

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the quarter ended 31 March 2010

The figures have not been audited.

	INDIVIDUAL QUARTER 3 MONTHS ENDED		CUMULATIVE QUARTER 3 MONTHS ENDED	
	31 March 2010 RM'000	31 March 2009 RM'000	31 March 2010 RM'000	31 March 2009 RM'000
Revenue	5,676	12,656	5,676	12,656
Cost of Sales	(4,341)	(10,832)	(4,341)	(10,832)
Gross Profit	1,335	1,824	1,335	1,824
Other Income / (Charge)	7,719	258	7,719	258
Administrative expenses	(2,680)	(1,322)	(2,680)	(1,322)
Operating expenses	(8,955)	(4,108)	(8,955)	(4,108)
Result from operating activities	(2,580)	(3,348)	(2,580)	(3,348)
Finance income	11		11	
Finance cost	(1,707)	(2,154)	(1,707)	(2,154)
Net Finance Costs	(1,697)	(2,154)	(1,697)	(2,154)
Share of results of associates	0		-	
Profit/ (loss) before tax	(4,276)	(5,502)	(4,276)	(5,502)
Income tax expense	-	-	-	-
Profit/(loss) for the period	(4,276)	(5,502)	(4,276)	(5,502)
Other Comprehensive Income/(loss), net of tax				
Foreign Currency Translation differences for foreign operations	329	-	329	-
Other Comprehensive Income/(loss) for the period, net of tax	329	-	329	-
Total Comprehensive Income/(loss) for the period, net of tax	(3,947)	(5,502)	(3,947)	(5,502)
Profit Attributable to:				
Owners of the Company	(4,257)	(5,550)	(4,257)	(5,550)
Minority interests	(19)	48	(19)	48
Profit/ (loss) for the period	(4,276)	(5,502)	(4,276)	(5,502)
Total Comprehensive Income/ (loss) attributable to:				
Owners of the Company	(3,928)	(5,550)	(3,928)	(5,550)
Minority interests	(19)	48	(19)	48
Total comprehensive Income/(loss) for the period	(3,947)	(5,502)	(3,947)	(5,502)
Basic earnings / (loss) per share attributable to owners of the Company (sen)	(3.87)	(5.39)	(3.87)	(5.39)

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2010**

The figures have not been audited.

	As at 31 Mar 2010 RM '000 (Unaudited)	As at 31 Dec. 2009 RM '000 (Audited)
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	21,595	22,790
Investment Properties	-	-
Land Held for Property Development	119,645	120,874
Prepaid Lease Payment	218	220
Investment in Associates	16	16
Other Investments	-	-
Deferred Tax Assets	17	-
	<u>141,491</u>	<u>143,900</u>
Current Assets		
Property Development costs	(3,943)	2,125
Inventories	521	527
Trade Receivables	34,368	32,295
Other Receivables	29,950	29,320
Fixed Deposits	1,784	1,784
Cash and Bank Balances	9,305	15,427
	<u>71,985</u>	<u>81,478</u>
Non current asset classified as Land held for sale	19,066	19,066
TOTAL ASSETS	<u>232,541</u>	<u>244,444</u>
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of the Parent		
Share Capital	102,000	102,000
Other Reserves	4,660	4,680
Retained Earnings	(126,287)	(122,359)
	<u>(19,627)</u>	<u>(15,679)</u>
Minority Interests	1,073	1,093
Total Equity	<u>(18,554)</u>	<u>(14,586)</u>
Non-Current Liabilities		
Provision for liquidated ascertained damages	-	-
Hire Purchase Creditors	-	-
Long Term Borrowings	5,037	5,037
Deferred Tax Liabilities	52	35
	<u>5,089</u>	<u>5,072</u>
Current Liabilities		
Provision for liquidated ascertained damages	18,775	19,907
Short Term Borrowings	87,430	94,915
Trade Payables	76,717	76,926
Other Payables	54,759	52,593
Hire Purchase Creditors	-	332
Term Loans	-	-
Tax payable	8,324	9,285
	<u>246,005</u>	<u>253,958</u>
Total Liabilities	<u>251,095</u>	<u>259,030</u>
TOTAL EQUITY AND LIABILITIES	<u>232,541</u>	<u>244,444</u>
	0	-
Net assets per share attributable to equity holders of the parent (RM)	<u>(0.19)</u>	<u>(0.15)</u>

The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the quarter ended 31 March 2010

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 2010	102,000	4,680	(122,359)	(15,679)	1,093	(14,586)
Net profit/(loss) for the period	-	-	(3,928)	(3,928)	(19)	(3,947)
Foreign currency translation	-	(20)	-	(20)	-	(20)
At 31 March 2010	<u>102,000</u>	<u>4,660</u>	<u>(126,287)</u>	<u>(19,627)</u>	<u>1,074</u>	<u>(18,553)</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 2009	102,000	4,609	(87,840)	18,769	1,270	20,039
Net profit/(loss) for the period	-	-	(5,550)	(5,550)	59	(5,491)
Foreign currency translation	-	71	-	71	-	71
At 31 March 2009	<u>102,000</u>	<u>4,680</u>	<u>(93,390)</u>	<u>13,290</u>	<u>1,329</u>	<u>14,619</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 2009 and the accompanying explanatory notes attached to the interim financial statements

