

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the financial period ended 31 December 2016

	INDIVIDUAL QUARTER 3 MONTHS ENDED		CUMULATIVE QUARTER 12 MONTHS ENDED	
	31 Dec 2016 RM'000 (Unaudited)	31 Dec 2015 RM'000 (Unaudited)	31 Dec 2016 RM'000 (Unaudited)	31 Dec 2015 RM'000 (Audited)
Revenue	44,712	86,099	243,845	298,546
Cost of Sales	(15,429)	(48,917)	(131,294)	(188,996)
Gross Profit	29,283	37,182	112,551	109,550
Other income	910	2,292	1,493	2,918
Administrative expenses	(2,778)	(3,018)	(12,510)	(11,509)
Operating expenses	(9,781)	(4,779)	(17,246)	(11,947)
Profit from operating activities	17,634	31,677	84,288	89,012
Finance income	48	46	85	322
Finance cost	(2,463)	(1,054)	(6,860)	(2,573)
Net finance (cost)/income	(2,415)	(1,008)	(6,775)	(2,251)
Share of results of associates	551	-	521	0
Profit before tax	15,770	30,669	78,034	86,761
Taxation	(7,336)	(11,607)	(12,863)	(16,487)
Profit for the period	8,434	19,062	65,171	70,274
Other comprehensive income/(loss), net of tax				
Foreign currency translation differences for foreign operations	1,143	(1,114)	2,300	(917)
Other comprehensive income/(loss) for the period, net of tax	1,143	(1,114)	2,300	(917)
Total comprehensive income for the period, net of tax	9,577	17,948	67,471	69,357
Profit/(Loss) attributable to:				
Owners of the Parent	9,203	19,354	65,846	70,934
Non-Controlling Interest	(769)	(292)	(675)	(660)
Profit for the period	8,434	19,062	65,171	70,274
Total comprehensive income/(loss) attributable to:				
Owners of the Parent	9,576	18,562	67,501	70,339
Non-Controlling Interest	1	(614)	(30)	(982)
Total comprehensive income for the period	9,577	17,948	67,471	69,357
Earnings per share attributable to owners of the parent (sen):				
Basic	2.62	5.58	18.86	20.67
Diluted	2.44	4.91	17.06	17.96

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2015.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	As at 31 Dec 2016 RM'000 (Unaudited)	As at 31 Dec 2015 RM'000 (Audited)
ASSETS		
Non-Current Assets		
Property, plant and equipment	121,956	12,777
Intangible assets	209	224
Land rights	93,550	75,445
Goodwill	10,978	3,136
Quarrying rights	1,297	1,411
Land and property development costs	137,921	29,192
Investment in Associates	896	0
	<u>366,807</u>	<u>122,185</u>
Current Assets		
Amount due from customers on contracts	919	6,034
Accrued billing in respect of property development costs	55,039	152,375
Land and property development costs	94,054	116,371
Inventories	369	670
Trade receivables	55,887	68,542
Capital Work In Progress	1,556	-
Other receivables	39,150	29,464
Fixed deposits	4,942	2,912
Cash and bank balances	22,449	24,600
	<u>274,365</u>	<u>400,968</u>
TOTAL ASSETS	<u>641,172</u>	<u>523,153</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Ordinary share capital	187,425	173,388
Irredeemable Convertible Preference Shares ("ICPS")	-	81
Redeemable Convertible Preference Shares ("RCPS")	48	197
Share premium	24,867	33,517
ESOS reserves	979	231
Warrant reserves	7,720	7,720
Other reserves	(37,407)	(37,407)
Foreign exchange reserve	733	(922)
Retained Earnings	117,317	51,471
	<u>301,682</u>	<u>228,276</u>
Non-Controlling Interest	11,677	10,234
Total Equity	<u>313,359</u>	<u>238,510</u>
Non-Current Liabilities		
Finance lease liabilities	4,394	2,589
Bank borrowings	49,078	59,001
Deferred tax liabilities	22,541	18,196
	<u>76,013</u>	<u>79,786</u>
Current Liabilities		
Amount owing to customers on contracts	(14,765)	11,159
Provision for liquidated ascertained damages	62	62
Bank borrowings	162,689	71,974
Trade payables	35,071	47,838
Other payables	35,313	51,604
Finance lease liabilities	2,311	1,401
Tax payable	31,119	20,819
	<u>251,800</u>	<u>204,857</u>
Total Liabilities	<u>327,813</u>	<u>284,643</u>
TOTAL EQUITY AND LIABILITIES	<u>641,172</u>	<u>523,153</u>
Net assets per share attributable to equity holders of the parent (RM)	<u>0.80</u>	<u>0.66</u>

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2015.

