HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the financial period ended 31 March 2017

	INDIVIDUAL QUARTER 3 MONTHS ENDED		CUMULATIVE QUARTER 3 MONTHS ENDED	
	31 Mar 2017 RM'000 (Unaudited)	31 Mar 2016 RM'000 (Unaudited)	31 Mar 2017 RM'000 (Unaudited)	31 Mar 2016 RM'000 (Unaudited)
Revenue	35,547	81,075	35,547	81,075
Cost of Sales	(15,322)	(55,649)	(15,322)	(55,649)
Gross Profit	20,225	25,426	20,225	25,426
Other income	883	316	883	316
Administrative expenses	(3,111)	(2,912)	(3,111)	(2,912)
Operating expenses	(1,467)	(909)	(1,467)	(909)
Profit from operating activities	16,530	21,921	16,530	21,921
Finance income	8	10	8	10
Finance cost	(2,401)	(1,590)	(2,401)	(1,590)
Net finance cost	(2,393)	(1,580)	(2,393)	(1,580)
Share of results of associates	(3)	(20)	(3)	(20)
Profit before tax	14,134	20,321	14,134	20,321
Taxation	(2,095)	(1,500)	(2,095)	(1,500)
Profit for the period	12,039	18,821	12,039	18,821
Other comprehensive income/(loss), net of tax				
Foreign currency translation differences for foreign operations	(1,278)	1,157	(1,278)	1,157
Other comprehensive income/(loss) for the period, net of tax	(1,278)	1,157	(1,278)	1,157
Total comprehensive income for the period, net of tax	10,761	19,978	10,761	19,978
Profit/(Loss) attributable to:				
Owners of the Parent	12,399	19,081	12,399	19,081
Non-Controlling Interest	(360)	(260)	(360)	(260)
Profit for the period	12,039	18,821	12,039	18,821
Total comprehensive income/(loss) attributable to:				
Owners of the Parent	11,135	20,238	11,135	20,238
Non-Controlling Interest	(374)	(260)	(374)	(260)
Total comprehensive income for the period	10,761	19,978	10,761	19,978
Earnings per share attributable to owners of the parent (sen):				
Basic	**3.31**	**5.50**	**3.31**	**5.50**
Diluted	**3.20**	**4.93**	**3.20**	**4.93**

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2016.

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	As at 31 Mar 2017 RM'000 (Unaudited)	As at 31 Dec 2016 RM'000 (Audited)
ASSETS		
Non-Current Assets		
Property, plant and equipment	123,526	110,904
Intangible assets	147	153
Land rights	93,550	93,550
Goodwill	10,978	10,978
Quarrying rights	1,269	1,297
Land held for property development	9,850	9,809
Investment in Associates	603	605
	239,923	227,296
Current Assets		
Amount due from customers on contracts	32,045	24,413
Accrued billing in respect of property development costs	60,066	55,039
Property development costs	233,097	235,153
Inventories	346	365
Trade receivables	78,217	54,883
Other receivables	46,116	58,758
Fixed deposits with licensed banks	5,143	5,142
Cash and bank balances	7,231	22,130
	462,261	455,883
TOTAL ASSETS	702,184	683,179
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Ordinary share capital	187,444	187,424
Share premium	20,115	20,115
Employee Share Option Reserve ("ESOS Reserve")	975	979
Warrant reserve	7,720	7,720
Other reserves	(37,407)	(37,407)
Foreign currency translation reserve	(1,570)	(306)
Retained Earnings	129,661	117,262
	306,938	295,787
Non-Controling Interest	15,608	15,982
Total Equity	322,546	311,769
Non-Current Liabilities		
Finance lease liabilities	4,160	4,600
Bank borrowings	65,212	71,620
Deferred tax liabilities	22,452	22,452
	91,824	98,672
Current Liabilities		
Amount owing to customers on contracts	8,093	8,729
Provision for liquidated ascertained damages	62	62
Bank borrowings	149,834	140,146
Trade payables	55,464	61,462
Other payables	42,714	32,784
Finance lease liabilities	2,123	2,105
Tax payable	29,524	27,450
	287,814	272,738
Total Liabilities	379,638	371,410
TOTAL EQUITY AND LIABILITIES	702,184	683,179
Net assets per share attributable to equity holders of the parent (RM)	**0.82**	**0.79**

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2016.

