HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the financial period ended 30 September 2017

	INDIVIDUAL QUARTER 3 MONTHS ENDED		CUMULATIVE QUARTER 9 MONTHS ENDED	
	30 Sept 2017 RM'000 (Unaudited)	30 Sept 2016 RM'000 (Unaudited)	30 Sept 2017 RM'000 (Unaudited)	30 Sept 2016 RM'000 (Unaudited)
Revenue	42,636	70,540	111,625	199,133
Cost of Sales	(24,422)	(43,208)	(53,139)	(115,865)
Gross Profit	18,214	27,332	58,486	83,268
Other income	638	162	2,148	583
Administrative expenses	(3,245)	(3,892)	(9,433)	(9,732)
Operating expenses	(5,233)	(3,314)	(8,631)	(7,465)
Profit from operating activities	10,374	20,288	42,570	66,654
Finance income	5	(10)	214	36
Finance cost	(1,987)	(1,710)	(7,415)	(4,397)
Net finance cost	(1,982)	(1,720)	(7,201)	(4,361)
Share of results of associates	-	(10)	(5)	(30)
Profit before tax	8,392	18,558	35,364	62,263
Taxation	(1,403)	(1,528)	(6,010)	(5,528)
Profit for the period	6,989	17,030	29,354	56,735
Other comprehensive income/(loss), net of tax				
Foreign currency translation differences for foreign operations	352	-	(92)	1,157
Other comprehensive income/(loss) for the period, net of tax	352	-	(92)	1,157
Total comprehensive income for the period, net of tax	7,341	17,030	29,262	57,892
Profit/(Loss) attributable to:				
Owners of the Parent	7,445	17,212	30,668	56,641
Non-Controlling Interest	(456)	(182)	(1,314)	94
Profit for the period	6,989	17,030	29,354	56,735
Total comprehensive income/(loss) attributable to:				
Owners of the Parent	7,836	17,212	30,688	57,923
Non-Controlling Interest	(495)	(182)	(1,426)	(31)
Total comprehensive income for the period	7,341	17,030	29,262	57,892
Earnings per share attributable to owners of the parent (sen):				
Basic	**1.99**	**4.92**	**8.18**	**16.26**
Diluted	**1.94**	**4.50**	**7.91**	**14.63**

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

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017

	As at 30 Sept 2017 RM'000 (Unaudited)	As at 31 Dec 2016 RM'000 (Audited)
ASSETS		
Non-Current Assets		
Property, plant and equipment	153,846	110,904
Intangible assets	132	153
Land rights	93,550	93,550
Goodwill	10,978	10,978
Quarrying rights	1,212	1,297
Land held for property development	9,882	9,809
Investment in Associates	600	605
	270,200	227,296
Current Assets		
Amount due from customers on contracts	17,907	24,413
Accrued billing in respect of property development costs	76,714	55,039
Property development costs	287,092	235,153
Inventories	111	365
Trade receivables	58,234	54,883
Other receivables	46,604	58,758
Fixed deposits with licensed banks	10,006	5,142
Cash and bank balances	11,498	22,130
	508,166	455,883
TOTAL ASSETS	778,366	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	(286)	(306)
Retained Earnings	147,930	117,262
	326,491	295,787
Non-Controling Interest	14,556	15,982
Total Equity	341,047	311,769
Non-Current Liabilities		
Finance lease liabilities	6,541	4,600
Bank borrowings	86,366	71,620
Deferred tax liabilities	22,452	22,452
	115,359	98,672
Current Liabilities		
Amount owing to customers on contracts	8,038	8,729
Provision for liquidated ascertained damages	6,825	62
Bank borrowings	168,503	140,146
Trade payables	63,003	61,462
Other payables	44,148	32,784
Finance lease liabilities	2,958	2,105
Tax payable	28,485	27,450
	321,960	272,738
Total Liabilities	437,319	371,410
TOTAL EQUITY AND LIABILITIES	778,366	683,179
Net assets per share attributable to equity holders of the parent (RM)	**0.87**	**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 30 September 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	-	-	-	-	-	-	-	-	30,668	30,668	(1,314)	29,354
Other comprehensive income for the financial year	-	-	-	-	20	-	-	-	-	20	(112)	(92)
Total comprehensive income for the financial year	-	-	-	-	20	-	-	-	30,668	30,688	(1,426)	29,262
Transactions with owners:												
Exercised of ESOS	20	-	-	-	-	-	(4)	-	-	16	-	16
Total transactions with owners	20	-	-	-	-	-	(4)	-	-	16	-	16
At 30 September 2017	187,444	-	-	20,115	(286)	7,720	975	(37,407)	147,930	326,491	14,556	341,047

