

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

NOTES TO THE INTERIM FINANCIAL REPORT

31 MARCH 2009

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 2008. 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 2008.

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 2008 except for the following new Financial Reporting Standards (“FRS”) and amendment to FRS :-

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach Under FRS 129 - Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

The adoptions of the above standards do not have any significant financial impact on the Group and the Company.

3. Audit report on preceding annual financial statements

The Company's auditors, Messrs Ernst & Young have expressed a disclaimer opinion on the Company's audited financial statements for the year ended 31 December 2007.

The auditors' report on the financial statements for the year ended 31 December 2008 was also subjected to a disclaimer opinion. 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

The auditors' report for the previous financial year ended 31 December 2007 was disclaimed in respect of the following:-

1. The financial statements disclosed the material significant arbitration case between the Company and the Government of Madagascar that was 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 of the Company to continue as going concerns as the liquidity of the Group and of the Company would be adversely affected.

2. 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 million.

In addition, 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.

The Directors were 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 included 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. We were unable to obtain sufficient appropriate audit evidence that the above plan was feasible and that the outcome would improve the situation.

3. The Secured Bank Guarantees amounting to USD 13,273,849 (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 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 the 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. We are unable to perform sufficient appropriate audit procedures to ascertain whether the corresponding debit represented a recoverable amount or an expense in the income statement.
4. 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. We draw attention to the disclosed note which describes the uncertainty related to the outcome of the legal action.
5. As at the date of our previous report, management financial statements for the periods subsequent to the financial year end of the Company and certain subsidiaries have not been prepared. In the absence of the latest 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 us were limited.
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, we are unable to ascertain whether the carrying amount of the investment has been measured in accordance with FRS 136 Impairment of Assets.

The auditors discussed below the extent of the matters that gave rise to the disclaimer of opinion in respect of the financial statements for the year ended 31 December 2007 that remained unresolved, insofar as they impact both corresponding as well as current year figures provided in the current financial statements, and additional matters that relate to the current financial statements.

1. Note 41(g) to the audited financial statements, the arbitration case between the Company and the Government of Madagascar, which was one of the matters included in our audit report on the financial statements for the year ended 31 December 2007, is presently still ongoing in the International Chamber of Commerce, International Court of Arbitration.

Should the outcome of this arbitration case be unfavourable to the Company, additional provisions arising from claims made may be required and certain property, plant and equipment and receivables relating to the Company's operations in Madagascar may need to be impaired. We are unable to determine as to the nature and quantum of such claims and the extent of the impairment required, if any, for the corresponding and the current financial year.

2. The Group and the Company reported a net loss of RM56.163 million and RM68.648 million respectively during the year ended 31 December 2008. As of that date, the Group's current liabilities exceeded its current assets by RM132.519 million.

In addition, the Group and the Company has defaulted in the repayment of its bank borrowings as at 31 December 2008 and certain creditors have also filed winding up petitions against certain subsidiaries and the Company.

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 of the Company do not include any adjustments and classifications relating to the recorded assets and liabilities that may be necessary should the Group and the Company be unable to continue as going concerns.

At the date of this 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 are currently formulating a plan that could include 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.

3. As at the date of this report and that of our report on the financial statements of the Group and of the Company for the year ended 31 December 2007, management financial statements for the periods subsequent to the respective financial year end of the Company and certain subsidiaries have not been prepared. In the absence of the latest management financial statements, the subsequent events review procedures required by Approved Standard on Auditing AI 560 Subsequent Events to be performed by us were limited. As such, we are also unable to satisfy ourselves as to the completeness of the recorded liabilities of the Group and of the Company as at 31 December 2008 and as at 31 December 2007.