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the financial period ended 31 March 2017

	Attributable to Owners of the Parent – Non-Distributable								Distributable			
	Share Capital RM'000	ICPS RM'000	RCPS RM'000	Share Premium* RM'000	Foreign Currency Translation Reserve RM'000	Warrant Reserve RM'000	ESOS Reserve RM'000	Other Reserve RM'000	Retained Earnings RM'000	Total RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
(Unaudited)												
At 1 January 2017	187,424	-	-	20,115	(306)	7,720	979	(37,407)	117,262	295,787	15,982	311,769
Profit for the financial year	-	-	-	-	-	-	-	-	12,399	12,399	(360)	12,039
Other comprehensive income for the financial year	-	-	-	-	(1,264)	-	-	-	-	(1,264)	(14)	(1,278)
Total comprehensive income for the financial year	-	-	-	-	(1,264)	-	-	-	12,399	11,135	(374)	10,761
Transactions with owners:												
Exercised of ESOS	20	-	-	-	-	-	(4)	-		16	-	16
Total transactions with owners	20	-	-	-	-	-	(4)	-	-	16	-	16
At 31 March 2017	187,444	-	-	20,115	(1,570)	7,720	975	(37,407)	129,661	306,938	15,608	322,546

	Attributable to Owners of the Parent – Non-Distributable								Distributable			
	Share Capital RM'000	ICPS RM'000	RCPS RM'000	Share Premium RM'000	Foreign Currency Translation Reserve RM'000	Warrant Reserve RM'000	ESOS Reserve RM'000	Other Reserve RM'000	Retained Earnings RM'000	Total RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
(Audited)												
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	-	-	-	-	-	-	-	-	65,791	65,791	(719)	65,072
Other comprehensive income for the financial year	-	-	-	-	616	-	-	-	-	616	200	816
Total comprehensive income for the financial year	-	-	-	-	616	-	-	-	65,791	66,407	(519)	65,888
Transactions with owners:												
Conversion of ICPS	4,019	(81)	-	(3,938)	-	-	-	-	-	-	-	-
Conversion of RCPS	9,830	-	(197)	(9,633)	-	-	-	-	-	-	-	-
Exercised of ESOS	187	-	-	169	-	-	(79)	-	-	277	-	277
Share options granted under ESOS	-	-	-	-	-	-	827	-	-	827	-	827
Issuance of RCPS via capitalisation of shareholders' advances	-	-	-	-	-	-	-	-	-	-	4,800	4,800
Incorporation of subsidiary companies	-	-	-	-	-	-	-	-	-	-	1,467	1,467
Total transactions with owners	14,036	(81)	(197)	(13,402)	-	-	748	-	-	1,104	6,267	7,371
At 31 December 2016	187,424	-	-	20,115	(306)	7,720	979	(37,407)	117,262	295,787	15,982	311,769

*The Share Premium are yet to be transfer to Share Capital due to provision of Section 618 (3) of the Companies Act 2016.

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2016.

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the quarter ended 31 March 2017

	3 months ended 31 March 2017 RM'000 (Unaudited)	3 months ended 31 March 2016 RM'000 (Unaudited)
CASHFLOW FROM OPERATING ACTIVITIES		
Profit before tax	**14,134**	**20,321**
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	588	455
Amortisation of intangible assets	5	6
Amortisation of quarrying rights	28	28
Share of results of associates and joint ventures	3	-
Share-based payment expenses	-	205
Finance cost	2,401	1,590
Finance income	(8)	(10)
Operating profit before working capital changes	**17,151**	**22,595**
Movements in working capital		
Land and property development costs	3,001	(10,949)
Accrued billing/Progress billing in respect of PDC	(5,027)	6,900
Amount owing by/to customer on contract	(8,267)	(8,163)
Inventories	19	(48)
Receivables	(11,376)	1,672
Payables	3,339	26,715
	(18,311)	**16,127**
Cash used in operations		
Interest paid	(3,386)	(2,385)
Tax paid	(21)	(3,070)
	(3,407)	**(5,455)**
Net cash (used in)/from operating activities	**(4,567)**	**33,267**
CASHFLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(11,641)	(511)
Purchase of intangible assets	-	(10)
Interest received	8	10
Acquisition of additional interest in a subsidiary (net)	-	(19,992)
Acquisition of a new associate company	-	(330)
Net cash used in investing activities	**(11,633)**	**(20,833)**
CASHFLOW FROM FINANCING ACTIVITIES		
Repayment of term loan	(10,825)	(13,913)
Drawdown of term loan	12,784	9,043
Repayment of hire purchase	(562)	(213)
Proceeds from exercise on ESOS	16	219
Net cash from/(used in) financing activities	**1,413**	**(4,864)**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(14,787)	7,570
Effect of changes in foreign exchange rate	(3)	1,157
OPENING BALANCE	11,567	(21,325)
CLOSING BALANCE	**(3,223)**	**(12,598)**
Closing balance of cash and cash equivalents comprises:-		
Cash and bank balances	7,231	26,434
Bank overdraft	(15,597)	(41,550)
Fixed deposits with licensed banks	5,143	2,518
	(3,223)	**(12,598)**

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements

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 2016. 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 2016.

