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 2015. 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 2015.

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 2015.

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 July 2014

Amendments to FRS 119	Defined Benefits Plans: Employee Contributions
Annual Improvements to MFRSs 2010 - 2012 Cycle	
Annual Improvements to MFRSs 2011 - 2013 Cycle	

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

The Group has 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.

2. Significant accounting policies (cont'd)

		Effective dates for financial periods beginning on or after
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 101	Disclosure Initiative	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, FRS 12 and FRS 128	Investment Entities: Applying the Consolidation Exception	1 January 2016
Annual Improvements to FRSs 2012-2014 Cycle		1 January 2016
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to FRS 107	Disclosure Initiative	1 January 2017
FRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
Amendments to FRS 10 and FRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

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 2018.

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 2018.

3. Audit report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2015 for the Group is not qualified.

4. **Segment reporting**

	Cumulative 9 months			
	Revenue		Profit attributable to owners of the parent	
Business Segment	**30.9.16 RM'000**	**30.9.15 RM'000**	**30.9.16 RM'000**	**30.9.15 RM'000**
Construction	134,329	84,216	12,048	6,223
Property Development	117,246	109,809	44,185	45,800
Building Material	50,069	51,587	372	740
Others	2,060	2,656	(2,319)	360
Inter- segment eliminations	(104,571)	(35,821)	2,449	(1,911)
Total before non-controlling interest	**199,133**	**212,447**	**56,735**	**51,212**
Non-controlling interest	-	-	(94)	368
Total	**199,133**	**212,447**	**56,641**	**51,580**

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 2016.

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. Changes in debts and equity securities

i) The following equity securities were issued during the financial period under review:

(a) 927,400 Irredeemable Convertible Preference Shares ("ICPS") have been converted into 927,400 ordinary shares of RM0.50 each as follows:

Date	No. of ICPS	No. of Shares	Listing Date
11 July 2016	55,100	55,100	13 July 2016
15 July 2016	862,300	862,300	19 July 2016
26 July 2016	10,000	10,000	28 July 2016

(b) The movements of the Employees' Share Option Scheme ("the Scheme") for the period under review is as follows:

Number of options of ordinary shares of RM0.50 each at exercise price of RM0.74 each:

Granted on 1 September 2015	6,000,900
Exercised during the periods:	
- Quarter 4 2015	(199,700)
- Quarter 1 2016	(296,500)
- Quarter 2 2016	(78,600)
Outstanding unexercised options as at 30 September 2016	5,426,100

The Scheme is expiring on 20 August 2020.

ii) There were no issuances, cancellations, repurchases, resale and repayments of debts securities during the financial period under review.

11. Changes in composition of the Group

There were no changes in the composition of the Group for the current quarter under review.

12. Changes in contingent liabilities

a) Contingent liabilities

	Group		Company	
	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000
Corporate guarantees given to licensed banks for banking facilities granted to subsidiary companies				
- Limit of guarantee	-	-	166,109	-
- Amount utilised	-	-	104,826	240
Corporate guarantees given to a supplier of goods to subsidiary companies				
- Limit of guarantee	-	-	28,650	27,033
- Amount utilised	-	-	4,629	16,469

Guarantees issued by financial institutions in connection with performance bonds, security and tender deposits in favour of third parties for construction projects - Secured - Unsecured	- 12,173	200 240	- 12,173	- 240

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 were no other capital commitment as at the date of this quarterly report.

	30.9.2016 RM'000	31.12.2015 RM'000
Capital expenditure Approved and contracted for:		
- Purchase of property, plant and equipment	3,936	2,093

14. Material Events Subsequent to the End of Interim Period

On 26 January 2016, Ho Hup announced that the Company proposed to undertake the following:

(i) proposed renounceable rights issue of up to 85,137,570 Rights Shares on the basis of one (1) Rights Share for every five (5) existing Ho Hup Shares, together with up to 85,137,570 Warrants B, on the basis of one (1) Warrant B for every one (1) Rights Share subscribed on the Entitlement Date;

(ii) proposed renounceable rights issue of up to 85,137,570 redeemable preference shares ("RPS") on the basis of one (1) RPS for every five (5) existing Ho Hup Shares, together with up to 85,137,570 Warrants C, on the basis of one (1) Warrant C for every one (1) RPS subscribed on the Entitlement Date; and

(iii) proposed amendments to the Memorandum and Articles of Association of Ho Hup to facilitate the Proposed Rights Issue of RPS with free Warrants C.

Collectively, the Proposed Rights Issue of Shares with free Warrants B, Proposed Rights Issue of RPS with free Warrants C and Proposed Amendments are referred to as the "Proposals").

