

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

NOTES TO THE INTERIM FINANCIAL REPORT 30 JUNE 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 Interpretations:

FRS and Interpretations	Effective for financial periods beginning on or after
FRS 4: Insurance Contracts	1 January 2010
FRS 7: Financial Instruments: Disclosures	1 January 2010
FRS 8: Operating Segments	1 July 2009
FRS 139: Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9: Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10: Interim Financial Reporting and Impairment	1 January 2010

The new FRS and Interpretations above are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application except for the changes in disclosures arising from the adoption of FRS 8.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 7 and FRS 139.

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 2008 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

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' report on the financial statements for the year ended 31 December 2008 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

The auditors' report for the previous financial year ended 31 December 2008 was disclaimed in respect of the following:-

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 ("BJD") 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	
	30.06.09 RM'000	30.06.08 RM'000	30.06.09 RM'000	30.06.08 RM'000
Construction	22,224	18,555	(6,428)	(844)
Property development	258	-	(349)	(6,888)
Ready mixed concrete	9,247	17,718	(1,013)	(981)

Others	-	25	-	20,208
Total revenue including inter-segment	31,729	36,298	(7,790)	11,495
Eliminations	(1,227)	(5,993)	-	(4,500)
Associates	-	-	-	(967)
Total from continuing operations	30,502	30,305	(7,790)	6,028

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.

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 announcements made by the Company on 31 July 2009, 30 July 2009, 8 July 2009, 3 July 2009 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 2009

1. Performance review

For the cumulative quarter ended 30 Jun 2009, the Group recorded a pre-tax loss of RM 7.8 million on revenue of RM 30.5 million compared to a pre-tax profit of RM 6.03 million on revenue of RM 30.3 million registered in the corresponding period last year. There was a one-off gain amounting to RM 21.2 million recorded on disposal of three pieces of freehold development land in Ulu Klang during the last year corresponding period. Other than the one-off item, the current period pre-tax profit has out-performed the last year corresponding period.

The construction division registered a pre-tax loss of RM 6.4 million on the back of RM 22.2 million revenue compared with a pre-tax loss of RM 0.8 million (net of the one-off gain from disposal of land, the loss should be RM 22.0 million) on revenue of RM 18.6 million for the corresponding period last year.

The property development division registered a pre-tax loss of RM 0.3 million for the current period compared to RM 6.9 million loss for the corresponding period last year. The improvement was due to improvement on delivery of the abandoned project in Bandar Bukit Jalil's houses, namely Phase 5 of Jalil Sutera. There was no additional provision for liquidated ascertained damages.

The ready mixed concrete division maintained a pre-tax loss of RM 1.0 million suffering for the current quarter compared to RM 0.98 million loss for the corresponding period last year even though sales dropped by half primarily due to the strong cost control measurement being implemented

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 RM2.3 million for the current quarter as compared to a pre-tax loss of RM5.5 million registered in the immediate preceding quarter mainly due to a one off disposal of RM 1.3 million sheet pile treated as other income and a write back of over provision of prior year interest expenses of RM1 million.

3. Prospects for the forthcoming financial period

Despite the challenging environment, the Group will focus on its property development and construction 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. We are planning to launch 20 units semi-detached houses in Bandar Bukit Jalil in 3rd quarter 2009. The board is confident that development of the 60 acres commercial land in Bandar Bukit Jalil with a gross development value of RM 1.8 billion of mix development property will take off early 2010. In addition, we are looking forward of getting new construction projects in the near future.

Bursa Securities had granted 3 months extension or up to 31 October 2009 for the Company to submit a Regularizations Plan to the relevant authorities pursuant to the provisions of PN 17 of Bursa Securities Listing Requirements. The Board is confident of meeting the deadline.

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:		
Under-provision for prior year Malaysian income tax	1,414	1,414
	<u>1,414</u>	<u>1,414</u>

The effective tax rate for the cumulative quarter is 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

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, other than the following:

On 2 March 2009, BJD, a 70% owned subsidiary of the Company, entered into the following:-

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 RM 9.83 million ("Proposed Property 1 Disposal"). The subject disposal has an expected gain on disposal of RM 3.8 million; 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 RM 19.41 million ("Proposed Property 2 Disposal").

During the Extraordinary General Meeting held on 8 July 2009, the shareholders have approved the Proposed Property 1 Disposal. However, the resolution for the Proposed Property 2 Disposal was withdrawn due to lack of support from shareholders.