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the quarter ended 31 March 2010

The figures have not been audited

	3 months ended	
	31 Mar 2010	31 Mar 2009
	RM'000	RM'000
Net cash flows generated from / (used in) operating activities	(9,784)	(1,397)
Net cash flows generated from / (used in) investing activities	7,730	1,549
Net cash flows generated from / (used) in financing activities	(7,485)	167
Net increase / (decrease) in cash and cash equivalents	<u>(9,539)</u>	<u>319</u>
Effects of exchange rate changes		(24)
Cash and cash equivalents at beginning of financial period	15,053	(5,599)
Cash and cash equivalents at end of financial period	<u>5,514</u>	<u>(5,304)</u>

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

	As at 31 Mar 2010	As at 31 Mar 2009
	RM '000	RM '000
Fixed Deposits	1,784	6,552
Cash and Bank Balances	9,305	2,236
Bank Overdrafts	<u>(5,575)</u>	<u>(14,092)</u>
	<u>5,514</u>	<u>(5,304)</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

NOTES TO THE INTERIM FINANCIAL REPORT 31 MARCH 2010

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 2009. 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 2009.

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 2009 except for the following new Financial Reporting Standards (“FRS”) and Interpretations:

Effective for financial periods beginning on or after 1 July 2009:

FRS 8	Operating Segments
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Effective for financial periods beginning on or after 1 January 2010:

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements (revised)
FRS 123	Borrowings Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 1 and FRS127	First-time Adoption of Financial Reporting Standards and Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary Jointly Controlled Entity or Associate
Amendments to FRS 2	Share-based Payment - Vesting Conditions and Cancellations
Amendment to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendment to FRS 7	Financial Instruments: Disclosures
Amendment to FRS 8	Operating Segments

Amendment to FRS 107	Statement of Cash Flows
Amendment to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendment to FRS 110	Events after the Reporting Period
Amendment to FRS 116	Property, Plant and Equipment
Amendment to FRS 117	Leases
Amendment to FRS 118	Revenue
Amendment to FRS 119	Employee Benefits
Amendment to FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
Amendment to FRS 123	Borrowings Costs
Amendment to FRS 127	Consolidated and Separate Financial Statements:
Amendment to FRS 128	Investments in Associates
Amendment to FRS 129	Financial Reporting in Hyperinflationary Economies
Amendment to FRS 131	Interests in Joint Ventures
Amendment to FRS 132	Financial Instruments: Presentation
Amendment to FRS 134	Interim Financial Reporting
Amendment to FRS 136	Impairment of Assets
Amendment to FRS 138	Intangible Assets
Amendments to FRS 139, FRS 7 and IC Interpretation 9	Financial Instruments: Recognition and Measurement, Disclosures and Reassessment of Embedded Derivatives
Amendment to FRS 140	Investment Property
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2- Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their

Effective for financial periods beginning on or after July 2010:

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations (revised)
FRS 127	Consolidated and Separate Financial Statements (amended)
Amendments to FRS 2	Share-based Payment - Vesting Conditions and Cancellations
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 138	Intangible Assets
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners

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 for the financial year ended 31 December 2007. As a result from this statement, the Board of Directors of The Company had announced 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 2009 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 2009 was disclaimed in respect of the following:-

1. During the financial year ended 31 December 2004, the Company was awarded certain construction contracts by the State of Madagascar. These construction contracts were terminated during the financial year ended 31 December 2006.

As disclosed in Note 39 (v) to the financial statements, on 14 September 2006, the Company commenced an arbitration claim to recover damages it sustained as a result of the unlawful contract termination and of the seizure of its equipment and material by the State of Madagascar following the termination. The claim was referred to the International Court of Arbitration under the Rules of the International Chamber of Commerce ("ICC"), Paris.

On 25 July 2008, a Secured Bank Guarantee amounting to USD13,273,849 (equivalent to RM43,406,029) was paid by the Guarantor Bank to the State of Madagascar. During the financial 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 statement and against the advance from Government of Madagascar respectively. In view of lack of relevant available information, we were unable to satisfy ourselves as to whether the amount charged to the income statement of the

Group and of the Company for the year ended 31 December 2008 were appropriate.

On 21 May 2009, the Company entered into a Settlement Agreement with the State of Madagascar. The Settlement Agreement includes, amongst others, an agreement by the Company and the Government of Madagascar to renounce their debts towards and claims against each other and bear their own legal cost and expenses arising out of this settlement. As a result of the Settlement Agreement, an amount of approximately RM23,310,000, was charged to the income statements of the Group and of the Company for the year ended 31 December 2009.