The Proposals have been approved by Bursa Malaysia Securities Berhad ("Bursa Securities") and shareholders of the Company on 14 April 2016 and 23 May 2016 respectively.

On 28 September 2016, Bursa Securities has approved the Company's application for an extension of time of six (6) months up to 13 April 2017 to complete the Proposals.

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

1. Group Performance Review

a) Performance of current cumulative nine months as compared with previous year nine months

	Cumulative 9 months			
	Revenue		Profit attributable to owners of the parent	
Business Segment	**30.9.16 RM'000**	**30.9.15 RM'000**	**30.9.16 RM'000**	**30.9.15 RM'000**
Construction	134,329	84,216	12,048	6,223
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Others	2,060	2,656	(2,319)	360
Inter- segment eliminations	(104,571)	(35,821)	2,449	(1,911)
Total before non-controlling interest	**199,133**	**212,447**	**56,735**	**51,212**
Non-controlling interest	-	-	(94)	368
Total	**199,133**	**212,447**	**56,641**	**51,580**

- The Group recorded revenue of RM199.1 million and profit after tax of RM56.6 million for the current nine months as compared to the previous year corresponding period of RM212.4 million and RM51.6 million. The Group revenue was lower due to the Aurora Place, Bukit Jalil Project reaching advanced stage of completion.

- The Group profit after tax (PAT) has improved due to the contribution from Construction Division with better profit margin for new jobs secured.

- The finance cost increased to RM4.4 million for the cumulative nine months due to the loan secured in second half of the last financial year to finance the acquisitions of companies in Sabah, Johor and Malacca

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

	Revenue		Profit after tax	
	Individual Quarter 3 Months ended			
Business Segment	**30.9.16 RM'000**	**30.9.15 RM'000**	**30.9.16 RM'000**	**30.9.15 RM'000**
Construction	39,285	17,198	3,636	3,216
Property Development	48,736	40,995	13,005	14,017
Building Material	16,030	19,189	(52)	388
Others	342	2,656	(1,520)	1,510
Inter-segment eliminations	(33,853)	(17,192)	1,961	(2,087)
Total	**70,540**	**62,846**	**17,030**	**17,044**

The Group recorded revenue of RM70.5 million as compared to RM62.8 million registered for the same corresponding quarter in the previous period. The increase in revenue of RM7.7 million or 12.2% was mainly due to the recognition of Joint Development Agreement (JDA) entitlement of 18% from Pioneer Haven Sdn Bhd ("PHSB" a subsidiary of Malton Bhd) in the current quarter of RM14.2 million.

The Group's recorded a PAT of RM17.0 million as compared to RM17.0 million in the same corresponding quarter in the previous period. PAT marginally lower due to the new business start-up in the quarry operations which had some preliminary expenses charged out in the current quarter and increase in interest cost for the period of RM1.7 million for the Group.

Divisional performance is as follows: -

Construction Division

- Construction revenue was mainly derived from the progress billings from existing projects and a new project for upgrading of five bridges in Perak.
- Profit after tax had increased mainly due to the higher profit margin contributed by the ongoing projects.

Property Development Division

- Revenue for this Division increased by RM7.7 million or 18.9%, mainly due to revenue recognised from the JDA entitlement of RM14.2 million from the service apartments and shop offices.
- Profit after tax declined by RM1.0 million due to the higher operating expenses for project management fees and interest costs amounted to RM301,000.

Building Materials Division

- Revenue for this Division declined by RM3.2 million or 16.5% mainly due to both Bukit Jalil and Putrajaya contracts are at the completion phase, accounted for the lower production volume.
- Profit after tax declined due to intense market condition with slower market demand.

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 recorded a profit before tax (PBT) of RM18.6 million in the current quarter as compared to RM23.4 million in the preceding quarter. The decline in the Group's PBT was mainly due to higher operating expenses, with interest costs amounted to RM1.7 million incurred in the current period.

3. (a) Business Prospects

The Board is confident that the financial performance for financial year 2016 will be fairly consistent with that of the previous financial year as it had instituted appropriate measures to ensure sustainable performance for the Group.

Moving forward, the Group is well positioned to strengthen its business as follows: -

- The Construction Division will continue to actively bid for new local infrastructure projects to build up the Group's order books size. On cost, the Group will continue with cost optimising measures on the ongoing projects to enhance its profitability.

- The Property Development Division is expected to continue to provide a steady and recurring stream of income, with contributions from the 18% entitlement under the joint development of the Bukit Jalil City project following their latest launch. For Kota Kinabalu, the bus terminal project is expected to be handed over to Dewan Bandaraya Kota Kinabalu by quarter 4, 2016 and will be followed by the development of the Hotel and Service Apartment in the next financial year. In relation to the Kulai project, the Deputy Prime Minister had launched the Johor Skills Hub in October 2016 and we expect to start the construction of the Technical and Vocational Education Training (TVET) Facility once the relevant approval is obtained.