On 14 August 2008, the Company announced that a summons had been served by Low Chee & Sons Sdn. Bhd. alleging, among others, that the Proposed Property 1 Disposal was a "related party transaction" and therefore the approval of shareholders during 8 July 2009 was in contravention of section 132E of the Companies Act 1965. Plaintiff is seeking to restrain the completion of the transaction. The Company has appointed solicitors to resist vigorously the summons.

9. Group borrowings and debt securities

	30.06.09	30.06.08
	RM'000	RM'000
(a) Short Term Borrowings:		
Secured	91,233	41,788
Unsecured	14,913	16,007
	<u>106,146</u>	<u>57,795</u>
(b) Long Term Borrowings:		
Secured	-	621
Total Borrowings	<u>106,146</u>	<u>58,416,</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) 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 was fixed for decision of Ho Hup’s appeal to the judge in chambers on 30 July 2008. Ho Hup’s appeal was allowed with costs. This matter was fixed for fixed for Pre trial case management on 16/04/09 and is not fixed for further case management on 20 November 2009 pending both parties to finalise the documents to be adduced in full trial, agreed facts and issues to be tried.

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.

- (b) 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 (“Seri Siantan”) and Syarikat Pembinaan Al-Joffrie Sdn Bhd (“SPAJ”) for the sum of RM7,169,810.46 in respect of unpaid amounts due under a project 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.

Ho Hup pursued the matter , 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.

RTH and Seri Siantan together with SPAJ (collectively “Appellants”) in a separate appeal have filed an appeal against the arbitration decision or award dated 15 September 2008. The appeal was dismissed on 7 August 2009 with

Cost. Ho Hup filed an application to register the award on 10 August 2009 and hearing is fixed on 9 September 2009.

- (c) 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 (“APHB”) in respect of the development of a township in India by APHB.

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

- (i) the APHB 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 APHB 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 hearing.

- (d) 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.

- (e) 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 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.

On 20 June 2009 Ho Hup has reached a settlement arrangement with the Government of Madagascar and have requested it's solicitors to withdraw this matter.

- (f) 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 are good.

- (g) 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 23 June 2009, both parties have reached a settlement.
- (h) Ang Yoke Lian Construction Sdn Bhd ("Ang Yoke Lian") had 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 had 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.

- (i) 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 to restructure the borrowings.

- (j) 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 to restructure its borrowings.

- (k) Ho Hup sent a notice of demand to PPMS Technologies Sdn Bhd (“PPMS”) claiming for the outstanding sum of RM840,00.00 plus interest for removal of equipment and machines. The Writ of Summons and Statement of Claim dated 16 May 2007 were subsequently filed and served to PPMS on 19 July 2007 and Judgment in Default of Defence was granted on 12 September 2007. The solicitors of Ho Hup had served the notice of judgment to PPMS on 24 September 2007 and are of the opinion that Ho Hup is in a good position to execute the judgment.

- (l) Tee Yoke Chuan (“TYC”) filed an application for leave for judicial review against the decision made by YB Menteri Sumber Manusia for not allowing him to refer his claim for wrongful dismissal to the Industrial Court. TYC’s application for leave for judicial review (ex-parte) was fixed for mention on 11 August 2008 and the Court granted the leave. This matter is now fixed for hearing on 31 January 2013. The solicitors of Ho Hup are of the opinion that if the Court agrees with the finding of YB Menteri Sumber Manusia not to refer the claim to the Industrial Court, the chances of success in the application being dismissed are fairly good.

- (m) 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. Ho Hup has come up with a

proposal for settlement and are currently awaiting for an acceptance in writing from EPF.

