HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the financial period ended 30 June 2018

	INDIVIDUAL QUARTER 3 MONTHS ENDED		CUMULATIVE QUARTER 6 MONTHS ENDED	
	30 June 2018 RM'000 (Unaudited)	30 June 2017 RM'000 (Unaudited)	30 June 2018 RM'000 (Unaudited)	30 June 2017 RM'000 (Unaudited)
Revenue	51,659	33,442	110,157	68,989
Cost of Sales	(31,254)	(13,395)	(68,147)	(28,717)
Gross Profit	20,405	20,047	42,010	40,272
Other income	878	627	2,328	1,510
Administrative expenses	(3,487)	(3,077)	(6,569)	(6,188)
Operating expenses	(4,332)	(1,931)	(6,827)	(3,398)
Profit from operating activities	13,464	15,666	30,942	32,196
Finance income	2,427	201	2,434	209
Finance cost	(6,840)	(3,027)	(13,133)	(5,428)
Net finance cost	(4,413)	(2,826)	(10,699)	(5,219)
Share of results of associates and joint ventures	-	(2)	-	(5)
Profit before tax	9,051	12,838	20,243	26,972
Taxation	(2,701)	(2,512)	(5,576)	(4,607)
Profit for the period	6,350	10,326	14,667	22,365
Other comprehensive income/(loss), net of tax				
Foreign currency translation differences for foreign operations	(70)	834	(276)	(444)
Other comprehensive income/(loss) for the period, net of tax	(70)	834	(276)	(444)
Total comprehensive income for the period, net of tax	6,280	11,160	14,391	21,921
Profit/(Loss) attributable to:				
Owners of the Parent	6,797	10,824	15,442	23,223
Non-Controlling Interest	(447)	(498)	(775)	(858)
Profit for the period	6,350	10,326	14,667	22,365
Total comprehensive income/(loss) attributable to:				
Owners of the Parent	6,745	11,717	15,219	22,852
Non-Controlling Interest	(465)	(557)	(828)	(931)
Total comprehensive income for the period	6,280	11,160	14,391	21,921
Earnings per share attributable to owners of the parent (sen):				
Basic	**1.81**	**2.89**	**4.12**	**6.20**
Diluted	**1.81**	**2.78**	**4.12**	**5.97**

The Condensed Consolidated Statements of Comprehensive Income 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 FINANCIAL POSITION AS AT 30 JUNE 2018

	As at 30 June 2018 RM'000 (Unaudited)	As at 31 December 2017 RM'000 (Audited) (Restated)
ASSETS		
Non-Current Assets		
Property, plant and equipment	145,324	153,536
Investment properties	13,688	13,827
Intangible assets	110	122
Land rights	93,550	93,550
Goodwill	10,978	10,978
Quarrying rights	1,127	1,184
Inventories	9,914	9,882
Investment in joint ventures	-	-
Quarry development costs	4,913	4,034
Deferred tax assets	1,161	-
	280,765	287,113
Current Assets		
Amount due from customers on contracts	41,582	32,560
Accrued billing in respect of property development costs	59,414	70,052
Inventories	367,965	347,267
Trade receivables	130,477	83,292
Other receivables	44,192	42,452
Amount due from joint venture	99	99
Tax recoverable	177	25
Fixed deposits with licensed banks	8,993	9,919
Cash and bank balances	25,676	22,912
	678,575	608,578
TOTAL ASSETS	959,340	895,691
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Ordinary share capital	207,559	207,559
Share premium	-	-
Employee Share Option Reserve ("ESOS Reserve")	975	975
Warrant reserve	7,720	7,720
Other reserves	(37,407)	(37,407)
Foreign currency translation reserve	(1,202)	(979)
Retained Earnings	172,841	157,399
	350,486	335,267
Non-Controling Interest	13,495	14,278
Total Equity	363,981	349,545
Non-Current Liabilities		
Finance lease liabilities	6,314	7,064
Bank borrowings	205,395	160,122
Deferred tax liabilities	22,452	22,452
	234,161	189,638
Current Liabilities		
Amount owing to customers on contracts	23,331	25,421
Bank borrowings	141,433	136,173
Trade payables	74,997	75,454
Other payables	95,091	93,117
Finance lease liabilities	3,618	2,743
Tax payable	22,728	23,600
	361,198	356,508
Total Liabilities	595,359	546,146
TOTAL EQUITY AND LIABILITIES	959,340	895,691
Net assets per share attributable to equity holders of the parent (RM)	**0.93**	**0.89**

