CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the financial period ended 31 March 2018

	INDIVIDUAL QUARTER 3 MONTHS ENDED		CUMULATIVE QUARTER 3 MONTHS ENDED	
	31 March 2018 RM'000 (Unaudited)	31 March 2017 RM'000 (Unaudited)	31 March 2018 RM'000 (Unaudited)	31 March 2017 RM'000 (Unaudited)
Revenue	58,498	35,547	58,498	35,547
Cost of Sales	(36,893)	(15,322)	(36,893)	(15,322)
Gross Profit	21,605	20,225	21,605	20,225
Other income	1,451	883	1,451	883
Administrative expenses	(3,083)	(3,111)	(3,083)	(3,111)
Operating expenses	(2,495)	(1,467)	(2,495)	(1,467)
Profit from operating activities	17,478	16,530	17,478	16,530
Finance income	7	8	7	8
Finance cost	(6,293)	(2,401)	(6,293)	(2,401)
Net finance cost	(6,286)	(2,393)	(6,286)	(2,393)
Share of results of associates and joint ventures	-	(3)	-	(3)
Profit before tax	11,192	14,134	11,192	14,134
Taxation	(2,875)	(2,095)	(2,875)	(2,095)
Profit for the period	8,317	12,039	8,317	12,039
Other comprehensive income/(loss), net of tax				
Foreign currency translation differences for foreign operations	(206)	(1,278)	(206)	(1,278)
Other comprehensive income/(loss) for the period, net of tax	(206)	(1,278)	(206)	(1,278)
Total comprehensive income for the period, net of tax	8,111	10,761	8,111	10,761
Profit/(Loss) attributable to:				
Owners of the Parent	8,644	12,399	8,644	12,399
Non-Controlling Interest	(327)	(360)	(327)	(360)
Profit for the period	8,317	12,039	8,317	12,039
Total comprehensive income/(loss) attributable to:				
Owners of the Parent	8,473	11,135	8,473	11,135
Non-Controlling Interest	(362)	(374)	(362)	(374)
Total comprehensive income for the period	8,111	10,761	8,111	10,761
Earnings per share attributable to owners of the parent (sen):				
Basic	**2.31**	**3.31**	**2.31**	**3.31**
Diluted	**2.31**	**3.20**	**2.31**	**3.20**

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2017.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2018

	As at 31 March 2018 RM'000 (Unaudited)	As at 31 December 2017 RM'000 (Audited) (Restated)	As at 1 January 2017 RM'000 (Audited) (Restated)
ASSETS			
Non-Current Assets			
Property, plant and equipment	154,219	153,536	110,904
Investment properties	13,758	13,827	-
Intangible assets	114	122	153
Land rights	93,550	93,550	93,550
Goodwill	10,978	10,978	10,978
Quarrying rights	1,155	1,184	1,297
Inventories	9,914	9,882	9,809
Investment in joint ventures	0	-	605
Quarry development costs	4,447	4,034	-
Deferred tax assets	-	-	-
	288,135	287,113	227,296
Current Assets			
Amount due from customers on contracts	40,362	32,560	24,413
Accrued billing in respect of property development costs	63,478	70,052	55,039
Inventories	351,333	347,267	235,518
Trade receivables	101,425	83,292	54,883
Other receivables	46,757	42,452	58,659
Amount due from joint venture	99	99	99
Tax recoverable	152	25	-
Fixed deposits with licensed banks	9,590	9,919	5,142
Cash and bank balances	26,138	22,912	22,130
	639,334	608,578	455,883
TOTAL ASSETS	927,469	895,691	683,179
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Ordinary share capital	207,559	207,559	187,424
Share premium	-	-	20,115
Employee Share Option Reserve ("ESOS Reserve")	975	975	979
Warrant reserve	7,720	7,720	7,720
Other reserves	(37,407)	(37,407)	(37,407)
Foreign currency translation reserve	(1,150)	(979)	(306)
Retained Earnings	166,043	157,399	117,324
	343,740	335,267	295,849
Non-Controling Interest	13,916	14,278	15,982
Total Equity	357,656	349,545	311,831
Non-Current Liabilities			
Finance lease liabilities	7,143	7,064	4,600
Bank borrowings	161,401	160,122	71,620
Deferred tax liabilities	22,452	22,452	22,452
	190,996	189,638	98,672
Current Liabilities			
Amount owing to customers on contracts	22,792	25,421	8,729
Bank borrowings	151,685	136,173	140,146
Trade payables	82,799	75,454	61,462
Other payables	95,441	93,117	32,784
Finance lease liabilities	3,586	2,743	2,105
Tax payable	22,514	23,600	27,450
	378,817	356,508	272,676
Total Liabilities	569,813	546,146	371,348
TOTAL EQUITY AND LIABILITIES	927,469	895,691	683,179
Net assets per share attributable to equity holders of the parent (RM)	**0.92**	**0.89**	**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 2017.