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 2016.

On 1 January 2017, the Group adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2017.

1 January 2017

Amendments to FRS 107	Disclosure Initiative
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses

Annual Improvements to FRS Standards 2014 – 2016 Cycle:

- Amendments to FRS 12 *Disclosure of Interests in Other Entities*

Adoption of the above amendments to FRSs did not have any significant impact on the financial performance or position of the Group.

2. Significant accounting policies (cont'd)

The Group has not applied the following new FRSs, IC Interpretation and amendments to FRSs that have been issued by the MASB but are not yet effective for the Group:

		Effective dates for financial periods beginning on or after
Annual Improvements to FRS Standards 2014–2016 Cycle:		
• Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards*		1 January 2018
• Amendments to FRS 128 *Investments in Associates and Joint Ventures*		1 January 2018
FRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
Amendments to FRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to FRS 4	Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts	1 January 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to FRS 140	Transfers of Investment Property	1 January 2018
Amendments to FRS 10 and FRS 128	Sales 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 issued an unqualified audit opinion on the financial statements for the year ended 31 December 2016.

4. **Segment reporting**

	Cumulative 3 months			
	Revenue		**Profit attributable to owners of the parent**	
Business Segment	**31.3.17 RM'000**	**31.3.16 RM'000**	**31.3.17 RM'000**	**31.3.16 RM'000**
Construction	34,265	45,366	4,455	4,296
Property Development	25,798	47,175	6,108	16,903
Building Material	7,405	17,935	(295)	452
Others	418	267	(679)	(1,112)
Inter-segment eliminations	(32,339)	(29,668)	2,450	(1,718)
Total before non-controlling interest	**35,547**	**81,075**	**12,039**	**18,821**
Non-controlling interest	-	-	360	260
Total	**35,547**	**81,075**	**12,399**	**19,081**

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 March 2017.

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:

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
Outstanding unexercised options as at 31 December 2016	4,662,900
Exercised during the period	(21,200)
Outstanding unexercised options as at 31 March 2017	4,641,700

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	
	31.3.2017 RM'000	31.3.2016 RM'000	31.3.2017 RM'000	31.3.2016 RM'000
Corporate guarantees given to licensed banks for banking facilities granted to subsidiary companies				
- Limit of guarantee	-	-	138,109	162,532
- Amount utilised	-	-	114,151	49,104
Corporate guarantees given to a supplier of goods to subsidiary companies				
- Limit of guarantee	-	-	28,650	23,500
- Amount utilised	-	-	3,448	9,666
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	18,237	23,750	18,237

12. Changes in contingent liabilities (cont'd)

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.

	31.3.2017 RM'000	31.12.2016 RM'000
Capital expenditure Approved and contracted for:		
- Purchase of property, plant and equipment	1,261	2,259

14. Subsequent Material Event

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.

On 10 April 2017, Bursa Securities has granted the Company further extension of time until 12 October 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 quarter compared with previous year corresponding quarter

	Cumulative 3 months			
	Revenue		Profit attributable to owners of the parent	
Business Segment	**31.3.17 RM'000**	**31.3.16 RM'000**	**31.3.17 RM'000**	**31.3.16 RM'000**
Construction	34,265	45,366	4,455	4,296
Property Development	25,798	47,175	6,108	16,903
Building Material	7,405	17,935	(295)	452
Others	418	267	(679)	(1,112)
Inter-segment eliminations	(32,339)	(29,668)	2,450	(1,718)
Total	**35,547**	**81,075**	**12,039**	**18,821**

- The Group achieved RM35.5 million in revenue as compared to RM81.1 million registered for the same corresponding quarter in the previous period. Revenue declined by RM45.5 million or 56.1% mainly due to the near completion of the Parcel A, Bukit Jalil Project and decline of ready mix revenue by RM11.7 million or 65.3%.

- The Group recorded profit after tax (PAT) of RM12.0 million as compared to RM18.8 million in the same corresponding quarter in the previous period. The decrease of PAT by RM6.8 million or 36.0% was due to the lower revenue recorded for the quarter and higher operating expenses. The higher operating expenses was due to the preparation cost incurred for the Sungai Besut project in Terengganu which revenue recognition is expected in second quarter 2017.