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 30 June 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	-	-	-	-	-	-	-	-	15,442	15,442	(775)	14,667
Other comprehensive income for the financial year	-	-	-	-	(223)	-	-	-	-	(223)	(53)	(276)
Total comprehensive income for the financial year	-	-	-	-	(223)	-	-	-	15,442	15,219	(828)	14,391
Transactions with owners:												
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	-	45	45
Total transactions with owners	-	-	-	-	-	-	-	-	-	-	45	45
At 30 June 2018	207,559	-	-	-	(1,202)	7,720	975	(37,407)	172,841	350,486	13,495	363,981

	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	-	-	-	-	-	-	-	-	23,223	23,223	(858)	22,365
Other comprehensive income for the financial year	-	-	-	-	(371)	-	-	-	-	(371)	(73)	(444)
Total comprehensive income for the financial year	-	-	-	-	(371)	-	-	-	23,223	22,852	(931)	21,921
Transaction with owners:												
Exercised of ESOS	20	-	-	-	-	-	(4)	-	-	16	-	16
Total transaction with owners	20	-	-	-	-	-	(4)	-	-	16	-	16
At 30 June 2017	187,444	-	-	20,115	(677)	7,720	975	(37,407)	140,547	318,717	15,051	333,768

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.

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the quarter ended 30 June 2018

	6 months ended 30-Jun-18 RM'000 (Unaudited)	6 months ended 30-Jun-17 RM'000 (Unaudited) (Restated)
CASHFLOW FROM OPERATING ACTIVITIES		
Profit before tax	**20,243**	**26,972**
Adjustments for non-cash items:		
Bad Debts written off	-	-
Depreciation of property, plant and equipment	1,832	1,453
Depreciation of investment properties	140	-
Amortisation of intangible assets	8	66
Impairment of trade receivables	-	-
Share of results of associates and joint ventures	-	5
Loss on disposal of property, plant and equipment	(1,105)	1
Provision for liquidated ascertained damages	-	-
Share-based payment expenses	-	-
Waiver of other payables	-	-
Discount on settlement of a term loan	-	-
Finance cost	13,133	5,428
Finance income	(2,434)	(209)
Operating profit before working capital changes	**31,817**	**33,716**
Movements in working capital		
Accrued billing/Progress billing in respect of property development costs	10,638	(19,557)
Amount owing by/to customer on contract	(9,310)	2,870
Inventories	(20,200)	(26,821)
Receivables	(50,244)	14,462
Payables	2,573	(20,986)
	(66,543)	**(50,032)**
Cash generated from / (used in) operations		
Interest paid	(15,410)	(5,428)
Tax paid	(6,599)	(1,656)
Tax refund	-	-
Payment of liquidated ascertained damages	-	-
Exchange fluctuation adjustment	-	-
	(22,009)	**(7,084)**
Net cash used in operating activities	**(56,735)**	**(23,400)**
CASHFLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(336)	(633)
Purchase of intangible assets	-	-
Proceeds from disposal of property, plant and equipment	14,150	2
Quarry development cost	(643)	
Interest received	2,434	209
Investment in shares	(1,161)	-
Acquisition of additional interest in a subsidiary (net)	-	-
Acquisition of a joint venture company	-	-
Contribution from non-controlling interest	45	-
Net cash from/(used in) investing activities	**14,489**	**(422)**
CASHFLOW FROM FINANCING ACTIVITIES		
Repayment of term loan	(27,559)	(10,815)
Drawdown of term loan	69,115	26,880
Repayment of hire purchase	(1,677)	(1,533)
Proceeds from issuance of shares	-	-
Proceeds from exercise on warrants	-	-
Proceeds from exercise on ESOS	-	16
Net cash from financing activities	**39,879**	**14,548**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(2,367)	(9,274)
Effect of changes in foreign exchange rate	(0)	(8)
Cash and cash equivalent restricted	-	-
OPENING BALANCE	5,052	11,567
CLOSING BALANCE	**2,685**	**2,285**
Closing balance of cash and cash equivalents comprises:-		
Cash and bank balances	25,676	10,642
Bank overdraft	(31,984)	(15,763)
Fixed deposits with licensed banks	8,993	7,406
	2,685	**2,285**

