

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the financial period ended 31 December 2019

| | INDIVIDUAL QUARTER 3 MONTHS ENDED | | CUMULATIVE QUARTER 12 MONTHS ENDED | |
|---|---|---|---|---|
| | <u>31 Dec 2019</u> RM'000 (Unaudited) | <u>31 Dec 2018</u> RM'000 (Unaudited) | <u>31 Dec 2019</u> RM'000 (Unaudited) | <u>31 Dec 2018</u> RM'000 (Audited) |
| Revenue | 166,525 | 100,975 | 366,265 | 260,815 |
| Cost of Sales | (98,026) | (76,786) | (221,982) | (174,866) |
| Gross Profit | <u>68,499</u> | <u>24,189</u> | <u>144,283</u> | <u>85,949</u> |
| Other income | 3,140 | 992 | 7,442 | 3,991 |
| Administrative expenses | (4,778) | (3,371) | (15,559) | (12,978) |
| Operating expenses | (23,105) | (7,556) | (37,494) | (18,281) |
| Profit from operating activities | <u>43,756</u> | <u>14,254</u> | <u>98,672</u> | <u>58,681</u> |
| Finance income | 1,726 | 485 | 1,688 | 2,969 |
| Finance cost | (8,258) | (5,430) | (24,735) | (22,768) |
| Net finance cost | <u>(6,532)</u> | <u>(4,945)</u> | <u>(23,047)</u> | <u>(19,799)</u> |
| Share of results of associates and joint ventures | - | - | - | 433 |
| Profit before tax | <u>37,224</u> | <u>9,309</u> | <u>75,625</u> | <u>39,315</u> |
| Taxation | (9,879) | (3,643) | (21,854) | (11,052) |
| Profit for the period | <u>27,345</u> | <u>5,666</u> | <u>53,771</u> | <u>28,263</u> |
| Other comprehensive income/(loss), net of tax | | | | |
| Foreign currency translation differences for foreign operations | 1 | (21) | (61) | (611) |
| Other comprehensive income/(loss) for the period, net of tax | <u>1</u> | <u>(21)</u> | <u>(61)</u> | <u>(611)</u> |
| Total comprehensive income for the period, net of tax | <u>27,346</u> | <u>5,645</u> | <u>53,710</u> | <u>27,652</u> |
| Profit/(Loss) attributable to: | | | | |
| Owners of the Parent | 25,968 | 6,488 | 52,401 | 28,891 |
| Non-Controlling Interest | 1,377 | (822) | 1,370 | (628) |
| Profit for the period | <u>27,345</u> | <u>5,666</u> | <u>53,771</u> | <u>28,263</u> |
| Total comprehensive income/(loss) attributable to: | | | | |
| Owners of the Parent | 25,970 | 6,477 | 52,351 | 28,437 |
| Non-Controlling Interest | 1,376 | (832) | 1,359 | (785) |
| Total comprehensive income for the period | <u>27,346</u> | <u>5,645</u> | <u>53,710</u> | <u>27,652</u> |
| Earnings per share attributable to owners of the parent (sen): | | | | |
| Basic | <u>6.30</u> | <u>1.73</u> | <u>12.71</u> | <u>7.70</u> |
| Diluted | <u>6.30</u> | <u>1.73</u> | <u>12.71</u> | <u>7.70</u> |