4. As at the date of this report, replies relating to certain bank confirmation requests are outstanding. We are unable to perform such appropriate alternative audit procedures to satisfy ourselves as to the completeness of the recorded liabilities, contingent liabilities and disclosure matters of the Group and of the Company for the year ended 31 December 2008.
5. As disclosed in Note 20 to the financial statements, the audited financial statements for the year ended 31 December 2008 of the indicated subsidiaries and the foreign branch operations in Madagascar were not available and accordingly management financial information of these entities were use for the preparation of the consolidated financial statements of the Group. We are unable to satisfy ourselves as to whether the financial information used for consolidation is appropriate.
6. Certain solicitors' response to management request on the material litigation cases as disclosed in Note 41 to the financial statements have not been received. Accordingly, we are unable to satisfy ourselves as to the nature, quantum and extent of the cases disclosed and as to its completeness.
7. In our audit report on the financial statements for the year ended 31 December 2007, we reported that the Secured Bank Guarantees amounting to USD 13,273,849 (equivalent to RM43,406,029) have been paid by the Guarantor Bank to the Government of Madagascar on 25 July 2008. We reported that this amount should have been recognised as a liability by the Group and the Company in their respective balance sheets as at 31 December 2007. During the year ended 31 December 2008, the Group and the Company recognised this liability with the corresponding RM8,933,563 and RM34,472,466 taken to the income statements and against the advances from Government of Madagascar respectively. The above liability amount should have been recognised in the corresponding year. However, due to the lack of relevant available information, we are not able to fully satisfy ourselves as to whether the RM8,933,563 taken to the income statements is appropriate.
8. In our audit report on the financial statements for the year ended 31 December 2007, we reported that the Group and the Company's investment in an associated company, Shanghai San Ho Hup Pile Co Ltd of RM10.25 million and RM10.31 million respectively may have been impaired. However, no provision for impairment was made for the year ended 31 December 2007. During the current financial year ended 31 December 2008, the Group and the Company provided for impairment of the entire carrying values. In our opinion, such impairment amounts should have been recognised in the corresponding year.

4. Segment information

By industry segment:

	Revenue		Results	
	31.03.09 RM'000	31.03.08 RM'000	31.03.09 RM'000	31.03.08 RM'000
Construction	7,843	1,548	(4,363)	(3,003)
Property development	-	-	(694)	(1,233)
Ready mixed concrete	4,867	8,929	(445)	(667)
Others	-	16		20,370
Total revenue including inter-segment	12,710	10,493	(5,502)	15,467
Eliminations	(54)	(200)	-	(58)
Associates	-	-	-	(496)
Total from continuing operations	12,656	10,293	(5,502)	14,913

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 31 December 2009 except as disclosed in Note 1, of the Explanatory Notes Pursuant To Appendix 9B Of the Listing Requirements of Bursa Malaysia Securities Berhad.

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 2008, 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 the material litigation as disclosed herein from pages 14 to 20 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

31 MARCH 2009

1. Performance review

For the quarter ended 31 March 2009, the Group recorded a pre-tax loss of RM5.5 million on revenue of RM12.7 million compared to a pre-tax profit of RM9.7 million on revenue of RM10.3 million registered in the corresponding quarter last year. There was a one-off gain amounting RM21.2 million recorded on disposal of three pieces of freehold development land in Ulu Klang during last correspondence quarter. Excluding the one-off gain, the pre-tax loss for the preceding quarter would have been RM11.5 million.

The construction division registered a pre-tax loss of RM4.4 million on the back of RM7.8 million revenue compared with a pre-tax loss of RM3.0 million on revenue of RM1.5 million for the corresponding period last year. This was mainly due to higher financing expenses. There was no new construction contract obtained during the quarter due to the adverse economic conditions.

The property development division registered a pre-tax loss of RM0.7 million for the current quarter compared to RM1.2 million loss for the corresponding period last year. The improvement was due to completion and hand-over of 31 units of 2½ storey link houses under Phase 4, Jalil Sutera which was previously abandoned.

The ready mixed concrete division registered lower turnover of RM4.9 million compared to RM8.9 million for the corresponding period last year mainly due to the slowdown in the construction industry. However it has successfully reduced pre-tax loss of RM0.4 million compared to the corresponding period last year following the cost control measures undertaken during the 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 RM5.5 million for the current quarter as compared to a pre-tax loss of RM37.7 million registered in the immediate preceding quarter. Provisions for foreseeable losses in certain contracts, legal fees, liquidated ascertained damages and impairment of investment in the immediate preceding quarter has resulted in the higher pre-tax loss.

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 stabilize its operations both locally and abroad.

Moving forward, the Group is geared to actively pursue projects from the 9MP and intensify its property development activities, particularly the commercial development of its existing 60 acres land in Bukit Jalil. The Board is confident of securing new construction projects and launching Phase 7B of Jalil Sutera comprising 20 units of semi-detached houses this year.

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	-	-
	<hr/>	<hr/>
	-	-

There is no tax charge for the quarter primarily due to the tax losses available to set off any profits from the businesses.

