

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the quarter ended 31 December 2011

The figures have not been audited.

	INDIVIDUAL QUARTER 3 MONTHS ENDED		CUMULATIVE QUARTER 12 MONTHS ENDED	
	31 Dec 2011 RM'000	31 Dec 2010 RM'000	31 Dec 2011 RM'000	31 Dec 2010 RM'000
Revenue	4,510	10,085	27,672	65,123
Cost of Sales	(7,264)	(10,216)	(22,295)	(53,334)
<b>Gross Profit</b>	<u>(2,754)</u>	<u>(130)</u>	<u>5,377</u>	<u>11,789</u>
Other Income / (Charge)	14,011	5,360	21,781	29,096
Gain/(loss) from disposal of investments	905	-	1,885	-
Administrative expenses	(2,121)	(6,937)	(7,763)	(11,609)
Operating expenses	(11,365)	(284)	(22,288)	(37,683)
<b>Result from operating activities</b>	<u>(1,324)</u>	<u>(1,991)</u>	<u>(1,008)</u>	<u>(8,407)</u>
Finance income	2	207	64	-
Finance cost	(2,662)	(3,275)	(9,055)	(7,707)
<b>Net Finance Costs</b>	<u>(2,659)</u>	<u>(3,068)</u>	<u>(8,991)</u>	<u>(7,707)</u>
Share of results of associates	-	-	-	21
<b>Profit/ (loss) before tax</b>	<u>(3,983)</u>	<u>(5,059)</u>	<u>(9,998)</u>	<u>(16,093)</u>
Income tax expense	(173)	-	(202)	2,451
<b>Profit/(loss) for the period</b>	<u>(4,157)</u>	<u>(5,059)</u>	<u>(10,201)</u>	<u>(13,642)</u>
<b>Other Comprehensive Income/(loss), net of tax</b>				
Foreign Currency Translation differences for foreign operations	-	180	-	173
<b>Other Comprehensive Income/(loss) for the period, net of tax</b>	<u>-</u>	<u>180</u>	<u>-</u>	<u>173</u>
<b>Total Comprehensive Income/(loss) for the period, net of tax</b>	<u>(4,157)</u>	<u>(4,879)</u>	<u>(10,201)</u>	<u>(13,469)</u>
<b>Profit Attributable to:</b>				
Owners of the Company	(3,735)	(5,036)	(9,781)	(13,606)
Non Controlling Interest	(422)	(23)	(419)	(36)
<b>Profit/ (loss) for the period</b>	<u>(4,157)</u>	<u>(5,059)</u>	<u>(10,201)</u>	<u>(13,642)</u>
<b>Total Comprehensive Income/ (loss) attributable to:</b>				
Owners of the Company	(3,735)	(4,856)	(9,781)	(13,433)
Non Controlling Interest	(422)	(23)	(419)	(36)
<b>Total comprehensive Income/(loss) for the period</b>	<u>(4,157)</u>	<u>(4,879)</u>	<u>(10,201)</u>	<u>(13,469)</u>
<b>Basic earnings / (loss) per share attributable to owners of the Company (sen)</b>	<u>(3.66)</u>	<u>(4.78)</u>	<u>(9.59)</u>	<u>(13.20)</u>

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2010 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 DECEMBER 2011

The figures have not been audited.

	As at 31 Dec 2011 RM '000 (Unaudited)	As at 31 Dec 2010 RM '000 (Audited)
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	2,089	11,688
Land Held for Property Development	124,192	122,463
	<u>126,281</u>	<u>134,152</u>
<b>Current Assets</b>		
Property Development costs	441	1,713
Inventories	175	194
Trade Receivables	11,112	22,656
Other Receivables	3,969	31,746
Fixed Deposits	5,490	710
Cash and Bank Balances	1,218	13,339
	<u>22,405</u>	<u>70,358</u>
Properties classified as Land held for Sales	7,022	7,022
<b>TOTAL ASSETS</b>	<u>155,708</u>	<u>211,531</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity Attributable to Equity Holders of the Parent</b>		
Share Capital	102,000	102,000
Other Reserves	4,698	4,853
Retained Earnings	(145,773)	(135,965)
	<u>(39,074)</u>	<u>(29,112)</u>
<b>Non Controlling Interest</b>	734	1,154
<b>Total Equity</b>	<u>(38,340)</u>	<u>(27,957)</u>
<b>Non-Current Liabilities</b>		
Deferred Tax Liabilities	-	52
	<u>-</u>	<u>52</u>
<b>Current Liabilities</b>		
Provision for liquidated ascertained damages	16,910	16,923
Short Term Borrowings	85,740	84,570
Trade Payables	32,415	78,144
Other Payables	56,160	56,610
Hire Purchase Creditors	15	101
Tax payable	2,809	3,089
	<u>194,049</u>	<u>239,437</u>
<b>Total Liabilities</b>	<u>194,049</u>	<u>239,489</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>155,708</u>	<u>211,531</u>
<b>Net assets per share attributable to equity holders of the parent (RM)</b>	<u>(0.38)</u>	<u>(0.29)</u>