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2018

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

| | As at 31 Dec 2019 RM'000 (Unaudited) | As at 31 Dec 2018 RM'000 (Audited) |
|---|--|--|
| ASSETS | | |
| Non-Current Assets | | |
| Property, plant and equipment | 342,408 | 149,834 |
| Right-of-use assets | 1,127 | - |
| Investment properties | 16,149 | 13,548 |
| Intangible assets | 91 | 95 |
| Land rights | 74,176 | 93,550 |
| Goodwill | 10,978 | 10,978 |
| Quarrying rights | 956 | 1,070 |
| Inventories | 21,987 | 9,913 |
| Investment in joint ventures | 433 | 433 |
| Quarry development costs | 7,170 | 5,787 |
| Other Investment | - | 1,184 |
| | <u>475,475</u> | <u>286,392</u> |
| Current Assets | | |
| Inventories and other contract costs | 366,519 | 415,148 |
| Contract assets | 92,980 | 96,899 |
| Trade receivables | 333,825 | 192,218 |
| Other receivables | 67,590 | 65,775 |
| Amount due from a joint venture | 99 | 99 |
| Tax recoverable | 338 | 338 |
| Fixed deposits with licensed banks | 31,383 | 10,051 |
| Cash and bank balances | 56,871 | 21,052 |
| | <u>949,605</u> | <u>801,580</u> |
| TOTAL ASSETS | <u>1,425,080</u> | <u>1,087,972</u> |
| EQUITY AND LIABILITIES | | |
| Equity attributable to owners of the parent | | |
| Ordinary share capital | 225,007 | 207,574 |
| Employee Share Option Reserve ("ESOS Reserve") | 766 | 766 |
| Other reserves | (29,687) | (29,687) |
| Foreign currency translation reserve | (1,482) | (1,433) |
| Retained Earnings | 238,901 | 186,499 |
| | <u>433,505</u> | <u>363,719</u> |
| Non-Controlling Interest | 14,897 | 13,538 |
| Total Equity | <u>448,402</u> | <u>377,257</u> |
| Non-Current Liabilities | | |
| Finance lease liabilities | 2,385 | 4,945 |
| Bank borrowings | 184,431 | 190,383 |
| Deferred tax liabilities | 21,706 | 22,452 |
| | <u>208,522</u> | <u>217,780</u> |
| Current Liabilities | | |
| Contract liabilities | 40,946 | 3,917 |
| Provision for liquidated ascertained damages | 10,143 | 13,119 |
| Bank borrowings | 170,960 | 183,185 |
| Trade payables | 87,868 | 175,946 |
| Other payables | 405,462 | 85,801 |
| Finance lease liabilities | 5,044 | 3,542 |
| Provision for taxation | 47,733 | 27,425 |
| | <u>768,156</u> | <u>492,935</u> |
| Total Liabilities | <u>976,678</u> | <u>710,715</u> |
| TOTAL EQUITY AND LIABILITIES | <u>1,425,080</u> | <u>1,087,972</u> |
| Net assets per share attributable to equity holders of the parent (RM) | <u>1.05</u> | <u>0.97</u> |

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2018

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the financial period ended 31 December 2019

| | Attributable to Owners of the Parent | | | | | | | | | | Total Equity RM'000 | |
|---|--------------------------------------|-----------------|-----------------|----------------------------|---|------------------------------|---------------------------|----------------------------|--------------------------------|-----------------|---------------------------|---|
| | Non-Distributable | | | | | Distributable | | | | | | |
| | Share Capital RM'000 | ICFPS RM'000 | RCFPS 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 |
| (Unaudited) | | | | | | | | | | | | |
| At 1 January 2019 | 207,574 | - | - | - | (1,433) | - | 766 | (29,687) | 186,500 | 363,720 | 13,539 | 377,259 |
| Profit for the financial year | - | - | - | - | - | - | - | - | 52,401 | 52,401 | 1,370 | 53,771 |
| Other comprehensive income for the financial year | - | - | - | - | (49) | - | - | - | - | (49) | (11) | (61) |
| Total comprehensive income for the financial year | - | - | - | - | (49) | - | - | - | 52,401 | 52,351 | 1,359 | 53,710 |
| Transaction with Owners: Private placement | 17,433 | - | - | - | - | - | - | - | - | 17,433 | - | 17,433 |
| At 31 December 2019 | 225,007 | - | - | - | (1,482) | - | 766 | (29,687) | 238,901 | 433,505 | 14,898 | 448,402 |

