

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

CONDENSED CONSOLIDATED INCOME STATEMENTS

For the quarter ended 30 June 2008

The figures have not been audited.

	INDIVIDUAL QUARTER 6 MONTHS ENDED		CUMULATIVE QUARTER 6 MONTHS ENDED	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
	RM'000	RM'000	RM'000	RM'000
Revenue	20,012	25,649	30,305	54,238
Cost of Sales	(16,185)	(21,534)	(24,071)	(44,806)
Gross Profit	<u>3,827</u>	<u>4,115</u>	<u>6,234</u>	<u>9,432</u>
Other Income / (Charge)	(588)	188	22,423	4,140
Administrative expenses	(5,519)	(2,035)	(11,221)	(3,890)
Operating Expenses	(5,013)	(7,321)	(7,902)	(13,832)
Finance Cost	(1,121)	(1,386)	(2,539)	(2,582)
Share of results of associates	(471)	(246)	(967)	(680)
Profit / (Loss) before tax	<u>(8,885)</u>	<u>(6,685)</u>	<u>6,028</u>	<u>(7,412)</u>
Income tax	(375)	(37)	(5,597)	(84)
Profit / (Loss) for the period	<u><u>(9,260)</u></u>	<u><u>(6,722)</u></u>	<u><u>431</u></u>	<u><u>(7,496)</u></u>
Attributable to:				
Equity holders of the parent	(9,410)	(6,711)	340	(7,495)
Minority interests	150	(11)	91	(1)
	<u><u>(9,260)</u></u>	<u><u>(6,722)</u></u>	<u><u>431</u></u>	<u><u>(7,496)</u></u>
Earnings per share attributable to equity holders of the parent :	Sen	Sen	Sen	Sen
Basic earnings / (loss) for the period (sen)	<u><u>(9.23)</u></u>	<u><u>(6.58)</u></u>	<u><u>0.33</u></u>	<u><u>(7.35)</u></u>

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2008**

The figures have not been audited.

	As at 30 June 2008 RM '000 (Unaudited)	As at 31 Dec 2007 RM '000 (Audited)
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	33,821	35,980
Investment Properties	1,712	1,712
Land Held for Property Development	120,230	120,264
Prepaid Lease Payment	230	234
Investment in Associates	9,587	10,522
Other Investments	-	-
Deferred Tax Assets	62	-
	<u>165,642</u>	<u>168,712</u>
Current Assets		
Property Development costs	32,037	30,113
Inventories	288	885
Trade Receivables	93,696	102,988
Other Receivables	16,153	12,086
Fixed Deposits	8,296	11,480
Cash and Bank Balances	2,932	3,347
	<u>153,402</u>	<u>160,899</u>
Non current asset classified as Land held for sale	-	1,919
TOTAL ASSETS	<u>319,044</u>	<u>331,530</u>
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of the Parent		
Share Capital	102,000	102,000
Other Reserves	5,340	5,236
Retained Earnings	(31,426)	(31,766)
	<u>75,914</u>	<u>75,470</u>
Minority Interests	1,450	1,859
Total Equity	<u>77,364</u>	<u>77,329</u>
Non-Current Liabilities		
Provision for liquidated ascertained damages	7,222	7,222
Hire Purchase Creditors	621	500
Long Term Borrowings	-	-
Deferred Tax Liabilities	54	38
	<u>7,897</u>	<u>7,760</u>
Current Liabilities		
Provision for liquidated ascertained damages	11,313	11,313
Short Term Borrowings	39,515	41,001
Trade Payables	124,653	123,822
Other Payables	26,434	32,988
Hire Purchase Creditors	425	2,152
Term Loan	17,855	27,123
Tax payable	13,588	8,042
	<u>233,783</u>	<u>246,441</u>
Total Liabilities	<u>241,680</u>	<u>254,201</u>
TOTAL EQUITY AND LIABILITIES	<u>319,044</u>	<u>331,530</u>

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the quarter ended 30 June 2008

The figures have not been audited.