The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 31 December 2010 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 2011

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)	Non Controlling <u>Interest</u> (RM'000)	Total <u>Equity</u> (RM'000)
<b>At 1 January 2011</b>	102,000	4,853	(135,965)	(29,112)	1,154	(27,958)
Total Comprehensive Income For the year	-		(9,781)	(9,781)	(420)	(10,202)
Translation Reserves	-	(155)	(27)	(182)	-	(182)
<b>At 31 Dec 2011</b>	<u>102,000</u>	<u>4,698</u>	<u>(145,773)</u>	<u>(39,075)</u>	<u>734</u>	<u>(38,342)</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)	Non Controlling <u>Interest</u> (RM'000)	Total <u>Equity</u> (RM'000)
<b>At 1 January 2010</b>	102,000	4,680	(122,359)	(15,679)	1,190	(14,489)
Total Comprehensive Income For the year	-	-	(13,606)	(13,606)	(36)	(13,642)
Translation Reserves	-	173	-	173	-	173
<b>At 31 Dec 2010</b>	<u>102,000</u>	<u>4,853</u>	<u>(135,965)</u>	<u>(29,112)</u>	<u>1,154</u>	<u>(27,958)</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 2010 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 2011

The figures have not been audited

	12 months ended 31 Dec 2011 RM'000	12 months ended 31 Dec 2010 RM'000
Net cash flows generated from / (used in) operating activities	(9,052)	(13,671)
Net cash flows generated from / (used in) investing activities	10,927	25,950
Net cash flows generated from / (used) in financing activities	1,170	(15,116)
Net increase / (decrease) in cash and cash equivalents	<u>3,046</u>	<u>(2,837)</u>
Effects of exchange rate changes	-	173
Cash and cash equivalents at beginning of financial period	8,798	11,462
Cash and cash equivalents at end of financial period	<u><u>11,844</u></u>	<u><u>8,798</u></u>

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

	As at 31 Dec 2011 RM '000	As at 31 Dec 2010 RM '000
Fixed Deposits	5,490	710
Cash and Bank Balances	1,218	13,339
Bank Overdrafts	<u>5,135</u>	<u>(5,251)</u>
	<u><u>11,844</u></u>	<u><u>8,798</u></u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2010 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 2011

#### 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 figures for the cumulative period in the current quarter to 31 December 2011 have not been audited.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2010. 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 2010.

#### 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 statement for the year ended 31 December 2010 except for the following new Financial Reporting Standards (“FRS”), revised FRSs and Issues Committee (“IC”) Interpretations and will be effective for the financial periods as stated below:

		<u>Effective date for financial periods beginning on or after</u>
Amendments to FRS 132	Financial Instruments: Presentation	1 March 2010
FRS 1	First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3	Business Combinations	1 July 2010
FRS 127	Consolidated & Separate Financial Statements	1 July 2010
Amendments to FRS 2	Share-based Payment	1 July 2010
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 138	Intangible Assets	1 July 2010
IC Interpretation 12	Service Concession Arrangements	1 July 2010
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010

IC Interpretation 17	Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives	1 July 2010
Amendment to FRS 1	Limited Exemption from Comparative FRS 7 Disclosure for First-time Adopters	1 January 2011
Amendment to FRS 7	Improving Disclosures about Financial Instruments	1 January 2011
IC Interpretation 4	Determining whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 18	Transfers of Assets from Customers	1 January 2011
Amendments to FRSs contained in the documents entitled "Improvements to FRSs (2010)"		1 January 2011
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 14	Prepayment of a Minimum Funding Requirement	1 July 2011
IC Interpretation 15	Agreements for Construction of Real Estate	1 January 2012
FRS 124	Related Party Disclosures	1 January 2012

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

The auditors' report on the financial statements for the year ended 31 December 2010 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 2010 was disclaimed and reproduced as follows:-

- (i) The Group and the Company incurred a net loss of RM13.64 million and RM10.18 million respectively during the financial year ended 31 December 2010. As at 31 December 2010, the Group's current liabilities exceeded its current assets by RM162.06 million. The Group's shareholders' deficit as at 31 December 2010 amounted to RM29.11 million.
- (ii) On 16 March 2010, the subsidiary company, 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 all available avenues of appeal are exhausted.