| | Attributable to Owners of the Parent | | | | | | | | | | Total Equity RM'000 | |
|--|--------------------------------------|-----------------|-----------------|----------------------------|---|------------------------------|---------------------------|----------------------------|--------------------------------|-----------------|---------------------------|---|
| | Non-Distributable | | | | | Distributable | | | | | | |
| | Share Capital RM'000 | ICFPS RM'000 | RCFPS 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 |
| (Audited) | | | | | | | | | | | | |
| At 1 January 2018 | 207,559 | - | - | - | (979) | 7,720 | 975 | (37,407) | 157,338 | 335,206 | 14,279 | 349,485 |
| - as previously reported | - | - | - | - | - | - | - | - | 62 | 62 | - | 62 |
| Effect of adopting MFRS | 207,559 | - | - | - | (979) | 7,720 | 975 | (37,407) | 157,400 | 335,268 | 14,279 | 349,547 |
| At January 2018 | - | - | - | - | (454) | - | - | - | 28,891 | 28,891 | (628) | 28,263 |
| Profit for the financial year | - | - | - | - | (454) | - | - | - | - | (454) | (157) | (611) |
| Other comprehensive income for the financial year | - | - | - | - | (454) | - | - | - | 28,891 | 28,437 | (785) | 27,652 |
| Total comprehensive income for the financial year | - | - | - | - | - | - | - | - | 28,891 | 28,437 | (785) | 27,652 |
| Transaction with Owners: Exercise of warrants | 15 | - | - | - | - | (4) | - | 4 | - | 15 | - | 15 |
| Warrant expired | - | - | - | - | - | (7,716) | - | 7,716 | - | - | - | - |
| Share option lapsed | - | - | - | - | - | - | (209) | - | 209 | - | - | - |
| Capital Contribution by non- controlling interests | - | - | - | - | - | - | (209) | - | 209 | - | 45 | 45 |
| At 31 December 2018 | 207,574 | - | - | - | (1,433) | - | 766 | (29,687) | 186,500 | 363,720 | 13,539 | 377,259 |

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2018

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the quarter ended 31 December 2019

| | 12 months ended 31-Dec-19 RM'000 (Unaudited) | 12 months ended 31-Dec-18 RM'000 (Audited) |
|---|---|---|
| CASHFLOW FROM OPERATING ACTIVITIES | | |
| Profit before tax | 75,625 | 39,315 |
| Adjustments for non-cash items: | | |
| Bad Debts written off | - | - |
| Depreciation of property, plant and equipment | 2,771 | 3,610 |
| Depreciation of investment properties | 339 | 279 |
| Amortisation of intangible assets | 3,801 | 14 |
| Amortisation of Right-of-use assets | 620 | - |
| Write-down of inventories | - | 7 |
| Share of results of associates and joint ventures | - | (433) |
| (Gain)/Loss on disposal of property, plant and equipment | (489) | (1,104) |
| Provision for liquidated ascertained damages | - | - |
| Loss / (Gain) on unrealised foreign exchange | - | 5 |
| Loss / (Gain) on disposal of other investment | (779) | - |
| PPE written off | - | - |
| Finance cost | 26,385 | 22,768 |
| Finance income | (1,688) | (3,221) |
| Operating profit before working capital changes | 106,585 | 61,240 |
| Movements in working capital | | |
| Contract assets/ (liabilities) | 40,945 | (13,165) |
| Inventories and other contract costs | 131 | (67,514) |
| Receivables | (80,505) | (116,239) |
| Payables | 12,918 | 92,758 |
| Cash generated from / (used in) operations | (26,511) | (104,160) |
| Interest paid | (26,385) | (34,128) |
| Tax paid | (3,418) | (7,540) |
| Tax refund | - | - |
| Payment of liquidated ascertained damages | 5,815 | - |
| Interest received | - | 330 |
| | (23,988) | (41,338) |
| Net cash used in operating activities | 56,086 | (84,258) |
| CASHFLOW FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (2,302) | (147) |
| Additions to inventories - land held for property development | - | (31) |
| Proceeds from disposal of property, plant and equipment & investment properties | 19,673 | 14,385 |
| Quarry development cost | (1,383) | (1,303) |
| Interest received | 1,688 | - |
| Investment | - | (1,184) |
| Dividend paid | - | - |
| Acquisition of additional interest in a subsidiary (net) | - | - |
| Changed in pledged deposits | - | (2,116) |
| Contribution from non-controlling interest | - | 45 |
| Net cash (used in)/from investing activities | 17,676 | 9,649 |
| CASHFLOW FROM FINANCING ACTIVITIES | | |
| Repayment of borrowings | (21,804) | (52,681) |
| Drawdown of borrowings | 12,775 | 119,137 |
| Repayment of hire purchase and leases | (2,805) | - |
| Proceeds from issuance of shares | 17,433 | - |
| Proceeds from exercise on warrants | - | 15 |
| Proceeds from exercise on ESCOs | - | - |
| Net cash from financing activities | 5,599 | 66,471 |
| NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS | 79,361 | (8,138) |
| Effect of changes in foreign exchange rate | - | (28) |
| OPENING BALANCE | (12,779) | (4,613) |
| CLOSING BALANCE | 66,582 | (12,779) |
| Closing balance of cash and cash equivalents comprises:- | | |
| Cash and bank balances | 56,871 | 21,052 |
| Bank overdraft | (21,672) | (32,101) |
| Fixed deposits with licensed banks | 31,383 | 10,051 |
| Cash and cash equivalents restricted from use | - | (11,781) |
| | 66,582 | (12,779) |

