HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

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

	INDIVIDUAL QUARTER 3 MONTHS ENDED		CUMULATIVE QUARTER 12 MONTHS ENDED	
	31 Dec 2017 RM'000 (Unaudited)	31 Dec 2016 RM'000 (Unaudited)	31 Dec 2017 RM'000 (Unaudited)	31 Dec 2016 RM'000 (Audited)
Revenue	68,079	42,233	179,704	241,366
Cost of Sales	(40,003)	(15,636)	(93,142)	(131,501)
Gross Profit	28,076	26,597	86,562	109,865
Other income	709	2,303	2,857	2,887
Administrative expenses	(2,599)	(2,447)	(12,033)	(12,180)
Operating expenses	(7,275)	(7,457)	(15,906)	(14,923)
Profit from operating activities	18,911	18,996	61,480	85,649
Finance income	205	70	419	107
Finance cost	(4,643)	(3,572)	(12,058)	(7,969)
Net finance cost	(4,438)	(3,502)	(11,639)	(7,862)
Share of results of associates	(600)	260	(605)	230
Profit before tax	13,873	15,754	49,236	78,017
Taxation	(4,328)	(7,417)	(10,337)	(12,945)
Profit for the period	9,545	8,337	38,899	65,072
Other comprehensive income/(loss), net of tax				
Foreign currency translation differences for foreign operations	(748)	(341)	(840)	816
Other comprehensive income/(loss) for the period, net of tax	(748)	(341)	(840)	816
Total comprehensive income for the period, net of tax	8,797	7,996	38,059	65,888
Profit/(Loss) attributable to:				
Owners of the Parent	9,876	9,150	40,544	65,791
Non-Controlling Interest	(331)	(813)	(1,645)	(719)
Profit for the period	9,545	8,337	38,899	65,072
Total comprehensive income/(loss) attributable to:				
Owners of the Parent	9,183	8,484	39,871	66,407
Non-Controlling Interest	(386)	(488)	(1,812)	(519)
Total comprehensive income for the period	8,797	7,996	38,059	65,888
Earnings per share attributable to owners of the parent (sen):				
Basic	2.64	2.61	10.82	18.84
Diluted	2.62	2.43	10.48	17.04

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 DECEMBER 2017

	As at 31 Dec 2017 RM'000 (Unaudited)	As at 31 Dec 2016 RM'000 (Audited)
ASSETS		
Non-Current Assets		
Property, plant and equipment	157,948	110,904
Investment properties	13,827	
Intangible assets	122	153
Land rights	93,550	93,550
Goodwill	10,978	10,978
Quarrying rights	1,184	1,297
Land held for property development	9,882	9,809
Investment in Associates	0	605
	287,491	227,296
Current Assets		
Amount due from customers on contracts	32,560	24,413
Accrued billing in respect of property development costs	70,052	55,039
Property development costs	342,241	235,153
Inventories	198	365
Trade receivables	80,964	54,883
Other receivables	42,906	58,758
Fixed deposits with licensed banks	9,902	5,142
Cash and bank balances	22,909	22,130
	601,732	455,883
TOTAL ASSETS	889,223	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	(979)	(306)
Retained Earnings	157,806	117,262
	335,674	295,787
Non-Controling Interest	14,170	15,982
Total Equity	349,844	311,769
Non-Current Liabilities		
Finance lease liabilities	4,657	4,600
Bank borrowings	134,813	71,620
Deferred tax liabilities	22,452	22,452
	161,922	98,672
Current Liabilities		
Amount owing to customers on contracts	25,421	8,729
Deferred contract revenue		
Provision for liquidated ascertained damages	62	62
Bank borrowings	161,480	140,146
Trade payables	87,148	61,462
Other payables	67,797	32,784
Finance lease liabilities	5,149	2,105
Tax payable	30,400	27,450
	377,457	272,738
Total Liabilities	539,379	371,410
TOTAL EQUITY AND LIABILITIES	889,223	683,179
Net assets per share attributable to equity holders of the parent (RM)	0.90	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 December 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	-	-	-	-	-	-	-	-	40,544	40,544	(1,645)	38,899
Other comprehensive income for the financial year	-	-	-	-	(673)	-	-	-	-	(673)	(167)	(840)
Total comprehensive income for the financial year	-	-	-	-	(673)	-	-	-	40,544	39,871	(1,812)	38,059
Transactions with owners:												
Exercised of ESOS	20	-	-	-	-	-	(4)	-		16	-	16
Total transactions with owners	20	-	-	-	-	-	(4)	-	-	16	-	16
At 31 December 2017	187,444	-	-	20,115	(979)	7,720	975	(37,407)	157,806	335,674	14,170	349,844

