

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the financial period ended 30 September 2015

(The figures have not been audited)

| | INDIVIDUAL QUARTER 3 MONTHS ENDED | | CUMULATIVE QUARTER 9 MONTHS ENDED | |
|---|--------------------------------------|-------------------------------|--------------------------------------|-------------------------------|
| | <u>30 Sept 2015</u> RM'000 | <u>30 Sept 2014</u> RM'000 | <u>30 Sept 2015</u> RM'000 | <u>30 Sept 2014</u> RM'000 |
| Revenue | 62,846 | 95,045 | 212,447 | 265,992 |
| Cost of Sales | (39,475) | (66,941) | (140,079) | (199,998) |
| Gross Profit | <u>23,371</u> | <u>28,104</u> | <u>72,368</u> | <u>65,994</u> |
| Other income | 183 | 4 | 626 | 89 |
| Administrative expenses | (2,326) | (1,747) | (8,491) | (4,900) |
| Operating expenses | (2,694) | (1,593) | (7,168) | (8,675) |
| Profit from operating activities | <u>18,534</u> | <u>24,768</u> | <u>57,335</u> | <u>52,508</u> |
| Finance income | 57 | 48 | 276 | 390 |
| Finance cost | (665) | (352) | (1,519) | (374) |
| Profit before tax | <u>17,926</u> | <u>24,464</u> | <u>56,092</u> | <u>52,524</u> |
| Taxation | (882) | (5,999) | (4,880) | (5,700) |
| Profit for the period | <u>17,044</u> | <u>18,465</u> | <u>51,212</u> | <u>46,824</u> |
| Other comprehensive income/(loss), net of tax | | | | |
| Foreign currency translation differences for foreign operations | 128 | 28 | 197 | (83) |
| Other comprehensive income/(loss) for the period, net of tax | <u>128</u> | <u>28</u> | <u>197</u> | <u>(83)</u> |
| Total comprehensive income for the period, net of tax | <u>17,172</u> | <u>18,493</u> | <u>51,409</u> | <u>46,741</u> |
| Profit/(Loss) attributable to: | | | | |
| Owners of the Parent | 17,302 | 18,481 | 51,580 | 46,837 |
| Non-Controlling Interest | (258) | (16) | (368) | (13) |
| Profit for the period | <u>17,044</u> | <u>18,465</u> | <u>51,212</u> | <u>46,824</u> |
| Total comprehensive income/(loss) attributable to: | | | | |
| Owners of the Parent | 17,430 | 18,509 | 51,777 | 46,754 |
| Non-Controlling Interest | (258) | (16) | (368) | (13) |
| Total comprehensive income for the period | <u>17,172</u> | <u>18,493</u> | <u>51,409</u> | <u>46,741</u> |
| Earnings per share attributable to owners of the parent (sen): | | | | |
| Basic | <u>5.01</u> | <u>6.00</u> | <u>15.08</u> | <u>19.09</u> |
| Diluted | <u>4.49</u> | <u>5.00</u> | <u>13.15</u> | <u>12.80</u> |

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2015

| | As at <u>30 Sept 2015</u> RM'000 (Unaudited) | As at <u>31 Dec 2014</u> RM'000 (Audited) |
|---|---|--|
| ASSETS | | |
| Non-Current Assets | | |
| Property, plant and equipment | 12,776 | 11,708 |
| Land rights | 80,810 | - |
| Goodwill | 402 | - |
| Land and property development costs | <u>22,410</u> | <u>9,753</u> |
| | <u>116,398</u> | <u>21,461</u> |
| Current Assets | | |
| Amount due from customers on contracts | 5,676 | 6,032 |
| Accrued billing in respect of property development costs | 156,790 | 95,464 |
| Land and property development costs | 124,314 | 116,117 |
| Inventories | 722 | 600 |
| Trade receivables | 88,823 | 80,050 |
| Other receivables | 41,561 | 33,344 |
| Fixed deposits | 1,305 | 951 |
| Cash and bank balances | <u>12,735</u> | <u>9,278</u> |
| | <u>431,926</u> | <u>341,836</u> |
| TOTAL ASSETS | <u>548,324</u> | <u>363,297</u> |
| EQUITY AND LIABILITIES | | |
| Equity attributable to owners of the parent | | |
| Ordinary share capital | 173,255 | 155,629 |
| Irredeemable Convertible Preference Shares ("ICPS") | 81 | 97 |
| Redeemable Convertible Preference Shares ("RCPS") | 196 | 222 |
| Share premium | 33,451 | 16,138 |
| Warrant reserves | 7,724 | 7,734 |
| Other reserves | (29,687) | (29,687) |
| Foreign exchange reserve | (131) | (327) |
| Retained Profit/ (Accumulated losses) | <u>24,393</u> | <u>(27,197)</u> |
| | 209,282 | 122,609 |
| Non-Controlling Interest | <u>13,262</u> | <u>1,098</u> |
| Total Equity | <u>222,544</u> | <u>123,707</u> |
| Non-Current Liabilities | | |
| Finance lease liabilities | 2,625 | 2,672 |
| Bank borrowings | 37,291 | 18,247 |
| Deferred tax liabilities | <u>19,394</u> | <u>-</u> |
| | <u>59,310</u> | <u>20,919</u> |
| Current Liabilities | | |
| Amount owing to customers on contracts | 9,736 | 9,663 |
| Provision for liquidated ascertained damages | 62 | 1,770 |
| Bank borrowings | 58,482 | 17,676 |
| Trade payables | 127,677 | 90,464 |
| Other payables | 58,378 | 92,314 |
| Finance lease liabilities | 1,525 | 993 |
| Tax payable | <u>10,610</u> | <u>5,791</u> |
| | <u>266,470</u> | <u>218,671</u> |
| Total Liabilities | <u>325,780</u> | <u>239,590</u> |
| TOTAL EQUITY AND LIABILITIES | <u>548,324</u> | <u>363,297</u> |
| Net assets per share attributable to equity holders of the parent (RM) | <u>0.60</u> | <u>0.39</u> |