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2018 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 2018, the Group prepared its financial statements in accordance with Malaysian Financial Reporting Standards (“MFRSs”) and International Financial Reporting Standards (“IFRSs”).

The audited consolidated financial statements of the Group for the year ended 31 December 2018 which were prepared under MFRS and IFRS are available upon request from the Company’s registered office at No. 47-5, The Boulevard, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Wilayah Persekutuan.

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its audited consolidated financial statements as at the end for the financial year ended 31 December 2018.

2. Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year. New standards and amendments that apply for the first time in 2019 do not have a material impact on the annual consolidated financial statements of the Group nor to the interim condensed consolidated financial statements of the Group.

On 1 January 2019, the Group adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after the dates stated below:

| | | 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 |

2. Significant accounting policies (cont'd)

On 1 January 2019, the Group adopted the following new and amended MFRSs mandatory accounting policies for annual financial periods beginning on or after the dates stated below:

| | <u>Effective dates for financial periods beginning on or after</u> |
|---|--|
| Amendments to References to the Conceptual Framework in MFRS Standards | 1 January 2020 |
| Amendments to MFRS 3 – Definition of a Business | 1 January 2020 |
| Definition of Material (Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors) | 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 adoption of the above standards and amendments will not have any material effect on the financial performance or position of the Group.

MFRS 16: Leases – Impact on financial statements

On MFRS 16 Leases, the Group adopts the new standard on the required effective date using the modified retrospective approach and recognises a right-of-use asset and a corresponding lease liability. The following table presents the impact of changes to the statements of financial position of the Group resulting from the adoption of MFRS 16 Leases as at 1 January 2019:

| Group | 31 December 2018 RM'000 | Changes RM'000 | 1 January 2019 RM'000 |
|--------------------------------|--|---------------------------|--------------------------------------|
| Non-current assets | | | |
| Right-of-use assets | - | 1,747 | 1,747 |
| Non-current liabilities | | | |
| Lease liabilities | - | 1,138 | 1,138 |
| Current liabilities | | | |
| Lease liabilities | - | 609 | 609 |
| Total lease liabilities | - | 1,747 | 1,747 |

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 2018.

4. Segment reporting

| Business Segment | Cumulative 12 months | | | |
|---------------------------------------|----------------------|--------------------|---|--------------------|
| | Revenue | | Profit attributable to owners of the parent | |
| | 31.12.19 RM'000 | 31.12.18 RM'000 | 31.12.19 RM'000 | 31.12.18 RM'000 |
| Construction | 213,040 | 155,513 | 3,987 | 2,726 |
| Property Development | 226,831 | 102,467 | 74,397 | 33,692 |
| Building Material | 34,902 | 47,943 | (4,829) | (2,036) |
| Others | 1,020 | 1,324 | (4,314) | (1,999) |
| Inter-segment eliminations | (109,528) | (46,432) | (15,470) | (4,120) |
| Total before non-controlling interest | 366,265 | 260,815 | 53,771 | 28,263 |
| Non-controlling interest | - | - | (1,370) | 628 |
| Total | 366,265 | 260,815 | 52,401 | 28,891 |

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 year ended 31 December 2019.

