

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

	INDIVIDUAL QUARTER 3 MONTHS ENDED		CUMULATIVE QUARTER 9 MONTHS ENDED	
	30 Sept 2018	30 Sept 2017	30 Sept 2018	30 Sept 2017
	RM'000 (Unaudited)	RM'000 (Unaudited)	RM'000 (Unaudited)	RM'000 (Unaudited)
Revenue	48,823	42,636	158,980	111,625
Cost of Sales	(29,926)	(24,422)	(98,073)	(53,139)
Gross Profit	<u>18,897</u>	<u>18,214</u>	<u>60,907</u>	<u>58,486</u>
Other income	419	638	2,747	2,148
Administrative expenses	(3,044)	(3,245)	(9,613)	(9,433)
Operating expenses	(3,618)	(5,233)	(10,445)	(8,631)
Profit from operating activities	<u>12,654</u>	<u>10,374</u>	<u>43,596</u>	<u>42,570</u>
Finance income	50	5	2,484	214
Finance cost	(4,360)	(1,987)	(17,493)	(7,415)
Net finance cost	<u>(4,310)</u>	<u>(1,982)</u>	<u>(15,009)</u>	<u>(7,201)</u>
Share of results of associates and joint ventures	-	-	-	(5)
Profit before tax	<u>8,344</u>	<u>8,392</u>	<u>28,587</u>	<u>35,364</u>
Taxation	(2,177)	(1,403)	(7,753)	(6,010)
Profit for the period	<u>6,167</u>	<u>6,989</u>	<u>20,834</u>	<u>29,354</u>
Other comprehensive income/(loss), net of tax				
Foreign currency translation differences for foreign operations	(349)	352	(625)	(92)
Other comprehensive income/(loss) for the period, net of tax	<u>(349)</u>	<u>352</u>	<u>(625)</u>	<u>(92)</u>
Total comprehensive income for the period, net of tax	<u>5,818</u>	<u>7,341</u>	<u>20,209</u>	<u>29,262</u>
Profit/(Loss) attributable to:				
Owners of the Parent	5,465	7,445	20,907	30,688
Non-Controlling Interest	702	(456)	(73)	(1,314)
Profit for the period	<u>6,167</u>	<u>6,989</u>	<u>20,834</u>	<u>29,354</u>
Total comprehensive income/(loss) attributable to:				
Owners of the Parent	5,209	7,836	20,428	30,688
Non-Controlling Interest	609	(495)	(219)	(1,426)
Total comprehensive income for the period	<u>5,818</u>	<u>7,341</u>	<u>20,209</u>	<u>29,262</u>
Earnings per share attributable to owners of the parent (sen):				
Basic	<u>1.46</u>	<u>1.99</u>	<u>5.58</u>	<u>8.18</u>
Diluted	<u>1.46</u>	<u>1.94</u>	<u>5.58</u>	<u>7.91</u>

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 30 SEPTEMBER 2018

	As at 30 Sept 2018 RM'000 (Unaudited)	As at 31 Dec 2017 RM'000 (Audited) (Restated)
ASSETS		
Non-Current Assets		
Property, plant and equipment	145,789	153,536
Investment properties	13,618	13,827
Intangible assets	97	122
Land rights	93,550	93,550
Goodwill	10,978	10,978
Quarrying rights	1,098	1,184
Inventories	9,914	9,882
Investment in joint ventures	0	-
Quarry development costs	5,276	4,034
Investment	1,161	-
	<u>281,481</u>	<u>287,113</u>
Current Assets		
Amount due from customers on contracts	35,041	32,560
Accrued billing in respect of property development costs	53,532	70,052
Inventories	384,991	347,267
Trade receivables	166,751	83,292
Other receivables	42,396	42,452
Amount due from joint venture	99	99
Tax recoverable	239	25
Fixed deposits with licensed banks	6,369	9,919
Cash and bank balances	24,273	22,912
	<u>713,691</u>	<u>608,578</u>
TOTAL ASSETS	<u>995,172</u>	<u>895,691</u>
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	(1,458)	(979)
Retained Earnings	178,306	157,399
	<u>355,695</u>	<u>335,267</u>
Non-Controlling Interest	<u>14,104</u>	<u>14,278</u>
Total Equity	<u>369,799</u>	<u>349,545</u>
Non-Current Liabilities		
Finance lease liabilities	5,465	7,064
Bank borrowings	188,201	160,122
Deferred tax liabilities	22,452	22,452
	<u>216,118</u>	<u>189,638</u>
Current Liabilities		
Amount owing to customers on contracts	17,928	25,421
Bank borrowings	161,598	136,173
Trade payables	96,871	75,454
Other payables	104,157	93,117
Finance lease liabilities	3,672	2,743
Tax payable	25,029	23,600
	<u>409,255</u>	<u>356,508</u>
Total Liabilities	<u>625,373</u>	<u>546,146</u>
TOTAL EQUITY AND LIABILITIES	<u>995,172</u>	<u>895,691</u>
Net assets per share attributable to equity holders of the parent (RM)	<u>0.95</u>	<u>0.89</u>

