

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the quarter ended 31 December 2010

The figures have not been audited.

	INDIVIDUAL QUARTER 3 MONTHS ENDED		CUMULATIVE QUARTER 12 MONTHS ENDED	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	RM'000	RM'000	RM'000	RM'000
Revenue	10,085	16,654	65,747	80,149
Cost of Sales	(10,216)	(15,916)	(55,253)	(65,530)
<b>Gross Profit</b>	<u>(130)</u>	<u>738</u>	<u>10,494</u>	<u>14,619</u>
Other Income / (Charge)	5,360	6,692	17,095	14,582
Administrative expenses	(6,937)	(898)	(14,796)	(29,490)
Operating expenses	(284)	(16,146)	(19,339)	(27,382)
<b>Result from operating activities</b>	<u>(1,991)</u>	<u>(9,614)</u>	<u>(6,547)</u>	<u>(27,671)</u>
Finance income	207		247	-
Finance cost	(3,275)	1,651	(8,287)	(5,695)
<b>Net Finance Costs</b>	<u>(3,068)</u>	<u>1,651</u>	<u>(8,040)</u>	<u>(5,695)</u>
Share of results of associates	-	54	-	(21)
<b>Profit/ (loss) before tax</b>	<u>(5,059)</u>	<u>(7,909)</u>	<u>(14,587)</u>	<u>(33,387)</u>
Income tax expense	-	(3,240)	1,468	(1,309)
<b>Profit/(loss) for the period</b>	<u>(5,059)</u>	<u>(11,149)</u>	<u>(13,119)</u>	<u>(34,696)</u>
<b>Other Comprehensive Income/(loss), net of tax</b>				
Foreign Currency Translation differences for foreign operations	180	-	534	-
<b>Other Comprehensive Income/(loss) for the period, net of tax</b>	<u>180</u>	<u>-</u>	<u>534</u>	<u>-</u>
<b>Total Comprehensive Income/(loss) for the period, net of tax</b>	<u><u>(4,880)</u></u>	<u><u>(11,149)</u></u>	<u><u>(12,585)</u></u>	<u><u>(34,696)</u></u>
<b>Profit Attributable to:</b>				
Owners of the Company	(5,036)	(11,094)	(13,086)	(34,519)
Minority interests	(23)	(55)	(33)	(177)
<b>Profit/ (loss) for the period</b>	<u><u>(5,059)</u></u>	<u><u>(11,149)</u></u>	<u><u>(13,119)</u></u>	<u><u>(34,696)</u></u>
<b>Total Comprehensive Income/ (loss) attributable to:</b>				
Owners of the Company	(4,856)	(11,094)	(12,552)	(34,519)
Minority interests	(23)	(55)	(33)	(177)
<b>Total comprehensive Income/(loss) for the period</b>	<u><u>(4,880)</u></u>	<u><u>(11,149)</u></u>	<u><u>(12,585)</u></u>	<u><u>(34,696)</u></u>
<b>Basic earnings / (loss) per share attributable to owners of the Company (sen)</b>	<u><u>(4.76)</u></u>	<u><u>(10.88)</u></u>	<u><u>(12.31)</u></u>	<u><u>(33.84)</u></u>

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

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

The figures have not been audited.