During the period from December 2009 to January 2010, BJD had collected booking fees/deposits of approximately RM9.33 million from potential purchasers of shop offices to be developed on the 60 acre land. Certain purchasers have requested for refund of their booking fees/deposits. As at the date of this report, BJD has not made any refund of these booking fees/deposits.

- (iii) The Group and the Company have defaulted in the repayment of certain bank borrowings as at 31 December 2010 and 31 December 2009 and certain creditors have also filed Section 218 Notices against the Company and certain of its subsidiary companies during the current and previous years ended 31 December 2010 and 2009.
- (iv) The Company has been an affected listed issuer under PN17 of Bursa Malaysia Securities Berhad Main Market Listing Requirements since 31 July 2008.
- (v) On 20 October 2010, the Company and two of its subsidiary companies, namely BJD and Tru-mix Concrete Sdn Bhd ("TCSB"), collectively referred to as the Applicants had obtained an order from the High Court of Malaya at Kuala Lumpur pursuant to Section 176 of the Companies Act, 1965 which inter alia granted the Company leave to convene a Scheme Creditors meeting to consider and/or approve the Proposed Restructuring Scheme and Creditor Scheme of Arrangement and ordered that all further proceedings and/or action against the Company 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.

On 26 April 2011, the High Court of Malaya at Kuala Lumpur had extended the restraining order in respect of the Company and BJD for a further period of 90 days from the date of this order on its unsecured creditors and a further 60 days on its secured creditor.

- (2) (i) The audited financial statements for the financial year ended 31 December 2010 of certain subsidiary companies were not available and accordingly, the unaudited management financial information of these entities were used for the preparation of the consolidated financial statements of the Group for the financial year ended 31 December 2010.

The Company's Directors are of the opinion that the accounts of these subsidiary companies were consolidated based on the unaudited management accounts are immaterial to the Group for the financial year ended 31 December 2010.

- (ii) The audited financial statements of the Madagascar branch operations for the financial year ended 31 December 2010 were made available to us for consolidation in the current financial year. As disclosed in the audited report of the Madagascar branch includes the following qualifications:
    - (a) The branch ceased operations since the termination of the contract with the State of Madagascar. Due to the equipment rental contract with Madagascar Malaysia Equipment Rental ("MMER"), which is valid till 31 December 2014, the branch has no control over its own equipment. These circumstances indicate a material uncertainty that may cast significant doubt on the Branch's ability to continue as a going concern.
    - (b) We are unable to perform physical observation procedures over equipments where they are being held in the custody of MMER, which did not allow entry of representatives of auditors to the Branch. We are therefore not in a position to assess whether any impairment needs to be imposed on the equipments.
  - (iii) On 21 May 2009, the Company had signed a settlement agreement with the State of Madagascar whereby the State of Madagascar had released USD 4 million to Ho Hup's bank account in Madagascar.

The Company had appointed Brilliant Profession Holdings Limited for their services to settle all the issues as set out in the settlement agreement. However, we are unable to ascertain the validity and authenticity of the transaction and payment made in January 2010 to Brilliant Profession Holdings Limited that amounted to USD 0.2 million (2009: USD 2.3 million).
  - (iv) As at the date of this report, replies relating to certain debtors and creditors confirmation requests 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 2010 were appropriate.
  - (v) BJD had appointed an agent on 22 December 2009 to promote and sell the shop offices within One Jalil Project where the agency fees amounting to RM1.605 million were paid during the financial year ended 31 December 2010. We were unable to ascertain the validity and authenticity of the transactions and payments made to the agent.
- (3) The financial statements of the Group and of the Company for the financial year ended 31 December 2009 which are presented for comparative purposes



were examined and reported on by another firm of auditors who have rendered a disclaimer opinion on those financial statements in their report dated 3 May 2010 and the matters which gave rise to the modification includes matters as explained in the following paragraph (i) to (vi) in so far as it relates to the financial statements for the financial year ended 31 December 2009. These matters remained unresolved in the current financial year.

- (i) For the financial statements for the financial year ended 31 December 2009, the previous auditors were not able to obtain confirmation from the respective solicitors of the Group and of the Company on the status of the litigation as disclosed in the financial statements and accordingly they were unable to satisfy themselves as to the nature, quantum, and completeness of the said litigation.
- (ii) For the financial statements for the financial year ended 31 December 2009, the replies relating to certain debtors, creditors and bank confirmation requests to confirm the balances of the Group and of the Company as at 31 December 2009 were outstanding. The previous auditors were unable to confirm or verify by alternative means as to the completeness of the recorded bank balances and the appropriateness of the carrying amounts of the debtors and creditors of the Group and of the Company for the financial year ended 31 December 2009.
- (iii) As required by Malaysian Approved Standards on Auditing, ISA 560 Subsequent Events, the previous auditors were required 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, the previous auditor had not been able to complete the performance of such procedures as certain minutes of the Board of Directors' meetings of BJD for the period subsequent to financial year end were not available.

