

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the quarter ended 30 June 2012

The figures have not been audited.

| | INDIVIDUAL QUARTER 3 MONTHS ENDED | | CUMULATIVE QUARTER 6 MONTHS ENDED | |
|--|--------------------------------------|------------------------|--------------------------------------|------------------------|
| | 30 June 2012 RM'000 | 30 June 2011 RM'000 | 30 June 2012 RM'000 | 30 June 2011 RM'000 |
| Revenue | 5,802 | 6,725 | 20,229 | 13,430 |
| Cost of Sales | (10,389) | (5,630) | (21,765) | (9,665) |
| Gross Profit/(Loss) | <u>(4,587)</u> | <u>1,095</u> | <u>(1,536)</u> | <u>3,765</u> |
| Other Income | 76 | 331 | 1,430 | 3,060 |
| Administrative expenses | (1,363) | (1,285) | (2,911) | (2,558) |
| Operating expenses | (3,739) | (4,834) | (6,639) | (7,208) |
| Loss from operating activities | <u>(9,613)</u> | <u>(4,693)</u> | <u>(9,655)</u> | <u>(2,941)</u> |
| Finance income | 23 | 24 | 39 | 24 |
| Finance cost | (2,467) | (2,258) | (4,896) | (4,000) |
| Net Finance Costs | <u>(2,445)</u> | <u>(2,234)</u> | <u>(4,857)</u> | <u>(3,976)</u> |
| Share of results of associates | - | - | - | - |
| Profit/ (loss) before tax | <u>(12,057)</u> | <u>(6,927)</u> | <u>(14,512)</u> | <u>(6,917)</u> |
| Income tax discharged/(expense) | 2,285 | - | 2,285 | - |
| Profit/(loss) for the period | <u>(9,772)</u> | <u>(6,927)</u> | <u>(12,226)</u> | <u>(6,917)</u> |
| Other Comprehensive Income/(loss), net of tax | | | | |
| Foreign Currency Translation differences for foreign operations | - | - | - | - |
| Other Comprehensive Income/(loss) for the period, net of tax | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Comprehensive Income/(loss) for the period, net of tax | <u>(9,772)</u> | <u>(6,927)</u> | <u>(12,226)</u> | <u>(6,917)</u> |
| Profit/(loss) Attributable to: | | | | |
| Owners of the Company | (8,999) | (6,710) | (11,617) | (6,678) |
| Non Controlling Interest | (773) | (217) | (609) | (239) |
| Profit/ (loss) for the period | <u>(9,772)</u> | <u>(6,927)</u> | <u>(12,226)</u> | <u>(6,917)</u> |
| Total Comprehensive Income/ (loss) attributable to: | | | | |
| Owners of the Company | (8,999) | (6,710) | (11,617) | (6,678) |
| Non Controlling Interest | (773) | (217) | (609) | (239) |
| Total comprehensive Income/(loss) for the period | <u>(9,772)</u> | <u>(6,927)</u> | <u>(12,226)</u> | <u>(6,917)</u> |
| Basic earnings / (loss) per share attributable to owners of the Company (sen) | <u>(8.82)</u> | <u>(6.58)</u> | <u>(11.39)</u> | <u>(6.55)</u> |

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011 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 30 JUNE 2012**

The figures have not been audited.