Divisional performance was as follows: -

Construction Division
- Decrease in the construction revenue was mainly due to completion of Rapid project in 2016 and lower revenue recognition from Parcel A, Bukit Jalil Project due to near completion of the project. However, there are two new projects, the bridges works in Teluk Intan and Immigration Quarters in Pengkalan Hulu contributed to the revenue for the current quarter.
- Profit after tax improved due to the lower operating cost in Head Office. Operating cost is higher in previous year corresponding quarter due to fees related to the rights issue exercise of RM0.3 million and bank guarantee fees for the Sungai Besut project in Terengganu project of RM0.4 million.

Property Development Division
- Revenue for this Division fell marginally due to the Parcel A, Bukit Jalil Project at its tail end of revenue recognition. The revenue contributed by the Joint Venture Development (JDA) with Pioneer Haven Sdn Bhd in the current quarter amounted to RM12.7 million.
- Profit after tax declined due to higher finance costs incurred during the current quarter.

1. **Group Performance Review (cont'd)**

a) **Performance of current quarter compared with previous year corresponding quarter (cont'd)**

Building Materials Division

- Revenue for this Division continue to decline in the current quarter as lower demand for ready mix, coupled with intense price competition affected billings. Three plants have been leased out at a fixed rental rate due to market consolidation.
- Profit after tax impacted by lower market demand, higher depreciation charges and finance cost for the purchase of new machineries.
- Quarry operations commenced in October 2016 and contributed revenue of RM1.2 million to this Division during the current quarter.

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

	March 2017 RM'000	**December 2016 RM'000**	**Variance RM'000**
Revenue	35,547	42,233	(6,686)
Profit Before Tax	14,134	15,754	(1,620)

Profit before tax for current quarter is lower mainly due to the lower revenue contribution for the quarter. Operating expenses is slightly higher due to the preparation cost incurred for the newly secured project in Sungai Besut, Terengganu.

3. (a) **Group's Current Year's Prospect**

The Board views the financial year 2017 performance to be market driven with the following developments being planned:

(i) **<u>Construction Division</u>**

With the recent award of the contract to construct breakwater for rehabilitation works along Sungai Besut earlier in the year, the outstanding order book grew significantly to approximately RM434 million. The Company has been actively bidding for contracts to increase the Group's order books, focusing on infrastructure related projects by Government or Government-linked companies. The current tendered book is now valued at about RM4.4 billion.

(ii) **<u>Property Development Division</u>**

The Group planned to launch this year two projects:

- Parcel D, being the remaining piece of land in Bukit Jalil is expected to be launched by third quarter 2017 with an estimated Gross Development Value (GDV) of RM500 million; and
- Mixed development in Kota Kinabalu (KK) comprising of hotel, service apartments and two levels of retail shops with estimated GDV of RM800 million with ground breaking by third quarter 2017.

3. **(a) Group's Current Year's Prospect (cont'd)**

(iii) <u>Building Materials Division</u>

This Division has secured the supply contract for the breakwater project in Sungai Besut, expected to contribute positively to the Group's revenue. The Group is taking the synergistic view to award downstream supply job to this division for future infrastructural project secured. The Group is currently finding suitable location to relocate the ready mix plants outside of Klang Valley to strategically source for new demand.

(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 current quarter under review is as follow:

	Current Quarter Ended 31.3.2017 RM'000
Current period tax expense	2,095
Deferred tax expense	-
	2,095

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

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 Section (A) Note 14 above.

9. Group borrowings and debt securities

	31.3.2017 RM'000	31.12.2016 RM'000
Borrowings denominated in Ringgit Malaysia:		
Secured		
Non-Current		
Finance lease liabilities	4,160	4,600
Bank borrowings	65,212	71,620
Current		
Finance lease liabilities	2,123	2,105
Bank borrowings	149,834	140,146
Total Borrowings	221,329	218,471

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 March 2017, 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.

	31.3.2017 RM'000	31.12.2016 RM'000
Total retained earnings of the Company and its subsidiary companies		
- realised	153,450	143,395
- unrealised	(22,452)	(22,452)
	130,998	120,943
Total retained earnings from associates and joint ventures - realised	(3)	230
	130,995	121,173
Less: Consolidation adjustments	(1,334)	(3,911)
Total Group retained earnings	**129,661**	**117,262**

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 17 June 2017.

(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 ("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 the Appeals by the Court of Appeal and the same is fixed for hearing on 3 July 2017.