During the financial year ended 31 December 2010, we were unable to complete the performance of such procedures as certain minutes of Board of Directors' meetings of BJD for the period from 1 January 2010 to 28 March 2010 were not made available to us.

- (iv) During the financial year ended 31 December 2009, the Company incurred 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. The previous auditors were not able to sight certain original copies of the purchase orders issued and were unable to obtain confirmations or explanations from the sub-contractors. As such, the previous auditors were not able to satisfy themselves on the quantum and the costs incurred in respect of those rectification works.
- (v) For the financial statements for the financial year ended 31 December 2009, the previous auditors did not receive 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, the previous auditors were unable to ascertain the appropriateness of the profits or losses recognised in the statements of comprehensive income of the Group and of the Company for the financial year ended 31 December 2009 using the percentage of completion method and the amounts recognised as due from/to customers in the reporting of the Group and of the Company for the financial year ended 31 December 2009.

- (vi) Included in other receivables as at 31 December 2009 of the Group and of the Company was an amount of approximately RM14.79 million which represent 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 orders (“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.

#### 4. Segment information

##### By industry segment:

	Revenue		Results	
	31.12.2011 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2010 RM'000
Construction	(2,526)	25,595	(10,718)	(10,180)
Property development	10,989	32,977	(1,609)	1,036
Ready mixed concrete	19,007	13,062	78	(358)
Others	202	421	162	(1,361)
Total revenue including inter-segment	27,672	72,055	(12,087)	(10,863)
Eliminations		(6,932)	2,306	(2,743)
Foreign Currency Translation	-	-	-	-
<b>Total</b>	<b>27,672</b>	<b>65,123</b>	<b>(9,781)</b>	<b>(13,606)</b>

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flow during the financial year ended 31 December 2011.

#### 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 year.

**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 disposal of subsidiaries and associates as disclosed in note 8 (d) below.

**12. Changes in contingent liabilities or contingent assets**

There were no changes in contingent liabilities (other than the material litigation disclosed in Note 11 on Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad) since the last annual balance sheet date as at 31 December 2010.

**13. Subsequent events**

Save and except for the announcements made by the Company on 30 November, 1 December, 20 December, 29 December, 30 December, 3 January, 17 January, 27 January, 31 January, 2 February, 17 February, 20 February and 21 February the material litigation as disclosed below under explanatory note 13 Changes in Material Litigation 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 2011**

#### **1. Review of Performance**

The performance of the Group continues to be restricted in the 4<sup>th</sup> quarter 2011. Development of the 60 acre land held by BJD was delayed and deferred in view of the Joint Development Agreement (“JDA”) litigation.

For the 4th quarter 2011, the Group recorded a loss of RM4.2 million as opposed to a pretax loss of RM5.1 million for the corresponding quarter 2010. Revenue for current quarter was RM4.5 million as against revenue of RM10.1 million registered in the corresponding quarter 2010. Current quarter revenue was mainly derived from the Property Development division’s project phase 7B and the Ready Mix Concrete Division only.

The Construction Division registered after tax loss of RM10.7 million for financial year ended 2011 as compared to pretax loss of RM10.2 million in the corresponding year. Included in current year’s other income of RM19.5 million are write back of provisions no longer required including further estimated cost of RM11.6 million, reversal of foreseeable loss for project of RM2.8 million, reversal of impairment loss of RM2.7 million and a gain on disposal of fixed assets of RM2.4 million.

However, this is offset against current year’s operating expenses of RM15.0 million mainly due to impairment of fixed assets of RM7.0 million, legal and professional fees of RM5.2 million and loss in disposal of investment of RM2.8 million. Additional legal and professional fees were incurred due to the (JDA) and the restructuring exercise of the Company.

The Property Development Division registered an after tax loss of RM1.6 million on the back of RM10.9 million revenue generated for the year compared to an after tax profit of RM1.0 million on revenue of RM33.0 million registered in the corresponding year. Revenue for current year is mainly from project Phase 7B whereas last year’s revenue comprises RM9.2 million from project Phase 7B and RM19.0 million from sales of land.

The Ready Mixed Concrete Division recorded a turnover of RM19.0 million this year compared to RM13.1 million for the corresponding year. Revenue has improved due to higher volume of sales generated and increased in selling price.