	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 balance has yet to be transferred to Share Capital arising from the 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 30 September 2017

	9 months ended 30-Sep-17 RM'000 (Unaudited)	9 months ended 30-Sep-16 RM'000 (Unaudited)
CASHFLOW FROM OPERATING ACTIVITIES		
Profit before tax	35,364	62,263
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	2,529	1,511
Amortisation of intangible assets	13	6
Amortisation of quarrying rights	85	85
Share of results of associate	5	-
Net gain on disposal of property, plant and equipment	(170)	-
Share-based payment expenses	-	987
Finance cost	7,415	4,397
Finance income	(214)	(36)
Operating profit before working capital changes	45,027	69,213
Movements in working capital		
Land and property development costs	(52,011)	(84,145)
Accrued billing/Progress billing in respect of PDC	(21,676)	28,731
Amount owing by/to customer on contract	5,815	(9,243)
Inventories	254	60
Receivables	7,770	(12,105)
Payables	(13,389)	28,775
	(73,237)	(47,927)
Cash generated from / (used in) operations		
Interest paid	(7,415)	(6,505)
Tax paid	(4,974)	(4,041)
	(12,389)	(10,546)
Net cash (used in)/from operating activities	(40,599)	10,741
CASHFLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,412)	(30,491)
Proceeds from disposal of property, plant and equipment	1,949	-
Interest received	214	36
Acquisition of additional interest in a subsidiary (net)	-	(19,992)
Acquisition of a new associate company	-	(345)
Contribution from non-controlling interest	(0)	(64)
Net cash used in investing activities	(1,249)	(50,855)
CASHFLOW FROM FINANCING ACTIVITIES		
Repayment of term loan	(10,633)	(13,913)
Drawdown of term loan	42,892	69,532
Repayment of hire purchase	(2,003)	(38)
Proceeds from exercise on ESOS	16	278
Net cash from financing activities	30,272	55,859
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(11,576)	15,744
Effect of changes in foreign exchange rate	(16)	1,157
OPENING BALANCE	11,567	(19,717)
CLOSING BALANCE	(25)	(2,816)
Closing balance of cash and cash equivalents comprises:-		
Cash and bank balances	11,498	40,595
Bank overdraft	(21,529)	(47,767)
Fixed deposits with licensed banks	10,006	4,356
	(25)	(2,816)

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
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019

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. In relation to this, the FRS which is effective for annual period beginning on or after 1 January 2018 will not be applicable to the Group.

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 9 months			
	Revenue		**Profit attributable to owners of the parent**	
Business Segment	**30.9.17 RM'000**	**30.9.16 RM'000**	**30.9.17 RM'000**	**30.9.16 RM'000**
Construction	99,539	134,329	9,481	12,048
Property Development	94,476	117,246	16,854	44,185
Building Material	21,825	50,069	(2,057)	372
Others	1,152	2,060	(3,556)	(2,319)
Inter-segment eliminations	(105,367)	(104,571)	8,632	2,449
Total before non-controlling interest	**111,625**	**199,133**	**29,354**	**56,735**
Non-controlling interest	-	-	1,314	(94)
Total	**111,625**	**199,133**	**30,668**	**56,641**

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 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:

	No. of Options
Granted on 1 September 2015	6,000,900
Outstanding unexercised options as at 31 December 2016	4,662,900
Exercised during the periods:	
- Quarter 1 2017	(21,200)
- Quarter 2 2017	-
- Quarter 3 2017	-
Outstanding unexercised options as at 30 September 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

	Group		Company	
	30.9.2017 RM'000	30.9.2016 RM'000	30.9.2017 RM'000	30.9.2016 RM'000
Corporate guarantees given to licensed banks for banking facilities granted to subsidiary companies				
- Limit of guarantee	-	-	297,787	166,109
- Amount utilised	-	-	193,345	104,826
Corporate guarantees given to a supplier of goods to subsidiary companies				
- Limit of guarantee	-	-	28,650	28,650
- Amount utilised	-	-	3,118	4,629
Guarantees issued by financial institutions in connection with performance bonds, security and tender deposits in favour of third parties for construction projects	21,687	12,173	21,687	12,173

12. Changes in contingent liabilities (cont'd)

Apart from the above, there were no changes in contingent liabilities (other than the material litigations disclosed under Note 13 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.