In addition, import duties may be payable to the relevant authorities in Madagascar on the machineries that were previously sent to Madagascar for the said construction project. However, the aforementioned Settlement Agreement states that State of Madagascar agrees to assist in providing or exempting all necessary documentation or permit the lawful usage or export of the machineries from Madagascar upon release of the machineries to the Company. As at 31 December 2009, no liability and the corresponding expense have been recognised in respect of these import duties and we are unable to ascertain the extent of import duties payable and expense, if any.

2. (i) As at 31 December 2009, the Group and the Company reported net losses of RM34.70 million (2008: RM56.16 million) and RM33.85 million (2008: RM68.65 million) respectively. As of that date, the Group's current liabilities exceeded its current assets by RM172.48 million (2008: RM132.52 million). The Group's shareholders' deficit as at 31 December 2009 amounted to RM15.68 million.

(ii) The Group and the Company have defaulted in the repayment of certain bank borrowings as at 31 December 2009 and 31 December 2008 and certain creditors have also filed Section 218 Notices against the Company and certain of its subsidiaries during the current and previous year ended 31 December 2009 and 2008.

(iii) On 16 March 2010, Bukit Jalil Development Sdn Bhd ("BJD") entered into a Joint Development Agreement ("JDA") with Pioneer Haven Sdn Bhd ("PHSB") to develop a parcel of land measuring approximately 60 acres ("the 60 acre land") belonging to BJD into a mixed development project. The present Board of Directors appointed on 17 March 2010, has filed a suit to declare the JDA void. Consequently, the economic benefits from the development of the 60 acre land may not accrue to the Group and BJD until the determination of the said legal action.

During the period from December 2009 to January 2010, BJD had collected booking fees/deposits of approximately RM9.26 million from potential purchasers of shop offices to be developed on the 60 acre land. Certain purchasers have requested for the refund of their booking fees/deposits. As at the date of this report, BJD has not made any refund of these booking fees/deposits.

(iv) The Company's subsidiary, Tru-mix Concrete Sdn Bhd ("TCSB") incurred a net loss of RM1,776,034 during the financial year ended 31 December 2009. In addition, TCSB suffered loss of key management personnel and shut down a few plants during the current financial year ended 31 December 2009 due to completion of projects.

These are indications that TCSB's assets may be impaired. As required by FRS 136 Impairment of Assets, the Group and TCSB should estimate the recoverable amount of TCSB's assets when there is an indication of impairment. The directors did not perform such estimation of recoverable amount as at 31 December 2009. In addition, the aforementioned indications may also cast significant doubt as to the ability of TCSB to continue as a going concern.

The factors set forth above indicate the existence of material uncertainties which may cast significant doubt on the ability of the Group and of 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 are prepared on a going concern basis. The ability of the Group and of the Company to continue as going concerns is dependent upon the successful and timely formulation and implementation of a regularisation plan and negotiation with the relevant bank to restructure their bank borrowings which are currently in default. The present Board of Directors are in the process of formulating such a plan.

The financial statements of the Group and of the Company do not include any adjustment and classification relating to the recorded assets and liabilities that may be necessary should the Group and the Company be unable to continue as going concerns.

3. The audited financial statements for the year ended 31 December 2009 and 31 December 2008 of certain subsidiaries were not available. For the financial year ended 31 December 2008, the audited financial statements of the Madagascar branch operations were also not made available to us. Accordingly the management financial information of these entities were used for the preparation of the consolidated financial statements of the Group for the year ended 31 December 2009 and 31 December 2008.

The audited financial statements of the Madagascar branch operations for the year ended 31 December 2009 were made available to us for consolidation in the current financial year. However, the corresponding figures were not audited. In addition, in the preparation of the Group's and the Company's financial statements for the year ended 31 December 2009, the Madagascar branch operations recognised a foreign exchange gain of RM3.88 million. Owing to the limitation placed on our work, we are unable to satisfy ourselves as to the appropriateness of the amount recognised.

We are also unable to satisfy ourselves as to whether the financial statements and information of the aforementioned subsidiaries and the foreign branch operations that have been consolidated with the financial statements of the Company for the year ended 31 December 2009 and 31 December 2008 are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements for the year ended 31 December 2009 and 31 December 2008 and we have not received satisfactory information and explanations required by us for those purposes.

