and summons in chambers dated 1 December 2008 respectively, Ho Hup had applied for an injunction to restrain LSC from presenting the winding up petition against Ho Hup and subsequently, the Court had dismissed the said application on 14 December 2009. The parties have since reached an amicable settlement. LSC had filed a proof of debt pursuant to the Scheme of Arrangement with Creditors, and the settlement of the same will be effected upon implementation of the Scheme of Arrangement with Creditors.

(e) Ho Hup v Bukit Jerneh Quarry Sdn Bhd ("Bukit Jerneh") Kuala Lumpur High Court Suit No.: S-22-114-2008

Ho Hup had filed a claim against Bukit Jerneh for a sum of RM3,427,916.95 in respect of the works carried out by Ho Hup for construction of roads in Malacca ("Project") pursuant to the letter of award dated 1 November 2001. On 17 March 2011, Bukit Jerneh had issued a third party notice against the members of a joint venture arrangement who are the employer of the Project.

On 10 December 2012, the case was withdrawn with no orders as to costs.

(f) Ho Hup v Proskauer Rose LLP ("PRL") (Court of Appeal Civil Appeal No. W-02 (NCC)-3100-2009

PRL had served a notice under Section 218 of the Act to Ho Hup pursuant to the outstanding sum of Euros 291,734.34 for legal fees due to PRL by Ho Hup. Ho Hup filed an application for an ex-parte Injunction and the Court granted an Injunction Order on 27 October 2009. PRL filed an application to set aside the said order and the said application has been allowed by the Court. Ho Hup filed an appeal against the said judgment before the Court of Appeal, however, the Court of Appeal had dismissed the appeal. The parties have since reached an amicable settlement and via letter dated 11 October 2010, PRL had confirmed its agreement on the terms of the settlement for the sum owed by Ho Hup. PRL had filed a proof of debt pursuant to the Scheme of Arrangement with Creditors and the settlement of the same will be effected upon implementation of the Scheme of Arrangement with Creditors.

(g) Dato' Low Tuck Choy ("LTC") v Ho Hup (Kuala Lumpur Industrial Court Suit No. 26/4-586/10)

On 27 August 2010, LTC brought an action against Ho Hup to reinstate his position as managing director of Ho Hup pursuant to Section 20(3) of the Industrial Relations Act, 1967. LTC's solicitors subsequently filed their Statement of Case.

On 16 April 2013, LTC and Ho Hup had amicably settled the matter on the following terms:-

(i) Without admission of liability by either party, Ho Hup agrees to pay LTC and LTC agrees to accept the sum of RM1,750,000 only as full and final settlement of this case ("Settlement Sum");

(ii) Ho Hup shall pay the Settlement Sum in full on or before 15 December 2013 to LTC's solicitors, as stakeholder pending income tax clearance. The Settlement Sum shall be released to LTC upon income tax clearance; and

(iii) LTC reserves his right in this matter in the event of any non-compliance (or part thereof) by Ho Hup in respect of any of the terms of this settlement.

A judgment by consent for the above terms was subsequently recorded on 6 May 2013.

(h) Zen Courts v BJDSB, Ho Hup and HHERSB (Kuala Lumpur High Court Petition No. 26NCC-42-2011)

Pursuant to an Agreement dated 12 September 1995 ("1995 JVA"), Ho Hup and United Engineers (Malaysia) Berhad ("UEM") entered into a joint venture whereby the parties agreed to subscribe for shares in BJDSB on a 70%-30% ratio respectively. Ten (10) ordinary shares of BJDSB were fully transferred by Ho Hup to HHERSB on 17 September 2009. Subsequently, on 28 September 2009, Zen Courts entered into a sale and purchase agreement to buy the shares held by UEM in BJDSB.

On 9 June 2011, Zen Courts served a sealed copy of a Petition pursuant to Section 181 of the Act, on BJDSB, Ho Hup and HHERSB claiming, *inter alia*, that BJDSB and Ho Hup have allegedly oppressed them and would not recognise their rights under the 1995 JVA.

Zen Courts further sought relief from the Court for, *inter-alia,* a declaration that Ho Hup is in breach of the terms and conditions stipulated in the 1995 JVA and specific performance of the same. Zen Courts had also filed an injunction on 29 June 2011:-

(i) compelling Ho Hup, BJDSB and HHERSB to comply with or to put into effect, terms of the 1995 JVA; and

(ii) restraining Ho Hup, BJDSB and HHERSB from selling or dealing and charging or encumbering any assets owned by BJDSB and from taking any steps or actions with respect to BJDSB's scheme of arrangement with creditors.

The above was heard on 4 August 2011 and dismissed by the Court with costs.