| | As at 30 June 2012 RM '000 (Unaudited) | As at 31 Dec 2011 RM '000 (Audited) |
|---|---|--|
| ASSETS | | |
| Non-Current Assets | | |
| Property, Plant and Equipment | 1,867 | 2,089 |
| Land Held for Property Development | <u>123,962</u> | <u>124,192</u> |
| | <u>125,829</u> | <u>126,281</u> |
| Current Assets | | |
| Property Development Costs | 441 | 441 |
| Inventories | 257 | 175 |
| Trade Receivables | 9,529 | 13,288 |
| Other Receivables | 4,128 | 4,150 |
| Fixed Deposits | 1,656 | 5,490 |
| Cash and Bank Balances | <u>1,939</u> | <u>1,074</u> |
| | 17,951 | 24,618 |
| Properties classified as Land held for Sales | - | 7,021 |
| TOTAL ASSETS | <u>143,780</u> | <u>157,920</u> |
| EQUITY AND LIABILITIES | | |
| Equity Attributable to Equity Holders of the Parent | | |
| Share Capital | 102,000 | 102,000 |
| Other Reserves | 4,933 | 4,969 |
| Accumulated Losses | <u>(158,224)</u> | <u>(146,608)</u> |
| | (51,291) | (39,639) |
| Non Controlling Interest | <u>33</u> | <u>642</u> |
| Total Equity | <u>(51,258)</u> | <u>(38,997)</u> |
| Current Liabilities | | |
| Provision for liquidated ascertained damages | 17,807 | 16,910 |
| Short Term Borrowings | 85,723 | 85,741 |
| Trade Payables | 33,654 | 31,761 |
| Other Payables | 55,333 | 59,695 |
| Hire Purchase Creditors | - | 15 |
| Tax payable | <u>2,519</u> | <u>2,795</u> |
| | <u>195,038</u> | <u>196,917</u> |
| Total Liabilities | <u>195,038</u> | <u>196,917</u> |
| TOTAL EQUITY AND LIABILITIES | <u>143,780</u> | <u>157,920</u> |
| Net assets per share attributable to equity holders of the parent (RM) | <u>(0.50)</u> | <u>(0.39)</u> |

The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011 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 30 June 2012

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>Non Controlling Interest</u> (RM'000) | <u>Total Equity</u> (RM'000) |
|--|--------------------------------------|---|--|--------------------------|---|-------------------------------------|
| At 1 January 2012 | 102,000 | 4,969 | (146,608) | (39,639) | 642 | (38,997) |
| Total Comprehensive Income For the year | - | | (11,617) | (11,617) | (609) | (12,226) |
| Translation Reserves | - | (36) | - | (36) | - | (36) |
| At 30 June 2012 | <u>102,000</u> | <u>4,933</u> | <u>(158,225)</u> | <u>(51,292)</u> | <u>33</u> | <u>(51,259)</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>Non Controlling Interest</u> (RM'000) | <u>Total Equity</u> (RM'000) |
|--|--------------------------------------|---|--|--------------------------|---|-------------------------------------|
| At 1 January 2011 | 102,000 | 4,853 | (135,965) | (29,112) | 1,154 | (27,958) |
| Total Comprehensive Income For the year | - | - | (6,678) | (6,678) | (239) | (6,917) |
| Translation Reserves | - | (21) | - | (21) | - | (21) |
| At 30 June 2011 | <u>102,000</u> | <u>4,832</u> | <u>(142,643)</u> | <u>(35,811)</u> | <u>915</u> | <u>(34,896)</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 2011 and the accompanying explanatory notes attached to the interim financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the quarter ended 30 June 2012