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements

HIO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the financial period ended 30 September 2015

(The figures have not been audited)

| | Attributable to Owners of the Parent | | | | | | | | | | Non-Controlling Interest RM'000 | Total Equity RM'000 |
|--|--------------------------------------|----------------|----------------|-------------------------|------------------------------------|---------------------------|-------------------------|--|-----------------|-----------------|------------------------------------|------------------------|
| | Share Capital RM'000 | ICPS RM'000 | RCPS RM'000 | Share Premium RM'000 | Foreign Exchange Reserve RM'000 | Warrant Reserve RM'000 | Other Reserve RM'000 | Retained Profit/(Accumulated Losses) RM'000 | Total RM'000 | Total RM'000 | | |
| At 1 January 2015 | 155,629 | 97 | 222 | 16,138 | (327) | 7,734 | (29,687) | (21,197) | 122,609 | 1,098 | 123,707 | |
| Total comprehensive income for the financial period | - | - | - | - | 196 | - | 0 | 51,580 | 51,776 | (368) | 51,408 | |
| Transactions with owners: | | | | | | | | | | | | |
| Conversion of ICPS | 787 | (16) | - | (771) | - | - | - | - | (0) | - | (0) | |
| Conversion of RCPS | 1,246 | - | (26) | (1,220) | - | - | - | - | - | - | - | |
| Exercise of Warrants | 31 | - | - | 6 | - | (10) | - | 10 | 37 | - | 37 | |
| Issuance of shares pursuant to the Private Placement | 15,562 | - | - | 19,298 | - | - | - | - | 34,860 | - | 34,860 | |
| Contribution by non-controlling interest | - | - | - | - | - | - | - | - | - | 12,532 | 12,532 | |
| Total transactions with owners | 17,626 | (16) | (26) | 17,313 | - | (10) | - | 10 | 34,897 | 12,532 | 47,429 | |
| At 30 September 2015 | 173,255 | 81 | 196 | 33,451 | (131) | 7,724 | (29,687) | 24,393 | 209,282 | 13,262 | 222,544 | |

| | Attributable to Owners of the Parent | | | | | | | | | | Non-Controlling Interest RM'000 | Total Equity RM'000 |
|---|--------------------------------------|----------------|----------------|-------------------------|------------------------------------|---------------------------|-------------------------|------------------------------|-----------------|-----------------|------------------------------------|------------------------|
| | Share Capital RM'000 | ICPS RM'000 | RCPS RM'000 | Share Premium RM'000 | Foreign Exchange Reserve RM'000 | Warrant Reserve RM'000 | Other Reserve RM'000 | Accumulated Losses RM'000 | Total RM'000 | Total RM'000 | | |
| At 1 January 2014 | 51,000 | 1,020 | 1,336 | 115,425 | (356) | 8,670 | - | (93,883) | 83,212 | 6,236 | 89,448 | |
| Total comprehensive income for the financial period | - | - | - | - | (83) | - | - | 46,837 | 46,754 | (13) | 46,741 | |
| Transactions with owners: | | | | | | | | | | | | |
| Conversion of ICPS | 45,995 | (920) | - | (45,075) | - | - | - | - | - | - | - | |
| Conversion of RCPS | 55,443 | - | (1,109) | (54,334) | - | - | - | - | - | - | - | |
| Exercise of Warrants | 2,754 | - | - | 551 | - | (936) | - | 936 | 3,305 | - | 3,305 | |
| Acquisition of additional interest in a subsidiary | - | - | - | - | - | - | - | - | (29,687) | (6,860) | (6,860) | |
| Incorporation of subsidiary | - | - | - | - | - | - | - | - | - | 294 | 294 | |
| Total transactions with owners | 104,192 | (920) | (1,109) | (98,858) | - | (936) | - | 936 | (26,382) | (6,566) | (32,948) | |
| At 30 September 2014 | 155,192 | 100 | 227 | 16,567 | (439) | 7,734 | (29,687) | (46,110) | 103,584 | (643) | 103,241 | |