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the financial period ended 31 December 2016

	Attributable to Owners of the Parent										Total Equity RM'000	
	Non-Distributable					Distributable						Non- Controlling Interest 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	ESOS Reserve RM'000	Other Reserve RM'000	Retained Earnings RM'000	Total RM'000		
(Unaudited)												
At 1 January 2016	173,388	81	197	33,517	(922)	7,720	231	(37,407)	51,471	228,276	10,234	238,510
Profit for the financial year	-	-	-	-	-	-	-	-	65,846	65,846	(675)	65,171
Other comprehensive income for the financial year	-	-	-	-	1,655	-	-	-	-	1,655	645	2,300
Total comprehensive income for the financial year	-	-	-	-	1,655	-	-	-	65,846	67,501	(30)	67,471
Transactions with owners:												
Issue of ordinary shares	4,019	(81)	-	(3,938)	-	-	-	-	-	-	-	-
Conversion of ICPS	9,830	-	(197)	(9,633)	-	-	-	-	-	-	-	-
Conversion of RCPS	-	-	-	-	-	-	-	-	-	-	-	-
Exercised of Warrants	188	-	-	169	-	-	(79)	-	-	278	-	278
Exercised of ESOS	-	-	-	-	-	-	827	-	-	827	-	827
Share options granted under ESOS	-	-	-	-	-	-	-	-	-	4,800	-	4,800
Capitalisation of shareholders advances as RCPS	-	-	48	4,752	-	-	-	-	-	-	-	4,800
Incorporation of subsidiary companies	-	-	-	-	-	-	-	-	-	-	1,473	1,473
Total transactions with owners	14,037	(81)	(149)	(8,650)	-	-	748	-	-	5,905	1,473	7,378
At 31 December 2016	187,425	(0)	48	24,867	733	7,720	979	(37,407)	117,317	301,682	11,677	313,359

	Attributable to Owners of the Parent										Total Equity RM'000	
	Non-Distributable					Distributable						Non- Controlling Interest 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	ESOS Reserve RM'000	Other Reserve RM'000	(Accumulated Losses)/ Retained Earnings RM'000	Total RM'000		
(Audited)												
At 1 January 2015	155,629	97	222	16,138	(327)	7,734	-	(37,421)	(19,463)	122,609	1,098	123,707
Profit for the financial year	-	-	-	-	-	-	-	-	70,934	70,934	(660)	70,274
Other comprehensive income for the financial year	-	-	-	-	(595)	-	-	-	-	(595)	(322)	(917)
Total comprehensive income for the financial year	-	-	-	-	(595)	-	-	-	70,934	70,339	(982)	69,357
Transactions with owners:												
Issue of ordinary shares	15,562	-	-	19,298	-	-	-	-	-	34,860	-	34,860
Conversion of ICPS	812	(16)	-	(796)	-	-	-	-	-	-	-	-
Conversion of RCPS	1,245	-	(25)	(1,220)	-	-	-	-	-	-	-	-
Exercised of ESOS	100	-	-	90	-	-	(42)	-	-	148	-	148
Exercised of Warrants	40	-	-	7	-	(14)	-	14	-	47	-	47
Share options granted under ESOS	-	-	-	-	-	-	273	-	-	273	-	273
Incorporation of subsidiary companies	-	-	-	-	-	-	-	-	-	-	10,118	10,118
Total transactions with owners	17,759	(16)	(25)	17,379	-	(14)	231	14	-	35,328	10,118	45,446
At 31 December 2015	173,388	81	197	33,517	(922)	7,720	231	(37,407)	51,471	228,276	10,234	238,510