| | 6 months ended 30 June 2012 RM'000 | 12 months ended 31 Dec 2011 RM'000 |
|--|--|--|
| CASHFLOW FROM OPERATING ACTIVITIES | | |
| Profit before tax | (14,512) | (10,614) |
| Adjustments for non-cash items: | | |
| Allowance for doubtful debts- Trade receivable | - | 141 |
| Depreciation of Property, plant and equipment (PPE) | 338 | 1,520 |
| (Gain)/ Loss on Disposal of PPE | (52) | (3,098) |
| Gain on disposal of investment in subsidiaries | - | (1,124) |
| Gain on disposal of investment in associated companies | - | - |
| Interest Expenses | 4,896 | 8,966 |
| Interest income | (40) | (64) |
| Impairment of PPE | - | 6,966 |
| Provision for retrenchment benefit | - | 1,488 |
| Reversal of allowance for doubtful debts-trade | - | (24) |
| Reversal of over accrual payable | - | (227) |
| Reversal/(writeback) of provision | (1,275) | (980) |
| Operating profit before working capital changes | (10,645) | 2,950 |
| Decrease/(Increase) in working capital | | |
| Property development costs | 230 | (456) |
| Asset held for sale | 7,022 | - |
| Inventories | (83) | 19 |
| Trade receivables | 3,759 | 8,794 |
| Other receivables | 23 | 24,679 |
| Trade Payables | 1,892 | (46,096) |
| Other Payables | (3,463) | 4,221 |
| Cash generated from operations | 9,379 | (8,839) |
| Interest paid | (4,896) | (8,966) |
| Interest received | 40 | 64 |
| Tax (paid)/ recovery | 2,285 | (477) |
| Payments of retrenchment benefits | - | - |
| Payment of Liquidated Ascertained Damages (LAD) | - | (13) |
| Exchange fluctuation adjustment | 36 | (181) |
| Net cash from operating activities | (3,801) | (15,462) |
| CASHFLOW FROM INVESTING ACTIVITIES | | |
| Purchase of PPE | - | (3,230) |
| Proceeds from disposal of PPE | 859 | 7,438 |
| Net cash outflow on disposal of subsidiaries | - | (182) |
| Proceeds from disposal of investment in associate | - | - |
| Deposits for disposal of non current asset held for sale | - | 2,865 |
| | 859 | 6,891 |
| CASHFLOW FROM FINANCING ACTIVITIES | | |
| Repayment of term loan | 3 | (73,713) |
| Draw down of term loan | - | 75,000 |
| Repayment of hire purchase liabilities | (15) | (86) |
| | (13) | 1,201 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT | | |
| OPENING BALANCE | 1,429 | 8,799 |
| CLOSING BALANCE | (1,526) | 1,429 |
| Closing balance of cash and cash equivalents comprises:- | | |
| Cash and bank balances | 1,939 | 1,074 |
| Bank overdraft | (5,121) | (5,134) |
| Fixed deposits with licensed banks | 1,656 | 5,489 |
| | (1,526) | 1,429 |

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

NOTES TO THE INTERIM FINANCIAL REPORT

30 JUNE 2012

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 period in the current quarter to 30 June 2012 have not been audited.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2011. 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 2011.

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 2011 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:

| | | Effective date for financial periods beginning on or after |
|---------------------------------------|--|--|
| 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 |
| Amendments to MFRS 101 | Presentation of Items of Other Comprehensive Income | 1 July 2012 |
| MFRS 10 | Consolidated Financial Statements | 1 January 2013 |
| MFRS 11 | Joint Arrangements | 1 January 2013 |
| MFRS 12 | Disclosure of Interests in Other Entities | 1 January 2013 |
| MFRS 13 | Fair Value Measurement | 1 January 2013 |
| MFRS 119 | Employee Benefits | 1 January 2013 |
| MFRS 127 | Separate Financial Statements | 1 January 2013 |
| MFRS 128 | Investments in Associates and Joint Ventures | 1 January 2013 |
| IC Interpretation 20 | Stripping Costs in Production Phase of a Surface Mine | 1 January 2013 |
| Amendments to | Disclosure – Offsetting Financial | 1 January 2013 |

| | | |
|-------------------|------------------------------------|----------------|
| MFRS 7 | Assets and Liabilities | |
| Amendments | to Offsetting Financial Assets and | 1 January 2014 |
| MFRS 132 | Financial Liabilities | |
| MFRS 9(IFRS 9 as | Financial Instruments | 1 January 2015 |
| issued by IASB) | | |

The above new MFRSs, revised MFRSs, IC Interpretations and amendments to MFRSs will be adopted in the annual financial statements of the Company when they become effective and the initial applications of these Standards and IC Interpretations will have no significant impact on the financial statements of the Company.

3. Audit report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2011 was an Emphasis of Matters due to the Group and the Company incurred a net loss of RM10.82 million and RM10.73 million respectively during the financial year ended 31 December 2011. As at 31 December 2011, the Group's current liabilities exceeded its current assets by RM165.28 million and its shareholders' deficit was amounted to RM39.64 million.

The Company has been an affected listed issuer under Amended PN17 of Bursa Malaysia Securities Berhad Main Market Listing Requirements since 31 July 2008. As at the date of this report, the Company had granted with an extension up to 30 September 2012 to submit its revised Proposed Regularisation Plan to the regulatory authorities to regularise the Group's financial condition and level of operations.