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

There were profit or losses recognized during the quarter

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, other than the followings:

On 2 March 2009, Bukit Jalil Development Sdn Bhd, a 70% owned subsidiary of the Company, entered into the followings:-

1. a conditional Sale and Purchase Agreement with Santari Sdn Bhd for the disposal of a parcel of freehold land held under Geran 55267, Lot 38474, Mukim of Petaling, District of Kuala Lumpur, state of Wilayah Persekutuan Kuala Lumpur ("Property") for a cash consideration of RM9.83 million ("Proposed Property 1 Disposal"); and
2. a conditional Sale and Purchase Agreement with Permata Juang (M) Sdn Bhd, a wholly owned subsidiary of Magna Prima Berhad for the disposal of a parcel of freehold land held under Geran 55268, Lot 38476, Mukim of Petaling, District of Kuala Lumpur, state of Wilayah Persekutuan Kuala Lumpur ("Property 2") for a cash consideration of RM19.41 million ("Proposed Property 2 Disposal").

The Proposed Disposals are expected to be completed by second quarter of 2009.

9. Group borrowings and debt securities

	31.03.09 RM'000	31.03.08 RM'000
(a) Short Term Borrowings:		
Secured	87,199	41,382
Unsecured	16,350	16,987
	<u>103,549</u>	<u>58,369</u>
(b) Long Term Borrowings:		
Secured	-	702
Total Borrowings	<u>103,549</u>	<u>59,071</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 ("Respondent") 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. Ho Hup denied liability and had 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 realisation.

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 Ho Hup being joint signatories. Ho Hup has lodged an appeal against the decision of the Court of Appeal.

On 6 November 2008, both parties agreed to settle the dispute amicably to equally distribute the amount placed in the fixed deposit account and interest earned to date.

On 18 February 2009, Ho Hup's solicitors filed at the Court of Appeal the "Notis Pemberhentian" dated 10 February 2009 ("Notis Pemberhentian") to discontinue the above suit. A copy of the Notis Pemberhentian was forwarded to Senior Assistant Registrar of the High Court and the Respondent's solicitors on 24 February 2009.

- (b) On 17 April 2003, Ho Hup Jaya Sdn Bhd ("HH Jaya"), a wholly-owned subsidiary of Ho Hup, 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 RM4,476,919.00 held by the stakeholders ("Stakeholders Monies"), the balance purchase price had been released to HH Jaya.

A dispute arose between HH Jaya and KSL as to who was entitled to the Stakeholders Monies and such dispute was referred to the Court by way of an interpleader summons.

On 23 October 2008, KSL's solicitors informed HH Jaya's solicitors that KSL the Stakeholders Monies together with earned interest be shared equally by both parties.

- (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 to Judge In Chambers and an application for Stay of Execution. The appeal was dismissed with costs at the High Court on 19 March 2006 and on 19 September 2007.

An appeal was filed by Ho Hup against the Summary Judgment in favour of KM Quarry application for summary judgment ("Appeal"). Ho Hup's solicitors had filed a notice to discharge themselves ("Discharge Application") and that order in terms for the said Discharge Application and the Appeal has been dismissed on 30 March 2009.

- (d) Ho Hup brought a suit against KM Quarry Sdn. Bhd. (“KM Quarry”) for the amount of RM3,433,335.75 for the incomplete joint measurements and RM2,439,294.47 for overlapping claims in Suit No. 22-3-2005. KM Quarry had filed an application to strike out some paragraphs and prayers in Ho Hup’s statement of claim which was allowed by the Deputy Registrar on 26 January 2007. Ho Hup then filed a notice of appeal to the judge in chambers on 5 February 2007 and KM Quarry filed an application to amend their amended Statement of Defence which was allowed by the Court on 14 March 2007. This matter is now fixed for case management on 14 July 2009.

The solicitors are of the opinion that if the judge is convinced of the incomplete measurements at the project site and overlapping claims through the testimony of witnesses and supporting documents, the chance of success in the suit are fairly good.

- (e) On 19 October 2004, Ho Hup issued a notice under 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 a known as “Cadangan Membina Jalan Raya Durian Tunggal-Paya Rumpit-Sungai Udang, Melaka undertaken by Ho Hup. RTH had on 10 November 2004 filed an injunction restraining Ho Hup from filing and advertising the winding-up and an interim injunction was granted against Ho Hup on 12 April 2005.
- (f) Ho Hup pursued the matter as set out in item (e) above, by way of arbitration at the Regional Centre for Arbitration Kuala Lumpur for the amount of RM23,438,497.62.