6. Material changes in estimates

There were no changes in estimates that have had a material effect in the current year 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 year.

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 year under review:

The movement of the Employees' Share Option Scheme ("the Scheme") for the year 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 2018 | 3,648,800 |
| Exercised during the year | - |
| Lapsed during the year | - |
| Outstanding unexercised options as at 31 December 2019 | 3,648,800 |

The Scheme is expiring on 20 August 2020.

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

11. Changes in composition of the Group

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

12. Changes in contingent liabilities

| | Group | | Company | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 31.12.2019 RM'000 | 31.12.2018 RM'000 | 31.12.2019 RM'000 | 31.12.2018 RM'000 |
| Corporate guarantees given to licensed banks for banking facilities granted to subsidiary companies | | | | |
| - Limit of guarantee | - | - | 738,067 | 606,067 |
| - Amount utilised | - | - | 348,658 | 243,248 |
| Corporate guarantees given to a supplier of goods to subsidiary companies | | | | |
| - Limit of guarantee | - | - | 28,850 | 28,850 |
| - Amount utilised | - | - | 1,797 | 2,337 |
| Guarantees issued by financial institutions in connection with performance bonds, security and tender deposits in favour of third parties for construction projects | 8,677 | 8,677 | 8,677 | 8,677 |

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.

| | 31.12.2019 | 31.12.2018 |
|---|------------|------------|
| | RM'000 | RM'000 |
| Capital expenditure | | |
| Approved and contracted for: | | |
| - Purchase of property, plant and equipment | - | 526 |

14. Subsequent Material Events

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 development 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.

1. Proposed Sale of Pavilion Bukit Jalil Mall

On 30 May 2019, the Board of Directors of Ho Hup announced, pursuant to the announcement made by Malton Berhad ("Malton") on 28th May 2019 on the proposed sale of Pavilion Bukit Jalil Mall ("the Mall") the following:

- a) Based on the Joint Development Agreement dated 16 March 2010 ("JDA") and Supplemental Agreement dated 3 July 2012 ("SA") between Bukit Jalil Development Sdn. Bhd. ("BJD") (a wholly-owned subsidiary of Ho Hup) and Pioneer Haven Sdn Bhd ("PHSB") (a wholly-owned subsidiary of Malton), BJD is entitled to 18% of the Gross Development Value of the development known as Bukit Jalil City on the 50 acres of freehold land at Bukit Jalil, Kuala Lumpur;
- b) As a result of Malton's sale of the Mall, BJD's entitlement shall be a sum of RM266,400,000.00 ("BJD's Entitlement"); and
- c) On 29 October 2019, BJD's Entitlement has been received in accordance with the JDA and SA. These funds have been used to partially repay bank borrowings and balance for general working capital purposes.

2. High Court of Malaya at Kuala Lumpur Suit No. D-26NCC-42-2011 Federal Court of Malaysia Civil Appeal No. 02(f)-140-12/2017

On 14 August 2019, the Court had further ordered that:-

- a) the Company is to pay Zen Courts interest upon the RM63.12 million at the rate of 5% per annum calculated from 26 June 2019 until the date of full settlement;
- b) the Company is to pay Zen Courts, party to party costs of RM250,000.00;
- c) Bukit Jalil Development is to pay the fees and disbursements of KPMG Corporate Advisory Sdn. Bhd. amounting to RM1,040,072.00 inclusive of tax; and
- d) Bukit Jalil Development is to pay the fees and disbursements of Hartanah Consultants (Valuation) Sdn. Bhd. amounting to RM2,650.00 inclusive of tax.

**2. High Court of Malaya at Kuala Lumpur Suit No. D-26NCC-42-2011
Federal Court of Malaysia Civil Appeal No. 02(f)-140-12/2017 (cont'd)**

The Court further ordered that the Company's application for stay of all further proceedings and enforcement of all the High Court decisions pending the disposal of the appeal by the Company to the Court of Appeal had been granted on condition that the following payment are paid to Zen Courts:-

- a) RM20 million on or before 10 October 2019;
- b) the balance RM43.12 million on or before 10 January 2020; and
- c) all the sum are paid within the time permitted into an interest-bearing bank deposit account held jointly by the solicitors for the Company and Zen Courts.