**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 an after tax loss of RM4.2 million in this quarter from October to December 2011 as compared to an after tax profit of RM0.9 million in the preceding quarter. Other Income for the quarter has increased by RM14.0 million mainly due to write back of provision of further cost of RM7.9 million, reversal of impairment cost of RM2.7 million, reversal of foreseeable loss of RM2.8 million due to project completion and gain on disposal of fixed asset of RM0.6 million.

This, however is offset by higher operating expenses in current quarter of RM11.4 million due to additional provision of impairment of fixed asset of RM6.2 million, loss on disposal of investment in company level of RM2.7 million and increase in legal and professional fee of RM2.5 million. Additional legal and professional fees were incurred due to the trial on the Joint Development Agreement (JDA) and the existing restructuring exercise of the Company.

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

Prospects for the forthcoming financial period will be largely dependent on the outcome of the JDA litigation which has a material impact to the Proposed Regularisation Exercise (PRE) submitted to Bursa Malaysia.

On 7 June 2011, the Kuala Lumpur High Court declared the JDA between Bukit Jalil Development Sdn Bhd (BJD) and Pioneer Haven Sdn Bhd (PHSB) to be null and void. The High Court has also dismissed PHSB's application for a stay of the Order granted in favor of BJD on the 7 June 2011.

On 19 July 2011, the Company has submitted its PRE under Practice Note 17 of Bursa Malaysia Securities Berhad Main Market Listing Requirement to the regulatory authorities based on Ho Hup Group has the full rights to develop the 60- acre land in Bukit Jalil.

On 20 December 2011, the Court of Appeal allowed the 4 (four) Appeals by PHSB and certain former directors of Ho Hup against the Judgment by the High Court pronounced on 7 June 2011, and dismissed Ho Hup's cross appeals in those 4 (four) matters as disclosed in Note 13 (c) under Material Litigation. On 16 January 2012, Ho Hup filed with the Federal Court an application for leave to appeal to Federal Court against the decisions by the Court of Appeal rendered on 20 December 2011.

On 17 February 2012, the Company announced the mutual termination of its agreements with Plenitude Frontier Sdn Bhd in the acquisition of Plenitude's subsidiaries, Fivestar Development (Puchong) Sdn Bhd and Kolektra Recreation Sdn Bhd .On 20 February 2012, the Company has announced that

it has submitted a request for an extension of time up until 30 June 2012 to make the submission to Bursa Securities to vary the PRE.

The development of 20 units of 2 ½ storey Semi Detached units under phase 7B in Jalil Sutera has been fully completed. The project is currently awaiting for the Certificate of Fitness for Occupation (CFO) from the DBKL before the delivery of vacant possession.

The Company also expects to record a gain from the disposal of land held under Geran 55265 Lot 38472 in the 1st quarter of 2012.

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

This is not applicable.

**5. Taxation**

There is no tax liability for the current year due to sufficient accumulated tax losses brought forward from previous years to cover current tax liabilities.

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

There is a gain of RM1.9 million arising from the disposal of dormant subsidiaries due to the reversal of previously provided impairment charges for these subsidiaries.

**7. Quoted securities**

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

**8. Status of corporate proposals**

There were no other corporate proposals announced but not completed as at the date of this announcement, being the latest practicable date from the date of the issue of this quarterly report, other than the following:

- (a) On 29 October 2010, BJD entered into a Conditional Sale & 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 the 1<sup>st</sup> quarter of 2012. The sale was approved by shareholders on 10 February

2011 and a validation order from the High Court was obtained on 4 April 2011.

- (b) On 31 July 2008, it was announced that Ho Hup is an affected issuer under paragraph 2.1 (d) of PN17/2005 of Bursa Securities as the Company's auditors, had expressed a disclaimer opinion in the Company's audited accounts for the financial year (FYE) 31 December 2007. 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 Initial Proposed Regularisation Plan.

However, following the objections to the Initial Proposed Regularisation Plan by certain substantial shareholders, new directors were appointed to the Company's Board on 17 March 2010 by the said shareholders. 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 same to Bursa Securities.

On 3 November 2010, the Company entered into a conditional Share Sale Agreement (SSA) with Plenitude Frontier Sdn Bhd (PFSB) for the acquisition of 100% equity interest in Fivestar and Kolektra (collectively referred to as the Target Companies). PFSB 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 a stronger financial footing via, amongst others, the injection of new viable business.

On 1 March 2011, the Company entered into a conditional definitive agreement ("Definitive Agreement") with PFSB which sets out the series of proposals to regularize the financial condition of the Company. On the same date, the Company and PFSB also entered into an amended and restated conditional share sale agreement ("Restated SSA") to vary certain terms of the Principal SSA.