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the financial period ended 31 March 2018

	<----- 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 2018												
- as previously reported	207,559	-	-	-	(979)	7,720	975	(37,407)	157,337	335,205	14,278	349,483
Effect of adopting MFRS	-	-	-	-	-	-	-	-	62	62	-	62
At 1 January 2018	207,559	-	-	-	(979)	7,720	975	(37,407)	157,399	335,267	14,278	349,545
Profit for the financial year	-	-	-	-	-	-	-	-	8,644	8,644	(327)	8,317
Other comprehensive income for the financial year	-	-	-	-	(171)	-	-	-	-	(171)	(35)	(206)
Total comprehensive income for the financial year	-	-	-	-	(171)	-	-	-	8,644	8,473	(362)	8,111
At 31 March 2018	207,559	-	-	-	(1,150)	7,720	975	(37,407)	166,043	343,740	13,916	357,656

	<----- 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												
- as previously reported	187,424	-	-	20,115	(306)	7,720	979	(37,407)	117,262	295,787	15,982	311,769
Effect of adopting MFRS	-	-	-	-	-	-	-	-	62	62	-	62
At January 2017	187,424	-	-	20,115	(306)	7,720	979	(37,407)	117,324	295,849	15,982	311,831
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
Transaction with owners:												
Exercised of ESOS	20	-	-	-	-	-	(4)	-	-	16	-	16
Total transaction with owners	20	-	-	-	-	-	(4)	-	-	16	-	16
At 31 March 2017	187,444	-	-	20,115	(1,570)	7,720	975	(37,407)	129,723	307,000	15,608	322,608

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2017.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the quarter ended 31 March 2018

	3 months ended 31-Mar-18 RM'000 (Unaudited)	3 months ended 31-Mar-17 RM'000 (Unaudited) (Restated)
CASHFLOW FROM OPERATING ACTIVITIES		
Profit before tax	11,192	14,134
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	946	588
Depreciation of investment properties	70	-
Amortisation of intangible assets	4	33
Share of results of associates and joint ventures	-	3
Gain on disposal of property, plant and equipment	(803)	-
Finance cost	6,293	2,401
Finance income	(7)	(8)
Operating profit before working capital changes	17,695	17,151
Movements in working capital		
Accrued billing/Progress billing in respect of property development costs	6,574	(5,027)
Amount owing by/to customer on contract	(8,629)	(8,267)
Inventories	(3,857)	3,020
Receivables	(23,717)	(11,376)
Payables	10,752	3,339
	(18,877)	(18,311)
Cash generated from / (used in) operations		
Interest paid	(7,193)	(3,386)
Tax paid	(4,087)	(21)
	(11,280)	(3,407)
Net cash used in operating activities	(12,462)	(4,567)
CASHFLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(295)	(11,641)
Proceeds from disposal of property, plant and equipment	4,802	-
Quarry development cost	(295)	-
Interest received	7	8
Net cash from/(used in) investing activities	4,219	(11,633)
CASHFLOW FROM FINANCING ACTIVITIES		
Repayment of term loan	(6,350)	(10,825)
Drawdown of term loan	15,756	12,784
Repayment of hire purchase	(880)	(562)
Proceeds from exercise on ESOS	-	16
Net cash from financing activities	8,526	1,413
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	283	(14,787)
Effect of changes in foreign exchange rate	(0)	(3)
OPENING BALANCE	5,052	11,567
CLOSING BALANCE	5,335	(3,223)
Closing balance of cash and cash equivalents comprises:-		
Cash and bank balances	26,138	7,231
Bank overdraft	(30,393)	(15,597)
Fixed deposits with licensed banks	9,590	5,143
	5,335	(3,223)

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements

A) EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134: INTERIM FINANCIAL REPORTING

1. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB"). For the periods up to and including the financial year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRSs").