The Company is appealing to the Court of Appeal against the High Court revaluation order of the 30% shareholding in BJD.

In relation to Zen Courts application to the Kuala Lumpur High Court for restitution of the 30% shares in BJD from Ho Hup, the High Court has granted stay application on 15 October 2019.

The RM20million has been paid on the relevant date.

On 22 January 2020, the Company has entered into a Settlement Agreement with Zen Courts. The settlement included an upfront sum along with a property transfer with the balance in cash over a payment term of 3 instalments.

With this settlement, the disputes with Zen Courts relating to their previous 30% shareholding in BJD, including all litigation pertaining thereto has been completely resolved and upon the full payment of settlement amount, there will be no further claims whatsoever against the Company in relation to the Buy-Out Shares and the Company shall be released from all actions, claims and demands whatsoever arising from the dispute concerning the Buy-Out Shares.

3. Proposed Private Placement of up to 37,489,400 new ordinary shares

On 26 September 2019, the Company announced to undertake a private placement of up to 37,489,300 new ordinary shares ("Proposed Private Placement") and Bursa Malaysia Securities Berhad had, vide its letter dated 8 October 2019, approved the listing of and quotation of up to 37,489,300 placement shares to be issued pursuant to the Proposed Private Placement.

The Private Placement was issued in two tranches, 18,744,600 shares and 18,744,800 shares listed on 23 October 2019 & 4 November 2019 respectively.

The Private Placement was completed on 4 November 2019 and the exact total placement shares issued were 37,489,400 and fixed at RM0.465 per placement shares.

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 | | | |
| | 31.12.19 | 31.12.18 | Changes | | 31.12.19 | 31.12.18 | Changes | |
| | RM'000 | RM'000 | RM'000 | % | RM'000 | RM'000 | RM'000 | % |
| Construction | 115,417 | 99,946 | 15,471 | 13.40 | 1,836 | 2,132 | (296) | (16.12%) |
| Property Development | 121,139 | 28,927 | 92,212 | 76.12 | 44,172 | 7,449 | 36,723 | 83.13% |
| Building Material | 6,952 | 13,193 | (6,241) | (89.77) | (1,424) | (2,021) | (597) | 41.92% |
| Others | 366 | 151 | 215 | 58.74 | (3,328) | (98) | (3,230) | (97.05%) |
| Inter-segment eliminations | (77,349) | (41,242) | (36,107) | (46.68) | (13,911) | (1,796) | (12,115) | (87.08%) |
| Total before non-controlling interest | 166,525 | 100,975 | 65,550 | 39.36 | 27,345 | 5,666 | 21,679 | 79.29% |
| Non-controlling interest | - | - | - | - | (1,377) | 822 | (2,199) | (<100.00%) |
| Total | 166,525 | 100,975 | 65,550 | 39.36 | 25,968 | 6,488 | 19,480 | 75.01% |

The Group revenue for the current quarter increased by RM65.5 million (39.4%) as compared to previous year corresponding quarter due to the following:

a) Construction Division

Revenue increased by RM15.5 million or 13.4% mainly due to the active progression of the rehabilitation work in Besut, Bridges in Teluk Intan , Yong Peng Road project and construction of the Technical Vocational College (TVET) in Kulai.

b) Property Development Division

The revenue increased due to the recognition of the progressive billings from the sale of the Pavilion Bukit Jalil Mall and the progressive sale of Kota Kinabalu Crown development units. A decline was recorded for Phase 2 Park Residence with the project currently nearing vacant possession stage.

c) Building Material Division

Revenue declined by RM6.2 million or 89.8% attributed by poor weather conditions which affected the rocks and aggregates supply to the rehabilitation work site in Besut, Terengganu.

Overall, the Group recorded a higher profit after tax (PAT) of RM19.7 million or 75.2% as compared to the same corresponding quarter in the previous year mainly due to higher recognition of revenue from property development and construction division with the impact mitigated by higher finance cost in this period.