	←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 31 December 2017

	12 months ended 31-Dec-17 RM'000 (Unaudited)	12 months ended 31-Dec-16 RM'000 (Audited)
CASHFLOW FROM OPERATING ACTIVITIES		
Profit before tax	49,236	78,017
Adjustments for non-cash items:		
Bad Debts written off	-	15
Depreciation of property, plant and equipment	3,260	2,172
Depreciation of investment properties	237	-
Amortisation of intangible assets	18	131
Impairment of trade receivables	101	127
Share of results of associate	605	(230)
Net gain on disposal of property, plant and equipment & investment properties	(170)	-
Provision for liquidated ascertained damages	-	-
Share-based payment expenses	-	827
Waiver of other payables	-	(157)
Discount on settlement of a term loan	-	(1,314)
Finance cost	12,058	7,969
Finance income	(419)	(107)
Operating profit before working capital changes	64,926	87,450
Movements in working capital		
Land held for property development and property development costs	(74,521)	(94,782)
Accrued billing/Progress billing in respect of property development costs	(15,013)	97,336
Amount owing by/to customer on contract	8,546	(20,809)
Inventories	166	278
Receivables	(11,485)	(13,438)
Payables	(13,028)	(7,309)
	(105,335)	(38,724)
Cash generated from / (used in) operations		
Interest paid	(25,752)	(12,866)
Tax paid	(7,387)	(6,403)
Tax refund	-	-
Payment of liquidated ascertained damages	-	-
Exchange fluctuation adjustment	-	-
	(33,139)	(19,269)
Net cash (used in)/from operating activities	(73,548)	29,457
CASHFLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(118)	(44,895)
Purchase of intangible assets	-	-
Proceeds from disposal of property, plant and equipment & investment properties	1,949	-
Interest received	419	107
Acquisition of additional interest in a subsidiary (net)	-	(19,992)
Acquisition of a joint venture company	-	(375)
Contribution from non-controlling interest	(0)	4,830
Net cash from /(used in) investing activities	2,250	(60,325)
CASHFLOW FROM FINANCING ACTIVITIES		
Repayment of term loan	(56,805)	(58,137)
Drawdown of term loan	124,280	122,621
Repayment of hire purchase	(2,715)	(1,726)
Proceeds from issuance of shares	-	-
Proceeds from exercise on warrants	-	-
Proceeds from exercise on ESOS	16	277
Net cash from financing activities	64,776	63,035
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(6,522)	32,167
Effect of changes in foreign exchange rate	(13)	724
Cash and cash equivalent restricted	-	-
OPENING BALANCE	11,567	(21,325)
CLOSING BALANCE	5,032	11,566
Closing balance of cash and cash equivalents comprises:-		
Cash and bank balances	22,909	22,130
Bank overdraft	(27,779)	(15,706)
Fixed deposits with licensed banks	9,902	5,142
	5,032	11,566

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
Annual Improvements to MFRS Standards 2015-2017 Cycle		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 12 months			
	Revenue		Profit attributable to owners of the parent	
Business Segment	**31.12.17 RM'000**	**31.12.16 RM'000**	**31.12.17 RM'000**	**31.12.16 RM'000**
Construction	168,054	187,042	14,005	62,534
Property Development	123,769	171,434	25,529	36,502
Building Material	26,867	60,544	(1,725)	(427)
Others	1,582	1,594	(3,929)	(1,835)
Inter-segment eliminations	(140,568)	(179,248)	5,019	(31,702)
Total before non-controlling interest	**179,704**	**241,366**	**38,899**	**65,072**
Non-controlling interest	-	-	1,645	719
Total	**179,704**	**241,366**	**40,544**	**65,791**

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 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	-
- Quarter 4 2017	-
Outstanding unexercised options as at 31 December 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	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Corporate guarantees given to licensed banks for banking facilities granted to subsidiary companies				
- Limit of guarantee	-	-	251,787	196,109
- Amount utilised	-	-	168,300	107,161
Corporate guarantees given to a supplier of goods to subsidiary companies				
- Limit of guarantee	-	-	28,650	28,650
- Amount utilised	-	-	3,035	5,090
Guarantees issued by financial institutions in connection with performance bonds, security and tender deposits in favour of third parties for construction projects	21,587	23,750	21,587	23,750

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 12 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.