These condensed consolidated interim financial statements are the Group's first MFRS condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS annual financial statements for the financial year ending 31 December 2018. MFRS 1 *First-Time Adoption of Malaysian Financial Reporting Standards* ("MFRS 1") has been applied.

The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transaction 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 2017.

In preparing its opening MFRS Statement of Financial Position as at 1 January 2017 (which is also the date of transition), the Group has adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group's financial position is set out in Note 2 below. These notes include reconciliations of equity for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS. The transition from FRS to MFRS has not had a material impact on the statements of comprehensive income and statements of cash flows.

2. Significant accounting policies

The Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS") for the periods up to and including the financial year ended 31 December 2017. The transition to MFRS Framework does not have material financial impact to the condensed consolidated interim financial statements of the Group except as discussed below:

(a) Application of MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreements for Construction of Real Estate*, IC Interpretation 18 *Transfers of Assets from Customers* and IC Interpretation 131 *Revenue - Barter Transactions Involving Advertising Services.*

2. **Significant accounting policies (cont'd)**

(a) Application of MFRS 15 *Revenue from Contracts with Customers* (cont'd)

MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Under FRS, the Group recognised provision for expected liquated ascertained damages based on the terms of the applicable sale and purchase agreements. Upon adoption of MFRS 15, the amount of liquidated ascertained damages is accounted for as a reduction in the transaction price which would then be accounted for in profit or loss over the tenure of the respective property development project.

(b) Impact of FRS 204 *Property Development Activities*

FRS 201 is a locally developed standard with no equivalent standard under IFRS and therefore does not form part of the MFRS Framework. With the removal of FRS 201, the Group has reclassified its entire land held for property development and property development costs as at the transition date and 31 December 2017 to inventories as these are properties which are held for planned development. Under the FRS framework, land held for property development was carried at cost less accumulated impairment loss which is comparable to net realisable value when classified as inventory under MFRS. As such, there is no financial impact to the income statement arising from this reclassification.

The effect arising from the adoption of MFRS Framework on the statements of financial position is as follows:

	As previously reported under FRS Framework RM'000	**Effects of transitioning to MFRS and reclassification RM'000**	**As restated under MFRS Framework RM'000**
<u>As at 1 January 2017</u>			
Retained earnings	117,262	62	117,324
Total Equity	311,769	62	311,831
Non-Current Assets			
Land held for property development	9,809	(9,809)	-
Inventories	-	9,809	9,809
Current Assets			
Property development costs	235,153	(235,153)	-
Inventories	365	235,153	235,518
Current Liabilities			
Provision for liquidated ascertained damages	62	(62)	-

2. **Significant accounting policies (cont'd)**

The effect arising from the adoption of MFRS Framework on the statements of financial position is as follows: (cont'd)

	As previously reported under FRS Framework RM'000	Effects of transitioning to MFRS and reclassification RM'000	As restated under MFRS Framework RM'000
As at 31 December 2017			
Retained earnings	157,337	62	157,399
Total Equity	349,483	62	349,545
Non-Current Assets			
Land held for property development	9,882	(9,882)	-
Inventories	-	9,882	9,882
Current Assets			
Property development costs	347,069	(347,069)	-
Inventories	198	347,069	347,267
Current Liabilities			
Provision for liquidated ascertained damages	62	(62)	-
As at 31 March 2017			
Total Equity	322,546	62	322,608

The effect arising from the adoption of MFRS Framework on the statements of cash flows is as follows:

	As previously reported under FRS Framework RM'000	Effects of transitioning to MFRS and reclassification RM'000	As restated under MFRS Framework RM'000
For the period ended 31 March 2017			
Cash Flows From Operating Activities			
Movements in working capital			
Land held for property development and property development costs	3,001	(3,001)	-
Inventories	19	3,001	3,020
For the year ended 31 December 2017			
Cash Flows From Operating Activities			
Changes in working capital			
Land held for property development and property development costs	(106,080)	106,080	-
Inventories	166	(106,080)	(105,914)

2. Significant accounting policies (cont'd)

At the date of authorisation of these interim financial statements, the following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective for adoption by the Group:

		Effective dates for financial periods beginning on or after
MFRS 16	Leases	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 128	Long-term interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement	1 January 2019
Annual Improvements to MFRS Standards 2015 – 2017 Cycle:		
• Amendments to MFRS 3		1 January 2019
• Amendments to MFRS 11		1 January 2019
• Amendments to MFRS 112		1 January 2019
• Amendments to MFRS 123		1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards		1 January 2020
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The Group intends to adopt the above MFRSs, IC Interpretations and amendments to MFRSs when they become effective.

The Group is currently assessing the financial impact that may arise from the adoption of the aforesaid above MFRSs, IC Interpretations and amendments to MFRSs.

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 2017.

4. Segment reporting

	Cumulative 3 months			
	Revenue		Profit attributable to owners of the parent	
Business Segment	**31.3.18 RM'000**	**31.3.17 RM'000**	**31.3.18 RM'000**	**31.3.17 RM'000**
Construction	26,000	34,265	1,905	4,455
Property Development	27,284	25,798	8,439	6,108
Building Material	9,689	7,405	(89)	(295)
Others	414	418	(614)	(679)
Inter-segment eliminations	(4,889)	(32,339)	(1,324)	2,450
Total before non-controlling interest	**58,498**	**35,547**	**8,317**	**12,039**
Non-controlling interest	-	-	327	360
Total	**58,498**	**35,547**	**8,644**	**12,399**

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 2018.

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 over ordinary shares 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 2017 Exercised during the periods: - Quarter 1 2018	4,157,900 -
Outstanding unexercised options as at 31 March 2018	4,157,900

The Scheme is expiring on 20 August 2020.

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

11. Changes in composition of the Group

On 12 March 2018, Ho Hup Ventures (Kuantan) Sdn Bhd, a wholly-owned subsidiary of the Company entered into a joint venture agreement with Koperasi Serbausaha Makmur Berhad for the proposed development of a parcel of freehold commercial land held under GM 1661, Lot 6620, Jalan Teluk Sisek, Mukim of Kuala Kuantan, Daerah Kuantan, Negeri Pahang Darul Makmur, measuring approximately 8,129.90 square metres.

12. Changes in contingent liabilities

	Group		**Company**	
	31.3.2018 RM'000	**31.3.2017 RM'000**	**31.3.2018 RM'000**	**31.3.2017 RM'000**
Corporate guarantees given to licensed banks for banking facilities granted to subsidiary companies				
- Limit of guarantee	-	-	269,067	138,109
- Amount utilised	-	-	166,855	114,151
Corporate guarantees given to a supplier of goods to subsidiary companies				
- Limit of guarantee	-	-	28,850	28,650
- Amount utilised	-	-	3,359	3,448
Guarantees issued by financial institutions in connection with performance bonds, security and tender deposits in favour of third parties for construction projects	21,577	23,750	21,577	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 B12 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.

	31.3.2018 RM'000	31.12.2017 RM'000
Capital expenditure Approved and contracted for:		
- Purchase of property, plant and equipment	789	789

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	**31.3.18 RM'000**	**31.3.17 RM'000**	**Changes RM'000**	**%**	**31.3.18 RM'000**	**31.3.17 RM'000**	**Changes RM'000**	**%**
Construction	26,000	34,265	(8,265)	(24.1)	1,905	4,455	(2,550)	(57.2)
Property Development	27,284	25,798	1,486	5.8	8,439	6,108	2,331	38.2
Building Material	9,689	7,405	2,284	30.8	(89)	(295)	206	69.8
Others	414	418	(4)	(1.0)	(614)	(679)	65	9.6
Inter-segment eliminations	(4,889)	(32,339)	27,450	84.9	(1,324)	2,450	(3,774)	(154.0)
Total before non-controlling interest	**58,498**	**35,547**	**22,951**	**64.6**	**8,317**	**12,039**	**(3,722)**	**(30.9)**
Non-controlling interest	-	-	-	-	**327**	**360**	**(33)**	**(91.7)**
Total	**58,498**	**35,547**	**22,951**	**64.6**	**8,644**	**12,399**	**(3,755)**	**(30.3)**