- The Building Material Division has continued to pursue aggressively in bidding to supply the aggregates for several major railway and infrastructure projects in Malaysia and we are optimistic of the growth in this sector in the near future.

(b) Progress and steps to achieve financial estimate, forecast, projection and internal targets previously announced

There was no financial forecast previously announced by the Group.

4. Statement of the Board of Directors' opinion on achievability of financial estimate, forecast, projection and internal targets previously announced

Not applicable.

5. Financial estimate, forecast or projection/profit guarantee

There was no financial estimate, forecast or projection and profit guarantee issued by the Group.

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

This is not applicable.

7. Taxation

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

	Current Quarter Ended 30.9.2016 RM'000	Cumulative Year to Date 30.9.2016 RM'000
Current period tax expense	1,528	5,528
Deferred tax expense	-	-
	1,528	5,528

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

8. **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, except for the disclosure under Note 14 of Section (A) above.

9. **Group borrowings and debt securities**

	31.9.2016 RM'000	31.12.2015 RM'000
Borrowings denominated in Ringgit Malaysia:		
Secured		
Non-Current		
Finance lease liabilities	4,620	2,589
Bank borrowings	25,065	59,001
Current		
Finance lease liabilities	2,273	1,401
Bank borrowings	160,459	71,974
Total Borrowings	192,417	134,965

10. **Derivative Financial instrument**

This is not applicable.

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 recognised for changes in the fair values of these liabilities.

12. **Breakdown of Realised and Unrealised Profits or Losses of the Group**

The breakdown of the retained profits of the Group as at 30 September 2016, 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.

	As At 30.9.2016 RM'000	**As At 30.9.2015 RM'000**
Retained earnings /(accumulated losses) - Realised	56,280	(7,579)
Accumulated losses – Unrealised	-	-
Less: consolidated adjustments	51,832	31,972
Total Group retained earnings	**108,112**	**24,393**

13. **Changes in material litigations**

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

On 9 March 2005, HHCCI, a wholly-owned subsidiary of Ho Hup, 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 ("Joint Development Agreement") into an integrated township, wherein HHCCI shall pay APHB development fees of India Rupee ("Rs")101,175,000 over 5 years.

The Joint Development Agreement was subsequently terminated by APHB. HHCCI disputed the termination on the grounds that APHB had yet to comply with its obligations in respect of the conditions precedent under the Joint Development Agreement.

On 2 May 2005, HHCCI commenced an arbitration claim for damages amounting to Rs2,391,512,230, being the unlawful termination of the Joint Development Agreement. On 19 May 2008, an award was published in HHCCI's favour ("Award"). The Award was in relation to the following:-

(i) The upfront fee in the amount of Rs16,796,250 together with interest at the rate of 12% per annum to be refunded to HHCCI, interest of which is to be calculated from 1 February 2006 to the date of the refund being made; and

(ii) Compensation for expenses incurred in the amount of Rs600,000 together with interest at the rate of 9% per annum, interest of which is to be calculated from 6 January 2006.

On 18 November 2013, APHB filed an appeal to set aside the Award.

HHCCI had appointed Messrs Y. Ramarao to represent it in respect of the enforcement of the Award and to file its defence in relation to the appeal filed by APHB on the grounds that, inter-alia, the Award does not cause APHB to suffer any infirmities and hence should not be appealed against. APHB had also failed to present a substantial 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. The hearing of this case will be fixed on a date to be informed by the Court later.

(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

This is a derivative action brought by DLTC ("Plaintiff") on behalf of Ho Hup pertaining to the decision of the Board to discontinue/withdraw an arbitration proceeding against the Government of Madagascar. The Plaintiff claimed on behalf of Ho Hup, for general damages and an injunction against the Defendants. Pursuant to the trial held on 27 March 2015, the High Court had dismissed the Plaintiff's claim. The Plaintiff subsequently appealed the matter to the Court of Appeal, which was dismissed on 18 November 2016.

(c) **Zen Courts Sdn. Bhd. ("Zen Courts") against Bukit Jalil Development Sdn. Bhd. ("BJDSB"), Ho Hup Construction Company Berhad & Ho Hup Equipment Rental Sdn Bhd ("HHERSB") Kuala Lumpur High Court Petition No.26NCC-42-2011**

Zen Courts ("the Plaintiff") had initiated a petition vide Kuala Lumpur High Court Petition No. 26NCC-42-2011 against the respondents, namely BJDSB, the Company and HHERSB alleging the Company and HHERSB had oppressed its rights as a minority shareholder of BJDSB. The High Court in finding that there was an oppression, had ordered the Company to buy out the Plaintiff's shares in BJDSB. Such shares were to be valued by Ferrier Hodgson MH Sdn Bhd ("FHMH") who was, by consensus, appointed as the independent valuer on 19 June 2012. The valuation report was issued by FHMH on 31 December 2012 after having considered all relevant factors and, FHMH valued the 30% shareholding stake in BJDSB held by Zen Courts to be RM35,970,000 ("Valuation Report").