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 the regularisation plan, and/or attaining future profitability operations.

4. Segment information

| By industry segment: | Revenue | | Results | |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 30.6.2012 RM'000 | 30.6.2011 RM'000 | 30.6.2012 RM'000 | 30.6.2011 RM'000 |
| Construction | - | - | (10,037) | (6,187) |
| Property development | 8,576 | 6,557 | (1,983) | (762) |
| Ready mixed concrete | 11,653 | 6,873 | (141) | (100) |
| Others | - | - | (65) | 132 |
| Total revenue including inter-segment | 20,229 | 13,430 | (12,226) | (6,917) |
| Eliminations | - | - | - | - |

| | | | | |
|--------------|---------------|---------------|-----------------|----------------|
| Total | <u>20,229</u> | <u>13,430</u> | <u>(12,226)</u> | <u>(6,917)</u> |
|--------------|---------------|---------------|-----------------|----------------|

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 30 June 2012.

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 is no change to the composition of the Group in the current quarter.

12. Changes in contingent liabilities or contingent assets

There were no changes in contingent liabilities (other than the material litigation disclosed in Note 11 on Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad) since the last annual balance sheet date as at 30 June 2012.

13. Subsequent events

Save and except for the announcements made by the Company on 2 May, 17 May, 24 May, 31 May, 1 June, 12 June, 26 June, 29 June, 2 July, 3 July, 12 July, 19 July, 27 July, 31 July, 1 August, 9 August and 15 August the material litigation as disclosed below under explanatory note 11 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 BURSAMALAYSIA SECURITIES BERHAD

30 June 2012

1. Review of Performance

The Group recorded a loss after tax of RM9.8 million and revenue of RM5.8million for the current quarter ended 30 June 2012 as compared to a loss after tax of RM6.9 million on revenue of RM6.7 million for the corresponding quarter ended last year. Revenue for the Group mainly came from the Ready Mix Concrete segment.

The Construction segment registered a loss after tax of RM7.1 million and nil revenue for the current quarter as compared to a loss after tax of RM5.1 million and no revenue for the corresponding quarter in the previous year. The higher losses in this segment is due to Segment 2 of the Transkedah project of which the accounts were finalized with the main contractor and resulted in an additional project costs of RM5.9 million due to salary back charges of RM2.2 million and finance cost of RM3.7 million. Contract works for this segment had been at that time taken over by the main contractor, and the Company did not have any control over such works. The project was completed in prior years and there are no further revenues to be recorded by the Company. However, there are potential claims by the Company amounting to RM17.2 million for loss and expense pursuant to an extension of time from the Transkedah project owner. The Company has submitted these claims to the Employer but for prudence, no revenue has been recognized in the books. Other operational cost increased by RM1.2 million due to an increase in new project tenders. During the quarter the Company claimed discharged tax of RM2.3 million from the tax authorities. This was due to the fact that tax estimate for year 2006/2007 was paid but actual tax liability was nil.

The Property Development segment registered a loss after tax of RM2.5 million and no revenue was recorded in the current quarter as compared to a loss after tax of RM1.9 million and revenue of RM2.3 million for the corresponding quarter in the previous year. During the current quarter, there were no billings made from the sole property project (Phase 7 B) which has been completed previously and is awaiting the granting of vacant possession (VP).

As a result of the delay in VP, provision for Liquidated Ascertained Damages (LAD) of RM0.9 million was provided for the delay up to 30 June 2012. Other major expenses are site and interchange contributions amounting to RM0.8 million for the double storey shop office in order to obtain the Certificate of Fitness (CF).

The Ready Mix Concrete segment registered a loss of RM0.2 million and revenue of RM5.8 million in this quarter compared to a profit after tax of RM0.1million and revenue of RM4.4 million in the corresponding quarter in

the previous year. This is mainly a result of an industry-wide increase in the price of cement and aggregate. The Company is trying to address this by making earlier payments to supplier to enable better pricing of raw material.