4. As at 31 December 2007, the share of net assets of the Group and of the Company's associated company, Shanghai San The Company Pile Co Ltd were below its carrying amount of RM10.25 million and RM10.31 million respectively. In our opinion, this is an indication that the investment in the associated company may be impaired. As required by FRS 136 Impairment of Assets, the Group and the Company should estimate the recoverable amount of this investment when there is an indication of impairment. The directors did not perform such estimation of recoverable amount as at 31 December 2007. During the financial year ended 31 December 2008, this investment was fully impaired. In our opinion, such impairment loss should be recognised in the income statements of the Group and of the Company for the year ended 31 December 2007. Accordingly, the losses of the Group and of the Company for the corresponding year ended 31 December 2008 were overstated by RM10.25 million and RM10.31 million respectively.
5. In addition to the above matters, we were not able to confirm or verify by alternative audit procedures the following matters due to the limitations placed on the scope of our work:
 - (i) For the financial statements for the year ended 31 December 2009 and 2008, we were not able to obtain confirmations from the respective solicitors of the Group and of the Company on the status of the litigations as disclosed in Note 39 to the financial statements and accordingly we are unable to satisfy ourselves as to the nature, quantum, and completeness of the said litigations;
 - (ii) During the financial year ended 31 December 2009, the Company incurred the cost of materials and services amounting to RM1.025 million for rectification works undertaken for developments which were previously abandoned but completed during the year. We were not able to sight certain original copies of the purchase orders issued and we were unable to procure confirmations or explanations from the sub-contractors. As such, we are unable to satisfy ourselves on the quantum and the costs incurred in respect of these rectification works.
 - (iii) At the date of this report, we have not received approved budgets in respect of the construction works for certain on-going construction projects of the Company. These budgets were not approved by the previous Board of Directors prior to their removal on 17 March 2010. In the absence of a budget approved by the Board of Directors, we are unable

to ascertain the appropriateness of the profits or losses recognised in the income statements of the Group and of the Company for the year ended 31 December 2009 using the percentage of completion method and the amounts recognised as due from/to customers in the balance sheets of the Group and of the Company for the year ended 31 December 2009.

(iv) As at the date of this report, replies relating to certain debtors and creditors confirmation requests amounting to RM37,735,620 and RM23,996,059 respectively are outstanding. We are unable to confirm or verify by alternative means as to whether the carrying amounts of the debtors and creditors balances for the financial year ended 31 December 2009 were appropriate.

(v) Included in other receivables as at 31 December 2009 of the Group and of the Company is an amount of approximately RM14.794 million which represents amounts due from various sub-contractor debtors. These debts arose from back charges of materials purchased on behalf of the sub-contractor by the Company for its projects. The amount outstanding is to be matched against the delivery order (“DO”) and invoices for materials purchased on behalf and subsequently reversed to the work in progress account as it is part of project related costs. As at 31 December 2009, the matching of the DOs and invoices against the amount outstanding is still in progress. As such, we are not able to assess the amount of debts which are recoverable, the carrying amounts of the construction work-in-progress account and accordingly, the costs to be recognised in the income statement.

(vi) For the financial statements for the years ended 31 December 2009 and 2008, the replies relating to certain bank confirmations requests to confirm the bank balances of the Group and of the Company as at 31 December 2009 were outstanding. We were unable to confirm or verify by alternative means as to the completeness of the recorded bank balances of the Group and of the Company for the year ended 31 December 2009 and the related disclosures pertaining to these banks.

(vii) We are required by Malaysian Approved Standards on Auditing, ISA 560 Subsequent Events, to perform audit procedures to obtain sufficient appropriate audit evidence that all events up to the date of the auditor’s report that may require adjustment of, or disclosure in, the financial statements have been identified. However, we have not been able to complete the performance of such procedures as certain minutes of Board of Directors’ meetings of BJD for period subsequent to 31 December 2009 were not made available to us.

As a result of the above matters, we were unable to determine whether any adjustments or disclosures are required, if any, on the financial statements of the Group and of the Company.

4. Segment information

By industry segment:	Revenue		Results	
	31.03.10	31.03.09	31.03.10	31.03.09
	RM'000	RM'000	RM'000	RM'000
Construction	6	7,843	685	(4,363)
Property development	463	-	(3,791)	(694)
Ready mixed concrete	5,413	4,867	(190)	(445)
Others	-	-	(10)	-
Total revenue including inter-segment	5,882	12,710	(3,306)	(5,502)
Eliminations	(206)	(54)	(641)	-
Associates	-	-	-	-
Total Comprehensive Income/(loss) for the period, net of tax	5,676	12,656	(3,947)	(5,502)

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 March 2010.

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 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

On 24 May 2005, the Company was appointed as a sub-contractor for a construction of a highway project known as "Trans Kedah" project with a contract sum of RM230 million. The main contractor had subsequently awarded portions of the contract to other parties and we are unable to quantify the extent of the losses, if any that may arise from this.

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 2009.

13. Significant Events

In January 2010, 2 shareholders having substantial interest in Ho Hup issued a special notice to call for an EGM to remove 6 out of the 7 directors then and appoint 6 new directors in their place. The first EGM on 4 February 2010 was injunctioned by the Courts and subsequently another notice was issued on 11 February 2010 for an EGM to be convened on 17 March 2010 and the same resolutions were proposed. The EGM was convened and motion carried, resulting in removal of 6 out of the former 7 directors and 6 new directors were appointed. The present Board subsequently formed an Executive Committee to oversee the Group's strategic direction and manage all operational matters of the Group.