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 September 2018

	Attributable to Owners of the Parent											
	Non-Distributable					Distributable						
	Share Capital RM'000	ICFS RM'000	RCFS 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	207,559	-	-	-	(979)	7,720	975	(37,407)	157,337	335,205	14,278	349,483
- as previously reported									62	62	-	62
Effect of adopting MFRS												
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									20,907	20,907	(73)	20,834
Other comprehensive income for the financial year					(479)					(479)	(146)	(625)
Total comprehensive income for the financial year					(479)				20,907	20,428	(219)	20,209
Transactions with owners:												
Capital contribution by non-controlling interests											45	45
Total transactions with owners											45	45
At 30 September 2018	207,559	-	-	-	(1,458)	7,720	975	(37,407)	178,306	355,695	14,104	369,799

	Attributable to Owners of the Parent											
	Non-Distributable					Distributable						
	Share Capital RM'000	ICFS RM'000	RCFS 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
- as previously reported									62	62	-	62
Effect of adopting MFRS												
At 1 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									30,668	30,668	(1,314)	29,354
Other comprehensive income for the financial year					20					20	(112)	(92)
Total comprehensive income for the financial year					20				30,668	30,688	(1,426)	29,262
Transactions with owners:												
Exercised of ESOS											(4)	(4)
Total transaction with owners											(4)	(4)
At 30 September 2017	187,444	-	-	20,115	(286)	7,720	975	(37,407)	147,992	326,553	14,556	341,109

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 30 Sept 2018

	9 months ended 30-Sep-18 RM'000 (Unaudited)	9 months ended 30-Sep-17 RM'000 (Unaudited) (Restated)
CASHFLOW FROM OPERATING ACTIVITIES		
Profit before tax	28,587	35,364
Adjustments for non-cash items:		
Bad Debts written off	-	-
Depreciation of property, plant and equipment	2,713	2,529
Depreciation of investment properties	210	-
Amortisation of intangible assets	11	98
Impairment of trade receivables	-	-
Share of results of associates and joint ventures	-	5
(Gain)/Loss on disposal of property, plant and equipment	(1,105)	(170)
Provision for liquidated ascertained damages	-	-
Share-based payment expenses	-	-
Waiver of other payables	-	-
Discount on settlement of a term loan	-	-
Finance cost	17,493	7,415
Finance income	(2,484)	(214)
Operating profit before working capital changes	45,425	45,027
Movements in working capital		
Accrued billing/Progress billing in respect of property development costs	16,520	(21,676)
Amount owing by/to customer on contract	(8,172)	5,815
Inventories	(35,214)	(51,757)
Receivables	(84,325)	7,770
Payables	32,800	(13,389)
	(78,391)	(73,237)
Cash generated from / (used in) operations		
Interest paid	(22,860)	(7,415)
Tax paid	(6,538)	(4,974)
Tax refund	-	-
Payment of liquidated ascertained damages	-	-
Exchange fluctuation adjustment	-	-
	(29,398)	(12,389)
Net cash used in operating activities	(62,364)	(40,599)
CASHFLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(697)	(3,412)
Purchase of intangible assets	-	-
Proceeds from disposal of property, plant and equipment	14,150	1,949
Quarry development cost	(908)	-
Interest received	2,484	214
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	13,913	(1,249)
CASHFLOW FROM FINANCING ACTIVITIES		
Repayment of term loan	(29,734)	(10,633)
Drawdown of term loan	74,860	42,892
Repayment of hire purchase	(2,471)	(2,003)
Proceeds from issuance of shares	-	-
Proceeds from exercise on warrants	-	-
Proceeds from exercise on ESOS	-	16
Net cash from financing activities	42,655	30,272
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(5,796)	(11,576)
Effect of changes in foreign exchange rate	(0)	(16)
Cash and cash equivalent restricted	-	-
OPENING BALANCE	5,052	11,567
CLOSING BALANCE	(744)	(25)
Closing balance of cash and cash equivalents comprises:-		
Cash and bank balances	24,273	11,498
Bank overdraft	(31,386)	(21,529)
Fixed deposits with licensed banks	6,369	10,006
	(744)	(25)