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2015.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the quarter ended 31 December 2016

	12 months ended 31 Dec 2016 RM'000 (Unaudited)	12 months ended 31 Dec 2015 RM'000 (Audited)
CASHFLOW FROM OPERATING ACTIVITIES		
Profit before tax	78,034	86,761
Adjustments for non-cash items:		
Bad Debt written off	-	58
Depreciation of property, plant and equipment	2,198	1,859
Amortisation of intangible assets	23	16
Amortisation of quarrying rights	114	-
Reversal of fair value adjustment on other receivable	-	-
Impairment of trade receivables	142	401
Impairment on other receivable	-	-
Share of results of associate	(521)	-
Gain on disposal of property, plant and equipment	-	(519)
Gain on disposal of associated company	-	-
(Reversal)/Provision for liquidated ascertained damages	-	206
Share-based payment expenses	827	273
Reversal of impairment on trade receivables	-	(662)
Reversal of impairment on other receivables	-	(16)
Reversal of over accruals	-	-
Writeback of provision for value added tax	-	(812)
Finance cost	6,860	2,573
Finance income	(85)	(322)
Operating profit before working capital changes	87,592	89,816
Movements in working capital		
Land and property development costs	(84,124)	(6,151)
Accrued billing/Progress billing in respect of PDC	97,337	(56,911)
Amount owing by/to customer on contract	(22,365)	1,493
Inventories	301	(70)
Receivables	6,591	14,862
Payables	(25,852)	(91,653)
Cash generated from / (used in) operations	(28,112)	(138,430)
Interest paid	(9,150)	(6,988)
Tax paid	(2,564)	(1,370)
Tax refund	-	-
Payment of liquidated ascertained damages	-	(1,914)
Exchange fluctuation adjustment	-	-
	(11,714)	(10,272)
Net cash from/(used in) operating activities	47,766	(58,886)
CASHFLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(56,241)	(2,218)
Purchase of intangible assets	-	(167)
Proceeds from disposal of property, plant and equipment	-	770
Interest received	85	322
Acquisition of additional interest in a subsidiary (net)	(19,992)	(33,153)
Acquisition of a new associate company	(375)	-
Contribution from non-controlling interest	30	40
	(76,493)	(34,406)
CASHFLOW FROM FINANCING ACTIVITIES		
Repayment of term loan	(43,420)	(7,321)
Drawdown of term loan	106,590	51,941
Repayment of hire purchase	(1,745)	(427)
Proceeds from issuance of shares	-	34,860
Proceeds from exercise on warrants	-	48
Proceeds from exercise on ESOS	278	148
	61,703	79,249
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	32,976	(14,043)
Effect of changes in foreign exchange rate	34	165
Cash and cash equivalent restricted	-	-
OPENING BALANCE	(21,325)	(7,447)
CLOSING BALANCE	11,685	(21,325)
Closing balance of cash and cash equivalents comprises:-		
Cash and bank balances	22,449	24,600
Bank overdraft	(15,706)	(48,837)
Fixed deposits with licensed banks	4,942	2,912
	11,685	(21,325)

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2015 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 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)

		<u>Effective dates for financial periods beginning on or after</u>
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 12 months			
	Revenue		Profit attributable to owners of the parent	
	31.12.16 RM'000	31.12.15 RM'000	31.12.16 RM'000	31.12.15 RM'000
Business Segment				
Construction	188,208	128,245	62,534	21,956
Property Development	171,434	164,073	36,502	52,056
Building Material	60,544	72,038	(510)	1,425
Others	2,907	5,631	(1,915)	1,582
Inter- segment eliminations	(179,248)	(71,441)	(31,440)	(6,745)
Total before non-controlling interest	243,845	298,546	65,171	70,274
Non-controlling interest	-	-	675	660
Total	243,845	298,546	65,846	70,934

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 31 December 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

On 18 November 2016, the Company has announced the final cumulative preferential dividends to the holders of Irredeemable Convertible Preference Shares ("ICPS") and Redeemable Convertible Preference Shares ("RCPS") at a dividend rate of 1.25 sen per ICPS and 0.75 sen per RCPS amounting a total of RM217,788 which was paid on 13 January 2017.