	30.9.2017 RM'000	31.12.2016 RM'000
Capital expenditure Approved and contracted for:		
- Purchase of property, plant and equipment	789	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.

On 12 October 2017, Bursa Securities' approval on the extension of time to implement the Proposals lapsed and the Company had decided not to proceed with the Proposals as it intends to explore alternative funding options to meet its funding requirements.

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

	Individual Quarter 3 months ended							
	Revenue				Profit attributable to owners of the parent			
Business Segment	**30.9.17 RM'000**	**30.9.16 RM'000**	**Changes RM'000**	**%**	**30.9.17 RM'000**	**30.9.16 RM'000**	**Changes RM'000**	**%**
Construction	34,990	39,285	(4,295)	(10.9)	1,122	3,635	(2,513)	(69.1)
Property Development	22,889	48,736	(25,847)	(53.0)	2,788	13,004	(10,216)	(78.6)
Building Material	7,126	16,031	(8,905)	(55.5)	(877)	(51)	(826)	(1,619.6)
Others	356	341	15	4.4	(1,388)	(1,520)	132	8.7
Inter-segment eliminations	(22,725)	(33,853)	11,128	32.9	5,344	1,962	3,382	172.4
Total before non-controlling interest	**42,636**	**70,540**	**(27,904)**	**(39.6)**	**6,989**	**17,030**	**(10,041)**	**(59.0)**
Non-controlling interest	-	-	-	-	**456**	**182**	**274**	**150.5**
Total	**42,636**	**70,540**	**(27,904)**	**(39.6)**	**7,445**	**17,212**	**(9,767)**	**(56.7)**

The Group registered lower revenue arising from the following circumstances:-

a) **Construction Division**
The 3 on-going projects comprising of bridge works, immigration quarters and breakwater rehabilitation works were mainly at early stage of construction activities as compared to the more advanced stage of construction progress that account for the higher revenue recorded in the previous year's period.

b) **Property Development Division**
The low revenue for the quarter was attributed by the limited billing in relation to the Aurora Place, which is near to its final completion stage and the lower 18% Joint Development Agreement (JDA)'s entitlement under Phase 1 of Bukit Jalil City.

c) **Building Material Division**
Greatly affected by the sluggish market condition in the ready mix business. Consequently, all ready mix plants are rented out based on fixed rental and volume royalty basis for cash-flow. In the meantime, the 2 quarry operations contributed some RM2.5 million per quarter since Q2.

Overall, the Group lower profit after tax ("PAT") of RM7.0 million compared to RM17.0 million in the same corresponding quarter in the previous period was affected by weak revenue, higher operating cost due to depreciation of property, plant and equipment, on-going litigation cost and new loans processing fees incurred.

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

b) **Performance of Cumulative Nine Months as Compared to the Corresponding Nine Months in the Previous Year**

Business Segment	Cumulative 9 months							
	Revenue				Profit attributable to owners of the parent			
	30.9.17	30.9.16	Changes		30.9.17	30.9.16	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Construction	99,539	134,329	(34,790)	(25.9)	9,481	12,048	(2,567)	(21.3)
Property Development	94,476	117,246	(22,770)	(19.4)	16,854	44,185	(27,331)	(61.9)
Building Material	21,825	50,069	(28,244)	(56.4)	(2,057)	372	(2,429)	(653.0)
Others	1,152	2,060	(908)	(44.1)	(3,556)	(2,319)	(1,237)	(53.3)
Inter-segment eliminations	(105,367)	(104,571)	(796)	(0.8)	8,632	2,449	6,183	252.5
Total before non-controlling interest	**111,625**	**199,133**	**(87,508)**	**(43.9)**	**29,354**	**56,735**	**(27,381)**	**(48.3)**
Non-controlling interest	-	-	-	-	1,314	(94)	1,408	1,497.9
Total	**111,625**	**199,133**	**(87,508)**	**(43.9)**	**30,668**	**56,641**	**(25,973)**	**(45.9)**

The Group recorded lower revenue and PAT for the nine months ended 30 September 2017 as compared to the corresponding period in the previous period due to the following challenges:-

a) **Construction Division**

Major projects were completed during the period under review like Kem Askar and RAPID project Package 2 for soil improvement under Petronas and the newly secured Government related projects are at early construction stage like bridge works and immigration quarters in Perak with breakwater rehabilitation works in Terengganu. Accordingly, resulted in lower revenue and profits contribution as compared to the previous year's corresponding period.