	As at 31 December 2010 RM '000 (Unaudited)	As at 31 Dec. 2009 RM '000 (Audited)
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	10,911	22,790
Land Held for Property Development	120,178	120,874
Prepaid Lease Payment	216	220
Investment in Associates	(0)	16
Deferred Tax Assets	-	-
	<u>131,306</u>	<u>143,900</u>
<b>Current Assets</b>		
Property Development costs	6,501	2,125
Inventories	301	527
Trade Receivables	22,461	32,295
Other Receivables	24,451	29,320
Fixed Deposits	710	1,784
Cash and Bank Balances	13,752	15,427
	<u>68,176</u>	<u>81,478</u>
Properties classified as Land held for Sales	7,022	19,066
<b>TOTAL ASSETS</b>	<u>206,503</u>	<u>244,444</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity Attributable to Equity Holders of the Parent</b>		
Share Capital	102,000	102,000
Other Reserves	4,607	4,680
Retained Earnings	(134,911)	(122,359)
	<u>(28,304)</u>	<u>(15,679)</u>
<b>Minority Interests</b>	1,059	1,093
<b>Total Equity</b>	<u>(27,245)</u>	<u>(14,586)</u>
<b>Non-Current Liabilities</b>		
Long Term Borrowings		5,037
Deferred Tax Liabilities	52	35
	<u>52</u>	<u>5,072</u>
<b>Current Liabilities</b>		
Provision for liquidated ascertained damages	16,923	19,907
Short Term Borrowings	84,566	94,915
Trade Payables	72,191	76,926
Other Payables	51,961	52,593
Hire Purchase Creditors	101	332
Tax payable	7,954	9,285
	<u>233,695</u>	<u>253,958</u>
<b>Total Liabilities</b>	<u>233,748</u>	<u>259,030</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>206,503</u>	<u>244,444</u>
<b>Net assets per share attributable to equity holders of the parent (RM)</b>	<u>(0.28)</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 December 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)
<b>At 1 January 2010</b>	102,000	4,680	(122,359)	(15,679)	1,092	(14,587)
Net profit/(loss) for the period	-	-	(12,552)	(12,552)	(33)	(12,585)
Foreign currency translation	-	(73)	-	(73)	-	(73)
<b>At 31 December 2010</b>	<u>102,000</u>	<u>4,607</u>	<u>(134,911)</u>	<u>(28,304)</u>	<u>1,059</u>	<u>(27,245)</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)
<b>At 1 January 2009</b>	102,000	4,609	(87,840)	18,769	1,270	20,039
Net profit/(loss) for the period	-	-	(34,519)	(34,519)	(178)	(34,697)
Foreign currency translation	-	71	-	71	-	71
<b>At 31 December 2009</b>	<u>102,000</u>	<u>4,680</u>	<u>(122,359)</u>	<u>(15,679)</u>	<u>1,092</u>	<u>(14,587)</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 December 2010

The figures have not been audited

	12 months ended	
	31 December 2010 RM'000	31 December 2009 RM'000
Net cash flows generated from / (used in) operating activities	(8,910)	4,097
Net cash flows generated from / (used in) investing activities	17,095	6,763
Net cash flows generated from / (used) in financing activities	(10,349)	(2,383)
Net increase / (decrease) in cash and cash equivalents	<u>(2,164)</u>	<u>8,477</u>
Effects of exchange rate changes		
Cash and cash equivalents at beginning of financial period	11,467	2,985
Cash and cash equivalents at end of financial period	<u><u>9,303</u></u>	<u><u>11,462</u></u>

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

	As at 31 December 2010 RM '000	As at 31 December 2009 RM '000
Fixed Deposits	710	1,784
Cash and Bank Balances	13,752	15,427
Bank Overdrafts	<u>(5,159)</u>	<u>(5,749)</u>
	<u><u>9,303</u></u>	<u><u>11,462</u></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 DECEMBER 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 31 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.

### **3. Audit report on preceding annual financial statements**

The auditors' report on the financial statements for the year ended 31 December 2009 was subjected to qualifications. The auditors reported that 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 in the auditors' report for the previous financial year ended 31 December 2009 was disclaimed and reproduced as follows:-

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 is 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 was 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 Ho Hup 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	
	31.12.10 RM'000	31.12.09 RM'000	31.12.10 RM'000	31.12.09 RM'000
Construction	26,541	37,589	(10,538)	(33,848)
Property development	32,954	26,321	305	2,844
Ready mixed concrete	13,062	20,090	(334)	(1,759)
Others	181	-	13	736
Total revenue including inter-segment	72,738	84,000	(10,554)	(32,027)
Eliminations	(6,991)	(3,851)	(1,998)	(2,492)
Associates	-	-	-	-
<b>Total Comprehensive Income/(loss) for the period, net of tax</b>	<b>65,747</b>	<b>80,149</b>	<b>(12,552)</b>	<b>(34,519)</b>

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

There were no unusual items affecting the assets, liabilities, equity, net income or cashflow during the financial period ended 31 December 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 unfavorable 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 third parties. We are unable to quantify the extent of the losses if any in respect of these portions of contract.