On 30 June 2011, the Company has entered into the Second Restated Agreement (2<sup>nd</sup> Restated SSA) with PFSB to acquire only Fivestar. Simultaneously, the Company had on the same day entered into an Option Agreement with PFSB for Ho Hup to acquire the entire equity interest in Kolektra.

Pursuant thereto, on the same date, the Company and Plenitude entered into a Supplemental Definitive Agreement to vary the components of the Company's proposed regularization plan.

Pursuant to the variation, the revised regularization plan comprises of the following:

- (i) Proposed Par Value Reduction
- (ii) Proposed Rights Issue with Warrants
- (iii) Proposed Scheme of Arrangement with Creditors
- (iv) Proposed Acquisition
- (v) Proposed Amendments and
- (vi) Propose Increase in Authorised Share capital

On 19 July 2011, the Company submitted the Proposed Regularisation Exercise under Practice Note 17 of Bursa Malaysia Securities Berhad Main Market Listing Requirement to the regulatory authorities.

On 27 September 2011, pursuant to the Company's application to Bank Negara Malaysia (BNM) for the issuance of warrants and redeemable convertible preference shares (RCPS) for the Company's Proposed Regularisation Plan, BNM had vide its letter dated 23 September 2011 approved the issuance of warrants and 2,103,393 RCPS amounting to RM1.052 million to the non-resident shareholders and non-resident creditors of Ho Hup subject to certain conditions.

On 17 February 2012, the Company has entered into a Deed of Mutual Termination with Plenitude to terminate the following agreements:

- (a) Share Sale Agreement (SSA) executed on 3 November 2010, including all variations and supplements thereto, in respect of the proposed acquisition of shares in Fivestar;
- (b) Definitive Agreement executed on 1 March 2011, including all variations and supplements thereto, in respect of the Proposed Regularisation exercise.

Pursuant to the termination of the SSA and the Definitive Agreement, the Option Agreement will be terminated with immediate effect.

On 20 February 2012, the Company has announced that it has submitted a request for an extension of time up until 30 June 2012 to make the submission to Bursa Securities to vary the Proposed Regularisation Exercise (PRE).

- (c) 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 the High Court of Malaya at Kuala Lumpur pursuant to Section 176 of the Companies Act 1965 which inter alia, granted the Company leave to convene a Scheme Creditors meeting to consider and/or approve the Proposed Restructuring Scheme ("PRS") and Creditors Scheme of Arrangement ("CSOA") 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 ("RO").



On 29 July 2011, the High Court of Malaya has extended the RO by 90 days to the unsecured creditors which expired on 28th October 2011.

On 31 October 2011, the High Court of Malaya has extended the RO by a further 90 days to the unsecured creditors which expired on 28 January 2012.

On 26 January 2012, the High Court of Malaya has further extended the RO to 25 April 2012 in respect of its unsecured creditors.

- (d) (i) On 13 April 2011, the Company has announced that it has entered into an Agreement with Gerhana Prestij Sdn Bhd (Gerhana Prestij) to dispose of the shares held in the subsidiaries and associate companies of Ho hup for a total consideration of RM8.00. Following the disposals, the companies below shall cease to be the subsidiaries and associates companies of Ho Hup.

Company	Company No.	No. of issued and paid-up shares	Par value per share	Percent age of holding (%)
Mekarani Heights Sdn. Bhd.	336168-X	2	RM1.00	100
Intermax Resources Sdn. Bhd.	334545-M	2	RM1.00	100
Ho Hup Geotechnics Sdn. Bhd.	255523-M	2	RM1.00	100
Hupcon Antarabangsa Sdn. Bhd.	81792-M	2	RM1.00	50
Timeless Element Sdn. Bhd.	516318-U	2	RM1.00	100
Semenyih Brickmakers Sdn. Bhd.	132138-A	5,000,000	RM1.00	49
Ho Hup Corporation (Mauritius) Ltd.	N/A	50,000	USD0.50	100
Ho Hup Corporation (South Africa) Pty. Ltd.	2006/00150 6/07	100	Rand 1.00	100

The Sales and Purchase agreement dated 13 April 2011 has been validated by the High Court of Malaya on 1 July 2011 and the disposal is deemed completed.

- (ii) On 28 December 2011, the Company had entered into an Agreement with Sutera Nanding Sdn Bhd (Sutera Nanding) to dispose of the shares held in the following subsidiaries and associate companies of Ho Hup, at a cash consideration of RM1.00 for each Company.