14. Subsequent events

Save and except for announcements made by the Company on 27th April 2010, 30th April 2010 and 5th May 2010 the material litigation and matters disclosed in this announcement, 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 2010

1. Performance review

For the first quarter ended 31 March 2010, the Group recorded a pre-tax loss of RM3.9 million on revenue of RM5.7 million compared to a pre-tax loss of RM5.5 million on revenue of RM12.7 million registered in the corresponding quarter last year.

The construction division registered a pre-tax gain of RM0.7 million despite there being no revenue being recorded in the quarter as compared with a pre-tax loss of RM4.4 million from revenue of RM7.8 million for the corresponding period last year. The reduction in losses is due to the gain from disposal of equipments which resulted in a gain of RM6.6 million. Recognition of revenue was deferred due to uncertainty in the completion of certain projects.

The property development division registered a pre-tax loss of RM3.8 million on the back of RM0.5 million revenue generated for the current quarter compared to pre-tax loss of RM0.7 million in the corresponding period last year. The losses in current quarter are mainly due to commission paid of RM1.6 million for the sale of the shop office units from the 60 acres development.

The ready mixed concrete division recorded a turnover of RM5.4 million compared with RM4.8 million for the corresponding period last year. The pre-tax loss recorded is RM0.2 million compared to RM0.4 million for the corresponding period last year. The reduction in losses is due to lower operating cost following the closure of plants resulting from completion of projects.

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

There are no extraordinary item charged in the current quarter.

3. Prospects for the forthcoming financial period

On 30 March 2010, the Company had announced that it had submitted an application to Bursa Securities for a further extension of time of four (4) months up to 4 August 2010 to submit its revised regularisation plan to the

relevant authorities pursuant to the provisions of PN 17 of Bursa Securities Listing Requirements. In this regard, the Company had on 14 April 2010 announced that Bursa Securities had granted an extension of time of four (4) months i.e. from 4 April 2010 to 4 August 2010 to submit the Company's revised regularisation plan to Bursa Securities for approval.

The Group's income is expected to be contributed by development of the 20 units of 2 ½ storey Semi Detached units under phase 7B in Jalil Sutera.

Apart from the above development, we expect to record gains from the disposal of non core land banks as mentioned in note 6 below.

In the meantime, the Company is actively pursuing infrastructure projects and considering various options to revitalise the ready mixed concrete division to be more competitive in the market.

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

This is not applicable.

5. Taxation

There is no tax charge for current quarter due to losses incurred in current quarter.

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

Bukit Jalil Development Sdn Bhd (BJD), a 70% owned subsidiary of the Company, entered into a conditional Sale and Purchase Agreement with Permata Juang (M) Sdn Bhd,(PJSB) a wholly owned subsidiary of Magna Prima Berhad on 2 March 2009 for the disposal of a parcel of freehold land held under Geran 55268, Lot 38476, Mukim of Petaling, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur for a cash consideration of RM19.41 million. The disposal is expected to generate a gain of RM7.59 million.

At an Extraordinary General Meeting held on 29 March 2010, the shareholders of the Company, had voted in favour of the disposal of the land to PJSB. On 27th May, 2010, the shareholders of BJD approved this disposal.

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:

1. On 16 December 2009, Bukit Jalil Development Sdn Bhd, a 70% owned subsidiary of the Company, had entered into a conditional Sale and Purchase Agreement with Action Master Sdn Bhd for the proposed disposal of a freehold land held under Lot No.38472, Geran 55265 Mukim of Petaling and District of Kuala Lumpur and State of Wilayah Persekutuan Kuala Lumpur measuring approximately 3.3 acres for cash consideration of RM7.6 million with Net Book Value of RM7.0 million. The gain of disposal is expected to be RM0.6 million.
2. With the aim to regularise the Company's financial position, AmInvestment Bank Berhad, on behalf of the Board of Directors of the Company, announced on 30 October 2009 the following which constitutes the Initial Proposed Regularisation Plan:
 - (a) Proposed Capital Reduction;
 - (b) Proposed Consolidation;
 - (c) Proposed Restricted Issue;
 - (d) Proposed Rights Issue; and
 - (e) Proposed Amendments.

Subsequent thereto, the Company had received various feedback from its shareholders on the Initial Proposed Regulation Plan. The then Board had deliberated on the concerns and feedback received from its shareholders. Due to certain changes contemplated to the Initial Proposed Regularization Plan, the Company had on 22 January 2010, submitted an application to Bursa Securities for an extension of time. On 3 February 2010 Bursa Securities had granted an extension of time to 4 April 2010. A further extension was granted on 14 April 2010 to 4 August 2010 for the Company to submit a revised scheme to Bursa Securities.