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 31 December 2017</u>			
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)	-
<u>As at 30 June 2017</u>			
Total Equity	333,706	62	333,768

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)

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 30 June 2017			
Cash Flows From Operating Activities			
Movements in working capital			
Land held for property development and property development costs	(26,799)	26,799	-
Inventories	(22)	(26,799)	(26,821)

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 6 months			
	Revenue		Profit attributable to owners of the parent	
Business Segment	**30.6.18 RM'000**	**30.6.17 RM'000**	**30.6.18 RM'000**	**30.6.17 RM'000**
Construction	45,263	64,548	2,155	8,359
Property Development	48,727	71,587	16,641	14,066
Building Material	20,413	14,699	(42)	(1,180)
Others	792	796	(1,363)	(2,168)
Inter-segment eliminations	(5,038)	(82,641)	(2,724)	3,288
Total before non-controlling interest	**110,157**	**68,989**	**14,667**	**22,365**
Non-controlling interest	-	-	775	858
Total	**110,157**	**68,989**	**15,442**	**23,223**

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 June 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 - Quarter 2, 2018	4,157,900 - -
Outstanding unexercised options as at 30 June 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

There were no changes in the composition of the Group for the current quarter under review.

12. Changes in contingent liabilities

	Group		**Company**	
	30.6.2018 RM'000	**30.6.2017 RM'000**	**30.6.2018 RM'000**	**30.6.2017 RM'000**
Corporate guarantees given to licensed banks for banking facilities granted to subsidiary companies				
- Limit of guarantee	-	-	606,067	220,787
- Amount utilised	-	-	217,406	185,956
Corporate guarantees given to a supplier of goods to subsidiary companies				
- Limit of guarantee	-	-	28,850	28,650
- Amount utilised	-	-	3,046	3,041
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.

	30.6.2018 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

Business Segment	Individual Quarter 3 months ended							
	Revenue				Profit attributable to owners of the parent			
	30.6.18	30.6.17	Changes		30.6.18	30.6.17	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Construction	19,262	30,283	(11,021)	(36.4)	250	3,904	(3,654)	(93.6)
Property Development	21,444	45,789	(24,345)	(53.2)	8,202	7,958	244	3.1
Building Material	10,724	7,294	3,430	47.0	47	(885)	932	105.3
Others	379	379	-	-	(749)	(1,489)	740	49.7
Inter-segment eliminations	(150)	(50,303)	50,153	99.7	(1,400)	838	(2,238)	(267.1)
Total before non-controlling interest	**51,659**	**33,442**	**18,217**	**54.5**	**6,350**	**10,326**	**(3,976)**	**(38.5)**
Non-controlling interest	**-**	**-**	**-**	**-**	**447**	**498**	**(51)**	**(10.2)**
Total	**51,659**	**33,442**	**18,217**	**54.5**	**6,797**	**10,824**	**(4,027)**	**(37.2)**

The Group revenue for the current quarter increased by RM18.2 million (54.5%) as compared to previous year corresponding quarter due to the following:

a) **Construction Division**
The revenue decreased by RM11.0 million or 36.4% was mainly due to the non-recognition of revenue for the period under review for Parcel A, presently at its final account stage as compared to RM24.8 million in same quarter in the previous period. Other projects contributed revenue of some RM19.3 million in current quarter as compared to same quarter previous year of RM5.5 million, listed as follows:-