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. Subsequent events**

Save and except for announcement made by the Company on 24 January, 31 January and 10 February 2011 and the material litigation as disclosed herein from page 19 to page 22 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 December 2010

#### 1. Performance review

For the current quarter ended 31 December 2010, the Group's after tax loss reduced to RM5.1million on revenue of RM10.1 million against an after tax loss of RM11.1 million on revenue of RM16.6 million registered in the corresponding quarter last year. Cumulatively for the 12 months period ended 31 December 2010, the Group registered after tax loss of RM13.1 million on revenue of RM65.7 million compared to after tax loss of RM34.7 million on revenue of RM80.1 million.

The **Construction Division** registered after tax loss of RM10.5 million on the back of RM26.5million revenue for the 12 months period ended 31 December 2010 as compared to after tax loss of RM33.8 million on revenue of RM37.5 million for the corresponding period last year. The lower losses are mainly due to reduced one off charges to the income statement of the Madagascar branch by RM24.3 million.

The **Property Development Division** registered an after tax profit of RM0.3 million on the back of RM32.9 million revenue generated for the current year compared to an after tax profit of RM2.8 million on revenue of RM26.3 million registered last year. The profit after tax declined during the year mainly due to current year's project income of RM5.6 million were reduced by the provision for prior's year tax of RM3.5 million and one off sales commission of RM1.6 million..

The **Ready Mixed Concrete Division** recorded a turnover of RM13.1 million compared to RM20.1 million for the corresponding period last year. This year after tax loss of RM0.3 million compared to after tax loss of RM 1.8 million for the corresponding period last year. The improvement is mainly due to the gain on disposal of assets for the company and rental of idle plant capacity amounting to RM1.6 million.

#### 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 registered current quarter losses of RM5.1 million as opposed to the after tax profit of RM0.3 million registered in the immediate preceding quarter. The declined in profits were mainly due to further provisions made

during the quarter for doubtful recoverability of sundry deposits & additional costs resulting from the S176 exercise.

### **3. Prospects for the forthcoming financial period**

On 3 November 2010, the Company entered into a conditional Share Sale Agreement (SSA) with Plenitude Frontier Sdn Bhd (Plenitude) for the acquisition of 100% equity interest in Fivestar Development (Puchong) Sdn Bhd and Kolektra Recreation Sdn Bhd (collectively referred to as the Target Companies). Plenitude is a special purpose vehicle incorporated to act as the holding company of the Target Companies. The acquisitions are part of the Company's initiative to restore Ho Hup onto stronger financial footing via, amongst others, the injection of new viable businesses.

The proposed acquisition involves the acquisition by the Company of the entire equity interest in the Target Companies from the vendor for an indicative purchase consideration of RM46,803,900 to be satisfied by the allotment and issuance of new ordinary shares of RM1.00 each in Ho Hup at an issue price of RM1.00 per share.

This acquisition will ensure sustainable business for Ho Hup in the long term.

The Company has obtained an extension of time for a further 3 months up to 4 February 2011 to submit its regularization plan under Practice Note 17 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements. On 31 January 2011, we have submitted an application for extension of time for another three months to 4 May 2011. At the date of this report we are still awaiting Bursa's response to this extension. The regularization plan will further improve Ho Hup's financial standing to support the future business expansion.

The development of 20 units of 2 ½ storey Semi Detached units under phase 7B in Jalil Sutera has progressed up to 65% of completion. We expect Certificate of Fitness by Quarter 2, 2011.

Apart from the above, we expect to record gains from the disposal of the final piece of the non core land bank in 3<sup>rd</sup> quarter of 2011 as mentioned in note 6 below.

The ready mixed concrete division has been restructured and expected to show a turnaround at the first quarter of 2011.