Company	Company No.	No. of issued	Par value per share	Percent age of
---------	-------------	---------------	---------------------	----------------

		and paid-up shares		holding (%)
PT Halford Citra (Indonesia)	N/A	250,000	USD1.0	80
Ho Hup Corporation (Thailand) Ltd	N/A	50,000	THB100	48
Madagascar Malaysia Construction Company	N/A	500	Ar20,000	49.8
Ho Hup Construction (Madagascar) Sarl	N/A	1,000	Ar20,000	49.9

The Sales and Purchase agreement is conditional on validation from the High Court.

#### 9. Group borrowings and debt securities

	31.12.2011 RM'000	31.12.2010 RM'000
(a) Short Term Borrowings:		
Secured	75,000	76,462
Unsecured	10,740	8,108
	<u>85,740</u>	<u>84,570</u>
	-	-
Total Borrowings	<u>85,740</u>	<u>84,570</u>

#### 10. Derivative Financial instrument

For the quarter ended 31 December 2011, there have been no significant changes to the Group's exposure to credit risk, market risk and liquidity risk from previous financial year. Also, there have been no changes to the Group's risk management objectives, policies and processes since the previous financial year end.

#### 11. Gains and Losses arising from Fair Value Changes of Financial Liabilities

Financial liabilities are measured at the amortised cost method; hence no gains or losses are recognized for changes in the fair values of these liabilities.

#### 12. Breakdown of Realised and Unrealised Profits and Losses of the Group

	At end of current	At end of previous
--	-------------------	--------------------

	<b>quarter 31 December 2011 RM'000</b>	<b>financial year 31 December 2010 RM'000</b>
Accumulated Losses- Realised	(183,926)	(172,784)
Less: consolidated adjustments	38,153	36,819
	(145,773)	(135,965)

### 13. Changes in material litigation

- (a) On 2 May 2005, Ho Hup commenced an arbitration for damages amounting to Rs2,544,512,230 (RM190,965,642) for the 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 was published in May 2008, terms of which are 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 its lawyers in India are now exploring the possibility of enforcing the decision of the Arbitral Tribunal.

- (b) On 31<sup>st</sup> July 2009, Ho Hup and 9 others were served by Dato' Low Tuck Choy (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 17 April 2012. Ho Hup is the 10<sup>th</sup> Defendant who is named as a nominal Defendant in this matter.
- (c) Ho Hup has filed Suit No. 22NCC-792-2010 in the Kuala Lumpur High Court on 26 April 2010 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 a 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 (PA) and the Endorsement and Undertaking are void.

On 7 June 2011, the Court had granted a declaration that the JDA, PA and Endorsement and Undertaking were null and void, an order directing Pioneer Haven to account and to pay all benefits received by Pioneer Haven from the JDA, PA and Endorsement and Undertaking, an order that the Registrar of Land Titles expunge or remove the private caveat entered by Pioneer Haven on the 60-Acre Land, an order that damages to be assessed by the Registrar of the High Court as against the 2nd to 8th Defendants and Pioneer Haven and costs to be paid by the 2nd to 8th Defendants and Pioneer Haven to Ho Hup.

Pioneer Haven had proceeded with the application for stay of execution of the decision pending appeal and on 17 June 2011, the Court dismissed the said application with costs in favor of Ho Hup.

An application for a Stay of Assessment of Damages was filed by the 2<sup>nd</sup> Defendant namely Datuk Vincent Lye, the same of which was heard and dismissed by the High Court with costs on the 11 August 2011

The Court of Appeal had on the 20 December 2011 allowed the four (4) appeals by certain former directors of Ho Hup and by Pioneer Haven with costs and dismissed Ho Hup's cross appeals in those four (4) matters. In this respect, Ho Hup has filed an application for leave to file an appeal to the Federal Court on the 16 January 2012. The same is fixed for hearing either on the 29 March 2012 or 12 April 2012, subject to further confirmation from the Registrar of the Federal Court.

Ho Hup has also applied for Preservation Orders ("PO") in respect of the JDA suit and Pioneer Haven filed an application relating to certain "consequential reliefs" ("Application") which were heard on the 30 January 2012 respectively before the Court of Appeal. Consent Judgment was entered whereby Pioneer Haven shall not give effect to the JDA and Endorsement and Undertaking of the 16 March 2010. Further, Ho Hup has been restrained from dealing, transferring or encumbering the said land and ordered to provide full disclosure in writing within 14 days from 30 Jan 2012 on the status and development or proposed development of the said land. Pioneer Haven has withdrawn its application in consideration thereof, with liberty to re-apply.

- (d) On 27 January 2010, Extreme System Sdn Bhd (“ESSB”) vide Kuala Lumpur High Court Suit No: D-22NCC-146-2010 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 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 wherein the learned judge dismissed the same.