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

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

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 liquidated 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 September 2017</u>			
Total Equity	341,047	62	341,109

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
<u>For the period ended 30 September</u>			
<u>2017</u>			
Cash Flows From Operating			
Activities			
Movements in working capital			
Land held for property development and property development costs	(52,011)	52,011	-
Inventories	254	(52,011)	(51,757)

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	1 January 2019
IC Interpretation 23	1 January 2019
Amendments to MFRS 9	1 January 2019
Amendments to MFRS 128	1 January 2019
Amendments to MFRS 119	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	1 January 2021
Amendments to MFRS 10 and MFRS 128	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

Business Segment	Cumulative 9 months			
	Revenue		Profit attributable to owners of the parent	
	30.9.18 RM'000	30.9.17 RM'000	30.9.18 RM'000	30.9.17 RM'000
Construction	54,706	99,539	593	9,481
Property Development	73,540	94,476	24,473	16,854
Building Material	34,750	21,825	(15)	(2,057)
Others	1,173	1,152	(1,893)	(3,556)
Inter-segment eliminations	(5,189)	(105,367)	(2,324)	8,632
Total before non-controlling interest	158,980	111,625	20,834	29,354
Non-controlling interest	-	-	73	1,314
Total	158,980	111,625	20,907	30,668

5. Unusual items due to their nature, size or incidence

There were no unusual items affecting the assets, liabilities, equity, net income or cash flow during the financial period ended 30 September 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	4,157,900
Exercised during the periods:	
- Quarter 1, 2018	-
- Quarter 2, 2018	-
- Quarter 3, 2018	-
Outstanding unexercised options as at 30 September 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	
	30.9.2018 RM'000	30.9.2017 RM'000	30.9.2018 RM'000	30.9.2017 RM'000
Corporate guarantees given to licensed banks for banking facilities granted to subsidiary companies				
- Limit of guarantee	-	-	606,067	297,787
- Amount utilised	-	-	224,083	193,345
Corporate guarantees given to a supplier of goods to subsidiary companies				
- Limit of guarantee	-	-	28,850	28,650
- Amount utilised	-	-	1,989	3,118
Guarantees issued by financial institutions in connection with performance bonds, security and tender deposits in favour of third parties for construction projects	8,677	21,687	8,677	21,687

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.

	30.9.2018	31.12.2017
	RM'000	RM'000
Capital expenditure Approved and contracted for:		
- Purchase of property, plant and equipment	<u>526</u>	<u>789</u>

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			
	30.9.18	30.9.17	Changes		30.9.18	30.9.17	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Construction	9,444	34,990	(25,546)	(73.0)	(1,562)	1,122	(2,684)	(239.2)
Property Development	24,812	22,889	1,923	8.4	7,832	2,788	5,044	180.9
Building Material	14,336	7,126	7,210	101.2	27	(877)	904	103.1
Others	381	356	25	7.0	(530)	(1,388)	858	61.8
Inter-segment eliminations	(150)	(22,725)	22,575	99.3	400	5,344	(4,944)	(92.5)
Total before non-controlling interest	48,823	42,636	6,187	14.5	6,167	6,989	(822)	(11.8)
Non-controlling interest	-	-	-	-	(702)	456	(1,158)	(253.9)
Total	48,823	42,636	6,187	14.5	5,465	7,445	(1,980)	(26.6)