On 15 September 2008, Ho Hup received an arbitral award in respect of this arbitration for RM11,536, 660.95 to be paid within 30 days failing which interest would accrue. In addition costs have also been awarded in favour of Ho Hup. Ho Hup has instructed its lawyers to pursue collection of the award.

Revolutionary Technology Holdings Sdn Bhd (“RTH”) and Seri Siantan Sdn Bhd (“Seri Siantan”) together with Syarikat Pembinaan Al-Joffrie Sdn Bhd (collectively “Appellants”) in a separate appeal have filed an appeal against the arbitration decision or award dated 15 September 2008. Ho Hup was served with an originating summons and affidavit in support by RTH and Seri Siantan. This matter is fixed for mention on 2 June 2009. On 13 March 2009, Ho Hup filed its affidavit in reply to the Appellants’ affidavit in support and served the same upon the Appellants’ solicitors. The solicitors for Ho Hup are of the opinion that the chances of success in defeating the Appellants’ claim is good as the court are generally reluctant to interfere with findings of fact by the arbitrator and the arbitrator has applied the right principles in making the award.

- (g) On 2 May 2005, Ho Hup commenced an arbitration claim for damages amounting to Rs2,544,512,230.00 being the unlawful termination of the Development Agreement dated 9 March 2005 by the Andhra Pradesh Housing Board (“Andhra”) in respect of the development of a township in India by Andhra.

The award in Ho Hup’s favour has been published in May 2008 as follows:-

- (i) the Andhra shall pay Ho Hup the sum of Rs16,796,250 together with simple interest at the rate of 12% per annum from 1 February 2006 to the date of payment; and
- (ii) the Andhra shall pay compensation of Rs.6 lakhs together with simple interest at the rate of 9% per annum from 6 January 2006 to the date of payment.

An appeal was submitted in the Hyderabad High Court to set aside the award and to date, the parties have yet to be informed of the date for the award.

- (h) Europlus Corporation Sdn Bhd (“Europlus”) filed a suit in the High Court, Kuala Lumpur vide Civil Suit No. S1-22-241-2004 on 26 February 2004 for the sum of RM4,387,462.92. The claim is in relation to 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.

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

The solicitors of Ho Hup are of the opinion that Europlus’ claim will be dismissed with costs.

- (i) On 14 September 2006, Ho Hup commenced an arbitration claim for the sum of USD19,746,595.53 being value of work done and damages arising out of the unlawful termination of contract by the Government of the Republic of Madagascar (“Government of Madagascar”) for the construction of road works in 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 Government of Madagascar has filed the Defence and Counter-Claim for USD42.76 million. Ho Hup has submitted the Reply to the Counter Claim. The arbitration proceedings were held from 31 March 2008 to 4 April 2008. In August/September 2008, Ho Hup amended its claim to add a claim of USD13,278,349.75 (RM48.5 million) being reimbursement of the Bank Guarantees that were paid out by CIMB Bank Berhad to the Government of Madagascar.

On 1 December 2008, Ho Hup was informed by its solicitors that the publication of the award expected by end of 2008 has been rescheduled to 28 February 2009 via a letter dated 24 November 2008 from the ICC to the arbitrators. The solicitors of Ho Hup are of the opinion that Ho Hup has a good case and the probability of success is good. On 27 April 2009, the solicitors for Ho Hup informed Ho Hup that the arbitral award can be expected by the end of May 2009.

- (j) Ho Hup had filed an Originating Summons and Summons in Chambers for Injunction to prohibit or restrain the paying out of monies by CIMB Bank Berhad (“CIMB”) to Ministry of Transport, Public Works & Land Development of Madagascar (“Madagascar Government”) on Bank Guarantees amounting to USD14,269,003.00.

On 31 March 2006, the Court had granted an interim injunction until the next hearing date on Ho Hup’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 Ho Hup had then filed the Affidavit of Reply to object the said application to intervene and be named as 2nd Defendant. Subsequently on 6 October 2006, an appeal to the Court of Appeal was made on the said decision.

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

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

- (k) On 10 July 2006, Ho Hup served a notice under 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 suspended in year 2005. Urban Shift has appointed a solicitor to act on their behalf and they have replied to notice under Section 218 of the Act. Ho Hup had subsequently filed a winding-up petition against Urban Shift but was subsequently withdrawn. A new winding-up petition had been filed on 26 July 2007 and the sealed petition had also been extracted from the High Court. However, the matter which was fixed for hearing on 24 October 2007 was withdrawn with liberty to file afresh.