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2014 and the accompanying explanatory notes to the interim financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the quarter ended 30 September 2015

| | 9 months ended 30 Sept 2015 RM'000 | 9 months ended 30 Sept 2014 RM'000 |
|--|--|--|
| CASHFLOW FROM OPERATING ACTIVITIES | | |
| Profit before tax | 56,092 | 52,524 |
| Adjustments for non-cash items: | | |
| Bad Debt written off | - | - |
| Depreciation of property, plant and equipment | 1,368 | 255 |
| Deposit written off | - | - |
| Reversal of fair value adjustment on other receivable | - | - |
| Impairment of trade receivables | - | - |
| Impairment on other receivable | - | - |
| Gain on disposal of non current asset held for sale | - | - |
| Gain on disposal of property, plant and equipment | (16) | - |
| Gain on disposal of associated company | - | - |
| (Reversal)/Provision for liquidated ascertained damages | 0 | (417) |
| Provision of deferred tax asset | - | - |
| Reversal of impairment on trade receivables | - | - |
| Reversal of impairment on other receivables | - | - |
| Reversal of over accruals | - | - |
| Writeback of provision | - | - |
| Finance cost | 1,519 | 374 |
| Finance income | (276) | (390) |
| Operating profit before working capital changes | 58,687 | 52,346 |
| Movements in working capital | | |
| Land and property development costs | (12,351) | (49,209) |
| Accrued billing/Progress billing in respect of PDC | (61,326) | - |
| Amount owing by/to customer on contract | 429 | 4,678 |
| Inventories | (122) | (83) |
| Receivables | (16,567) | (4,134) |
| Payables | (5,633) | (11,050) |
| Cash generated from / (used in) operations | (95,570) | (59,798) |
| Interest paid | (1,519) | (374) |
| Tax paid | (64) | (14) |
| Tax refund | 2 | - |
| Payment of liquidated ascertained damages | (1,708) | (13,701) |
| Exchange fluctuation adjustment | - | - |
| | (3,289) | (14,089) |
| Net cash from/(used in) operating activities | (40,172) | (21,541) |
| CASHFLOW FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (782) | (2,146) |
| Proceeds from disposal of property, plant and equipment | 19 | - |
| Proceeds from disposal of investment in an associated company (net of transaction costs) | - | - |
| Interest received | 276 | 390 |
| Acquisition of additional interest in a subsidiary (net) | (29,445) | (36,547) |
| Contribution from non-controlling interest | 40 | 294 |
| | (29,892) | (38,009) |
| CASHFLOW FROM FINANCING ACTIVITIES | | |
| Repayment of term loan | - | (40,000) |
| Drawdown of term loan | 20,320 | - |
| Repayment of hire purchase | (1,077) | (129) |
| Proceeds from issuance of shares | 34,860 | - |
| Proceeds from exercise of warrants | 37 | 3,305 |
| | 54,140 | (36,824) |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | (15,924) | (96,374) |
| Effect of changes in foreign exchange rate | 196 | (83) |
| Cash and cash equivalent restricted | - | - |
| OPENING BALANCE | (7,447) | 107,458 |
| CLOSING BALANCE | (23,175) | 11,001 |
| Closing balance of cash and cash equivalents comprises:- | | |
| Cash and bank balances | 12,735 | 9,479 |
| Bank overdraft | (37,215) | - |
| Fixed deposits with licensed banks | 1,305 | 1,522 |
| | (23,175) | 11,001 |

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

A) EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD (“FRS”) 134: INTERIM FINANCIAL REPORTING

1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with Financial Reporting Standard (“FRS”) 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2014. 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 financial year ended 31 December 2014.

2. Significant accounting policies

The significant accounting policies adopted by the Group in these interim financial statements are consistent with those adopted in the annual financial statements for the financial year ended 31 December 2014.

The adoption of the following Financial Reporting Standards (“FRSs”), Amendments to FRSs and Issues Committee (“IC”) Interpretations that come into effect on 1 January 2014 did not have any significant impact on the unaudited condensed consolidated financial statements of the Group upon their initial application.