	31.12.2017 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

Save and except for the progress on the status of material litigations as disclosed below under explanatory note B 12 Changes in Material Litigations and matters as set out herein, in the opinion of the Directors, the financial statements for the interim period have not been affected by any material event that has occurred between the end of the interim period and the date of this report.

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	31.12.17 RM'000	31.12.16 RM'000	Changes RM'000	Changes %	31.12.17 RM'000	31.12.16 RM'000	Changes RM'000	Changes %
Construction	68,516	52,714	15,802	30.0	4,524	50,486	(45,962)	(91.0)
Property Development	29,293	54,188	(24,895)	(45.9)	8,675	(7,683)	16,358	212.9
Building Material	5,042	10,475	(5,433)	(51.9)	332	(799)	1,131	141.6
Others	430	(467)	897	192.1	(373)	484	(857)	(177.1)
Inter-segment eliminations	(35,202)	(74,677)	39,475	52.9	(3,613)	(34,151)	30,538	89.4
Total before non-controlling interest	**68,079**	**42,233**	**25,846**	**61.2**	**9,545**	**8,337**	**1,208**	**14.5**
Non-controlling interest	-	-	-	-	331	813	(482)	(59.3)
Total	**68,079**	**42,233**	**25,846**	**61.2**	**9,876**	**9,150**	**726**	**7.9**

The Group revenue for the current quarter increased by RM25.8 million (61.2%) as compared to previous year corresponding quarter due to the following:-

a) **Construction Division**
The revenue increased by RM15.8 million or 30.0% mainly due to good work progress achieved for the ongoing projects, namely Polytechnic Hulu Terengganu, Bridges Works in Teluk Intan, Breakwater Rehabilitation Works in Besut and Technical College in Kulai.

b) **Property Development Division**
The revenue declined by RM24.9 million or 45.9% due to the completion of Aurora Place and Phase 1 of of Bukit Jalil City. Revenue for the current quarter was mainly derived from Phase 2 and 3 of Bukit Jalil City Project under the Joint Development Agreement (JDA) with Pioneer Haven Sdn Bhd.

c) **Building Material Division**
Revenue dropped by RM5.4 million or 51.9% due to most projects within the vicinity of the existing plants are already completed, resulting in the overall decline in revenue. Consequently, all ready mix plants are rented out to a private operator. Meanwhile, the quarry operations contributed RM1.2 million for the current quarter, volume is lower as the monsoon season in east coast affected the progress of the project works.

Overall, the Group recorded a profit after tax (PAT) of RM9.5 million as compared to RM8.3 million in the same corresponding quarter in the previous year. The increase of PAT by RM1.2 million or 14.5% were mainly due to the profit mainly attributed from both the Property Development and Construction Divisions.

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

B) Performance of Cumulative Twelve Months compared to the Corresponding Twelve Months in the Previous Year

Business Segment	Cumulative 12 months							
	Revenue				Profit attributable to owners of the parent			
	31.12.17	31.12.16	Changes		31.12.17	31.12.16	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Construction	168,054	187,042	(18,988)	(10.2)	14,005	62,534	(48,529)	(77.6)
Property Development	123,769	171,434	(47,665)	(27.8)	25,529	36,502	(10,973)	(30.1)
Building Material	26,867	60,544	(33,677)	(55.6)	(1,725)	(427)	(1,298)	(304.0)
Others	1,582	1,594	(12)	(0.8)	(3,929)	(1,835)	(2,094)	(114.1)
Inter-segment eliminations	(140,568)	(179,248)	38,680	21.6	5,019	(31,702)	36,721	115.8
Total before non-controlling interest	**179,704**	**241,366**	**(61,662)**	**(25.5)**	**38,899**	**65,072**	**(26,173)**	**(40.2)**
Non-controlling interest	-	-	-	-	1,645	719	926	128.8
Total	**179,704**	**241,366**	**(61,662)**	**(25.5)**	**40,544**	**65,791**	**(25,247)**	**(38.4)**