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

The Group registered an after tax loss of RM9.8 million in this quarter as compared to an after tax loss of RM2.5 million in the previous quarter ended 31 March 2012. The higher losses in this quarter was due to the recognition of project overhead of RM5.9 million on the Transkedah project after finalization of the project accounts and other operational expenses. The Property Development segment recorded a provision of LAD for RM0.9 million, site expenses and contributions to interchange of RM0.8 million for the double storey shop office in order to get the CF. Also included in the current quarter, is the tax discharge by the tax authorities of RM2.3 million due to tax estimate for year 2006/2007 was paid but actual tax liability was nil.

3. Prospects for the forthcoming financial period

On 3 July 2012, the Company entered into an amicable settlement with Pioneer Haven Sdn Bhd ("Pioneer") on the Joint Development Agreement ("JDA") litigation under the terms of a Supplemental Agreement ("SA"). The principal terms of the SA are inter-alia:

- (i) The joint development of the 60-acre land owned by Bukit Jalil Development Sdn Bhd ("BJDSB") in Bukit Jalil ("60-Acre Land") shall be on five sixths (5/6) of the 60-Acre Land ("JD Land");
- (ii) BJDSB shall be entitled to develop the remaining one sixth (1/6) portion of the 60-Acre Land ("BJDSB Land"); and
- (iii) BJDSB's entitlement shall be eighteen percent (18%) of the total gross development value of the JD Land to be developed by Pioneer Haven, subject to a minimum entitlement of RM220 million ("BJDSB's Entitlement").
- (iv) Pioneer will pay RM80 million to BJDSB within 6 months of the SA of which will be used to fully repay Insas Credit & Leasing Sdn Bhd which is a secured creditor to the Company and BJDSB and having a charge on the 60-Acre Land. BJDSB shall allow Pioneer to charge the entire 60-Acre Land and Pioneer will endeavor to assist BJDSB to raise RM20 million term loan for BJDSB's own use.

BJDSB has in the coming quarter commenced a project known as Parcel A Aurora Place comprising 3, 4 and 5 stories of shop offices of which the take up has been very encouraging.

On 1st August 2012, the Company was granted an extension of time to 30 September 2012 by Bursa Malaysia Securities Bhd for the Company to submit a revised regularisation plan.

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 waiting for the Certificate of Fitness for Occupation (CFO) from the DBKL before delivery of vacant possession.

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 quarter due to sufficient accumulated tax losses brought forward from previous years to cover current tax liabilities.

6. 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 31 July 2008, Ho Hup announced that it 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. An initial regularisation plan was announced on 30 October 2009. ("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.

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

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 was also terminated.

On 1st August 2012, the Company has been granted an extension of time to 30 September 2012 by Bursa Malaysia Securities Berhad for the Company to submit a revised regularisation plan. On the same date, the Company announced the Requisite Announcement of a Revised Proposed Regularisation Plan ("Revised PRP")

The Revised PRP takes into account the mutual termination of the Definitive Agreement, Principal SSA and option Agreement and all subsequent restated agreements in the earlier PRE that was withdrawn as well as developments in the JDA and Supplemental agreement.

Pursuant thereto, the Revised PRP shall comprise the following:

- i) Proposed Par Value reduction
- ii) Proposed Rights Issue of Irredeemable Convertible Preference Shares with Warrants.
- iii) Proposed Scheme of Arrangement with Creditors
- iv) Proposed Amendments (to the Memorandum & Articles of Association) and:
- v) Proposed Increase in Authorised Share Capital.

- (b) 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 25 April 2012, the High Court of Malaya at Kuala Lumpur had extended the restraining order in respect of the Company and BJD for a further 6 (six) months from the date of this order.

7. Group borrowings and debt securities

| 30.6.2012 | 30.6.2011 |
|-----------|-----------|
| RM'000 | RM'000 |

(a) Short Term Borrowings:

| | | |
|------------------|---------------|---------------|
| Secured | 75,000 | 73,628 |
| Unsecured | 10,723 | 10,027 |
| Total Borrowings | <u>85,723</u> | <u>83,655</u> |

8. **Derivative Financial instrument**

For the quarter ended 30 June 2012, there have been no significant changes to the Group's exposure to credit risk, market risk and liquidity risk from the previous financial year. There have been no changes to the Group's risk management objectives, policies and processes since the previous financial year end.