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) 6,858,779 Irredeemable Convertible Preference Shares (“ICPS”) have been converted into 6,858,779 ordinary shares of RM0.50 each as follows:

Date	No. of ICPS	No. of Shares	Listing Date
12 October 2016	100,000	100,000	14 October 2016
25 October 2016	400	400	27 October 2016
5 December 2016	6,000	6,000	7 December 2016
9 December 2016	46,400	46,400	14 December 2016
19 December 2016	28,500	28,500	21 December 2016
28 December 2016	^(N1) 6,677,479	^(N1) 6,677,479	30 December 2016

^(N1) ICPS has expired on 22 December 2016 and all the outstanding ICPS were automatically converted into ordinary shares.

- (b) 18,091,588 Redeemable Convertible Preference Shares (“RCPS”) have been converted into 18,091,588 ordinary shares of RM0.50 each as follows:

Date	No. of RCPS	No. of Shares	Listing Date
25 October 2016	50,000	50,000	27 October 2016
22 November 2016	33,566	33,566	24 November 2016
5 December 2016	106,000	106,000	7 December 2016
9 December 2016	40,300	40,300	14 December 2016
28 December 2016	^(N2) 17,861,722	^(N2) 17,861,722	30 December 2016

^(N2) RCPS has expired on 22 December 2016 and all the outstanding RCPS were automatically converted into ordinary shares.

- (c) The movement 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)
- Quarter 3 2016	-
- Quarter 4 2016	-
Lapsed during the period	(763,200)
Outstanding unexercised options as at 31 December 2016	4,662,900

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	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Corporate guarantees given to licensed banks for banking facilities granted to subsidiary companies				
- Limit of guarantee	-	-	196,109	81,220
- Amount utilised	-	-	107,161	66,686
Corporate guarantees given to a supplier of goods to subsidiary companies				
- Limit of guarantee	-	-	28,650	27,033
- Amount utilised	-	-	5,090	17,188
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	23,750	18,217	23,750	18,217

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.

	31.12.2016 RM'000	31.12.2015 RM'000
Capital expenditure Approved and contracted for:		
- Purchase of property, plant and equipment	<u>2,259</u>	<u>2,093</u>

14. Material Events Subsequent to the End of Interim Period

- (a) On 9 January 2017, DSE-HH JV, an unincorporated joint venture formed by DSE Construction Sdn Bhd (“DSE”) and the Company, has been awarded a contract by DSE for the supply of machinery, equipment, tools, labour and material as part of the project to construct a breakwater, revetment, silt curtain, beach nourishment, install settlement plates and all associated works in relation to the rehabilitation works along Sungai Besut for a contract sum of RM221 million. Ho Hup’s share in the unincorporated joint venture is 80.7%.
- (b) On 18 January 2017, Golden Wave Sdn Bhd (“GWSB”), an indirect 70%-owned subsidiary had entered into a management agreement with InterContinental Hotels Group (Asia Pacific) Pte. Ltd. for the appointment of the Manager to provide technical services and manage the operation of the hotel under the name of Crowne Plaza Kota Kinabalu Waterfront, to be constructed by GWSB.

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 twelve months as compared with previous year twelve months

Business Segment	Cumulative 12 months			
	Revenue		Profit attributable to owners of the parent	
	31.12.16 RM’000	31.12.15 RM’000	31.12.16 RM’000	31.12.15 RM’000
Construction	188,208	128,245	62,534	21,956
Property Development	171,434	164,073	36,502	52,056
Building Material	60,544	72,038	(510)	1,425
Others	2,907	5,631	(1,915)	1,582
Inter- segment eliminations	(179,248)	(71,441)	(31,440)	(6,745)
Total before non-controlling interest	243,845	298,546	65,171	70,274
Non-controlling interest	-	-	675	660
Total	243,845	298,546	65,846	70,934