The Group recorded revenue of RM179.7 million and profit after tax of RM40.5 million for the year ended 31 December 2017 as compared to the corresponding year of RM241.4 million and RM65.8 million. The Divisional revenue and profit after tax are explained as follows:-

a) Construction Division

Revenue for the year ended 31 December 2017 declined by RM19.0 million with the completion of Kem Askar project and the Petronas Refinery and Petrochemical Integrated Development ("RAPID") Soil Improvement under Package 2 project totaling RM20.3 million, lower revenue recognition from Aurora Place of RM23.1 million with the project nearing completion. The decline was compensated by additional revenue from new contracts e.g. the bridges works and immigration quarters in Perak and the breakwater rehabilitation works in Terengganu.

The higher profit reported last year in 2016 was impacted by a one-off write back of provision in diminution of value for the investments in Ho Hup Jaya Sdn Bhd and Ho Hup Industries Sdn Bhd.

b) Property Development Division

Revenue for year ended 31 December 2017 declined by RM47.7 million mainly due to lower revenue recognized from Aurora Place of RM17.4 million (Q4, 2016: RM79.2 million), Ho Hup Tower of RM37.2 million (Q4, 2016: RM52.8 million) and joint venture income for Tower C of RM nil (Q4, 2016: RM3.5 million) due to the project nearing completion. The decrease was mitigated by the higher revenue received from the 18% Joint Development Agreement (JDA) entitlement of RM69.2 million (Q4, 2016: RM35.9 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.

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

B) **Performance of Cumulative Twelve Months as compared to the Corresponding Twelve Months in the Previous Year (cont'd)**

c) **Building Material Division**

Revenue declined by RM33.7 million or 55.6% with the rationalization of ready mix business by leasing out all the ready mix plants on a fixed rental basis with volume royalty. Meanwhile, the Ready Mix Division is actively sourcing for new projects and work closely with the Construction Division for more competitive bidding. In addition, the Quarry business accounted for some RM8.1 million for the financial year.

The Group profit after tax (PAT) for the year declined by RM26.2 million or 40.2% compared to the previous financial year due to the following developments:-

(i) The completion of Kem Askar and RAPID projects together with the near completion of Aurora Place accounted for the lower revenue;

(ii) Higher finance related cost incurred during the financial year arising from increase of new facilities to support the Group's on-going projects and land banking activities.

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

Business Segment	**Individual Quarter 3 months ended**							
	Revenue				**Profit before tax**			
	31.12.17	**30.9.17**	**Changes**		**31.12.17**	**30.9.17**	**Changes**	
	RM'000	**RM'000**	**RM'000**	**%**	**RM'000**	**RM'000**	**RM'000**	**%**
Construction	68,516	34,990	33,526	95.8	4,527	1,124	3,403	302.8
Property Development	29,293	22,889	6,404	28.0	12,718	4,086	8,632	211.3
Building Material	5,042	7,126	(2,084)	(29.2)	354	(825)	1,179	142.9
Others	430	356	74	20.8	(113)	(1,338)	1,225	91.5
Inter-segment eliminations	(35,202)	(22,725)	(12,477)	(54.9)	(3,613)	5,345	(8,958)	(167.6)
Total	**68,079**	**42,636**	**25,443**	**59.7**	**13,873**	**8,392**	**5,481**	**65.3**

The current quarter profit before tax increased by RM5.5 million due to better revenue contributions for both Construction and Property Development Divisions which resulted in an increase in gross profit by RM9.9 million. However, higher operating expenses and finance costs totaling RM4.7 million eroded the overall profitability for the quarter.

3. **(a) Group's 2018 Prospects**

The Board will continue to focus on delivering a satisfactory performance under the present weak market environment by:-

- Implementing, executing and delivering our existing contracts according to the contract terms.

3. (a) **Group's 2018 Prospect (cont'd)**

- Actively tender for government related infrastructure projects.
- Reduce overall gearing position with new property launches in Kota Kinabalu, Kulai and Bukit Jalil.
- Step-up the Quarry Division activities for both quarries located in Melaka and Terengganu.