9. **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.

10. **Breakdown of Realised and Unrealised Profits and Losses of the Group**

| | At end of current quarter 30 June 2012 RM'000 | Attend of previous financial year 31 December 2011 RM'000 |
|-----------------------------------|--|--|
| Accumulated Losses- Realised | (196,209) | (183,983) |
| Less: consolidated adjustments | 37,985 | 37,375 |
| | (158,224) | (146,608) |

11. **Changes in material litigation**

- (a) On 9 March 2005, a subsidiary of the Company, Ho Hup Construction Company (India) Pte Ltd ("Ho Hup India") entered into a Joint Development Agreement with the Andhra Pradesh Housing Board ("APHB") to develop a piece of land situated at Kanchalmarat, MaheshwaranMandal, Ranga Reddy District, Andhra Pradesh, India. Ho Hup India has been selected to implement the development of the said land into an integrated township with an approximate development value of India Rupee ("Rs") 3.6 billion at Shamshabad near Hyderabad. Ho Hup India shall pay APHB development fees of Rs101,175,000 over a period of 5 years.

This Joint Development Agreement was subsequently terminated by APHB. The Company is disputing termination on the grounds that

APHB had yet to comply with its obligations in respect of the conditions precedent under the agreement.

On 2 May 2005, Ho Hup India commenced an arbitration for damages amounting to Rs.2,544,512,230 being the unlawful termination of the abovementioned contract.

The award in Ho Hup India's favour has been published in May 2008 as follows:

- (a) APHB shall pay Ho Hup India the sum of Rs16,796,250 together with simple interest at the rate of 12% per annum from 1 February 2006 to the date of payment;
- (b) APHB shall pay partial compensation of Rs6 lakhs together with simple interest at the rate of 9% per annum from 6 January 2006 to the date of payment.

A petition to challenge the said Award was filed by both parties. However, Ho Hup's petition was dismissed whilst APHB's has not been heard or disposed off as at to date. The Award still stands and Ho Hup's lawyers in India are now exploring the possibility of enforcing the decision of the Arbitral Tribunal.

- (b) On the 31 July 2009, the Company was served by Dato' Low Tuck Choy ("Plaintiff") with a Writ of Summons KL High Court Civil Suit S-22-525-2009 dated 24th July 2009, seeking *inter alia*, general damages. Ho Hup's Statement of Defence was filed on 26 October 2009.

Subsequently, the Defendant under Kuala Lumpur High Court Suit No. 22NCVC-873-09/2011 filed an application for consolidation. The same was heard on the 19 March 2012 and the judge allowed a transfer but did not order consolidation.

In the meantime, the 1st, 2nd, 4th, 6th, 7th and 9th Defendants filed striking out applications and the same are fixed for Hearing on the 19 September 2012 as well as Case Management for the Plaintiff's application to amend the Statement of Claim pending the outcome of the former.

- (c) Ho Hup filed Suit No. 22NCC-792-2010 in the Kuala Lumpur High Court against Bukit Jalil Development Sdn Bhd ("BJD") and 10 others ("the Suit") 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 acre freehold land held under individual title Geran 42277, Lot No. 36101, MukimPetaling, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan.

The Company claimed, *inter alia*, in the Statement of Claim for a declaration that the JDA, Power of Attorney (PA) and Endorsement and Undertaking are void.

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

The Court of Appeal, on the 20 December 2011, allowed the four (4) appeals by certain former directors of Ho Hup and PHSB with costs and dismissed Ho Hup's cross appeals. Ho Hup subsequently filed a Motion for leave to appeal to the Federal Court on the 16 January 2012 which has since been allowed on the 17 May 2012.

The parties have since come to an amicable settlement via their entry into a Supplemental Agreement to the JDA on the 3 July 2012. Pursuant to the terms of same, Ho Hup withdrew its appeal to the Federal Court.