<-----Attributable to Equity Holders of the Parent----->

	<u>Share Capital</u> (RM'000)	<u>Non-Distributable Other Reserves</u> (RM'000)	<u>Distributable Retained Earnings</u> (RM'000)	<u>Total</u> (RM'000)	<u>Minority Interest</u> (RM'000)	<u>Total Equity</u> (RM'000)
At 1 January 2008	102,000	5,236	(31,766)	75,470	1,859	77,329
Net profit/(loss) for the period	-	-	340	340	91	431
Foreign currency translation	-	104	-	104	-	104
Dividend paid by subsidiary	-	-	-	-	(500)	(500)
At 30 June 2008	<u>102,000</u>	<u>5,340</u>	<u>(31,426)</u>	<u>75,914</u>	<u>1,450</u>	<u>77,364</u>

<-----Attributable to Equity Holders of the Parent----->

	<u>Share Capital</u> (RM'000)	<u>Non-Distributable Other Reserves</u> (RM'000)	<u>Distributable Retained Earnings</u> (RM'000)	<u>Total</u> (RM'000)	<u>Minority Interest</u> (RM'000)	<u>Total Equity</u> (RM'000)
At 1 January 2007	102,000	5,387	14,341	121,728	1,914	123,642
Net profit/(loss) for the period	-	-	(7,495)	(7,495)	(1)	(7,496)
Foreign currency translation	-	-	-	-	-	-
At 30 June 2007	<u>102,000</u>	<u>5,387</u>	<u>6,846</u>	<u>114,233</u>	<u>1,913</u>	<u>116,146</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the quarter ended 30 June 2008

The figures have not been audited

	6 months ended	
	30 June 2008	30 June 2007
	RM'000	RM'000
Net cash flows generated from/(used in) operating activities	(8,802)	(6,131)
Net cash flows generated from/(used in) investing activities	20,377	831
Net cash flows used in financing activities	(3,826)	(10,480)
Net increase / (decrease) in cash and cash equivalents	<u>7,749</u>	<u>(15,780)</u>
Effects of exchange rate changes	-	-
Cash and cash equivalents at beginning of financial period	(15,560)	9,891
Cash and cash equivalents at end of financial period	<u><u>(7,811)</u></u>	<u><u>(5,889)</u></u>

Cash and cash equivalents at the end of the financial period comprise the following components:-

	As at	As at
	30 June 2008	30 June 2007
	RM '000	RM '000
Fixed Deposits	8,296	14,843
Cash and Bank Balances	2,932	2,461
Bank Overdrafts	<u>(19,039)</u>	<u>(23,193)</u>
	<u><u>(7,811)</u></u>	<u><u>(5,889)</u></u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

NOTES TO THE INTERIM FINANCIAL REPORT 30 JUNE 2008

1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007. 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 year ended 31 December 2007.

2. Changes in accounting policies

The significant accounting policies adopted by the Group in this interim financial statement are consistent with those adopted in the financial statements for the year ended 31 December 2007 except for the following new Financial Reporting Standards ("FRS") and amendment to FRS :-

		Effective for financial periods beginning on or after
FRS 117	Leases	01.10.2006
FRS 124	Related Party Disclosures	01.10.2006
FRS 119 ²⁰⁰⁴	Employee Benefits – Actuarial Gains And Losses, Group Plans and Disclosures	01.01.2007

The adoptions of the above standards do not have any significant financial impact on the Group except as disclosed below :-

(a) FRS 117 : Leases

Prior to 1 January 2007, the leasehold land was classified as Property, Plant and Equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of FRS 117 has resulted in change in the accounting policy relating to the classification of the leasehold land.

Leases of land is now classified as operating lease. The up-front payments represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 January 2008, the unamortised amount of the leasehold land is retained as surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions. The reclassification of leasehold as prepaid lease payments has been accounted for retrospectively and certain comparatives have been restated. There were no effects on the consolidated income statement for the year ended 31 March 2008.

3. Audit report on preceding annual financial statements

The Company's auditors, Messrs Ernst & Young have expressed a disclaimer opinion in the Company's audited financial statements. As a result from this statement, the Board of Directors of Ho Hup had announced its First Announcement on 31 July 2008 that the Company is an affected listed issuer pursuant to paragraph 2.1 (d) of the PN 17/2005.