The Group revenue for the current quarter increased by RM6.2 million (14.5%) as compared to previous year corresponding quarter due to the following:

a) Construction Division

The revenue decreased by RM25.5 million or 73.0% mainly due to the tail end recognition of the completion of Aurora Place and Polytechnic College Hulu Terengganu in the current quarter compared to RM21.9 million in the same quarter previous year. Other projects namely, the polytechnic college, breakwater rehabilitation works in Terengganu, the bridges works in Perak, technical college in Johor, and Yong Peng highway contributed RM9.4 million to the revenue in current quarter as compared to the same quarter previous year of RM13.0 million.

b) Property Development Division

The revenue increased marginally by RM1.9 million or 8.4% mainly due to the contribution of RM6.8 million from the sales of the newly launched project in Kota Kinabalu. Revenue from the Joint Development Agreement (JDA) with Pioneer Haven Sdn Bhd has contributed RM18.0 million in current quarter as compared to RM9.1 million in the corresponding quarter last year. However, the increase was mitigated by the decline in revenue contribution with the completion of Aurora Place, with no contribution from Aurora Place in current quarter as compared to RM13.8 million in same quarter previous year.

c) Building Material Division

Revenue increased by RM7.2 million or 101.2% mainly contributed by the Quarry Division for the supply of rocks and aggregates for the rehabilitation works in Besut, Terengganu. The Quarry Division's revenue increased from RM2.7 million to RM11.0 million by RM8.3 million (>100%). The increase in the Quarry Division however was mitigated by the decline in the ready mix business by RM1.1 million (24.0%) due to the low volume activities in the ready-mix concrete market.

1. Group Performance Review (cont'd)

A) Performance of Current Quarter compared with Previous Year Corresponding Quarter (cont'd)

Overall, the Group recorded a profit after tax (PAT) of RM6.2 million as compared to RM7.0 million in the same corresponding quarter in the previous year. The PAT decreased by RM0.8 million or 11.8%, mainly due to the increase in finance costs arising from the higher working capital requirement of the Group.

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

Business Segment	Cumulative 9 months ended							
	Revenue				Profit attributable to owners of the parent			
	30.9.18	30.9.17	Changes		30.9.18	30.9.17	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Construction	54,706	99,539	(44,833)	(45.0)	593	9,481	(8,888)	(93.7)
Property Development	73,540	94,476	(20,936)	(22.2)	24,473	16,854	7,619	45.2
Building Material	34,750	21,825	12,925	59.2	(15)	(2,057)	2,042	99.3
Others	1,173	1,152	21	1.8	(1,893)	(3,556)	1,663	46.8
Inter-segment eliminations	(5,189)	(105,367)	100,178	95.1	(2,324)	8,632	(10,956)	(126.9)
Total before non-controlling interest	158,980	111,625	47,355	42.4	20,834	29,354	(8,520)	(29.0)
Non-controlling interest	-	-	-	-	73	1,314	(1,241)	(94.4)
Total	158,980	111,625	47,355	42.4	20,907	30,668	(9,761)	(31.8)

The Group recorded revenue of RM159.0 million with a profit after tax of RM20.9 million for the financial period ended 30 September 2018 as compared to the same corresponding period of RM111.6 million and RM30.7 million. The Divisional revenue and profit after tax are explained as follows:-

a) Construction Division

The cumulative revenue for Quarter 3, 2018 decreased by RM44.8 million with the completion of our in-house project, the Aurora Place. The summary below show that the division recorded a net increase in external sales of RM22.9 million and the increase was due to the new projects namely Yong Peng highway project and technical college in Johor which has contributed RM15.5 million in total for the current period. In addition, the breakwater rehabilitation works has contributed positively with an increase of RM7.4 million from RM6.1 million in the corresponding period last year.