On 27 March 2012, the Court after hearing the Petition, ordered a buy-out of Zen Courts' 30% equity interest in BJDSB by Ho Hup ("Buy-Out Order"). The Court further ordered that a valuation be made on a NTA basis as at the date of the Judgment, valued by an independent valuer to be mutually agreed between parties. Pursuant to the said Buy-Out Order, an independent valuer was appointed on 19 June 2012 and the valuation report was issued by the independent valuer on 31 December 2012.

On 18 July 2013, the High Court ordered the buy-out of Zen Courts' 30% equity interest in BJDSB by Ho Hup on the following terms:-

(i) Ho Hup shall buy Zen Courts' 30% equity interest in BJDSB at the price of RM7.99 per share and the aggregate purchase price for the 30% equity interest shall be fixed at RM35,970,000 ("Purchase Price").

(ii) The buy-out of the 30% equity interest in BJDSB shall be completed no later than four (4) months after the date of the Order, on a business day and at an office address in Kuala Lumpur as notified, with at least seven (7) days' prior notice in writing by Ho Hup (or its solicitors) to Zen Courts (or its solicitors).

(iii) The Buy-Out Order shall be completed as follows:-

   (a) Ho Hup shall pay the Purchase Price to Zen Courts by way of bankers draft made payable to the solicitors of Zen Courts; and

   (b) Zen Courts shall deliver to Ho Hup a duly executed, valid and proper instrument of transfer for its 30% equity interest in BJDSB together with the corresponding share certificates as well as such other executed documents as may be necessary for revenue and stamp duty purposes.

(iv) Ho Hup to pay Zen Courts, interest of five percent (5%) on the Purchase Price calculated from 18 July 2013 until full payment of the Purchase Price.

(v) Zen Courts procures Yeoh Keng Tat to resign as a Director of BJDSB, such resignation to be effective on or before the date of completion of the purchase of the 30% equity interest in BJDSB.

On 15 August 2013 and 16 August 2013 respectively, the solicitors for BJDSB, Ho Hup and HHERSB, were served with two (2) Notices of Appeal by Zen Courts in respect of inter-alia the following Orders made on 18 July 2013 by the Court:-

(1) dismissing Zen Courts' application to make further representations on the valuation report issued by the independent valuer on 31 December 2012; and

(2) fixing the Purchase Price of Zen Courts' 30% equity interest in BJDSB at RM35.97 million and related orders.

The abovesaid appeals are fixed for hearing on 19 February 2014.

Our Board is of the opinion that as there is no Court Order for a stay of the Buy Out Order as at the LPD date, the parties are compelled to work towards completion of the Buy-Out Order within the stipulated time period therein. In addition, our Board is of the opinion that there is no major financial risk arising from the Buy-Out Order as Ho Hup had drawn down the term loan amounting to RM40.0 million offered by a financial institution. In addition, the Buy-Out Order will enable Ho Hup to consolidate 100% of BJDSB's financial performance.

(i) LTC v Datuk Lye Ek Seang & 9 Ors ("Defendants") (Kuala Lumpur High Court Suit No. S-22-525-2009)

LTC had initiated a legal action against the Defendants for not acting bona fide in withdrawing the Arbitration proceedings against the Government of Madagascar. Ho Hup is the 10th Defendant in this suit.

On 7 November 2013, the Court allowed LTC's application to re-amend its Re-Amended Statement of Claim and consequently, the Defendants were granted leave to re-amend their respective Defences. The new trial dates for this matter has been fixed on 19 and 20 February 2014.

The Solicitors are of the opinion that in the event LTC succeeds in his claim, the sum of damages granted by the Court will be for the benefit of Ho Hup.

(j) Ho Hup v Woo Thin Choy ("WTC") (Kuala Lumpur High Court Suit No. 22NCVC-873-09/2011)

Ho Hup had initiated legal action on 9 September 2011 against WTC, a former Project Director of Ho Hup. Ho Hup claimed, *inter alia*, that the Defendant has caused Ho Hup to suffer loss and damages of USD2,500,000.00 and further alleged that WTC had breached his fiduciary, contractual and/or common law duties owed to Ho Hup.

Ho Hup sought relief from the Court for, *inter alia,* an order for payment of the sum of USD2,500,000.00 be paid by WTC. Ho Hup also sought relief for an account of all sums received by WTC and all such assets or any part thereof as well as general damages arising from WTC's breach of duty owed to Ho Hup.

Subsequently, WTC filed an application for consolidation of the present suit with the one under Kuala Lumpur High Court Civil Suit No. S-22-525-2009 ("Civil Suit"). The same was heard on 19 March 2012 and the judge allowed the case to be transferred to the Court hearing the said Civil Suit. However, on 10 October 2012, the judge directed this matter to be tried separately. The trial was held on 18 June 2013, 19 June 2013, 5 September 2013 and 22 October 2013. The matter is now fixed for decision on 16 January 2014.

The Solicitors opine that the outcome of this suit appears to be favourable to Ho Hup, based on the evidence adduced by the parties.