3. On 16 March 2010 BJD entered into a Joint Development Agreement ("JDA") with Pioneer Haven Sdn Bhd, a wholly-owned subsidiary of Malton Berhad, to develop a piece of freehold land held under individual title Geran 42277, Lot No. 36101, Mukim of Petaling, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan measuring in land area of approximately 243,000 square meter ("Land") into mixed commercial and residential development comprising inter alia of but not limited to shopping complex, shop offices, office tower, service apartments and hotel subject to the terms and conditions as stipulated in the JDA. The JDA is currently the subject of litigation wherein the Company has applied to Court to nullify the JDA.

9. Group borrowings and debt securities

	31.03.10 RM'000	31.03.09 RM'000
(a) Short Term Borrowings:		
Secured	82,246	87,119
Unsecured	5,184	16,350
	<u>87,430</u>	<u>103,549</u>
(b) Long Term Borrowings:		
Unsecured	5,037	-
	<u>5,037</u>	<u>-</u>
Total Borrowings	<u>92,467</u>	<u>103,549</u>

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) The Company brought a suit against KM Quarry Sdn Bhd for the amount of RM3,433,335.75 for the incomplete joint measurements and RM2,439,294.47 for overlapping claims for suit NO.22-3-2005. This matter is now fixed for full trial on 18 to 20 August 2010.

(b) Pursuant to an arbitration claim in 2004 by the Company against Revolutionary Technology Holdings Sdn Bhd (“RTH”) and Seri Siantan Sdn Bhd (“Seri Siantan”) together with Syarikat Pembinaan Al-Joffrie Sdn Bhd (“SPAJ”), the Company received an arbitral award for RM11,536,660.95 and costs.

RTH filed an appeal against the said award but was dismissed on 7 August 2009. The Court has allowed the Company’s application to register the award and the Company has served Section 218 Notices on the three Defendants to demand the payment as awarded. SPAJ has filed an injunction to injunct the Company from filing a winding-up petition and the injunction is fixed for hearing on 3 June 2010.

The appeal filed by SPAJ is fixed for mention on 28 June 2010 pending the Appellant to file their Appeal Record.

(c) Pursuant to an arbitration claim May 2005 amounting to Rs2,544,512,230.00 (RM190,965,642) against Andhra Pradesh Housing Board (“Andhra”) for a township development project, the Company was awarded in May 2008 the following:-

- (i) a sum of Rs16,796,250 (RM 1,260,558) together with interest; and
- (ii) compensation of Rs6 lakhs (RM45,030) together with interest.

The award being substantially lower than claimed, the Company appealed to the Hyderabad High Court to set aside the award which was dismissed. The Company's lawyers in India are doing the needful to set aside the decision of the court in dismissing the appeal.

- (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".

The Company has filed its defense and since then no further steps have been taken by Europlus.

- (e) Ang Yoke Lian Construction Sdn Bhd ("**Ang Yoke Lian**") filed a claim ("**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 was dismissed on 21 October 2008. The Plaintiff had filed an appeal to the Court of Appeal on 30 October 2008 and hearing is fixed on 12 July 2010.
- (f) The Company was granted Judgment in Default of Defence on 12 September 2007 in a claim against PPMS Technologies Sdn Bhd ("**PPMS**") amounting to RM840,000. The Company's solicitors are taking steps to execute the Judgment.
- (g) Dato' Low Tuck Choy and Donatian Felix Dorairaj ("**Plaintiffs**") had obtained a Court Order on 30 June 2009 against the Company, BJD and 3 others to declare that, among other pleadings, their removal as directors and the appointment of 2 others as directors of BJD are null and void

The Company had on 29 July 2009, obtained an injunction granted by the Court of Appeal, restraining the Respondents from taking any action and and/or enter into any transactions, dealings, and/or business and taking any steps to retract and/or withdraw from any transactions, dealings and/or business entered into by the Company during the period from 2 December 2008 to 30 June 2009 without the approval of shareholders of BJD. The matter was fixed for hearing at Court of Appeal on 23 March 2010 and was withdrawn by the Company on 25 May 2010.

- (h) On 16 March 2009, BJD filed a suit against Dato' Low Tuck Choy at the Kuala Lumpur High Court (Civil 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. BJD has filed notice for case management and is pending for a date to be set by the Courts.
- (i) On 31st July 2009, the Company was served by Dato' Low Tuck Choy with a Writ of Summons (Suit No.S-22-525-2009) dated 24th July 2009, seeking damages and an injunction that the Defendants and/or their agents from stopping the International Court of Arbitration from awarding the arbitral award. The Company has engaged solicitors to defend this matter. This matter has been fixed for case management on 23 September 2010.
- (j) On 27 July 2009, the Company was served with a Writ of Summons and Statement of Claim dated 13 July 2009 by Dorairaj, Low & Teh (Civil Suit No. S-22-492-2009) in relation to unpaid legal fees amounting to RM2,566,738.65 owing by the Company to the Plaintiff. Plaintiff has filed summary judgment application on 15 October 2009 and the matter has been fixed for case management on 1 June 2010.
- (k) BJD was served with a writ of summons and statement of claim on 2 October 2009 by Permata Juang (M) Sdn. Bhd. ("PJSB") which claimed for, *inter alia*: -
 - (i) specific performance of the Sale and Purchase Agreement dated 2 March 2009; and
 - (ii) an injunction to restrain BJD from selling the land held under Geran 55268 Lot 34876 in the Mukim of Petaling, District of Kuala Lumpur and State of Wilayah Persekutuan;

alternatively, in lieu of specific performance:-

 - (i) BJD to refund all monies paid by PJSB to BJD i.e. RM6,636,981.00; and
 - (ii) general damages at the rate of 8% per annum calculated on a daily basis on the sum RM6,636,981.00 and further sum paid by PJSB to BJD.