FRSs effective 1 January 2014

| | |
|--|--|
| Amendments to FRS 10, FRS 12 and FRS 127 | Investment Entities |
| Amendments to FRS 132 | Offsetting Financial Assets and Financial Liabilities |
| Amendments to FRS 136 | Recoverable Amount Disclosures for Non-Financial Assets |
| Amendments to FRS 139 | Novation of Derivatives and Continuation of Hedge Accounting |
| IC Interpretation 21 | Levies |

2. Significant accounting policies (cont'd)

FRSs that have been issued by the MASB but are not yet effective for the Company:

The Group have not applied the following new FRSs and amendments to FRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group.

| | | <u>Effective dates for financial periods beginning on or after</u> |
|---|---|--|
| Amendments to FRS 119 | Defined Benefits Plans: Employee Contributions | 1 July 2014 |
| Annual Improvements to FRSs 2010 - 2012 Cycle | | 1 July 2014 |
| Annual Improvements to FRSs 2011 - 2013 Cycle | | 1 July 2014 |
| FRS 14 | Regulatory Deferral Accounts | 1 January 2016 |
| Amendments to FRS 11 | Accounting for Acquisitions of Interests in Joint Operations | 1 January 2016 |
| Amendments to FRS 116 and FRS 138 | Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| Amendments to FRS 127 | Equity Method in Separate Financial Statements | 1 January 2016 |
| Amendments to FRS 10 and FRS 128 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | 1 January 2016 |
| Annual Improvements to FRSs 2012-2014 Cycle | | 1 January 2016 |
| Amendments to MFRS 10, MFRS 12 and MFRS 128 | Investment Entities: Applying the Consolidation Exception | 1 January 2016 |
| FRS 9 | Financial Instruments (IFRS 9 issued by IASB in July 2014) | 1 January 2018 |

The Group is subject to the application of IC Interpretation 15, therefore falls within the scope definition of Transitioning Entities and has opted to defer adoption of the new MFRS Framework. Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2017.

The Group is currently assessing the implications and financial impact of transition to the MFRS Framework and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2017.

3. Audit report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2014 for the Group was not qualified.

4. **Segment reporting**

| | Cumulative 9 months | | | |
|---------------------------------------|---------------------|-------------------|---|-------------------|
| | Revenue | | Profit attributable to owners of the parent | |
| Business Segment | 30.9.15 RM'000 | 30.9.14 RM'000 | 30.9.15 RM'000 | 30.9.14 RM'000 |
| Construction | 84,216 | 162,745 | 6,223 | 5,739 |
| Property Development | 109,809 | 139,394 | 45,800 | 44,864 |
| Ready Mixed Concrete | 51,587 | 29,961 | 740 | (105) |
| Others | 2,656 | 2,360 | 360 | 1,287 |
| Inter-segment eliminations | (35,821) | (68,468) | (1,911) | (4,961) |
| Total before non-controlling interest | 212,447 | 265,992 | 51,212 | 46,824 |
| Non-controlling interest | - | - | 368 | 13 |
| Total | 212,447 | 265,992 | 51,580 | 46,837 |

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 period ended 30 September 2015.

6. **Material changes in estimates**

There were no changes in estimates that have had a material effect in the current period 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 materials and increase in the cost of construction materials for the quarter under review.

8. **Dividends paid**

No dividends have been declared for the current financial quarter.

9. **Valuation of property, plant and equipment**

The property, plant and equipment are stated at cost less accumulated depreciation and impairment loss. No valuations have been undertaken in prior year and financial period to-date.

10. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial period under review, except for the following:

- (a) 157,700 ICPS have been converted into ordinary shares of RM0.50 each; and
- (b) 1,267,800 RCPS have been converted into ordinary shares of RM0.50 each.

11. Changes in composition of the Group

Save as below, there were no changes in the composition of the Group for the current quarter under review.

- (a) On 23 July 2015, the Company had incorporated a 75% owned subsidiary company, namely Ho Hup Ventures (Johor) Sdn Bhd (“HHVJ”) in Malaysia under the Companies Act, 1965 with an authorised share capital of RM400,000.00 comprising 400,000 ordinary shares of RM1.00 each and total issued and paid-up share capital of RM100.00, of which 75 ordinary shares of RM1.00 each are held by the Company and the remaining 25 ordinary shares of RM1.00 each are held by Tribeca Real Estate Asset Management Sdn Bhd (“Tribeca”).
- (b) On 17 August 2015, the Company had incorporated a 70% owned subsidiary company, namely Ho Hup Ventures (Malacca) Sdn Bhd (“HHVM”) in Malaysia under the Companies Act, 1965 with an authorised share capital of RM400,000.00 comprising 400,000 ordinary shares of RM1.00 each and total issued and paid-up share capital of RM100.00, of which 70 ordinary shares of RM1.00 each are held by Ho Hup Industries Sdn Bhd (formerly known as Ho Hup Equipment Rental Sdn Bhd), which is a wholly-owned subsidiary of the Company and the remaining 30 ordinary shares of RM1.00 each are held by Amisan Resources Sdn Bhd.
- (c) On 20 August 2015, Ho Hup Ventures (Johor) Sdn Bhd (“HHVJ”), the 75% owned subsidiary company of the Company, had entered into a Share Sale Agreement with I4G Intelliganz Sdn Bhd for the acquisition of 70% equity interest in Intact Corporate Approach Sdn Bhd (“ICA”) for cash consideration of RM20 million (“the Proposed Acquisition”). The Proposed Acquisition is subject to approval of shareholders of Ho Hup in a general meeting which will be determined and announced in due course.