The auditors' report on the financial statements for the year ended 31 December 2007 was subjected to qualifications. The auditors reported because of the matters described below in the Basis for Disclaimer of Opinion section, they were not able to obtain sufficient appropriate evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

1. Note 43 (g) (i) to the audited financial statements discloses the material significant arbitration case between the Company and the Government of Madagascar that is presently underway in the International Chamber of Commerce, International Court of Arbitration.

Should the outcome of this Arbitration case be unfavourable to the Company, it may give rise to significant uncertainty on the ability of the Group and the Company to continue as going concerns as the liquidity of the Group and the Company would be adversely affected.

2. Note 43 (g) (ii) to the audited financial statements discloses that the Secured Bank Guarantees amounting to USD13,273,849 (equivalent to RM43,406,029) have been called upon by the Government of Madagascar from the Guarantor Bank following the dismissal of the Company's application for leave to the Federal Courts on 8 July 2008. On 25 July 2008, the Guarantor Bank has paid RM43,406,029 to the Government of Madagascar. No provision has been made for the amounts of bank guarantees demanded by the Government of Madagascar but the amounts have been disclosed as Contingent Liabilities in Note 39 to the audited financial statements. The non-recognition of the liability arising from the demand of bank guarantees by the Government of Madagascar is not in accordance with Financial Reporting Standards in Malaysia. The auditors were unable to perform sufficient appropriate audit procedures to ascertain whether the corresponding debit represents a recoverable amount or an expense in the income statement.

Basis for Disclaimer of Opinion (cont'd)

3. As disclosed in Note 2 to the audited financial statements, the Group and the Company reported a net loss of RM46.16 million and RM19.04 million respectively during the year ended 31 December 2007. As of that date, the Group's current liabilities exceeded its current assets by RM83.62 millions. In addition, as discussed in paragraph 2 above, the recognition of the liability may increase the Group's net current liabilities by RM43.9 million.

As further disclosed in Note 33 and Note 34 to the audited financial statements, the Group and the Company have defaulted in the repayment of bank borrowings totaling RM48.79 million and RM30.94 million respectively as at 31 December 2007.

These factors indicate the existence of material uncertainties which may cast significant doubt on the ability of the Group and the Company to continue as going concerns and therefore they may be unable to realise their assets and discharge their liabilities in the normal course of business. The financial statements of the Group and the Company do not include any adjustments and classifications relating to the recorded assets and liabilities that may be necessary if the Group and the Company are unable to continue as going concerns.

At the date of this audited report, the Directors are of the opinion that the Group would be able to achieve profitable results, generate positive cash flows and obtain the support of their bankers, creditors and shareholders. The Directors' plan includes the partial disposal of the land held for property development of its subsidiary, Bukit Jalil Development Sdn Bhd to generate sufficient cash flows to enable the Group and the Company to repay a portion of their bank borrowings and to continue their property development activities so as to meet their liabilities as and when they fall due. The auditors were unable to obtain sufficient appropriate audit evidence that the above plan is feasible and that the outcome will improve the situation.

4. As disclosed in Note 25 (c) to the audited financial statements, included in the trade receivables of the Group as at 31 December 2007, is an amount of RM4.48 million (2006 : RM4.48 million), being the amounts due from Khoo Soon Lee Realty Sdn Bhd to Ho Hup Jaya Sdn Bhd ("HH Jaya"), a subsidiary of the Company. HH Jaya is taking legal action to recover the disputed amounts owing.

The auditors draw attention to Note 43 (b) to the audited financial statements, which described the uncertainty related to the outcome of the legal action.

5. As at the date of this audited report, management financial statements as mentioned in the preceding paragraph, the subsequent events review procedures required by Approved Standard on Auditing AI 560 Subsequent Events to be performed by auditors were limited.