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

- (l) Hino Motors (M) Sdn Bhd (“Hino”) had filed a claim at the High Court, Kuala Lumpur against Ho Hup 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 to Ho Hup. Both parties had orally submitted in respect of Hino’s summary judgment application on 28 January 2008 and Hino’s summary judgment application was dismissed with costs 29 February 2008. On 22 July 2008, Hino’s appeal against the dismissal of its application for summary judgment was allowed by the High Court. On 21 July 2008, Ho Hup informed its solicitors that they are negotiating directly with Hino for an out-of-court settlement.
- (m) Ang Yoke Lian Construction Sdn Bhd (“Ang Yoke Lian”) has filed a claim (“Claim”) at the High Court, Kuala Lumpur against Ho Hup 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. Ho Hup 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 had been adjourned to 21 October 2008. The Court had dismissed the Ang Yoke Lian’s application for Summary Judgment with costs and the Plaintiff had filed an appeal with the Court of Appeal on 30 October 2008. As of todate, no date has yet been fixed for the said appeal. The solicitors of Ho Hup are of the opinion that if the Court of Appeal agrees with the findings of the High Court that there are triable issues, then the appeal would be dismissed and the case will be fixed for trial.

- (n) Alliance Investment Bank Berhad v Ho Hup Construction Company Berhad & Tru-Mix Sdn Bhd

On 6 April 2009, Ho Hup received a Writ of Summons from Alliance Investment Bank Berhad (“AIBB”) claiming the sum of RM3,824,580.09

together with interest at the rate of 2.75% per annum above AIBB's cost of funds on the principal outstanding of RM3,191,249.17 and late payment interest of 1.07% per annum above the prescribed rate on a monthly basis from 1 February 2009 to date of full payment.

Ho Hup is currently negotiating with AIBB for an out-of-court settlement.

- (o) On 25 March 2009, Ho Hup was served with a Writ of Summons and Statement of Claims dated 17 February 2009 by RHB Bank Berhad ("RHB") claiming the sum of RM2,722,301.90 plus continuing interest being the amount due in judgment of the Revolving Credit Facility granted by RHB.

Ho Hup is currently negotiating with RHB for an out-of-court settlement.

- (p) Ho Hup was served with a notice under Section 218 of the Act dated 8 January 2009 by MJC Precast Sdn. Bhd. ("MJC"). On 19 January 2009, Ho Hup's solicitors have written to MJC's solicitors informing them that Ho Hup is in the process of submitting a restructuring plan to the Securities Commission and also requested MJC to withhold any legal proceedings pending completion of the said exercise.

On 4 March 2009, a winding-up petition dated 18 February 2009 was served on Ho Hup where MJC claimed for the following:

- (i) outstanding and accrued debt in the sum of RM398,470.00;
- (ii) outstanding and accrued interest in the sum of RM154,063.00;
- (iii) interest of RM398,470.00 at the rate of 1.5% per annum from 1 November 2007 up to the date of full settlement; and
- (iv) cost of RM350.00.

The winding-up petition was heard on 21 May 2009 and the parties had agreed to reach a settlement. The next hearing date is scheduled on 15 June 2009.

- (q) Lembaga Kumpulan Wang Simpanan Pekerja ("EPF") is claiming against Ho Hup and 8 others for the sum of RM685,825.00 plus interest and dividends. The Writ of Summons and Statement of Claim were served by the EPF on Ho Hup on 28 November 2008. The Memorandum of Appearance and Statement of Defence were filed on behalf of all the defendants on 30 December 2008 and 8 January 2009 respectively. As at todate, there is no further action from the EPF. The solicitors of Ho Hup are of the opinion that the obligation to make the EPF contributions is a statutory requirement and such outstanding payments will have to be paid to the EPF.

Except as disclosed above, there were no other material changes in material litigation since the last annual balance sheet date and made up to 27 May 2009, being the latest practicable date from the date of the issue of this quarterly report.

12. Dividends paid

No interim dividends have been recommended in respect of the financial period ended 31 December 2008.

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 the equity holders of the parents by the weighted average number of ordinary shares in issue.

	Current quarter 31/03/09	Preceding year corresponding quarter 31/03/08	Financial period to- date 31/03/09	Preceding year corresponding period to-date 31/03/08
Profit / (Loss) attributable to the equity holders of the parent (RM'000)	(5,454)	9,632	(5,454)	9,632
Weighted average number of ordinary shares ('000)	102,000	102,000	102,000	102,000
Basic earnings per share (sen)	(5.35)	9.44	(5.35)	9.44