The matter is fixed for case management on the 18 April 2012 but there is no material impact on Ho Hup at the moment since Ho Hup is a nominal Defendant.

- (e) 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 4 June 2012. As the Claimant is a substantial shareholder of the Company, its consultants and independent advisors have advised that an EGM should be convened to approve terms of settlement (if any) to be reached between the Company and said Claimant.
- (f) Pursuant to an Agreement dated 12 September 1995 (the 1995 JVA”), Ho Hup and United Engineers (Malaysia) Berhad (“UEM”) had entered into a joint venture whereby Ho Hup and UEM agreed to subscribe for shares in Bukit Jalil Development Sdn Bhd (“BJD”) in a 70%-30% ratio respectively. Subsequently, on 28 September 2009, Zen Courts Sdn Bhd (“Zen Courts”) entered into a Sale and Purchase Agreement to buy shares held by UEM in BJD.

On 9 June 2011, Zen Courts served a sealed copy of the Petition on BJD, Ho Hup and Ho Hup Equipment Rental Sdn Bhd (“HHER”) (“the Companies”) claiming, inter alia, that BJD and Ho Hup have allegedly oppressed Zen Courts and would not recognize their rights under the 1995 JVA. Zen Courts further claimed that the disposal of several pieces of land belonging to BJD and also actions taken by BJD as stated in the Petition may be void as it was without their consent and or participation of its nominees at the Board of Directors of BJD.

Zen Courts further sought relief from the High Court for, *inter alia*, a declaration that Ho Hup is in breach of the terms and conditions stipulated in the 1995 JVA and specific performance of same including but not limited to taking all necessary steps to effect the appointment of their nominated Directors. Zen Courts has further filed an

application for injunctive relief and the same has been heard on 4 August 2011 and dismissed by the High Court with costs.

BJD retaliated by filing an application to strike out said Petition on the ground that the order sought by Zen Court to wind-up BJD is entirely inconsistent with their prior representations at the High Court that they be allowed to *declare and / or enforce* their rights under a Joint Venture Agreement entered into between Ho Hup and UEM on the 12<sup>th</sup> September 1995 to which they alleged they are a party thereto pursuant to the said SPA. This instant application was heard and the alternative order that BJD be wound-up was subsequently expunged. In this respect, Zen Courts has filed an appeal to the Court of Appeal and the same is fixed for hearing on the 13 March 2012 as well as Zen Courts's Motion for leave to file their Record of Appeal out of time which will be heard first. If the Motion is dismissed, their appeal will be struck off.

The application to strike out said Petition or in the alternative to require a compliant Affidavit Verifying List of Documents filed by Ho Hup and HHER came up for hearing on 10 October 2011. The Court ordered that Zen Courts was to provide an Affidavit Verifying List of Documents by 24 October 2011 failing which the Court will order that the Petition be struck off automatically. Zen Courts also filed an appeal against this decision of the High Court and the same is fixed for hearing on the 13 March 2012. As for Ho Hup and HHER's application to strike out the Petition, the same was dismissed by Court on the 14 December 2011.

The underlying Petition is fixed for hearing on the 21 March 2012.

- (g) Ho Hup has filed Suit No. 22NCVC-873-09/2011 in the Kuala Lumpur High Court on 9 September 2011 against Woo Thin Choy, a former Project Director of Ho Hup. Ho Hup claims, inter alia, that the Defendant has caused the Company to suffer loss and damages of USD 2.5 million and further claims that the Defendant has breached his fiduciary, contractual and/or common law duties owed to Ho Hup.

Ho Hup sought relief from Court for, inter alia an order for payment of the sum of USD2.5 million by the Defendant. Ho Hup also sought relief for an account of all sums received by the Defendant representing income or proceeds of the said sum of USD2.5 million and all such assets or any part thereof as well as the general damages arising from the Defendant's breach of duty owed to the Plaintiff.

The matter is fixed for trial on the 26 and 27 March 2012.

Except as disclosed above, there were no other material changes in material litigation since the last annual balance sheet date and made up to 21 February 2012, 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 year ended 31 December 2011.

## 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 31/12/11	Preceding year corresponding quarter 31/12/10	Financial period to- date 31/12/11	Preceding year corresponding period to-date 31/12/10
Total comprehensive Income/(Loss) attributable to Owners of the Company (RM'000)	(3,735)	(4,856)	(9,781)	(13,433)
Weighted average number of ordinary shares ('000)	102,000	102,000	102,000	102,000
Basic earnings per share (sen)	(3.66)	(4.78)	(9.59)	(13.20)