Basis for Disclaimer of Opinion (cont'd)

6. Included in the Group's and the Company's investment in associates are the carrying amounts of investment in Shanghai San Ho Hup Pile Co Ltd of RM10.25 million and RM10.31 million respectively. The associate has been incurring losses for the previous three financial years which indicates that the asset may be impaired. The Directors have informed us of their intentions to dispose of this investment and are confident that the fair value less costs to sell would exceed the carrying amount of the investment.

In the absence of appropriate documentary evidence, the auditors are unable to ascertain whether the carrying amount of the investment has been measured in accordance with FRS 136 Impairment of Assets.

4. Segment information

By industry segment:	Revenue		Results	
	30.06.08	30.06.07	30.06.08	30.06.07
	RM'000	RM'000	RM'000	RM'000
Construction	18,555	26,398	(844)	(3,605)
Property development	-	6,034	(6,888)	(4,899)
Ready mixed concrete	17,718	21,871	(981)	36
Others	25	-	20,208	1,736
Total revenue including inter-segment	36,298	54,303	11,495	(6,732)
Eliminations	(5,993)	(65)	(4,500)	-
Associates	-	-	(967)	(680)
Total from continuing operations	<u>30,305</u>	<u>54,238</u>	<u>6,028</u>	<u>(7,412)</u>

5. Unusual items due to their nature, size or incidence

There were no unusual items affecting the assets, liabilities, equity, net income, or cash flows during the financial period ended 30 June 2008 except as disclosed in Note 2.

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 unfavourable weather conditions, shortage of construction workers and increase in the cost of construction materials.

8. Dividends paid

No dividends have been paid since the beginning of the current financial period.

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

There were no changes in the composition of the Group for the current quarter.

12. Changes in contingent liabilities or contingent assets

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 annual balance sheet date as at 31 December 2007, except for the net decrease in guarantees in respect of discharge of performance bonds, security and tender deposits issued by financial institutions in favour of third parties for construction works.

13. Subsequent events

Save and except for announcement made by the Company on 21 July 2008, 24 July 2008, 30 July 2008, 31 July 2008 and the material litigation as disclosed herein from page 13 to page 18 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 2008

1. Performance review

For the cumulative quarter ended 30 June 2008, the Group recorded a pre-tax profit of RM6.02 million on revenue of RM30.3 million compared to a pre-tax loss of RM7.4 million on revenue of RM54.24 million registered in the corresponding quarter last year. The Group recorded pre-tax profit for the cumulative quarter mainly due to the recognition of profit for the disposal of properties as disclosed in Note 6.

The construction division registered a pre-tax loss of RM0.8 million on the back of RM18.5 million revenue compared with a pre-tax loss of RM3.6 million on revenue of RM26.4 million for the corresponding period last year.

The property development division registered a pre-tax loss of RM6.9 million with no revenue generating for the current quarter compared to RM4.8 million loss on revenue of RM6 million for the corresponding period last year. The decline in turnover for this division was due to minimal construction progress which resulted in lower progress billings generated for the period.

The ready mixed concrete division, recorded a turnover of RM17.7 million compared with RM21.9 million for the corresponding period last year. The increase in the cost of raw materials and competitive pricing among the suppliers, this division registered a pre-tax loss of RM0.9 million compared with a pre-tax profit of RM36 thousand for the corresponding period last year.

2. Explanatory comments on any material change in the profit before taxation for the quarter reported as compared with the immediate preceding quarter

The Group recorded a pre-tax loss of RM8.9 million for the current quarter as compared to a pre-tax loss of RM6.7 million registered in the immediate preceding quarter.

3. Prospects for the forthcoming financial period

Despite the challenging environment, the Group will focus on its core construction and property development activities whilst continuing to explore other business opportunities both locally and abroad.

Moving forward, the Group is geared to actively pursue projects from the 9MP and intensify its property development activities.

4. Variance of actual profit from forecast profit and shortfall in profit guarantee

This note is not applicable.

5. Taxation

The taxation charge comprises of:

	Current Quarter	Cumulative Quarter
	RM'000	RM'000
Income tax:		
- Malaysian income tax	(375)	(5,597)
- Foreign income tax	-	-
	<u>(375)</u>	<u>(5,597)</u>

The effective tax rate for the cumulative quarter are higher than the statutory tax rate principally due to losses in certain subsidiaries cannot be offset against taxable profits made by other companies.