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

This is not applicable.

## 5. Taxation

The taxation charge comprises of:

	Current Quarter RM'000	Cumulative Quarter RM'000
Income Tax:		
Current year provision	-	1,000
Write back of prior years' provision	-	(2,486)
	<hr/>	<hr/>
	-	(1,468)
	<hr/>	<hr/>

Tax from prior years was written back pursuant to confirmation from authorities that no tax liabilities are recorded.

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

On 29 October 2010 the Company announced that its 70% owned Bukit Jalil Development Sdn Bhd (BJD) has entered into a Conditional Sale and Purchase Agreement with Bayu Melati Sdn Bhd for the proposed disposal of the freehold land for cash in full consideration of RM9.55 million. On 10 February 2011, the sale was approved by the shareholders. We are in the midst of filing for validation of the disposal by the courts.

## 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 29 October 2010, BJD entered into a Conditional Sales & Purchase Agreement with Bayu Melati Sdn Bhd for the disposal of a parcel of freehold land held under the Master Title under geran 55265 with Lot No 38472, Mukim Petaling, District of Kuala Lumpur, state of Wilayah Persekutuan Kuala Lumpur for a cash consideration of RM9.55 million. The disposal is expected to generate gain of RM2.4 million by 3<sup>rd</sup> quarter of 2011. The sale was approved by shareholders on 10 February 2011.
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.

However, following the objections by certain substantial shareholders, new directors were appointed to Company's Board on 17 March 2010. On the same date, Ho Hup had announced the entering of a Joint Development Agreement (JDA) with Pioneer Haven Sdn Bhd, a wholly owned subsidiary of Malton Berhad. AmInvestment Bank Berhad and Newfield Advisors Sdn Bhd resigned as the Company's principal adviser & financial adviser respectively with effect from 17 March 2010. These events had resulted in a setback in the development of the Regularisation Plan and consequently the submission of the same to Bursa Securities.

On 31 January 2011, the Company has submitted an application for the extension of time for a further 3 months up to 4 May 2011 to submit its regularization plan under Practice Note 17 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements. At the date of this report, we are still awaiting for Bursa's approval.

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 apartment and hotel subject to the terms and conditions as stipulated in the JDA. On 13 October 2010, the Company announced that the court has granted an injunction to Ho Hup. The trial is ongoing and further hearing is fixed on the 28 February 2011, 3 March 2011 and 4 March 2011.

3. On 16 July 2010, there was a Memorandum of Understanding (MOU) signed with Mr Raymond Tan for the purpose of acquiring 100% equity in Fivestar Development (Puchong) Sdn Bhd and Kolektra Recreation Sdn Bhd (the Target Companies) free from all liens, charges and encumbrances and with all rights attaching to and accruing in respect of the Target Companies at a price to be determined and agreed by Ho Hup and Mr. Raymond Tan prior to the execution of the Definitive Agreement and after taking into consideration the results of the due diligence review and valuation to be conducted by the relevant advisors, experts, consultants and professionals.

On 3 November 2010, the Company entered into a conditional Share Sale Agreement (SSA) with Plenitude Frontier Sdn Bhd (Plenitude) for the acquisition of 100% equity interest in Fivestar and Kolektra (collectively referred to as the Target Companies). Plenitude is a special purpose vehicle incorporated to act as the holding company of the Target Companies. The acquisitions are part of the Company's initiative to restore Ho Hup onto stronger financial footing via, amongst others, the injection of new viable business.

The proposed acquisition involves the acquisition by the Company of the entire equity interest in the Target Companies from the vendor for an indicative purchase consideration of RM46,803,900 to be satisfied by the allotment and issuance of new ordinary shares of RM1.00 each in Ho Hup at an issue price of RM1.00 per share.

The proposed Acquisition will form part of other proposals and other terms as may be mutually agreed in the Definitive Agreement to be signed by Ho Hup and the Vendor at a later date.