On 14 October 2009 the High Court granted an Injunction in favour of PJSB to injunct BJD from selling the land to any other party and ordered that an EGM be called by the Company within 30 days from the date of the Order to obtain shareholders approval for the sale of the land to PJSB.

BJD obtained the Court's approval to extend the period for the Company to call for the EGM from 30 days to 90 days. In subsequent application to the Court, the Company was allowed to hold the EGM on 29 March 2010. On the said EGM, the shareholders of the Company

have voted in favour of the disposal of the land to the Plaintiff. The matter is fixed for case management on 27 May 2010.

- (l) On 22 May 2009, BJD was served by the Estate of Tang Sau Kuan and the Estate of Low Chee each with a Notice pursuant to Section 218 of the Act dated 22 May 2009 for the amount of RM915,967.52 and RM256,735.00 respectively. BJD had on 6 August 2009 written to both the Estates to propose a settlement on a strictly without prejudice basis. BJD has yet to receive a reply from the Estates and has appointed a solicitor to restrain the Estates from presenting the Winding-Up Petition.
- (m) On 6 October 2009, the Company was served with a Section 218 notice by Proskauer Rose LLP (“Proskauer”) demanding the sum of Euros 334,840.49 for services provided by Proskauer in respect of the Arbitration proceedings held in Paris, France between the Company and the Republic of Madagascar. Consequently the Company filed an injunction to restrain Proskauer (“Defendant”) from presenting the Winding-Up Petition against the Company. On 27 October 2009, the Company obtained an Ex-Parte Interim Injunction Order to restrain the Defendant from, inter-alia, presenting a winding-up petition against the Company pending hearing and disposal of the Originating Summons at Kuala Lumpur High Court (Summons No. D-24NCC-54-2009). The Defendant applied to set aside the Order and on 16 December 2009 the Court allowed the Defendant’s application. On 23 December 2009, the Company filed an appeal and Notice of Motion under certificate of urgency for an interim erinford injunction and stay of execution of the judgment. In the meantime, a Consent Order was entered on 13 January 2010 for the Company to release the deposit sum of USD79,275.00 to the Respondent pending hearing of the Company’s appeal. The matter has been fixed for case management for the appeal on 6 August 2010.
- (n) The Company has filed a claim at the Kuala Lumpur Sessions Court (Summons No. S10-52-19269-09) against Ismawadee & Co. (“Ismawadee”) being fees wrongfully paid to them. The matter is fixed for mention on 31 May 2010.
- (o) The Registrar of Companies (Chief Executive Officer of Companies Commission of Malaysia) (“ROC”) has filed injunction application on 15 March 2010 against Dato’ Low Tuck Choy (“D1”), Low Lai Yoong (“D2”), Low Chee & Sons Sdn Bhd (“D3”) and the Company to restrain D1-D3 from exercising their voting rights over the shares held by them which was obtained on 10 March 2010.

D1-D3 filed an application to set aside the ex-parte order and on 16 March 2010, the Court varied the ex-parte order to limit the injunction to:

- (i) 1,288,500 shares of HHC held by D1 and/or his nominees; and
- (ii) 870,500 shares of HHC held by D2 and/or her nominees

The ex-parte order against D3 is discharged. The matter is fixed for hearing on 7 July 2010.

- (p) On 27 January 2010, Extreme System Sdn Bhd ("Plaintiff") vide Kuala Lumpur High Court Suit No: D-22NCC-146-2010 has filed an Injunction Application to restrain Dato' Low Tuck Choy (2nd Defendant") and 27 others from holding or proceeding with the EGM of the Company ("1st Defendant") on 4 February 2010 for the removal of the existing directors of the Company. On 3 February 2010, the Court granted the restraining order in favour of the Plaintiff.

The Plaintiff also filed a suit concerning an attempt by the 2nd Defendant while acting in concert with other shareholders who are collectively known as the "Concerted Parties", to take control of the Company by the acquisition of over 16,005,206 (15.69%) shares in the Company ("the Swing Vote") and the calling of an EGM to remove the entire board of the Company save for the 2nd Defendant's brother. The attempted take-over is in breach of the Malaysian Code on Take-Overs and Mergers 1998 ("Code"), the Securities Commission Act ("SCA") and for improper purposes.