6. Profits/(losses) on the sale of unquoted investment and/or properties

On 3 July 2007, Ho Hup Jaya Sdn Bhd, a wholly owned subsidiary of the Company, entered into a Sale and Purchase Agreement with Tenterajaya (M) Sdn Bhd to dispose three pieces of freehold development land held under Geran Mukim No. 3 Lot No. 584, Geran Mukim No. 4 Lot No. 585, Geran Mukim No. 5 Lot No. 599 all in the Mukim of Ulu Klang, District of Gombak and State of Selangor measuring approximately 5.62 acres, 4.47 acres and 4.62 acres respectively for a total cash consideration of RM23,081,494 only. The profit before taxation for this transaction is RM21,162,869 and was completed in March 2008.

Except as disclosed in the preceding paragraph, there were no other profits or losses on the sale of unquoted investments and/or properties outside the ordinary course of the Group's business for the current quarter and financial period to-date.

7. Quoted securities

There were no purchases and disposal of quoted securities for the current quarter and financial period to-date.

8. Status of 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.

9. Group borrowings and debt securities

	30.06.08	30.06.07
	RM'000	RM'000
(a) Short Term Borrowings :		
Secured	41,788	53,923
Unsecured	16,007	13,662
Sub-total	<u>57,795</u>	<u>67,585</u>
(b) Long Term Borrowings :		
Secured	621	10,648
Total Borrowings	<u>58,416</u>	<u>78,233</u>

All borrowings are denominated in Ringgit Malaysia.

10. Off balance sheet financial instruments

There were no financial instruments with off balance sheet risk as at as at the date of this announcement, being the latest practicable date from the date of the issue of this quarterly report.

11. Changes in material litigation

- (a) Yip Chee Seng & Sons Sdn Bhd lodged a claim on 17 February 2003 in the High Court, Kuala Lumpur, vide Civil Suit No. S1-22-161-2003 for earthworks done for the Light Rail Transit System Two for Kuala Lumpur, for the sum of RM1,023,584.69. The Company denies that it is liable and has lodged a counter-claim for the sum of RM1,413,521.71 together with interest at 8% per annum from 18 April 2003 (date of filing of the counter claim) until realization.

On 1 March 2004, the High Court made an Interim Order that the sum of RM1,023,584.69 be placed in a separate fixed deposit account in a bank with Yip Chee Seng & Sons Sdn Bhd and the Company being the joint signatories. The Company is appealing against the decision to the Court of Appeal and the trial dates fixed on 11 March 2008, 12 March 2008 and 13 March 2008 were vacated.

The solicitors of the Company are of the opinion that the Company will succeed in setting aside the Order in its defence against the Claim. There are no foreseen obstacles at this stage for the Defendant in establishing its counter-claim at the trial. Meanwhile, the suit which was set down for case management on 1 July 2008 has been adjourned to 14 October 2008.

- (b) On 17 April 2003, Ho Hup Jaya Sdn Bhd (“HH Jaya”), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Khoo Soon Lee Realty Sdn Bhd (“KSL”) for the disposal of two parcels of development land measuring 52.668 hectares and 39.504 hectares held under master titles H.S.(D) 257249 PTD No. 71047 and H.S(D) 258295 PTD No. 71065 respectively, both located in the Mukim of Pulai, District of Johor Bahru, for a cash consideration of RM97 million. Save for the sum of RM4,476,919 held by the stakeholders (“Stakeholders Monies”), the balance Purchase Price has been released to HH Jaya.

A dispute arose between HH Jaya and KSL as to who was entitled to the Stakeholders Monies and the dispute was referred to the Court by way of an interpleader summons. Notice of pre-trial case management was filed and a further discussion on the future conduct of the case has been fixed on 6 October 2008.

The Company’s solicitors are of the opinion that KSL’s claim to either the full sum of the Stakeholders Monies or part thereof is unsustainable as HH Jaya has fulfilled all the conditions for the release of the Stakeholders Monies.