- (d) On 27 January 2010, Extreme System Sdn Bhd ("Plaintiff") vide Kuala Lumpur High Court Suit No: D-22NCC-146-2010 ("the Suit") filed a suit alleging *inter alia*, breach of fiduciary duties by certain parties acting in concert, to take-over control of the Company via the acquisition of over 16,005,206 (15.69%) of its shares ("the swing vote") and the calling of an EGM to remove its entire board save for Low Teik Kien. The attempted take-over is in breach of the Malaysian Code on Take-Overs and Mergers 1998 "Code", the Securities Commission Act ("SCA") and for improper purposes.

The matter was scheduled for Trial from 10 to 14 January 2011 in the High Court. However, an amicable settlement has been reached by all parties. Following the terms of the said settlement, the Plaintiff withdrew its Suit against all of the Defendants and the 2nd to 8th Defendants withdrew their counter claims in the Suit as well as their appeal to the Federal Court.

- (e) Dato' Low Tuck Choy ("DLTC") brought an action against the Company for reinstatement as managing director of the Company. DLTC's lawyer filed the Statement of Case and this matter is now fixed for further Mention on the 5 November 2012.
- (f) Pursuant to an Agreement dated 12 September 1995 ("the 1995 JVA"), Ho Hup and United Engineers (Malaysia) Berhad ("UEM") entered into a joint venture whereby parties agreed to subscribe for shares in Bukit Jalil Development Sdn Bhd ("BJD") on 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 a Petition pursuant to Section 181 of the Companies Act, 1965 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 them and would not recognize their rights under the 1995 JVA.

On 27 March 2012 the Court, after hearing the Petition, ordered a buy-out of Zen Court's stake in BJDSB by Ho Hup. The Court further ordered that a valuation be made on a net tangible assets basis as at the date of the Judgment to be valued by an Independent Valuer.

Pursuant to the said Order, Ferrier Hodgson Monteiro Heng Sdn Bhd was appointed as the Independent Valuer on the 19 June 2012. Ho Hup and HHER filed an application for an extension of time for the valuation to be done by 31 August 2012 which has since been allowed by the Court.

- (g) Ho Hup 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 claimed, *inter alia*, that the Defendant has caused the Company to suffer loss and damages of USD 2.5 million and further claimed 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 general damages arising from the Defendant's breach of duty owed to the Plaintiff.

Subsequently, the Plaintiff filed an application for consolidation of the present suit with the one under Kuala Lumpur High Court Civil Suit No. S-22-525-2009. The same was heard on the 19 March 2012 and the judge allowed the case to be transferred to the court hearing the said Civil Suit. This matter is fixed for Case Management on the 19 September 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 24 August 2012, being the latest practicable date from the date of the issue of this quarterly report.

12. Dividends paid

No 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 30.6.2012 | Preceding year corresponding quarter 30.6.2011 | Financial period to- date 30.6.2012 | Preceding year corresponding period to-date 30.6.2011 |
|---|---------------------------------|--|--|---|
| Total comprehensive Income/(Loss) attributable to Owners of the Company (RM'000) | (8,999) | (6,710) | (11,617) | (6,678) |
| Weighted average number of ordinary shares ('000) | 102,000 | 102,000 | 102,000 | 102,000 |
| Basic earnings per share (sen) | (8.82) | (6.58) | (11.39) | (6.55) |

14. Profit before Tax

| | Individual Quarter 3 Months ended | | 6 Months Cumulative Quarter | |
|---|--------------------------------------|-----------|--------------------------------|-----------|
| | 30.6.2012 | 30.6.2011 | 30.6.2012 | 30.6.2011 |
| Loss Before tax is arrived at after charging:- | | | | |
| Depreciation | 169 | 2,260 | 338 | 2,765 |
| Interest expenses | 2,467 | 2,258 | 4,896 | 4,000 |
| And Crediting:- | | | | |
| Gain on disposal of Property, plant and equipment | (46) | (331) | (52) | (3,060) |
| Reversal of provision no longer required | - | - | (1,275) | - |
| Interest Income | (24) | (24) | (40) | (24) |

By Order of the Board
Wong Kit-Leong
Executive Director
Kuala Lumpur
29 August 2012