b) **Property Development Division**

Lower revenue registered was mainly from the Aurora Place of RM17.4 million (Q3, 2016: RM96.7 million) due to the project nearing its' completion. The significant decrease was partly mitigated by the higher recognition for Ho Hup Tower of RM37.2 million (Q3, 2016: RM3.8 million) and higher revenue received from the 18% Joint Development Agreement (JDA)'s entitlement of RM39.9 million (Q3, 2016: RM16.8 million) with the service apartments launched under Phase 3 and the hand-over of the shop offices for Phase 1 of the Bukit Jalil City.

c) **Building Material Division**

Streamlined the ready mix business by leasing all ready mix plants based on fixed rental and volume royalty basis for cash-flow. In the meantime, the 2 quarry operations in Melaka and Terengganu continue to contribute some RM7 million for the current 9 months period.

1. Group Performance Review (cont'd)

b) Performance of Cumulative Nine Months as Compared to the Corresponding Nine Months in the Previous Year (cont'd)

Overall, the Group lower profit after tax ("PAT") of RM29.4 million compared to RM56.7 million in the same corresponding quarter in the previous period was affected by weak revenue recorded mainly from the Aurora Place, higher operating cost due to depreciation of property, plant and equipment, on-going litigation cost and new loans processing fees incurred.

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

	Individual Quarter 3 months ended							
	Revenue				**Profit before tax**			
Business Segment	**30.9.17 RM'000**	**30.6.17 RM'000**	**Changes RM'000**	**%**	**30.9.17 RM'000**	**30.6.17 RM'000**	**Changes RM'000**	**%**
Construction	34,990	30,283	4,707	15.5	1,124	3,907	(2,783)	(71.2)
Property Development	22,889	45,789	(22,900)	(50.0)	4,086	10,413	(6,327)	(60.8)
Building Material	7,126	7,294	(168)	(2.3)	(825)	(881)	56	6.4
Others	356	379	(23)	(6.1)	(1,338)	(1,439)	101	7.0
Inter-segment eliminations	(22,725)	(50,303)	27,578	54.8	5,345	838	4,507	537.8
Total	**42,636**	**33,442**	**9,194**	**27.5**	**8,392**	**12,838**	**(4,446)**	**(34.6)**

The Group recorded higher revenue but lower profit before taxation due to lower revenue registered for the property development activities, which normally account for higher margins.

Higher operating costs for additional depreciation, on-going litigation and new loan documentation processing fees further impacted the profit before taxation position.

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

The Board will continue with its strategy to focus on delivering a satisfactory performance under the current uncertain market condition for the financial year ending 31 December 2017 and to prepare the Group for a more challenging new financial year by:-

- Actively tender for more infrastructure projects to provide sustainable stream of recurring income so as to enhance its current order book which now stands at some RM437.0 million.

- Fast track existing property development land banks of some 437 acres for stable source of cash flow and to reduce existing gearing exposure.

- Strengthen the 2 quarry plants activities to support on-going approved infrastructure projects.

(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 30.9.2017 RM'000	Cumulative Year to Date 30.9.2017 RM'000
Current period tax expense	1,403	6,010
Deferred tax expense	-	-
	1,403	6,010

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**

	30.9.2017 RM'000	31.12.2016 RM'000
Borrowings denominated in Ringgit Malaysia:		
Secured		
Non-Current		
Finance lease liabilities	6,541	4,600
Bank borrowings	86,366	71,620
Current		
Finance lease liabilities	2,958	2,105
Bank borrowings	168,503	140,146
Total Borrowings	264,368	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 30 September 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.

	30.9.2017 RM'000	**31.12.2016 RM'000**
Total retained earnings of the Company and its subsidiary companies		
- realised	164,980	143,395
- unrealised	(22,452)	(22,452)
	142,528	120,943
Total retained earnings from associates and joint ventures - realised	225	230
	142,753	121,173
Add/ (Less): Consolidation adjustments	5,177	(3,911)
Total Group retained earnings	**147,930**	**117,262**

13. Changes in material litigations

(a) Andhra Pradesh Housing Board ("Petitioner") and Ho Hup Construction Company (India) Pte Ltd ("Respondent") Hon'ble II Chief Judge City Civil Court, Hyderabad O.P.No. 2039 of 2008

On 9 March 2005, Ho Hup Construction Company (India) Pte Ltd ("HHCCI"), a wholly-owned subsidiary of Ho Hup, entered into a joint development agreement with the Andhra Pradesh Housing Board ("APHB") to develop an integrated township at Raviryal Village, Maheshwaran Mandal, Rangareddy District, Andhra Pradesh ("Joint Development Agreement").