- (c) KM Quarry Sdn Bhd (“KM Quarry”) lodged a claim in the High Court, Melaka, vide Civil Suit No. 22-3-2005 on 10 January 2005. The claim is for a sum of RM3,233,474.37 being the outstanding sum due and payable to KM Quarry for the supply and laying of pavement works under a project known as “Cadangan Membina Jalanraya Durian Tunggal-Paya Rumput-Sungai Udang, Melaka.

KM Quarry’s application for summary judgment was allowed on 22 July 2005. Ho Hup filed a Notice of Appeal and application for Stay of Execution. The Notice of Appeal and Stay of Execution (Enclosure 75) was dismissed with costs on 19 September 2007. The Company has filed an application to review the Bill of Costs granted by the Senior Assistant Registrar (Enclosure 126). However, the decision on the same fixed on 21 August 2008 was deferred. The Court will notify the parties on a new decision date.

Ho Hup also filed a cross claim at the High Court, Kuala Lumpur vide Writ Summons No. S1-22-1076-2005 against KM Quarry for an amount of RM3,433,335.75 for incomplete joint measurement and RM2,439,294.47 for overlapping claims. KM Quarry Sdn Bhd had filed an application to strike out some paragraphs and prayers in Ho Hup’s statement of claim which was allowed by the Court on 26 January 2007. The Company has filed an appeal against the Court Order which has been fixed for decision on 31 July 2008. At the hearing on 31 July 2008, Ho Hup was successful in its appeal. The Court will notify the parties on the case management date in due course.

The solicitors of the Company are of the opinion that if the Court of Appeal can be persuaded to take into account the Company’s cross claim against KM Quarry in the High Court, Kuala Lumpur, the chances of success of the appeal are good.

- (d) On 19 October 2004, Ho Hup issued a notice pursuant to Section 218 of the Act against Revolutionary Technology Holdings Sdn Bhd (“RTH”), Seri Siantan Sdn Bhd and Syarikat Pembinaan Al-Joffrie Sdn Bhd for the sum of RM7,169,810.46 in respect of unpaid amounts due under construction project undertaken by the Company. RTH had on 10 November 2004 filed an injunction application restraining the Company from filing and advertising the winding-up and an ad interim injunction was granted against the Company on 12 April 2005.

RTH filed an application for injunction restraining Ho Hup from filing and advertising the winding-up petition and an ad interim injunction was granted against Ho Hup. Instead of appealing, Ho Hup pursued the matter by way of arbitration for the amount of RM23,438,497.62. On 19 March 2007, Ho Hup filed the Certificate of Urgency for an early hearing date. Application was made for the following order :

- i) RTH to provide a guarantee on arbitration cost of RM69,200.00;
- ii) RTH counter-claim to be stayed until such time the RM69,200.00 is paid;

iii) Injunction to prevent RTH from accepting monies from the Government for the Melaka project pending the decision of the arbitrator on the claim of RM23,438,497.62. The arbitrator has directed that the parties put in written submissions and an award was expected by the end of 2007. However, the Company has now been informed that the award which was originally expected in May 2008 is due to be published in September 2008.

The solicitors of the Company are of the opinion that Ho Hup has a good chance of success in claiming the said outstanding sum in the arbitration proceedings.

- (e) 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 for an alleged overpayment under a project known as “Proposed Bukit Beruntung Interchange” including the overpass at CH. 7501.575 of Rawang-Tanjung Malim Expressway, Bukit Beruntung Development, Mukim Serendah, Daerah Ulu Selangor, Selangor Darul Ehsan., for a sum of RM4,387,462.92.

Ho Hup has filed its defence. No further steps have been taken by Europlus to date.

The solicitors of the Company are of the opinion that Europlus’ claim will be dismissed with cost.

- (f) On 2 May 2005, the Company commenced an arbitration claim for damages amounting to Rs.2,544,512,230.00 (RM200.5million) being the unlawful termination of the Development Agreement dated 9 March 2005 by the Andhra Pradesh Housing Board in respect of the development of a township in India by the Andhra Pradesh Housing Board.