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

| Business Segment | Cumulative 12 months ended | | | | | | | |
|--|----------------------------|----------------|----------------|--------------|---|---------------|---------------|--------------|
| | Revenue | | | | Profit attributable to owners of the parent | | | |
| | 31.12.19 | 31.12.18 | Changes | | 31.12.19 | 31.12.18 | Changes | |
| | RM'000 | RM'000 | RM'000 | % | RM'000 | RM'000 | RM'000 | % |
| Construction | 213,040 | 155,513 | 57,527 | 27.00 | 3,987 | 2,726 | 1,161 | 29.11 |
| Property Development | 226,831 | 102,467 | 124,364 | 54.82 | 74,549 | 33,692 | 42,620 | 57.17 |
| Building Material | 34,902 | 47,943 | (13,041) | (37.36) | (4,829) | (2,036) | (2,793) | (57.83) |
| Others | 1,020 | 1,324 | (304) | (29.80) | (4,314) | (1,999) | (2,315) | (53.66) |
| Inter-segment eliminations | (109,528) | (46,432) | (63,096) | (57.60) | (15,470) | (4,120) | (11,350) | (73.35) |
| Total before non-controlling interest | 366,265 | 260,815 | 105,450 | 29.02 | 53,771 | 28,263 | 25,508 | 47.43 |
| Non-controlling interest | - | - | | | (1,370) | 628 | (1,998) | (>100.00) |
| Total | 366,265 | 260,815 | 105,450 | 29.02 | 52,401 | 28,891 | 23,510 | 44.88 |

The Group's revenue increased by RM105.4 million and profit after tax increased by RM23.5 million for the financial year ended 31 December 2019. The Divisional revenue and profit after tax are explained as follows:-

a) **Construction Division**

Overall cumulative revenue for Quarter 4, 2019 increased by RM57.5 million mainly due to higher billing for Besut Breakwater rehabilitation and Yong Peng Road Project.

b) **Property Development Division**

Cumulative revenue for Quarter 4, 2019 increased significantly due to the contribution of revenue recognized from Bukit Jalil City Mall under the Joint Development Agreement (JDA) entitlement.

c) **Building Material Division**

Revenue declined by RM13.0 million or 37.3% due to lower contribution from Quarry Division for the supply of rocks and aggregates for rehabilitation works in Terengganu.

The Group profit after tax (PAT) for the financial year increased by RM23.5 million or 44.8% compared to the previous financial year mainly due to the higher revenue recognition from construction and property development division with the impact mitigated by higher finance cost.

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

| Business Segment | Individual Quarter 3 months ended | | | | | | | |
|----------------------------|-----------------------------------|----------------|---------------|--------------|-------------------|---------------|--------------|--------------|
| | Revenue | | | | Profit before tax | | | |
| | 31.12.19 | 30.9.19 | Changes | | 31.12.19 | 30.9.19 | Changes | |
| | RM'000 | RM'000 | RM'000 | % | RM'000 | RM'000 | RM'000 | % |
| Construction | 115,417 | 54,092 | 61,325 | 53.13 | 1,836 | (1,518) | 3,354 | (>100) |
| Property Development | 121,139 | 57,907 | 63,232 | 52.19 | 44,324 | 26,492 | 17,832 | 40.23 |
| Building Material | 6,952 | 10,613 | (3,661) | (52.66) | (1,424) | (1,203) | (221) | (15.5) |
| Others | 366 | 360 | 6 | 0.01 | (3,328) | (199) | (3,129) | 94.02 |
| Inter-segment eliminations | (77,349) | (18,131) | (59,218) | 76.56 | (13,911) | 825 | (13,082) | (>100) |
| Total | 166,525 | 104,841 | 61,684 | 37.04 | 27,497 | 24,397 | 3,100 | 11.27 |

Revenue for the current quarter is higher compared to its previous quarter mainly attributed by the revenue entitlement of 18% arising from the sale of the Pavilion Bukit Jalil Mall and the progressive sale of Kota Kinabalu Crown development units. The profit before tax increased by RM3.10 million with the increase in revenue being offset by the higher marketing cost, professional fees and financing cost.

3. (a) Financial Year 2020 Prospects

The Board expects the financial year for 2020 to remain challenging in view of Covid-19 outbreak and the stage of political uncertainty.