4. The Company and two of its subsidiaries namely BJD and Tru-mix Concrete Sdn Bhd (Tru-mix) had on 20 October 2010 obtained an order from High Court of Malaya at Kuala Lumpur pursuant to Section 176 of the Companies Act 2965 which inter alia, granted the Company leave to convene a Scheme Creditors meeting to consider and/or approve the Proposed Restructuring Scheme and Creditors Scheme of Arrangement and order that all further proceedings and/or action against Ho Hup including but not limited to winding up, execution and/ or arbitration proceedings be restrained for a period of 90 days from the date of the order. The restraining order has been further extended to 23 April 2011. However, the Restraining Order shall exclude the current action between Ho Hup and Pioneer Haven Sdn Bhd and 10 others and Ho Hup, Bukit Jalil Development Sdn Bhd and Tru-Mix Concrete Sdn Bhd to be given leave to dispose and acquire property and carry on its activities which are in the ordinary course of business.

#### 9. Group borrowings and debt securities

	31.12.10 RM'000	31.12.09 RM'000
(a) Short Term Borrowings:		
Secured	73,599	88,495
Unsecured	10,967	6,420
	<u>84,566</u>	<u>94,915</u>
(b) Long Term Borrowings:		
Unsecured	-	5,037
Total Borrowings	<u>84,566</u>	<u>99,952</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) Ho Hup brought a suit against KM Quarry Sdn Bhd (“KMQ”) 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. KMQ filed a counter claim against the Company for a total sum of RM3,774,876 for works done in respect of progress claims No 19, 20 & 21 plus a retention sum of RM862,019. This matter was fixed for full trial on 18 to 20 August 2010 but the dates were vacated by the Courts. The matter is now fixed for case management on 23 February 2011.

(b) Ho Hup pursued by-way of arbitration its claim in the amount of RM23,438,498 together with interest at 8% per annum from 29 November 2004 in respect of damages for unlawful termination for road construction works, balance value of work done at the termination date and loss and expense as a consequence of extension of time being granted to Ho Hup against Revolutionary Technology Holdings Sdn Bhd (“RTH”) and Seri Siantan Sdn Bhd (“Seri Siantan”) together with Syarikat Pembinaan Al-Joffrie Sdn Bhd (“SPAJ”).

On 15 September 2008, Ho Hup received an arbitral award 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.

Pursuant to the said award, Section 218 Notices were served on SPAJ and Seri Siantan. RTH has since been wound up but Ho Hup has entered into a settlement agreement with SPAJ and Seri Siantan on the 10 December 2010.

(c) On 2 May 2005, Ho Hup commenced an arbitration for damages amounting to Rs2,544,512,230 (RM190,965,642) being the unlawful termination of the Development Agreement dated 9 March 2005 by the Andhra Pradesh Housing Board (“APH”) in respect of the development of a township in India by APH.

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

(i) APH shall pay Ho Hup the sum of Rs16,796,250 (RM1,260,558) together with simple interest at the rate of 12% per annum from 1 February 2006 to the date of payment;

- (ii) APH shall pay compensation of Rs.6 lakhs (RM45,030) 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. Ho Hup's appeal was dismissed and the lawyers in India are now exploring the possibility of setting aside the decision of the court in dismissing the said appeal.

- (d) On 16 March 2009, BJD filed a suit against Dato' Low Tuck Choy ("DLTC") 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. BJD has since withdrawn the suit with liberty to file afresh on the advice of its Solicitors.
- (f) On 31<sup>st</sup> July 2009, Ho Hup was served by DLTC with a Writ of Summons Civil Suit No.S-22-525-2009 dated 24<sup>th</sup> July 2009, seeking damages and an injunction to prevent the International Chamber of Commerce from awarding its arbitral award. Ho Hup has engaged solicitors to defend this matter. Statement of Defence was filed on 26 October 2009. This matter has been fixed for further case management on 11 March 2011.

The trial is still ongoing but there is no material impact on Ho Hup at the moment since Ho Hup is a nominal Defendant.