The award in the Company’s favour has been published in May 2008 as follows:-

- i) The Andhra Pradesh Housing Board shall pay Ho Hup the sum of Rs1,67,96,250 (RM1.32 million) together with simple interest at the rate of 12% per annum from 1 February 2006 to the date of payment;
 - ii) The Andhra Pradesh Housing Board shall pay partial compensation of Rs.6 lakhs (RM47,280.00) together with simple interest at the rate of 9% per annum from 6 January 2006 to the date of payment.
- (g) On 15 September 2006, the Company commenced an arbitration claim for the sum of USD19,746,595.53 (RM64.5million) being value of work done and damages arising out of the unlawful termination of the contracts by the Government of the Republic of Madagascar for the construction of road works at the Republic of Madagascar.

The claim has been referred to the International Court of Arbitration under the Rules of the International Chamber of Commerce Paris (“ICC”).

The third arbitrator has been appointed by the ICC. The Government of Madagascar has filed the Defence and Counter-Claim for USD27,000,000.00 (RM88.3million). Ho Hup has submitted the Reply to the Counter Claim. The arbitration proceedings which were held from 31 March 2008 to 4 April 2008 has been completed and the award is expected by end 2008.

The solicitors of the Company are of the opinion that Ho Hup has a good case and the probability of success is good.

- (h) On 10 July 2006, Ho Hup served a notice pursuant to Section 218 of the Act against Urban Shift Sdn Bhd (“Urban Shift”) for claims for workdone in the amount of RM7,440,016.29 under the project known as “Cadangan Pembangunan Bercampur Yang Mengandungi 3 Blok Pangsapuri Servis Dengan 5 Tingkat Podium Beli Belah Dan Aras Basemen Letak Kereta Termasuk Rumah Kelab Di Atas Lot 1282, 1283 Seksyen 67 Kuala Lumpur” which was then suspended in year 2005. Urban Shift has appointed a solicitor to act on their behalf and they have replied to the Section 218 Notice. The Company had subsequently filed a winding up petition against Urban Shift but was subsequently withdrawn. A new winding-up petition has been filed on 26 July 2007 and the sealed petition has also been extracted from the Court. However, the matter which was fixed for hearing on 24 October 2007 was withdrawn with liberty to file afresh.

The solicitors of the Company are of the opinion that the chances of successfully winding up Urban Shift Sdn Bhd are good.

- (i) Ho Hup has filed an Originating Summons and Summons in Chambers for Injunction to prohibit or restrain the paying out of monies by CIMB Bank Berhad (“CIMB”, formerly known as Bumiputra-Commerce Bank Berhad) to Ministry of Transport, Public Works & Land Development of Madagascar on Bank Guarantees amounting to USD14,269,003.00 (RM46.7million).

On 31 March 2006, the Court has granted an interim injunction until the next hearing date on the Company’s application to maintain status quo between the parties until the conclusion of the Arbitration process in Paris. In the interim, the Madagascar Government had applied to intervene in the said suit and has filed and served an unsealed Summons in Chambers and affidavit in support thereof by way of application to the Court and the Company had then filed the Affidavit of Reply to object the said application to intervene. On 22 September 2006, the Court allowed the Madagascar Government’s application to intervene and be named as 2nd Defendant, and subsequently on 6 October 2006, an appeal to the Court of Appeal was made on the said decision.

On 13 April 2007, the Company’s application for an injunction to restrain CIMB from making payment on Bank Guarantees to the 2nd Defendant was dismissed and that the ad interim injunction that was granted to Ho Hup on 31 March 2006 was also dissolved. The Company has filed an appeal against the decision to the Court of Appeal on 16 April 2007.