RM'000	30.9.2018	30.9.2017	Variance
Aurora Place	-	67,710	(67,710)
Yong Peng highway	7,357	-	7,357
Technical college in Johor	8,126	-	8,126
Breakwater rehabilitation works	13,441	6,059	7,382
Other projects	25,782	25,770	12
Total	54,706	99,539	(44,833)
<i>Less: In house project, Aurora Place</i>	<i>-</i>	<i>(67,710)</i>	<i>67,710</i>
Total external sales	54,706	31,829	22,877

1. Group Performance Review (cont'd)

B) Performance of Current Cumulative Nine Months compared with Previous Year Corresponding Nine Months (cont'd)

b) Property Development Division

Cumulative revenue for Quarter 2, 2018 declined by RM20.9 million as a result of lower revenue recognition from the completion of Aurora Place (Q3, 2017: RM17.3 million), lower revenue recognition from Ho Hup Tower RM4.7 million (Q3, 2017: RM37.2 million). However, the contribution of revenue from the Bukit Jalil City Project under the Joint Development Agreement (JDA) entitlement increased to RM62.0 million (Q3, 2017: RM39.9 million) and the newly launched project in Kota Kinabalu, The Crown contributed RM6.8 million to mitigate the decline in the overall revenue.

c) Building Material Division

Revenue increased by RM12.9 million or 59.2% mainly due to the Quarry Division supply of rocks and aggregates for the rehabilitation works in Terengganu. The increase in the Quarry Division revenue however was offset by the decline in the ready mix business by RM5.8 million (39.2%) due to the lower demand and price competition in the market.

The Group profit after tax (PAT) for the year declined by RM8.5 million or 29.0% as compared to the previous financial period mainly due to higher finance related cost and expenses with additional funding required for working capital of the Group. Additional funding was taken to bridge the Group's cash flow requirements.

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			
	30.9.18	30.6.18	Changes		30.9.18	30.6.18	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Construction	9,444	19,262	(9,818)	(51.0)	(1,559)	252	(1,811)	(718.7)
Property Development	24,812	21,444	3,368	15.7	10,545	10,901	(356)	(3.3)
Building Material	14,336	10,724	3,612	33.7	27	46	(19)	(41.3)
Others	381	379	2	0.5	(1,070)	(749)	(321)	(42.9)
Inter-segment eliminations	(150)	(150)	-	-	401	(1,399)	1,800	128.7
Total	48,823	51,659	(2,836)	(5.5)	8,344	9,051	(707)	(7.8)

The current quarter profit before tax decreased marginally by RM0.7 million mainly due to the lower revenue which resulted in lower profit margin.

3. (a) Current Financial Year Prospects

The Board expects the remaining three (3) months performance to be stable with the expected contributions from the entitlements of the JDA with Pioneer Haven Sdn Bhd, in view of the development progress and the initial contributions from the Crown in Kota Kinabalu.

(b) Progress and steps to achieve financial estimate, forecast, projection and internal targets previously announced

There was no financial forecast previously announced by the Group.

4. Statement of the Board of Directors' opinion on achievability of financial estimate, forecast, projection and internal targets previously announced

Not applicable.

5. Financial estimate, forecast or projection/profit guarantee

There was no financial estimate, forecast or projection and profit guarantee issued by the Group.

6. Variance of actual profit from forecast profit and shortfall in profit guarantee

This is not applicable.

7. Taxation

The breakdown of tax expense for the current quarter under review is as follow:

	Current Quarter Ended 30.9.2018 RM'000	Cumulative Year to Date 30.9.2018 RM'000
Current period tax expense	2,177	7,753
Deferred tax expense	-	-
	2,177	7,753

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

	30.9.2018	31.12.2017
	RM'000	RM'000
Borrowings denominated in Ringgit Malaysia:		
Secured		
<u>Non-Current</u>		
Finance lease liabilities	5,465	7,064
Bank borrowings	188,201	160,122
<u>Current</u>		
Finance lease liabilities	3,672	2,743
Bank borrowings	161,598	136,173
Total Borrowings	<u>358,936</u>	<u>306,102</u>

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.

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)

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 extracted a copy of the sealed Judgment and we are now in the midst of issuing a demand on the sealed Judgment.