- Terengganu State - Polytechnic College and breakwater rehabilitation works in Besut
- Perak State - the bridge works and immigration quarters
- Johor State - Technical College in Kulai, and Yong Peng highway

b) **Property Development Division**
The revenue declined by RM24.3 million or 53.2% due to the completion of Aurora Place and Signature Shop Offices under Phase 1 of Bukit Jalil City. Revenue reported for the current quarter was mainly from Parkview Residence of Phase 2 of Bukit Jalil City Project under the Joint Development Agreement (JDA) with Pioneer Haven Sdn Bhd.

c) **Building Material Division**
Revenue increased by RM3.4 million or 47.0% mainly by the Quarry Division for the supply of rocks and aggregates for rehabilitation works in Terengganu. Quarry Division's revenue increased from RM3.1 million to RM8.7 million by RM5.6 million, assist to mitigate the drop in the ready mix business of RM2.2 million due to sluggish market condition.

1. Group Performance Review (cont'd)

The profit after tax (PAT) decreased by RM4 million or 38.5% due to:-

- Increase in finance costs arising from higher loan utilization.
- Additional depreciation charges due to additional machineries acquired for ongoing projects and increase in investment properties.

B) Performance of Current Cumulative Six Months compared with Previous Year Corresponding Six Months

Business Segment	Cumulative 6 months ended							
	Revenue				Profit attributable to owners of the parent			
	30.6.18	30.6.17	Changes		30.6.18	30.6.17	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Construction	45,263	64,548	(19,285)	(29.9)	2,155	8,359	(6,204)	(74.2)
Property Development	48,727	71,587	(22,860)	(31.9)	16,641	14,066	2,575	18.3
Building Material	20,413	14,699	5,714	38.9	(42)	(1,180)	1,138	96.4
Others	792	796	(4)	(0.5)	(1,363)	(2,168)	805	37.1
Inter-segment eliminations	(5,038)	(82,641)	77,603	93.9	(2,724)	3,288	(6,012)	182.8
Total before non-controlling interest	**110,157**	**68,989**	**41,168**	**59.7**	**14,667**	**22,365**	**(7,698)**	**(34.4)**
Non-controlling interest	**-**	**-**	**-**	**-**	**775**	**858**	**(83)**	**(9.7)**
Total	**110,157**	**68,989**	**41,168**	**59.7**	**15,442**	**23,223**	**(7,781)**	**(33.5)**

The Group recorded revenue of RM110.2 million and profit after tax of RM14.7 million for the financial period ended 30 June 2018 as compared to the same corresponding period of RM69.0 million and RM22.4 million. The Divisional revenue and profit after tax are explained as follows:-

a) **Construction Division**
The revenue for the current period under review declined by RM19.3 million, arising from the completion of Parcel A. However, revenue from the on-going 3 State Governments construction projects contributed to the turnover for the current period under review.

b) Property Development Division
With the progressive completion of the Aurora Place and Ho Hup Tower, lower revenue is recognized for the current period. However, the strong revenue contribution of RM44.0 million from Bukit Jalil City under the Joint Development Agreement (JDA) accounted for the current period's performance.

c) Building Material Division
Overall, revenue increased by RM5.7 million contributed by the Quarry Division for the supply of rocks and aggregates for rehabilitation works in Terengganu. However, the ready mix business contributed a lower revenue by RM4.7 million arising from severe market competition.