The Group revenue for the current quarter increased by RM23.0 million (64.6%) as compared to previous year corresponding quarter due to the following:-

a) **Construction Division**
The revenue decreased by RM8.3 million or 24.1% with no recognition of revenue for Parcel A at its final account stage in the current quarter as compared to RM21.0 million in same quarter previous year. Other projects namely Polytechnic College in Kuala Terengganu, Bridges Works in Teluk Intan, Breakwater Rehabilitation Works in Besut, Technical College in Kulai, and Yong Peng Highway had contributed to the revenue of RM26.0 million in current quarter as compared to same quarter previous year of RM13.3 million.

b) **Property Development Division**
The revenue recognized from this Division were mainly contributed from the entitlement recognition from the Joint Development Agreement (JDA) with Pioneer Haven Sdn Bhd. The increase of RM1.5 million is mainly from the progression of service apartments under Phase 2 of Bukit Jalil City.

c) **Building Material Division**
Revenue increased by RM2.3 million or 30.8% mainly by the Quarry Division for the supply of rocks and aggregates for rehabilitation works in Terengganu. However, the increase in the Quarry Division was mitigated by the decline in the ready mix business of RM2.6 million (42.1%) due to slow down in the industry.

Overall, the Group recorded a profit after tax (PAT) of RM8.3 million as compared to RM12.0 million in the same corresponding quarter in the previous year. The PAT decreased by RM3.7 million or 30.9% was mainly due to the increase in finance costs with new additional short term loans undertaken for working capital requirements of the Group, as well as for the building material division, increased in depreciation charges due to additional machineries purchased for new projects and increase in investment properties.

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			
	31.3.18	31.12.17	Changes		31.3.18	31.12.17	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Construction	26,000	68,515	(42,515)	(62.1)	1,908	4,527	(2,619)	(57.9)
Property Development	27,284	29,293	(2,009)	(6.9)	11,311	12,718	(1,407)	(11.1)
Building Material	9,689	5,042	4,647	92.2	(89)	181	(270)	(149.2)
Others	414	405	9	2.2	(614)	(43)	(571)	(1,327.9)
Inter-segment eliminations	(4,889)	(35,203)	30,314	86.1	(1,324)	(3,991)	2,667	66.8
Total	**58,498**	**68,052**	**(9,554)**	**(14.0)**	**11,192**	**13,392**	**(2,200)**	**(16.4)**

The current quarter profit before tax decreased by RM2.2 million mainly due to decrease of gross profit as a result of decline in revenue and increase in finance costs due to drawdown of additional financing facilities.

3. (a) **Current Financial Year Prospects**

The Board expects to perform satisfactory with the implementation of the following initiatives:

(i) 323 units of The Crown Service Suites together with the Crowne Plaza Hotel, including 18 units of retail outlets in Kota Kinabalu commencing third quarter 2018.

(ii) Launch of Laman Iskandaria township development in Kulai situated adjacent to the upcoming Johore International Skill Hub by year end.

(iii) Supply of quarry materials for infrastructure projects for road and breakwater works.

(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 31.3.2018 RM'000
Current period tax expense	2,875
Deferred tax expense	-
	2,875

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

	31.3.2018 RM'000	31.12.2017 RM'000
Borrowings denominated in Ringgit Malaysia:		
Secured		
<u>Non-Current</u>		
Finance lease liabilities	7,143	7,064
Bank borrowings	161,401	160,122
<u>Current</u>		
Finance lease liabilities	3,586	2,743
Bank borrowings	151,685	136,173
Total Borrowings	323,815	306,102

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:-

(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 setting 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 recovery of the judgment pending extraction of the sealed order from the Court.