13. Changes in material litigations (cont'd)

(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 Petitioner") 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 Petitioner'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, FHMH valued the 30% shareholding stake in BJDSB held by Zen Courts to be RM35,970,000 ("Valuation Report"). Dissatisfied with the Valuation Report, the Petitioner filed an application to essentially challenge it ("Enclosure 80"). The Company on the other hand, filed an application to fix the value of the shares as recommended in the Valuation Report ("Enclosure 84"). The High Court dismissed Enclosure 80 and allowed Enclosure 84 by fixing the value of the shares as per the Valuation Report on 31 December 2012.

The Petitioner subsequently appealed to the Court of Appeal against the decision of the High Court granted on 18 July 2013. On 19 February 2014, the Court of Appeal upheld the High Court's decision and dismissed both of the Petitioner's appeals. The Petitioner subsequently applied for leave to appeal to the Federal Court in relation to the dismissal of its appeals at the Court of Appeal stage. On 5 May 2015, the Federal Court granted leave to the Petitioner to appeal to the Federal Court based on two questions of law posed to it.

At the hearing of the appeals on 26 April 2016, the Federal Court allowed the appeals without answering the leave questions and inter alia ordered the following ("Federal Court Order"):

(i) that the matter be remitted to the High Court for a High Court Judge (not being any of the High Court Judges who had previously heard applications on this matter) to preside over the cross-examination of the persons who prepared the Valuation Report, the valuation report dated 31 July 2012 by Henry Butcher Malaysia Sdn Bhd and also the valuation report by Hartanah Consultant (Valuation) Sdn Bhd;
(ii) for costs of RM50,000 be paid to Zen Courts in respect of proceedings at the High Court, the Court of Appeal and the Federal Court.

Zen Courts had on 22 August 2016 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 ("Enclosure 167"). Enclosure 167 was dismissed with costs by the High Court on 27 March 2017.

Ho Hup's application to the Federal Court to review the Federal Court Order is fixed for hearing on 25 July 2017.

Meanwhile, pursuant to the Federal Court Order, the High Court has fixed both Enclosures 80 and 84 for hearing on 21 August 2017 to 24 August 2017.

13. Changes in material litigations (cont'd)

Except as disclosed above, there were no other material changes in material litigations since the last annual financial year and made up to 19 May 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 March 2017.

16. Profit before Tax

	Individual Quarter 3 Months ended		Cumulative Quarter 3 Months ended	
	31.3.2017 RM'000	31.3.2016 RM'000	31.3.2017 RM'000	31.3.2016 RM'000
Profit before tax is arrived at after charging:-				
Depreciation of property, plant and equipment	588	455	588	455
Amortisation of intangible asset	33	34	33	34
Rental expenses	152	100	152	100
Finance cost	2,401	1,590	2,401	1,590
And Crediting:-				
Rental income	264	151	264	151
Finance income	8	10	8	10

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 31.3.2017	Preceding year corresponding quarter 31.3.2016	Financial period to-date 31.3.2017	Preceding year corresponding period to-date 31.3.2016
Net profit for the period attributable to owners of the parent (RM'000)	12,399	19,081	12,399	19,081
Weighted average number of ordinary shares ('000)	374,860	347,031	374,860	347,031
Basic EPS (sen)	**3.31**	**5.50**	**3.31**	**5.50**

17. **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 31.3.2017	**Preceding year corresponding quarter 31.3.2016**	**Financial period to-date 31.3.2017**	**Preceding year corresponding period to-date 31.3.2016**
Net profit for the period attributable to owners of the parent (RM'000)	12,399	19,081	12,399	19,081
Adjustment for convertible preference dividend (RM'000)	-	248	-	248
Adjusted net profit for the period attributable to owners of the parent (RM'000)	**12,399**	**19,329**	**12,399**	**19,329**
Weighted average number of ordinary shares ('000)	374,860	347,031	374,860	347,031
Adjustment for ICPS ('000)	-	7,996	-	7,996
Adjustment for RCPS ('000)	-	19,575	-	19,575
Adjustment for Warrants ('000)	11,773	16,426	11,773	16,426
Adjustment for ESOS ('000)	468	1,207	468	1,207
Adjusted weighted average number of ordinary shares in issue ('000)	**387,101**	**392,235**	**387,101**	**392,235**
Diluted EPS (sen)	**3.20**	**4.93**	**3.20**	**4.93**

By Order of the Board
Dato' Wong Kit-Leong
Chief Executive Officer
Kuala Lumpur
19 May 2017