- The Group recorded revenue of RM243.8 million and profit after tax of RM65.2 million for the current financial year as compared to the previous financial year of RM298.5 million and RM70.3 million. The overall Group revenue was lower due to the lower revenue recorded for the Building Materials Division and the in-house Aurora Place project which was at an advanced stage of completion. The revenue contributed by the Joint Venture Development (JDA) with Pioneer Haven Sdn Bhd was RM35.9 million this year as compared to RM34.9 million last year.
- The Group profit after tax (PAT) declined by RM5.1 million or 7.2% compared to the previous financial year with higher finance cost incurred for additional financing obtained and higher operating expenses. The higher operating expenses were due to the agent commission, interests’ subsidy for the purchasers and facility fees for additional funding undertaken for the year.

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

	Revenue		Profit after tax	
	Individual Quarter 3 Months ended			
Business Segment	31.12.16 RM'000	31.12.15 RM'000	31.12.16 RM'000	31.12.15 RM'000
Construction	53,879	44,029	50,486	15,733
Property Development	54,188	54,264	(7,683)	6,256
Building Material	10,475	20,451	(882)	685
Others	847	2,975	402	1,222
Inter-segment eliminations	(74,677)	(35,620)	(33,889)	(4,834)
Total	44,712	86,099	8,434	19,062

The Group recorded revenue of RM44.7 million as compared to RM86.1 million registered for the same corresponding quarter in the previous period. Revenue declined mainly in the Building Material Division by RM10.0 million. Included in the property development revenue was the sale of Ho Hup Tower to Ho Hup Jaya Sdn Bhd based on progress status at market valuation under an asset streamlining exercise.

The Group's recorded a PAT of RM8.4 million as compared to RM19.1 million in the same corresponding quarter in the previous period. The decrease in PAT was due to higher operating cost incurred in the current year quarter from interest subsidy for purchasers and facility fees for loans undertaken for the period.

Divisional performance was as follows: -

Construction Division

- Increase in the construction revenue was mainly due to new projects secured towards the year end, namely the upgrading of five bridges in Teluk Intan, Perak and the Immigration quarters project in Pengkalan Hulu, Terengganu.
- Profit after tax improved due to the reversals of provision in diminution in value for the investments in Ho Hup Jaya Sdn Bhd and Ho Hup Industries Sdn Bhd as a result of the issuance of Redeemable Convertible Preference Shares (RCPS) by both the companies to the holding company.

Property Development Division

- Revenue for this Division fell marginally due to the Aurora Place, Bukit Jalil Project at its tail end of recognition, with the decline mitigated by the sale of Ho Hup Tower within the Group. The revenue contributed by the Joint Venture Development (JDA) with Pioneer Haven Sdn Bhd had increased from RM14.8 million in previous year quarter to RM19.1 million in the current year quarter.
- Profit after tax declined due to higher operating expenses incurred during the quarter for streamlining the Group's property assets.

Building Materials Division

- Revenue for this Division continue to decline in the last quarter of 2016 as lower demand coupled with price competition amongst players affected billings.
- Profit after tax fell under intense market competition along with current lower market demand.
- Quarry operations commenced in October 2016 and contributed minimal revenue to this Division during the quarter.

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

Current quarter profit before tax fell by RM8.6 million due to the lower revenue recognized during the period with the main project for the Property Division in Aurora Place nearing completion. Higher operating expenses were incurred in the current quarter for streamlining the Group's property assets.

3. (a) Current Business Prospects

The Board views the financial year 2017 to be encouraging based on the following developments:

- The Construction Division has been actively tendered for projects valued at RM3.3 billion.
- The Property Development Division has planned to launch the following projects which is pending the relevant approvals:
 - (a) Proposed development of service apartments in Bukit Jalil City with estimated Gross Development Value (GDV) of RM500 million;
 - (b) Proposed mixed development project in Kota Kinabalu with estimated GDV of RM700 million; and
 - (c) Phase 1 of the proposed mixed development project in Kulai, Johor with estimated GDV of RM500 million.
- The Building Material Division especially the Quarry business is confident of the synergistic value to benefit from downstream production activities. With that, the Division is confident that new streams of revenue will emerge this year.