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

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, Zen Courts filed an application to make representations on the Valuation Report for determination of the value of the shares ("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 and for the buy out to be completed within (4) four months ("the Valuation Order").

Zen Courts appealed to the Court of Appeal against the dismissal of Enclosure 80 and the Valuation Order. These appeals were dismissed by the Court of Appeal on 19 February 2014 ("Court of Appeal's Orders").

Zen Courts subsequently applied for leave to appeal to the Federal Court in relation to the Court of Appeal's Orders. On 5 May 2015, the Federal Court granted leave to Zen Courts to appeal to the Federal Court based on two (2) leave questions ("FC Appeals").

At the hearing of the appeals on 26 April 2016, the Federal Court allowed the FC Appeals without answering the leave questions ("Federal Court Order").The effect of the FC Order is that Enclosure 80 is allowed and the Valuation Order is set aside. Both Enclosures 80 and Enclosures 84 have been remitted to the High Court for determination of the value of the buy-out and the trial of the same was held on 20 March 2018 to 22 March 2018 and continued on 26 March 2018 until 28 March 2018. This matter is now fixed for oral submission on 1 June 2018.

Meanwhile, 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 them in BJDSB from the Company pending the disposal of Enclosure 80 ("Restoration Application"). This Restoration Application was dismissed with costs by the High Court on 27 March 2017. Zen Courts subsequently appealed to the Court of Appeal on 18 April 2017 against such dismissal and the appeal had then been dismissed by the Court of Appeal with costs on 2 August 2017 ("COA Decision").

In view of the COA Decision, Zen Courts further filed an application in the Federal Court for leave to appeal against the COA Decision. Leave to appeal was granted by the Federal Court on 4 December 2017. The appeal is now fixed for hearing on 26 June 2018.

Except as disclosed above, there were no other material changes in material litigations since the last annual financial year and made up to 18 May 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 March 2018.

15. Profit before Tax

	Individual Quarter 3 Months ended		Cumulative Quarter 3 Months ended	
	31.3.2018 RM'000	**31.3.2017 RM'000**	**31.3.2018 RM'000**	**31.3.2017 RM'000**
Profit before tax is arrived at after charging:-				
Depreciation of property, plant and equipment ("PPE")	946	588	946	588
Depreciation of investment properties ("IP")	70	-	70	-
Amortisation of intangible asset	4	33	4	33
Rental expenses	270	152	270	152
Finance cost	6,293	2,401	6,293	2,401
And Crediting:-				
Rental income	552	264	552	264
Gain on disposal of PPE	803	-	803	-
Finance income	7	8	7	8

16. Earnings per share

<u>Basic Earnings Per Share (Basic EPS)</u>

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 31.3.2018	**Preceding year corresponding quarter 31.3.2017**	**Financial period to-date 31.3.2018**	**Preceding year corresponding period to-date 31.3.2017**
Net profit for the period attributable to owners of the parent (RM'000)	8,644	12,399	8,644	12,399
Weighted average number of ordinary shares ('000)	374,870	374,860	374,870	374,860
Basic EPS (sen)	**2.31**	**3.31**	**2.31**	**3.31**

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 31.3.2018	**Preceding year corresponding quarter 31.3.2017**	**Financial period to-date 31.3.2018**	**Preceding year corresponding period to-date 31.3.2017**
Net profit for the period attributable to owners of the parent (RM'000)	8,644	12,399	8,644	12,399
Adjustment for convertible preference dividend (RM'000)	-	-	-	-
Adjusted net profit for the period attributable to owners of the parent (RM'000)	**8,644**	**12,399**	**8,644**	**12,399**
Weighted average number of ordinary shares ('000)	374,870	374,860	374,870	374,860
Adjustment for ICPS ('000)	-	-	-	-
Adjustment for RCPS ('000)	-	-	-	-
Adjustment for Warrants ('000)	-	11,773	-	11,773
Adjustment for ESOS ('000)	-	468	-	468
Adjusted weighted average number of ordinary shares in issue ('000)	**374,870**	**387,101**	**374,870**	**387,101**
Diluted EPS (sen)	**2.31**	**3.20**	**2.31**	**3.20**

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