- (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”).

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 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 been further fixed for oral submission on 1 June 2018 and continued on 9 and 10 October 2018. This matter is now fixed for decision on 25 January 2019.

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 for restoration which was fixed for hearing on 19 November 2018 has now been adjourned to a date to be fixed by the Federal Court later.

Except as disclosed above, there were no other material changes in material litigations since the last annual financial year and made up to 29 November 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. Related Party Disclosures

The Group carried out the following related party transactions during the period under review:

	Individual Quarter 3 Months ended		Cumulative Quarter 9 Months ended	
	30.9.2018 RM'000	30.9.2017 RM'000	30.9.2018 RM'000	30.9.2017 RM'000
Transaction with Directors of the Company				
-Progress billing received/receivable	104	-	246	262
Transaction with companies in which a substantial shareholder has interest				
-Progress billing received/receivable	-	-	496	-
Transaction with Directors of related companies				
-Progress billing received/receivable	165	21	165	310
Transaction with a major shareholder				
-Progress billing received/receivable	119	-	544	5,100
Transaction with subsidiary companies of a corporate shareholder with a significant influence over the Company				
-Progress billing received/receivable	-	-	400	1,423
-Interest expenses paid/payable	(1,028)	(1,116)	(7,863)	(3,769)
-Drawdown of term loans	-	7,000	-	32,000
-Repayment of term loans	-	-	-	(250)
Transaction with a minority shareholder of a subsidiary company				
-Project management fee paid/payable	-	(210)	(905)	(630)
Transaction with a company in which a Director of the Company has interest				
-Progress claims paid/payable	(2,254)	-	(2,254)	-
Transaction with a company in which a Director of a related company has interest				
-Progress billing received/receivable	123	-	123	-

15. Profit before Tax

	Individual Quarter 3 Months ended		Cumulative Quarter 9 Months ended	
	30.9.2018 RM'000	30.9.2017 RM'000	30.9.2018 RM'000	30.9.2017 RM'000
Profit before tax is arrived at after charging:-				
Depreciation of property, plant and equipment ("PPE")	881	1,076	2,713	2,529
Depreciation of investment properties ("IP")	70	-	210	-
Amortisation of intangible asset	3	32	11	98
Rental expenses	287	127	781	473
Finance cost	4,360	1,987	17,493	7,415
And Crediting:-				
Gain on disposal of PPE	-	171	1,105	170
Rental income	371	433	1,482	917
Finance income	50	5	2,484	214

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 30.9.2018	Preceding year corresponding quarter 30.9.2017	Financial period to- date 30.9.2018	Preceding year corresponding period to-date 30.9.2017
Net profit for the period attributable to owners of the parent (RM'000)	5,465	7,445	20,907	30,668
Weighted average number of ordinary shares ('000)	374,870	374,870	374,870	374,867
Basic EPS (sen)	1.46	1.99	5.58	8.18

Diluted Earnings Per Share (Diluted EPS)

Diluted earnings per share for the reporting quarter and financial period to-date are calculated by dividing the net profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period after taking into consideration of all dilutive potential ordinary shares.

	Current quarter 30.9.2018	Preceding year corresponding quarter 30.9.2017	Financial period to-date 30.9.2018	Preceding year corresponding period to-date 30.9.2017
Net profit for the period attributable to owners of the parent (RM'000)	5,465	7,445	20,907	30,668
Adjustment for convertible preference dividend (RM'000)	-	-	-	-
Adjusted net profit for the period attributable to owners of the parent (RM'000)	5,465	7,445	20,907	30,668
Weighted average number of ordinary shares ('000)	374,870	374,870	374,870	374,867
Adjustment for Warrants ('000)	-	9,083	-	12,584
Adjustment for ESOS ('000)	-	62	-	504
Adjusted weighted average number of ordinary shares in issue ('000)	374,870	384,015	374,870	387,955
Diluted EPS (sen)	1.46	1.94	5.58	7.91

By Order of the Board

Dato' Wong Kit-Leong
Chief Executive Officer
Kuala Lumpur
29 November 2018