12. Changes in contingent liabilities

a) Contingent liabilities

| | Group | | Company | |
|--|---------------------|---------------------|---------------------|---------------------|
| | 30.9.2015 RM'000 | 30.9.2014 RM'000 | 30.9.2015 RM'000 | 30.9.2014 RM'000 |
| Corporate guarantees given to suppliers of goods of a subsidiary company (unsecured) | | | | |
| - Limit of guarantee | - | - | 27,033 | 16,533 |
| - Amount utilised | - | - | 16,469 | 8,573 |
| Guarantees issued by financial institutions in connection with performance bonds, security and tender deposits in favour of third parties for construction projects: | | | | |
| - Secured | 200 | - | - | - |
| - Unsecured | 240 | - | 240 | - |

b) Apart from the above, 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 date of statement of financial position.

13. Capital Commitment

Save as disclosed below, there was no capital commitment as at the date of this financial report.

| | 30.9.2015 RM'000 | 31.12.2014 RM'000 |
|---|---------------------|----------------------|
| Capital expenditure Approved and contracted for: | | |
| - Purchase of property, plant and equipment | <u>2,720</u> | <u>3,348</u> |

14. Material Events Subsequent to the End of Interim Period

There were no material subsequent events that will affect the financial results of the financial period under review.

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

B) EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Group Performance Review

a) Performance of the Current Quarter Compared with Previous Year Corresponding Quarter

The group recorded revenue of RM62.8 million and profit after tax of RM17.0 million as compared to revenue of RM95.0 million and profit after tax of RM18.5 million registered for the same corresponding quarter ended in the previous period.

Divisional performance is as follows: -

- The Construction Division registered revenue of RM17.2 million with a profit after tax of RM3.2 million in the current quarter against last year corresponding quarter revenue of RM55.7 million with a marginal profit after tax of RM16,000.

The lower revenue as compared to the preceding year's quarter is mainly due to the Kem Askar Johor and Karbala projects which has reached final stages of completion.

Current year profit after tax of RM3.2 million is mainly attributed to the write back of doubtful debts.

- Property Development Division registered revenue of RM41.0 million and profit after tax of RM14.0 million in the current quarter as compared to last year's corresponding quarter of RM62.1 million and profit after tax of RM19.3 million.

The lower revenue is due to lower progress billings in the current quarter for Aurora Place, Bukit Jalil. The Joint Venture Development with Pioneer Haven Sdn Bhd contributed RM6.1 million to the current quarter's revenue as compared to RM5.8 million last year.

The current quarter profit after tax is lower due to lower profit recognition on progress billings.

- Ready Mix Concrete Division reported a revenue of RM19.2 million and a profit after tax of RM388,000 in the current quarter against last year corresponding quarter revenue of RM11.1 million and a loss after tax of RM139,000. Revenue increased mainly due to higher sales volume recorded for all plants and the improved gross profit margin due to higher production efficiency in the current quarter.

b) Performance of Cumulative Nine Months Compared with Previous Year Nine Months

The Group recorded revenue of RM212.4 million and profit after tax of RM51.2 million for cumulative nine months period ended 30 September 2015 as compared to revenue of RM266.0 million and profit after tax of RM46.8 million for the same period last year.

The lower revenue is attributed to lower contribution from the Kem Askar Johor and Karbala Road projects which have reached final stages of completion.

The Group's Profit After Tax (PAT) has improved from RM46.8 million last year to RM51.2 million in the current year, an increase of RM4.4 million or 9.4%. The higher overall profit performance was due to better contributions from the property development segment which saw improved gross profit margins and a turnaround in the concrete mix division which recorded RM740,000 cumulative profit after tax for the nine months as compared to a loss after tax of RM105,000 in the preceding period.

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 a profit before tax of RM17.9 million in the current quarter ended 30 September 2015 as compared to a profit before tax of RM15.7 million in the immediate preceding quarter ended 30 June 2015. The marginal increase in profit before tax is due to lower operating expenses in current quarter.

3. Business Prospects

The Group has successfully consolidated and streamlined its operating activities with positive results, including the turnaround of the ready-mixed concrete division.

Moving forward, the Group is expanding on its domestic activities to create better business synergies and new earnings stream along its supply chain with strategic investments that contribute to enhancing its land banking activities.