BJDSB

(k) Zen Courts v BJDSB (Court of Appeal Civil Appeal No.: W-02(IM)NCC-2657-10/2011)

On 9 June 2011, Zen Courts served a sealed copy of a Petition pursuant to Section 181 of the Act, on BJDSB, Ho Hup and HHERSB claiming, *inter alia*, that BJDSB and Ho Hup have allegedly oppressed them and would not recognise their rights under the 1995 JVA. In the Petition, Zen Courts further sought to wind up BJDSB.

An application to strike out the said Petition in respect of winding up of BJDSB was filed by BJDSB and subsequently the alternative order that BJDSB be wound up was expunged from the Petition on 28 September 2011.

Zen Courts had appeal against the decision of the Court on 17 October 2011. The hearing was fixed on 13 March 2012, and the appeal was dismissed by the Court of Appeal.

The underlying Petition was heard on 21 March 2012 and 27 March 2012. The Court had ordered Ho Hup to buy all 4,500,000 ordinary shares of RM1.00 each in BJDSB at a price to be determined on a NTA basis of BJDSB as at the date of the order and to be valued by an independent valuer to be mutually appointed by Ho Hup and Zen Courts.

Pursuant to the said order, an independent valuer was appointed on 19 June 2012 to undertake the valuation of the 4,500,000 ordinary shares of RM1.00 each in BJDSB held by Zen Courts. Further details were elaborated under Section 4(h) herein.

5. GENERAL

(i) The nature of our business is set out in Section 1, Appendix IV of this Abridged Prospectus. Save as disclosed in Section 5, Appendix IV of this Abridged Prospectus, there are no corporations that are related to our Company by virtue of Section 6 of the Act as at the date of this Abridged Prospectus.

(ii) The total estimated expenses of or in connection with the Regularisation Exercise including professional fees, fees payable to the relevant authorities, registration and other incidental expenses of approximately RM3,000,000 will be borne by our Company.

(iii) None of our Directors have any existing or proposed service contracts with our Company or our subsidiaries, excluding contracts expiring or determinable by the employing company without payment or compensation (other than statutory compensation) within one (1) year of the date of this Abridged Prospectus.

(iv) Save as disclosed in this Abridged Prospectus, our Directors are not aware of any material information including trade factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group.

(v) Save as disclosed in this Abridged Prospectus and to the best knowledge of our Board, the financial conditions and operations of our Group are not affected by any of the following:

   (a) known trends or known demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group's liquidity increasing or decreasing in any material way;

   (b) material commitments for capital expenditure;

   (c) unusual of infrequent events or transactions or significant economic changes that will materially affect the amount of reported income from operations;

   (d) known trends or uncertainties that have had or that our Group reasonably expects to have a material favourable or unfavourable impact of our Group's revenue or operating income; and

   (e) substantial increase in revenue.

6. WRITTEN CONSENTS

The written consents of the Adviser, Underwriter, Company Secretaries, Principal Bankers, Share Registrar and the Solicitors for the Rights Issue with Warrants to the inclusion in this Abridged Prospectus of their names in the form and context in which they appear have been given before issuance of this Abridged Prospectus and have not subsequently been withdrawn.

The written consent of the Auditors and Reporting Accountants to the inclusion in this Abridged Prospectus of their names and letters relating to the audited consolidated financial statements of our Group for the FYE 31 December 2012 and the proforma consolidated statements of financial position of our Group as at 31 December 2012 respectively, in the form and context in which they appear have been given before the issuance of this Abridged Prospectus and have not subsequently been withdrawn.

7. DOCUMENTS FOR INSPECTION

Copies of the following documents are made available for inspection at our Registered Office at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur during normal business hours from Monday to Friday (except public holidays) for a period of twelve (12) months from the date of this Abridged Prospectus:

(i) Our Memorandum and Articles of Association;

(ii) Our audited consolidated financial statements for the past three (3) FYEs 31 December 2010, 31 December 2011 and 31 December 2012;

(iii) Our unaudited consolidated results for the six (6) months period ended 30 June 2013;

(iv) The proforma consolidated statements of financial position of our Group as at 31 December 2012 together with the notes and Reporting Accountants' letter thereon as set out in Appendix V of this Abridged Prospectus;

(v) The Deed Poll;

(vi) The Directors' Report as set out in Appendix VIII of this Abridged Prospectus;

(vii) The consent letters referred to in Section 6 of this Appendix;

(viii) The irrevocable written undertaking letters from LCS and FHB as referred to in Section 2.5 of this Abridged Prospectus;

(ix) The cause papers in respect of the material litigation referred to in Section 4 of this Appendix; and

(x) The material contracts referred to in Section 3 of this Appendix .

8. RESPONSIBILITY STATEMENT

This Abridged Prospectus together with its accompanying documents have been seen and approved by our Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement herein false or misleading.

M&A Securities, being the Adviser for the Rights Issue with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning this Rights Issue with Warrants.

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