- (n) Ho Hup was served with a notice under Section 218 of the Act by Liew Soo Chin (trading as Chang Chee Keong Construction) (“CCKC”) for the amount of RM1,242,592.56 on 4 November 2008. Ho Hup applied for an injunction on 4 December 2008 and the Court has adjourned the same to another hearing date pending CKCC’s filing of a reply to Ho Hup’s affidavit. The matter was fixed for hearing on 6 October 2009.
- (o) Dato’ Low Tuck Choy and Donatian Felix Dorairaj (“Plaintiffs”) had filed originating summons at the Kuala Lumpur High Court (Originating Summons No. D5-24-14-09) against Chong Kok Weng, Sukumaran A/L Ramadass, Wong Wei Fong, Ho Hup and BJD (“Defendants”) challenging 2 ordinary resolutions dated 2 December 2008 passed unanimously by the shareholders of BJD pursuant to Section 152A of the Act, to remove the Plaintiffs as BJD’s directors and to appoint Chong Kok Weng and Sukumaran A/L Ramadass instead. Both parties have filed their respective written submissions on 30 March 2009 and the decision for this matter was fixed for decision on 30 June 2009. The court allowed the Plaintiffs’ Application with cost. The Defendants then filed an appeal on 30 June 2009. On 15 July 2009, the Defendants file a Notice of Motion for various injunctions against the respondents. The notice of motion was allowed. The Plaintiff’s are currently awaiting a hearing date from the Court of Appeal. The solicitors of Ho Hup are of the opinion that there is a reasonable chance of success in defending the case against the said Plaintiffs.
- (p) BJD had filed a suit against Dato’ Low Tuck Choy (“LTC”) at the Kuala Lumpur High Court (Suit No. D-22-483-2009) for alleged breaches of director’s duties. The Writ of Summons dated 16 March 2009 was served on LTC’s solicitors on 7 May 2009. The Defendant have entered appearance and have just served their defence on BJD. BJD is in the midst of preparing their reply to the Defence statement filed.
- (q) Hew Hoi Lam (“HHL”) had filed a suit against BJD claiming the amount of RM622,008.14 for work done in respect of architectural and design for Jalil Damai Apartments. The Writ of Summons was filed on 3 February 2009. HHL filed an application for summary judgment which was granted on 31 July 2009. HHL had on 13th August 2009 served a Notice pursuant to Section 218 (1) (e) of the Act on BJD. However, BJD and HHL are currently in the midst of negotiating a settlement.
- (r) Tenaga Nasional Berhad (“TNB”) had filed a claim under suit no. S5-22-281-2003 (“Suit”) in the High Court of Kuala Lumpur against Trans Resources Corporation Berhd (“TRC”) and Ho Hup (TRC and Ho Hup are collectively referred to as the “JV”) for a sum of RM1.1 million arising from damage

caused by the JV to the TNB's cable and sub-station during excavation works performed by the JV.

TNB had rejected the JV's counter proposal of RM700,000.00 and maintained their settlement offer of RM975,000.00.

As TRC is still keen on pursuing an out of court settlement with TNB before TNB proceeds to file its papers in court for issue of quantum to be decided by the Registrar, the solicitors for the JV had advised Ho Hup that the best course of action would be for the JV to negotiate an out of court settlement with the top management of TNB with the hope of a sum being agreed as an out of court settlement. TNB's application for Notice of Assessment of Damages was fixed for mention on 6th August 2009 but the case was not listed and pending new date for mention from the court.

- (s) On 27 July 2009, BJD was served by Dorairaj, Low & Teh with a Writ of Summons dated 13 July 2009, for supposedly unpaid legal fees due to Messrs Dorairaj, Low & Teh amounting to RM2,566,348.65 together with interest thereof. Ho Hup has engaged solicitors to defend them in this matter.
- (t) On 31 July 2009, the Company was served by Dato' Low Tuck Choy with a Writ of Summons dated 24 July 2009, seeking damages, and an injunction against the Defendants and/or his agents from stopping the International Court of Arbitration from making the arbitral award. The Company has engaged solicitors to defend this matter.
- (u) On 12 August 2009, Ho Hup was served by Low Chee & Sons Sdn Bhd with a Writ of Summons dated 10th August 2009 seeking an order for damages and an order to stop the Defendant from completing the Sale of Land to Santari Sdn Bhd. Ho Hup has engaged solicitors to defend this matter.

Except as disclosed above, there were no other material changes in material litigation since the last annual balance sheet date and made up to 25 August 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 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 the equity holders of the parents by the weighted average number of ordinary shares in issue.

	Current quarter 30/06/09	Preceding year corresponding quarter 30/06/08	Financial period to- date 30/06/09	Preceding year corresponding period to-date 30/06/08
Profit / (Loss) attributable to the equity holders of the parent (RM'000)	(3,702)	(9,410)	(9,204)	340
Weighted average number of ordinary shares ('000)	102,000	102,000	102,000	102,000
Basic earnings per share (sen)	(3.58)	(9.23)	(8.93)	0.33