Accordingly, the Board expects the performance of the Group to be encouraging.

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

This is not applicable.

5. Taxation

The breakdown of tax expense for the quarter and financial year-to-date are as follows:

| | 3 Months Ended 30.9.2015 RM'000 | 9 Months Ended 30.9.2015 RM'000 |
|----------------------------|--|--|
| Current period tax expense | 882 | 4,880 |
| Deferred tax expense | - | - |
| | <u>882</u> | <u>4,880</u> |

The effective tax rate for the current quarter was lower than the statutory tax rate mainly due to utilization of previous year unabsorbed losses.

6. Status of current corporate proposals

There were no 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.

On 21 August 2015, the Company announced its effective date for the implementation of the Employees' Share Option Scheme ("Scheme"), which is the date of full compliance of the ESOS in accordance with paragraph 6.43 of the Listing Requirements.

On 1 September 2015, the Company has made the first offer of 6,000,900 new Ho Hup Shares ("ESOS Options") pursuant to the ESOS ("First Offer") to the eligible employees and directors at the exercise price of RM0.74.

7. Group borrowings and debt securities

| | 30.9.2015 RM'000 | 31.12.2014 RM'000 |
|---|---------------------|----------------------|
| Borrowings denominated in Ringgit Malaysia: | | |
| Secured | | |
| <u>Non-Current</u> | | |
| Finance lease liabilities | 2,625 | 2,672 |
| Bank borrowings | 37,291 | 18,247 |
| <u>Current</u> | | |
| Bank borrowings | 58,482 | 17,676 |
| Finance lease liabilities | 1,525 | 993 |
| Total Borrowings | <u>99,923</u> | <u>39,588</u> |

8. Derivative Financial instrument

For the quarter ended 30 September 2015, 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 recognised for changes in the fair values of these liabilities.

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

The breakdown of the accumulated losses of the Group as at 30 September 2015, into realised and unrealised profits or losses is prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the context of disclosure pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

10. **Breakdown of Realised and Unrealised Profits or Losses of the Group (cont'd)**

| | As At 30.9.2015 RM'000 | As At 31.12.2014 RM'000 |
|--|------------------------------|-------------------------------|
| Accumulated Losses- Realised | (7,579) | (60,787) |
| Accumulated Losses - Unrealised | - | - |
| Less: consolidated adjustments | 31,972 | 33,590 |
| Total Group retained profits/(accumulated losses) | 24,393 | (27,197) |

11. **Changes in material litigations**

(a) **Arbitration between Ho Hup Construction Company (India) Pte Ltd ("HHCCI") against Andhra Pradesh Housing Board**

On 9 March 2005, a subsidiary of the Company, HHCCI entered into a joint development agreement with the Andhra Pradesh Housing Board ("APHB") to develop a piece of land situated at Kancha Imarat, Maheshwaran Mandal, Ranga Reddy District, Andhra Pradesh, India ("Joint Development Agreement"). HHCCI had been selected to implement the development of the said land into an intergrated township with an approximate development value of India Rupee ("Rs") 3.6 billion at Shamshabad near Hyderabad. HHCCI 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 disputed the 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, HHCCI commenced an arbitration claim for damages amounting to Rs.2,544,512,230 being the unlawful termination of the abovementioned contract. The award in HHCCI's favour was published in 19 May 2008 ("Award").

The Company has since appointed Messrs Y. Ramarao to represent HHCCI in respect of the execution of the Award as well as the appeal lodged by APHB against same ("Appeal"). HHCCI filed its defence to the Appeal on 18 November 2013 and submitted to the Court *inter alia* that the Award does not suffer any infirmities and hence cannot be interfered; particularly, APHB had failed to make out a case to set-aside the Award as none of the grounds stated under Section 34 of the Arbitration and Conciliation Act, 1996 were raised by APHB in its appeal. In such circumstances, the appeal is devoid of merits and liable to be dismissed with costs. The Court has yet to fix the next date for Hearing of this case.

(b) **Dato' Low Tuck Choy ("DLTC") against Datuk Lye Ek Seang, Lim Ching Choy, Low Teik Kien, Dato' Liew Lee Leong, Low Kim Leng, Lai Moo Chan, Long Md Nor Amran bin Long Ibrahim, Faris Najhan Bin Hashim, Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir & Ho Hup ("Defendants")**
Kuala Lumpur High Court Civil Suit No. S-22-525-2010

On 31 July 2009, the Company was served by DLTC ("Plaintiff") with a Writ of Summons KL High Court Civil Suit No. S-22-525-2009 seeking *inter alia*

for special damages in the amount of United States Dollar (“USD”) 39,881,066.85 to be paid by the 1st to 9th Defendants to the Company. After the full trial on 27 March 2015, the High Court had dismissed the Plaintiff’s claim with costs in the sum of RM40,000.00 to be paid by the Plaintiff to the 1st, 2nd and 9th Defendants. The Plaintiff has subsequently filed a Notice of Appeal before the Court of Appeal on 9 April 2015 and the Records of Appeal (“ROA”) on 4 June 2015. However, the ROA is incomplete pending the completion of the Notes of Proceedings and the issuance of the Grounds of Judgment by the High Court which are to be included in the ROA. The Registrar has fixed for a next case management on 11 December 2015 for parties to give an update on the status of the ROA.