The Group's profit after tax (PAT) for the current period under review declined by RM7.7 million arising from the impact of higher finance costs for new loans drawdown for working capital requirements to fund and support the current level of operating 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			
	30.6.18	31.3.18	Changes		30.6.18	31.3.18	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Construction	19,262	26,000	(6,738)	(25.9)	252	1,908	(1,656)	(86.8)
Property Development	21,444	27,284	(5,840)	(21.4)	10,901	11,311	(410)	(3.6)
Building Material	10,724	9,689	1,035	10.7	46	(89)	135	151.7
Others	379	414	(35)	(8.5)	(749)	(614)	(135)	(22.0)
Inter-segment eliminations	(150)	(4,889)	4,739	96.9	(1,399)	(1,324)	(75)	(5.7)
Total	**51,659**	**58,498**	**(6,839)**	**(11.7)**	**9,051**	**11,192**	**(2,141)**	**(19.1)**

The current quarter profit before tax decreased by RM2.1 million mainly due to lower revenue and increase of operating expenses due to arranger fee and extension fee for loans, legal fee, agency fee and referral fee for disposal of properties and valuation fees.

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

The Board expects the remaining six (6) months performance to be stable due to the expected contributions from the JDA entitlements with Pioneer Haven Sdn Bhd, in view of the current phases of ongoing development.

(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 30.6.2018 RM'000	**Cumulative Year to Date 30.6.2018 RM'000**
Current period tax expense	2,701	5,576
Deferred tax expense	-	-
	2,701	5,576

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

	30.6.2018 RM'000	**31.12.2017 RM'000**
Borrowings denominated in Ringgit Malaysia:		
Secured		
Non-Current		
Finance lease liabilities	6,314	7,064
Bank borrowings	205,395	160,122
Current		
Finance lease liabilities	3,618	2,743
Bank borrowings	141,433	136,173
Total Borrowings	356,760	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 has recently extracted a copy of the sealed Judgment and a demand on the sealed Judgment will made in due course.

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 has fixed for oral submission on 1 June 2018 and to be continued on 9 and 10 October 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 19 November 2018.

Except as disclosed above, there were no other material changes in material litigations since the last annual financial year and made up to 29 August 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 30 June 2018.

15. Profit before Tax

	Individual Quarter 3 Months ended		Cumulative Quarter 6 Months ended	
	30.6.2018 RM'000	**30.6.2017 RM'000**	**30.6.2018 RM'000**	**30.6.2017 RM'000**
Profit before tax is arrived at after charging:-				
Depreciation of property, plant and equipment ("PPE")	886	865	1,832	1,453
Depreciation of investment properties ("IP")	70	-	140	-
Amortisation of intangible asset	4	33	8	66
Loss on disposal of PPE	-	1	-	1
Rental expenses	224	226	494	346
Finance cost	6,840	3,027	13,133	5,428
And Crediting:-				
Gain on disposal of PPE	302	-	1,105	-
Rental income	558	219	1,111	484
Finance income	2,427	201	2,434	209

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 30.6.2018	**Preceding year corresponding quarter 30.6.2017**	**Financial period to-date 30.6.2018**	**Preceding year corresponding period to-date 30.6.2017**
Net profit for the period attributable to owners of the parent (RM'000)	6,797	10,824	15,442	23,223
Weighted average number of ordinary shares ('000)	374,870	374,870	374,870	374,865
Basic EPS (sen)	**1.81**	**2.89**	**4.12**	**6.20**

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 30.6.2018	**Preceding year corresponding quarter 30.6.2017**	**Financial period to-date 30.6.2018**	**Preceding year corresponding period to-date 30.6.2017**
Net profit for the period attributable to owners of the parent (RM'000)	6,797	10,824	15,442	23,223
Adjustment for convertible preference dividend (RM'000)	-	-	-	-
Adjusted net profit for the period attributable to owners of the parent (RM'000)	**6,797**	**10,824**	**15,442**	**23,223**
Weighted average number of ordinary shares ('000)	374,870	374,870	374,870	374,865
Adjustment for Warrants ('000)	-	13,729	-	13,357
Adjustment for ESOS ('000)	-	648	-	601
Adjusted weighted average number of ordinary shares in issue ('000)	**374,870**	**389,247**	**374,870**	**388,823**
Diluted EPS (sen)	**1.81**	**2.78**	**4.12**	**5.97**

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