The Plaintiff claims that there were breaches of fiduciary duties by 2nd Defendant and that the Concerted Parties breached their duties and obligations to comply with the provisions of the Code.

The Plaintiff filed a 2nd Injunction Application on 5 March 2010 to restrain the EGM of the Company fixed for 17 March 2010. The application was dismissed.

The Plaintiff filed the Erinford Injunction and the same has been dismissed with costs. The Plaintiff filed an appeal for the Erinford Injunction and to stay the resolutions passed at the EGM on 17 March 2010. On 17 March 2010, the Court of Appeal unanimously dismissed the applications.

The case is fixed for hearing on 23 June 2010 for parties to file brief outline submissions and trial on 16 August 2010 to 20 August 2010.

- (q) The Company filed a Writ of Summons and Statement of Claim on 8 January 2010 at Kuala Lumpur High Court (Suit No D-22NCC-33-2010) against Dato' Low Tuck Choy ("Defendant") claiming illegal and improper conduct while acting as a director of the Company up to 23 December 2008 which constituted a breach of fiduciary duty, breach of trust, breach of duty of care, fraud and conspiracy to defraud the Company and had also caused the Company's projects to be redundant and as a result of that the Company has suffered losses. The Company claimed for specific damages of RM235.6 million and general damages to be assessed by Court.

The Defendant has filed and served the defence and the matter has been fixed for next case management on 7 June 2010.

- (r) On 7 January 2010 the Company filed a suit at Kuala Lumpur High Court (Suit No. S-23-2-2010) against Low Chee & Sons Sdn Bhd (“Defendant”) for damages among others, publishing a notice entitled “Important Notice to All Shareholders of Ho Hup Construction Company Berhad” (“Notice”) in the Sin Chew Daily newspaper on 25 December 2009 and in The Star newspaper on 28 December 2009. The Company’s claim was that the notice amounted to a very serious libel on the Company and as a consequence, the Company’s reputation has been seriously damaged.

The Court has yet to fix a new date for this matter.

- (s) On 7 January 2010 the Company filed a suit at Kuala Lumpur High Court (Suit No. S-23-3-2010) against Dato’ Low Tuck Choy (“Defendant”) for damages among others, publishing a notice entitled “The Company major shareholder opposes sale. Shareholders urged to decide ‘what is best’ ” (“Defamatory Statement”) in the Edge Financial Daily on 28 December 2009 which the Company claimed as defamatory and which amounted to a very serious libel and as a consequence, the Company’s reputation has been seriously damaged.

The Court has yet to fix a new date for the matter.

- (t) The Company filed a suit (Suit No. 22NCC-792-2010) in the Kuala Lumpur High Court against Bukit Jalil Development Sdn Bhd (“BJD”) and 10 others in respect of the Joint Development Agreement (“JDA”) dated 16 March 2010 between BJD and Pioneer Haven Sdn Bhd (“PHSB”) to develop of the 60 acres freehold land held under individual title Geran 42277, Lot No. 36101, Mukim Petaling, Daerah Kuala Lumpur, Wilayah Persekutuan into mixed commercial and residential development comprising inter alia of but not limited to shopping complex, shop offices, office tower, service apartments and hotel subject to the terms and conditions as stipulated in the JDA.

The Company claimed in the Statement of Claim the following:

- (i) A declaration that each of the JDA, the Power of Attorney and the Endorsement and Undertaking is void
- (ii) An Order for PHSB to account for all benefit of any form received or accrued by reason of or otherwise arising from JDA, the Power of Attorney and the Endorsement and Undertaking.
- (iii) An Order that PHSB does pay or otherwise deliver to BJD all said benefits within 14 days of the Order
- (iv) An Order that Registrar of Land Titles be ordered to expunge and/or remove the caveat entered by PHSB on the land
- (v) Damages against the second (2nd) to eleventh (11th) Defendants

- (vi) Interest at the rate of 8% per annum awarded by the Court from the date of the filing of the suit to the date of full and final settlement
- (vii) Costs
- (viii) Any further or other relief the Court deems fit and appropriate

The Company also filed the Summons in Chambers on 26 April 2010 for the application for Interlocutory Injunction against the Defendants to restrain them from giving effect to, or relying on, or otherwise acting pursuant to the JDA or in connection to the Endorsement or Undertaking, and against PHSB to restrain it from taking any action whatsoever under or otherwise pursuant to the Power of Attorney.

An Interim Injunction was granted by the High Court 5 May 2010 and the case management is on-going.

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 2010, 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 2009.

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 31/03/10	Preceding year corresponding quarter 31/03/09	Financial period to- date 31/03/10	Preceding year corresponding period to-date 31/03/09
(Loss) attributable to the equity holders of the parent (RM'000)	(3,947)	(5,454)	(3,947)	(5,454)
Weighted average number of ordinary shares ('000)	102,000	102,000	102,000	102,000
Basic earnings per share (sen)	(3.87)	(5.35)	(3.87)	(5.35)