(c) **Zen Courts Sdn. Bhd. (“Zen Courts”) against Bukit Jalil Development Sdn. Bhd. (“BJDSB”) & 2 others
Kuala Lumpur High Court Petition No.26NCC-42-2011**

Pursuant to an Agreement dated 12 September 1995 (“the 1995 JVA”), the Company and United Engineers (Malaysia) Berhad (“UEM”) entered into a joint venture whereby the Company and UEM agreed to subscribe for shares in BJDSB in a 70%-30% ratio respectively. Subsequently, on 28 September 2009, Zen Courts entered into a Sale and Purchase Agreement to buy shares held by UEM in BJDSB. On 9 June 2011, Zen Courts served a sealed copy of the Petition pursuant to Section 181 of the Companies Act, 1965 on BJDSB, the Company and Ho Hup Equipment Rental Sdn. Bhd (“HHER”). (“the Companies”) claiming, *inter alia*, that BJDSB and the Company had allegedly oppressed them and would not recognise their rights under the 1995 JVA.

On 27 March 2012, the High Court, after hearing the Petition, ordered a buy-out of Zen Court’s stake in BJDSB by the Company (“Buy-Out Order”). 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, of which Ferrier Hodgson MH Sdn. Bhd. (“FHMH”) was, by consensus, appointed as the independent valuer on 19 June 2012. The valuation report was issued by FHMH on 31 December 2012; in summary, having considered all relevant factors, FHMH valued the 30% shareholding stake in BJDSB held by Zen Courts to be RM35,970,000.00 .

Zen Courts subsequently filed applications to review the valuation and for an interim payment of the amount so valued viz. RM35,970,000.00. The Company further filed an application to confirm the valuation pursuant to the Buy-Out Order. On 18 July 2013, the High Court dismissed the applications filed by Zen Courts and further ordered, *inter alia*, that the Company shall purchase the 4,500,000 shares (“the 30% Shares”) in BJDSB held by Zen Courts at the aggregate purchase price of RM35,970,000.00 (“Purchase Price”), which works out to the price of about RM7.99 per share. The High Court also ordered, with the consent of the parties, that interest at 5% per annum be payable from 18 July 2013 to the date of full payment of the Purchase Price (“the Order”).

As Zen Courts failed or refused to comply with the Order given by the High Court to transfer the 30% Shares, the Company further applied for a consequential order to direct the Form of Transfer of the 30% Shares (Form 32A) to be executed by the Deputy Registrar of the High Court and the Company to deliver banker’s cheques for the Purchase Price and interest. On 25 February 2014 the High Court granted the consequential order. In

compliance with the consequential order, the Deputy Registrar executed the Form of Transfer and the Company delivered the banker's cheques for the total Purchase Price and interest. Accordingly, the transfer of the 30% Shares of Zen Courts to the Company as ordered by the Court was completed on 7 March 2014.

Meanwhile, on 14 August 2013, Zen Courts filed two (2) Notices of Appeal to the Court of Appeal ("Valuation Appeals") in respect of Orders made on 18 July 2013 by the High Court, *inter-alia*, (i) dismissing Zen Courts' application to make further representations on the Valuation Report and FHMH to be subjected to cross-examination and; (ii) fixing the Purchase Price of the Shares at RM35,970,000.00 and related orders. The Appeals have since been dismissed by the Court of Appeal on 19 February 2014. Dissatisfied, Zen Courts filed an application for leave to the Federal Court to appeal against the dismissal of its Appeals ("Leave Application"). The Leave Application was heard by the Federal Court on 5 May 2015 and the Federal Court gave leave to appeal on two (2) questions of law i.e. it has allowed Zen Courts to file its appeal proper for the Valuation Appeals to be heard by the Federal Court. The Federal Court has fixed this appeal for hearing on 23 March 2016.

**(d) Ho Hup Construction Company Berhad against Woo Thin Choy ("Defendant")
Kuala Lumpur High Court Suit No. 22NCVC-873-09/2011**

On 9 September 2011, the Company brought an action against Woo Thin Choy, the Company's former Project Director. The Company claimed that the Defendant caused the Company to suffer loss and damages of United States Dollar ("USD") 2.5 million and further alleged that the Defendant breached his fiduciary, contractual and/or common law duties owed to the Company.