The Plaintiff further appealed to the Court of Appeal, inter alia, challenging the value of their shares in BJDSB. However, on 19 February 2014, the Court of Appeal upheld the High Court's decision and dismissed the Plaintiff's appeals. The Plaintiff subsequently applied for a leave applications to the Federal Court in relation to the dismissal of its appeals at the Court of Appeal stage. The leave was granted by the Federal Court and the Federal Court has fixed these appeals for hearing on 26 April 2016.

On 26 April 2016, the Federal Court has allowed the appeals and ordered the following inter alia ("Appeal Order"):

(i) that the matter be sent back to the High Court for a High Court Judge (not being any of the High Court Judges who has so far heard applications on this matter) to hear cross-examinations of the persons who had written the valuation report dated 31 December 2012 by FHMH, valuation report dated 31 July 2012 by Henry Butcher Malaysia Sdn Bhd and also valuation report by Hartanah Consultant (Valuation) Sdn Bhd;
(ii) costs of RM50,000 be paid to Zen Courts in respect of proceedings at the High Court, the Court of Appeal and the Federal Courts level.

Zen Courts has thereafter filed an application to the High Court to restore the status quo ante (the previously existing state of affairs) of Zen Courts in BJDSB prevailing immediately prior to the order of High Court dated 18 July 2013; for which the same is fixed for hearing on 10 January 2017. Zen Courts has also filed an application for the order that FHMH to disclose a clear copy of the Valuation Report and all documents relied upon in preparing such report. The Court has fixed this application for hearing on 2 December 2016.

Ho Hup has subsequently filed an application for a stay of proceedings at the High Court. The High Court has fixed this matter for hearing on 2 December 2016. In the meantime, Ho Hup's application for a judicial review of the Appeal Order is fixed for hearing on 20 March 2017.

Except as disclosed above, there were no other material changes in material litigations since the last annual financial year and made up to 25 November 2016, being the latest practicable date from the date of the issue of this quarterly report.

14. Dividends paid

No dividends have been declared for the current financial quarter.

15. Significant Related Party Transactions

There were no significant related party transactions occurred during the financial quarter ended 30 September 2016.

16. Profit before Tax

	Individual Quarter 3 Months ended		Cumulative Quarter 9 Months ended	
	30.9.2016 RM'000	**30.9.2015 RM'000**	**30.9.2016 RM'000**	**30.9.2015 RM'000**
Profit before tax is arrived at after charging:-				
Depreciation of property, plant and equipment	566	467	1,511	1,368
Finance cost	1,710	665	4,397	1,519
And Crediting:-				
Rental income	139	12	384	81
Finance income	(10)	57	36	276

17. 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 30.9.2016	**Preceding year corresponding quarter 30.9.2015**	**Financial period to-date 30.9.2016**	**Preceding year corresponding period to-date 30.9.2015**
Net profit for the period attributable to owners of the parent (RM'000)	17,212	17,302	56,641	51,580
Weighted average number of ordinary shares ('000)	350,174	345,099	348,459	341,957
Basic EPS (sen)	**4.92**	**5.01**	**16.26**	**15.08**

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 30.9.2016	Preceding year corresponding quarter 30.9.2015	Financial period to-date 30.9.2016	Preceding year corresponding period to-date 30.9.2015
Net profit for the period attributable to owners of the parent (RM'000)	17,212	17,302	56,641	51,580
Adjustment for convertible preference dividend (RM'000)	233	261	481	551
Adjusted net profit for the period attributable to owners of the parent (RM'000)	**17,445**	**17,563**	**57,122**	**52,131**
Weighted average number of ordinary shares ('000)	350,174	345,099	348,459	341,957
Adjustment for ICPS ('000)	6,944	8,244	7,615	8,749
Adjustment for RCPS ('000)	17,781	20,913	18,684	21,266
Adjustment for Warrants ('000)	12,584	17,329	14,797	24,625
Adjustment for ESOS ('000)	583	-	930	-
Adjusted weighted average number of ordinary shares in issue ('000)	**388,066**	**391,585**	**390,485**	**396,597**
Diluted EPS (sen)	**4.50**	**4.49**	**14.63**	**13.15**

By Order of the Board
Dato' Wong Kit-Leong
Chief Executive Officer
Kuala Lumpur
25 November 2016