(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 31.12.2017 RM'000	Cumulative Year to Date 31.12.2017 RM'000
Current period tax expense	4,328	10,337
Deferred tax expense	-	-
	4,328	10,337

The Group's effective tax rate for the current quarter was higher than the statutory tax rate mainly due to higher non-allowable expenses during the current quarter.

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.

9. Group borrowings and debt securities

	31.12.2017 RM'000	31.12.2016 RM'000
Borrowings denominated in Ringgit Malaysia:		
Secured		
<u>Non-Current</u>		
Finance lease liabilities	4,657	4,600
Bank borrowings	134,813	71,620
<u>Current</u>		
Finance lease liabilities	5,149	2,105
Bank borrowings	161,480	140,146
Total Borrowings	306,099	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. 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:-

12. 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. On 19 January 2018, the Court has rendered the judgment in HHCCI's favour and dismissed the appeal filed by APHB. HHCCI will proceed with the execution of the judgment pending extraction of the sealed order from the Court.

(b) 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 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 Zen Courts'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.

Zen Courts 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 Zen Courts's appeals. The Zen Courts 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 Zen Courts to appeal to the Federal Court based on two questions of law posed to it.

12. Changes in material litigations (cont'd)

(b) 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)

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 pending the disposal of Enclosure 80 ("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 it has been granted by the Federal Court on 4 December 2017. On 11 December 2017, Zen Courts has filed its Notice of Appeal and the appeal is now fixed for Case Management on 12 March 2018.

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.

Meanwhile, pursuant to the Federal Court Order, the High Court has fixed both Enclosures 80 and 84 for hearing 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 26 February 2018, being the latest practicable date from the date of the issue of this quarterly report.

13. Dividend

No interim dividend proposed for this quarter under review.

14. Significant Related Party Transactions

There were no significant related party transactions occurred during the financial quarter ended 31 December 2017.

15. Profit before Tax

	Individual Quarter 3 Months ended		Cumulative Quarter 12 Months ended	
	31.12.2017 RM'000	**31.12.2016 RM'000**	**31.12.2017 RM'000**	**31.12.2016 RM'000**
Profit before tax is arrived at after charging:-				
Depreciation of property, plant and equipment ("PPE")	731	661	3,260	2,172
Depreciation of investment properties ("IP")	237	-	237	-
Amortisation of intangible asset	-	40	18	131
Bad debts written off	-	15	-	15
Impairment on trade receivables	101	127	101	127
Rental expenses	214	521	687	1,098
Finance cost	4,643	3,572	12,058	7,969
And Crediting:-				
Rental income	483	354	1,400	738
Waiver of other payables	-	157	-	157
Gain on disposal of PPE & IP (net)	-	-	170	-
Discount on settlement of a term loan	-	1,314	-	1,314
Finance income	205	71	419	107

16. 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 31.12.2017	**Preceding year corresponding quarter 31.12.2016**	**Financial period to-date 31.12.2017**	**Preceding year corresponding period to-date 31.12.2016**
Net profit for the period attributable to owners of the parent (RM'000)	9,876	9,150	40,544	65,791
Weighted average number of ordinary shares ('000)	374,870	351,164	374,868	349,139
Basic EPS (sen)	**2.64**	**2.61**	**10.82**	**18.84**

16. 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 31.12.2017	**Preceding year corresponding quarter 31.12.2016**	**Financial period to-date 31.12.2017**	**Preceding year corresponding period to-date 31.12.2016**
Net profit for the period attributable to owners of the parent (RM'000)	9,876	9,150	40,544	65,791
Adjustment for convertible preference dividend (RM'000)	-	218	-	699
Adjusted net profit for the period attributable to owners of the parent (RM'000)	**9,876**	**9,368**	**40,544**	**66,490**
Weighted average number of ordinary shares ('000)	374,870	351,164	374,868	349,139
Adjustment for ICPS ('000)	-	6,463	-	7,325
Adjustment for RCPS ('000)	-	17,222	-	18,316
Adjustment for Warrants ('000)	2,838	10,480	11,774	14,449
Adjustment for ESOS ('000)	-	278	401	874
Adjusted weighted average number of ordinary shares in issue ('000)	**377,708**	**385,607**	**387,043**	**390,103**
Diluted EPS (sen)	**2.62**	**2.43**	**10.48**	**17.04**

By Order of the Board
Dato' Wong Kit-Leong
Chief Executive Officer
Kuala Lumpur
26 February 2018