On 17 April 2007, the Court allowed the Company's application for an Erinford injunction to restrain the Government of Madagascar from making any demand for payment on the said Bank Guarantees pending the disposal of the Company's appeal to the Court of Appeal. At the hearing on 28 March 2008, the Court of Appeal while disallowing the Company's appeal for permanent injunction against CIMB pending full trial, has allowed a stay of the Erinford injunction pending appeal to the Federal Court. Therefore, status quo was maintained as CIMB was restrained from making payment despite the call on the Guarantees and Performance Bonds having been made. On 21 April 2008, the Company filed an application for leave to appeal in Federal Court against the Court of Appeal's decision of 28 March 2008. The said application was rejected by the Federal Court on 8 July 2008 as the Court has taken the view that the Guarantees and Performance Bonds were deemed as contracts between CIMB and the Madagascar Government. In line with the Federal Court's decision, CIMB honoured the claim on the Guarantees and Performance Bonds with a payment of USD13.28 million (RM43.41 million) on 25 July 2008.

- (j) Hino Motors (M) Sdn Bhd has filed a claim at the High Court, Kuala Lumpur against the Company for a sum of RM5,332,065.00 plus continuing interest being the outstanding sum due and owing for vehicles and equipment sold and delivered. Both parties had orally submitted their Summary Judgment applications on 28 January 2008 and the Plaintiff's Summary Judgment application was dismissed with costs. On 22 July 2008, the Plaintiff's Notice of Appeal to Judge in Chambers was allowed. The Company is in the midst of negotiating settlement with the Plaintiff.

- (k) Ang Yoke Lian Construction Sdn Bhd has filed a claim at the High Court, Kuala Lumpur against the Company for a sum of RM1,493,040.68 plus continuing interest being the outstanding sum owed for services rendered under a Letter of Award dated 16 March 2004. The Company has filed a Memorandum of Appearance and Statement of Defence against the claim and the application for Summary Judgment which was fixed for hearing on 30 July 2008 has been adjourned to 21 October 2008.

The solicitors of the Company are of the opinion that if the Company succeeds in convincing the Judge of our view through the pleadings and submissions, the chances of success are fairly good.

- (l) Ho Hup has been served with a sealed Writ of Summons and Statement of Claims dated 10 January 2007 by AmBank (M) Berhad ("Bank") for the sum of RM5,086,584.95 for Revolving Credit Facility and continuing interest.

On 16 March 2007, a Statement of Defence has been filed by the Company. This matter was fixed for Land Inquiry at the Gombak Land Office on 27 March 2007 in respect of an application by the Bank to foreclose the land currently charged to the Bank at Lot 584, 585 and 599 in Mukim of Ulu Klang, District of Gombak ("Property"). On the said date, the Bank's solicitors took another date to enable the Company to proceed with the Sales & Purchase Agreement (selling the Property to the 3rd party) which had been signed on 3 July 2007. The Land Inquiry has subsequently been withdrawn as the parties have reached an amicable settlement. As for the High Court suit, a Notice of Discontinuance dated 15 April 2008 has been filed.

- (m) Ho Hup was served with a sealed Writ of Summons and Statement of Claim dated 14 June 2006, by AmBank (M) Berhad ("Bank") for the sum of RM1,425,620 for an alleged amount owing by the Company to AmBank pursuant to the hire purchase agreement entered into dated 29 January 2005.

On 28 June 2007, the Court has granted AmBank's application for Summary Judgment. The Company has filed a Notice of Appeal to the Judge in Chambers and also an application for stay of execution. The Court dismissed the Appeal with costs on 25 October 2007.

The parties reached an amicable settlement as the Company repaid the hire purchase facility in full using the proceeds from the above Property disposal.

Except as disclosed above, there were no other material changes in material litigation since the last annual balance sheet date and made up to 22 August 2008, being the latest practicable date from the date of the issue of this quarterly report.

12. Proposed dividend

No dividend has been declared for the current financial year to-date.

13. (a) Basic loss per share

The basic loss per share for the current quarter and financial year to date are calculated based on the net loss for the respective periods divided by the number of ordinary shares of 102,000,408 shares.

(b) Diluted loss per share

This note is not applicable.

14. Provision of financial assistance

- (a) The aggregate amount of advances provided to subsidiary companies during the current quarter is as follows:-

	RM'000
1. Bukit Jalil Development Sdn Bhd	3,745

- (b) The provision of financial assistance for the current quarter has no material financial impact on the Group.

15. Authorised for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 August 2008.