The Company sought relief from Court for, *inter alia* an order for payment for the sum of USD 2.5 million by the Defendant. The Company also sought relief for an account of all sums received by the Defendant and all such assets or any part thereof as well as general damages arising from the Defendant's breach of duty owed to the Company.

On 16 January 2014, the High Court decided that the Company had not proven its claim and dismissed the same with costs of RM40,000.00. The Company had further appealed to the Court of Appeal against the said decision ("Appeal") and the same was fixed for hearing on 20 August 2014. The Court of Appeal had allowed the Appeal, reversing the High Court judge's decision and granted judgment against the Defendant as follows:-

- (1) a declaration that the Defendant is liable to account to the Company for the sums of USD2.5 million;
- (2) an Order for payment of the sum of USD1.5 million by the Defendant to the Company;
- (3) an Order for payment of the sum of USD1.0 million by the Defendant to the Company; and
- (4) costs of RM50,000.00 for the proceedings in the Court of Appeal and High Court to be paid by the Defendant to the Company.

The Defendant, being dissatisfied with the judgment granted by the Court of Appeal, has subsequently filed an application for leave to appeal to the

Federal Court (“Leave Application”). The Leave Application is now fixed for Hearing on 24 February 2016.

Except as disclosed above, there were no other material changes in material litigations since the last annual financial year and made up to 18 November 2015, being the latest practicable date from the date of the issue of this quarterly report.

12. Dividends paid

No dividends have been declared for the current financial quarter.

13. Significant Related Party Transactions

There were no significant related party transactions occurred during the financial quarter ended 30 September 2015.

14. Profit before Tax

| | Individual Quarter 3 Months ended | | Cumulative Quarter 9 Months ended | |
|---|--------------------------------------|---------------------|--------------------------------------|---------------------|
| | 30.9.2015 RM'000 | 30.9.2014 RM'000 | 30.9.2015 RM'000 | 30.9.2014 RM'000 |
| Profit before tax is arrived at after charging:- | | | | |
| Depreciation of property, plant and equipment | 467 | 102 | 1,368 | 255 |
| Finance cost | 665 | 352 | 1,519 | 374 |
| Provision for liquidated ascertained damages | - | (1,920) | - | (417) |
| And Crediting:- | | | | |
| Rental income | 12 | 35 | 81 | 104 |
| Finance income | 57 | 48 | 276 | 390 |

15. Earnings per share

Basic Earnings Per Share (Basic EPS)

Basic earnings per share for the financial period to-date are calculated by dividing the net profit attributable to owners of the parent by the weighted average number of ordinary shares in issue.

| | Current quarter 30.9.2015 | Preceding year corresponding quarter 30.9.2014 | Financial period to-date 30.9.2015 | Preceding year corresponding period to-date 30.9.2014 |
|---|------------------------------|---|--|--|
| Net profit for the period attributable to owners of the parent (RM'000) | 17,302 | 18,481 | 51,580 | 46,837 |
| Weighted average number of ordinary shares ('000) | 345,099 | 308,107 | 341,957 | 245,329 |
| Basic EPS (sen) | 5.01 | 6.00 | 15.08 | 19.09 |

15. Earnings per share (cont'd)

Diluted Earnings Per Share (Diluted EPS)

Diluted earnings per share for the reporting quarter and financial period to-date are calculated by dividing the net profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period after taking into consideration of all dilutive potential ordinary shares.

| | Current quarter 30.9.2015 | Preceding year corresponding quarter 30.9.2014 | Financial period to-date 30.9.2015 | Preceding year corresponding period to-date 30.9.2014 |
|---|--|---|---|--|
| Net profit for the period attributable to owners of the parent (RM'000) | 17,302 | 18,481 | 51,580 | 46,837 |
| Adjustment for convertible preference dividend (RM'000) | 261 | - | 551 | 340 |
| Adjusted net profit for the period attributable to owners of the parent (RM'000) | 17,563 | 18,481 | 52,131 | 47,177 |
| Weighted average number of ordinary shares ('000) | 345,099 | 308,107 | 341,957 | 245,329 |
| Adjustment for ICPS ('000) | 8,244 | 10,554 | 8,749 | 49,469 |
| Adjustment for RCPS ('000) | 20,913 | 24,408 | 21,266 | 45,206 |
| Adjustment for Warrants ('000) | 17,329 | 26,797 | 24,625 | 28,603 |
| Adjusted weighted average number of ordinary shares in issue ('000) | 391,585 | 369,866 | 396,597 | 368,607 |
| Diluted EPS (sen) | 4.49 | 5.00 | 13.15 | 12.80 |

By Order of the Board
Dato' Wong Kit-Leong
Chief Executive Officer
Kuala Lumpur
18 November 2015