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 proceeding claimed for expenses incurred and damages due to the unlawful termination of the Joint Development Agreement. On 19 May 2008, an arbitration award was published in HHCCI's favour ("Award"). The Award was in relation to the following:-

13. Changes in material litigations (cont'd)

(a) Andhra Pradesh Housing Board ("Petitioner") and Ho Hup Construction Company (India) Pte Ltd ("Respondent")
Hon'ble II Chief Judge City Civil Court, Hyderabad O.P.No. 2039 of 2008 (cont'd)

(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 against the Award and apply for the application to set aside the Award.

HHCCI had submitted its defence in relation to the appeal and the set aside application 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. Both solicitors have submitted their arguments to the Court on 20 July 2017 pending the Court to fix a new date to deliver its decision.

(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 but the same has been dismissed by the Federal Court with costs of RM20,000 on 17 October 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 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.

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 (cont'd)**

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) 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. Zen Courts subsequently filed an appeal to the Court of Appeal against such dismissal. On 2 August 2017, the Court of Appeal has dismissed that appeal with costs. Zen Courts further filed its Motion for leave to appeal to the Federal Court in respect of that dismissal and the same is now fixed for hearing on 4 December 2017.

Zen Courts has also filed to the High Court an application for the discovery of the documents ("Enclosure 223"); for which the same has been allowed by the High Court on 21 July 2017 but its only limited to the documents that had existed on or before 27 March 2012.

In respect of Ho Hup's application to construe the Federal Court Order to limit the cross-examination only to the valuer of the three reports identified in the Federal Court Order ("Enclosure 214"), the High Court has dismissed Enclosure 214 with costs. Ho Hup dissatisfied with such dismissal has filed an appeal to the Court of Appeal but the aforesaid appeal has been dismissed with costs of RM10,000.00 to Zen Courts.

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 (cont'd)**

Meanwhile, pursuant to the Federal Court Order, the High Court has previously fixed both Enclosures 80 and 84 for hearing on 21 August 2017 to 24 August 2017. The High Court has vacated those dates and fixed a new hearing date on 20 to 22 March 2018 and 26 March 2018.

Except as disclosed above, there were no other material changes in material litigations since the last annual financial year and made up to 24 November 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 30 September 2017.

16. **Profit before Tax**

	Individual Quarter 3 Months ended		**Cumulative Quarter 9 Months ended**	
	30.9.2017 RM'000	**30.9.2016 RM'000**	**30.9.2017 RM'000**	**30.9.2016 RM'000**
Profit before tax is arrived at after charging:-				
Depreciation of property, plant and equipment ("PPE")	1,076	566	2,529	1,511
Amortisation of intangible asset	32	-	98	-
Gain on disposal of PPE (net)	(171)	-	(170)	-
Rental expenses	127	-	473	-
Finance cost	1,987	1,710	7,415	4,397
And Crediting:-				
Rental income	433	139	917	384
Finance income	5	(10)	214	36

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 30.9.2017	Preceding year corresponding quarter 30.9.2016	Financial period to-date 30.9.2017	Preceding year corresponding period to-date 30.9.2016
Net profit for the period attributable to owners of the parent (RM'000)	7,445	17,212	30,668	56,641
Weighted average number of ordinary shares ('000)	374,870	350,174	374,867	348,459
Basic EPS (sen)	**1.99**	**4.92**	**8.18**	**16.26**

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 30.9.2017	Preceding year corresponding quarter 30.9.2016	Financial period to-date 30.9.2017	Preceding year corresponding period to-date 30.9.2016
Net profit for the period attributable to owners of the parent (RM'000)	7,445	17,212	30,668	56,641
Adjustment for convertible preference dividend (RM'000)	-	233	-	481
Adjusted net profit for the period attributable to owners of the parent (RM'000)	**7,445**	**17,445**	**30,668**	**57,122**
Weighted average number of ordinary shares ('000)	374,870	350,174	374,867	348,459
Adjustment for ICPS ('000)	-	6,944	-	7,615
Adjustment for RCPS ('000)	-	17,781	-	18,684
Adjustment for Warrants ('000)	9,083	12,584	12,584	14,797
Adjustment for ESOS ('000)	62	583	504	930
Adjusted weighted average number of ordinary shares in issue ('000)	**384,015**	**388,066**	**387,955**	**390,485**
Diluted EPS (sen)	**1.94**	**4.50**	**7.91**	**14.63**

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