(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 31.12.2016 RM'000	Cumulative Year to Date 31.12.2016 RM'000
Current period tax expense	7,336	12,863
Deferred tax expense	-	-
	7,336	12,863

The Group's 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

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.

9. **Group borrowings and debt securities**

	31.12.2016	31.12.2015
	RM'000	RM'000
Borrowings denominated in Ringgit Malaysia:		
Secured		
<u>Non-Current</u>		
Finance lease liabilities	4,394	2,589
Bank borrowings	49,078	59,001
<u>Current</u>		
Finance lease liabilities	2,311	1,401
Bank borrowings	162,689	71,974
Total Borrowings	218,472	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 31 December 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	As At
	31.12.2016	31.12.2015
	RM'000	RM'000
Retained earnings - Realised	120,928	24,126
Retained earnings – Unrealised	-	-
Less: consolidated adjustments	(3,611)	27,345
Total Group retained earnings	117,317	51,471

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 was fixed on 20 January 2017 and subsequently adjourned to 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.

The Plaintiff has thereafter applied for a leave for appeal to the Federal Court in relation to the dismissal of its appeals at the Court of Appeal stage and the same is fixed for hearing on 20 April 2017.

(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 2 March 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 (“Discovery Application”). On 12 January 2017, Zen Courts had sought to withdraw the Discovery Application with no orders as to costs and the High Court has struck off the same.

As for Ho Hup’s application for a stay of proceedings at the High Court, the same has been dismissed with costs on 13 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 20 February 2017, being the latest practicable date from the date of the issue of this quarterly report.

14. Dividend

No interim dividend proposed for this quarter under review.

15. Significant Related Party Transactions

There were no significant related party transactions occurred during the financial quarter ended 31 December 2016.

16. Profit before Tax

	Individual Quarter 3 Months ended		Cumulative Quarter 12 Months ended	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Profit before tax is arrived at after charging:-				
Depreciation of property, plant and equipment	687	491	2,198	1,859
Amortisation of intangible asset	46	5	137	16
Bad debts written off	-	58	-	58
Impairment on trade receivables	142	401	142	401
Provision for liquidated ascertained damages	-	-	-	206
Rental of office and store	275	185	836	664
Finance cost	2,463	1,054	6,860	2,573
And Crediting:-				
Rental income	166	93	550	174
Gain on disposal of property, plant and equipment	-	502	-	519
Reversal of impairment on receivables	-	228	-	678
Write back of provision for value added tax	-	812	-	812
Finance income	48	46	85	322

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 31.12.2016	Preceding year corresponding quarter 31.12.2015	Financial period to-date 31.12.2016	Preceding year corresponding period to-date 31.12.2015
Net profit for the period attributable to owners of the parent (RM'000)	9,203	19,354	65,846	70,934
Weighted average number of ordinary shares ('000)	351,164	346,684	349,139	343,148
Basic EPS (sen)	2.62	5.58	18.86	20.67

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 31.12.2016	Preceding year corresponding quarter 31.12.2015	Financial period to-date 31.12.2016	Preceding year corresponding period to-date 31.12.2015
Net profit for the period attributable to owners of the parent (RM'000)	9,203	19,354	65,846	70,934
Adjustment for convertible preference dividend (RM'000)	218	-	699	550
Adjusted net profit for the period attributable to owners of the parent (RM'000)	9,421	19,354	66,545	71,484
Weighted average number of ordinary shares ('000)	351,164	346,684	349,139	343,148
Adjustment for ICPS ('000)	6,463	8,078	7,326	8,580
Adjustment for RCPS ('000)	17,222	19,659	18,316	20,861
Adjustment for Warrants ('000)	10,480	18,439	14,449	23,089
Adjustment for ESOS ('000)	278	1,567	874	2,345
Adjusted weighted average number of ordinary shares in issue ('000)	385,607	394,427	390,104	398,023
Diluted EPS (sen)	2.44	4.91	17.06	17.96

By Order of the Board

Dato' Wong Kit-Leong
Chief Executive Officer
Kuala Lumpur
20 February 2017