- (f) Ho Hup has filed 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 Bukit Jalil Development Sdn Bhd and Pioneer Haven Sdn Bhd ("PHSB") to develop the 60 acres freehold land held under individual title Geran 42277, Lot No. 36101, Mukim Petaling, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan into a 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, inter alia, in the Statement of Claim for a declaration that the JDA, the Power of Attorney and the Endorsement and Undertaking is void.

Ho Hup also filed an application on the 26 April 2010 for an 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. The injunction was granted since then.

The matter is now in Full Trial and further hearing is fixed on the 28 February 2011, 3 March 2011 and 4 March 2011.

- (g) On 27 January 2010, Extreme System Sdn Bhd (“ESSB”) vide Kuala Lumpur High Court Suit No: D-22NCC-146-2010 has filed an application for an injunction to restrain DLTC (2<sup>nd</sup> Defendant”) and 27 others from holding or proceeding with the EGM of Ho Hup on 4 February 2010 for the removal of the directors of Ho Hup then. Ho Hup is a nominal Defendant in the aforesaid suit. On 3 February 2010, the Court has granted the order in favor of ESSB.

Subsequently, another EGM was called to be held on 17 March 2010 for the removal of the same Directors of Ho Hup. ESSB filed a further application to restrain the holding of the EGM on 17 March 2010. The learned judge dismissed the application.

The trial is still ongoing but there is no material impact on Ho Hup at the moment since Ho Hup is a nominal Defendant.

- (h) Pursuant to a letter of Intent dated 29 April 2009 issued by PKNS Engineering And Construction Berhad (“Defendant”) the main contractor to Ho Hup in relation to the project known as “ Cadangan Membina, Menyiapkan dan Menguji Kuarters Integrasi Klang Kelas 56F, 106G Di Hospital Tengku Ampuan Rahimah, Selangor Darul Ehsan”. The lump sum contract is for the amount of RM18,038,000.00. The Defendant had vide letter dated 2 June 2010 terminated the subcontract with Ho Hup even though the Defendant earlier vide their letter dated 29 April 2010 had reached agreement with Ho Hup on certain issues for the completion of the project. The Defendant had written a letter dated 6 July 2010 to Malaysia Assurance Alliance Berhad making a claim on the Performance Bond for the sum of RM901,900.00

On 27 July 2010, Ho Hup vide Shah Alam High Court Suit No: 22-1054-2010 has filed an Injunction Application to restrain the Defendant from dealing in any manner whatsoever and/or receiving any monies under the said Performance Bond until the hearing and disposal of the suit or until further order of the Court. A Writ of Summons was filed whereby Ho Hup is claiming for damages which will be assessed by the Court. On 3 August 2010, the Court has granted an ad-interim injunction order in favour of Ho Hup until the Court decides on our application. The matter is fixed for Case Management on 3 March 2011.

- (i) DLTC brought an action against Ho Hup in the Industrial Court No. 26/4-586/10 for reinstatement as Managing Director of the Company.

DLTC's lawyer filed the Statement of Claim and the matter is now fixed for mention on 15 March 2011 pending filing and service of the Statement In Reply by Ho Hup.

- (j) Ho Hup brought an action against certain former directors and employees, claiming, inter alia, that they caused to be paid to themselves the sum of RM1,416,451.61 as compensation upon termination of their service contracts, which are unjustified and improper.

The relief sought by the Company, include, inter alia, a judgment in sum of RM1,416,451.61 being the amounts wrongfully paid with interest and costs.

The matter is fixed for Trial on 1<sup>st</sup> and 2<sup>nd</sup> March 2011.

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 February 2011, which is 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 2010.

## 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 31/12/10	Preceding year corresponding quarter 31/12/09	Financial period to- date 31/12/10	Preceding year corresponding period to-date 31/12/09
Profit/(Loss) attributable to the equity holders of the parent (RM'000)	(4,856)	(11,149)	(12,552)	(35,062)
Weighted average number of ordinary shares ('000)	102,000	102,000	102,000	102,000
Basic earnings per share (sen)	(0.047)	(10.93)	(0.12)	(34.37)