(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 year under review is as follow:

| | Current Quarter Ended 31.12.2019 RM'000 |
|----------------------------|--|
| Current period tax expense | 22,667 |
| Deferred tax expense | (813) |
| | 21,854 |

The Group's effective tax rate for the current quarter was higher than the statutory tax rate mainly due to losses from other subsidiaries which reduced profit before tax of the Group.

8. Status of current corporate proposals

There were no corporate proposals announced but not completed as at the date of this announcement, being the latest practicable date from the date of the issue of this quarterly report.

9. Group borrowings and debt securities

| | 31.12.2019 RM'000 | 31.12.2018 RM'000 |
|---|------------------------------|------------------------------|
| Borrowings denominated in Ringgit Malaysia: | | |
| Secured | | |
| <u>Non-Current</u> | | |
| Finance lease liabilities | 2,385 | 4,945 |
| Bank borrowings | 184,431 | 190,383 |
| <u>Current</u> | | |
| Finance lease liabilities | 5,044 | 3,542 |
| Bank borrowings | 170,960 | 183,185 |
| Total Borrowings | <u>362,820</u> | <u>382,055</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) **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 (“JDA”).

The JDA 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 JDA.

On 2 May 2005, HHCCI commenced an arbitration proceeding to claim for expenses incurred and damages due to the unlawful termination of the JDA. On 19 May 2008, an arbitration award was published in HHCCI's favour (“Award”). The Award provides for:

- (a) The upfront fee in the amount of Rs16,796,250 together 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
- (b) 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 applied to set aside the Award. The appeal was dismissed and ruled in favour of HHCCI by the appellate court on 19 January 2018. There being no further appeal filed by APHB against the ruling of the appellate court, the Award is now deemed final and absolute. APHB had yet to comply with the terms of the Award and HHCCI had instructed their solicitors to commence recovery proceeding to enforce the Award against APHB.

b) **High Court of Malaya at Kuala Lumpur Suit No. D-26NCC-42-2011 Federal Court of Malaysia Civil Appeal No. 02(f)-140-12/2017**

Zen Courts Sdn Bhd (“Zen Courts”) had initiated a petition vide the High Court of Malaya at Kuala Lumpur (“KLHC”) Petition No. 26NCC-42-2011 against the respondents, namely Bukit Jalil Development Sdn Bhd (“BJDSB”), Ho Hup and Ho Hup Equipment Rental Sdn Bhd (“HHERSB”) alleging Ho Hup and HHERSB had oppressed its rights as a minority shareholder of BJDSB. The KLHC in finding that there was oppression, had ordered the Company to buy out the Zen Courts' 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 (“Zen Court Application”). Ho Hup, on the other hand, filed an application to fix the value of the shares as recommended in the Valuation Report (“Ho Hup Application”). The KLHC dismissed Zen Court Application and allowed Ho Hup Application by fixing the value

12. Changes in material litigations (cont'd)

b) **High Court of Malaya at Kuala Lumpur Suit No. D-26NCC-42-2011 Federal Court of Malaysia Civil Appeal No. 02(f)-140-12/2017 (cont'd)**

of the shares as per the Valuation Report on 31 December 2012 and for the buy out to be completed within 4 months ("Valuation Order").

Zen Courts appealed to the Court of Appeal against the dismissal of Zen Court Application 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 of Malaysia ("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 2 leave questions ("FC Appeals").

At the hearing of the FC Appeals on 26 April 2016, the Federal Court allowed the FC Appeals without answering the leave questions ("FC Order"). The effect of the FC Order is that Zen Court Application is allowed and the Valuation order is set aside. Both Zen Court Application and Ho Hup Application have been remitted to the KLHC for determination of the value of the buy-out. The evidence-taking expert witnesses in respect of the valuation of the 30% shares took 6 days between 20 March 2018 to 20 March 2018, after which parties filed their respective written submissions. Oral submission by respective parties was heard on 1 June 2018, 9 and 10 October 2018. The matter which was fixed for decision on 25 January 2019 has been adjourned to 12 March 2019 for a case management for the share valuers to attend before the Judge to take further instructions from him to build a model to value the 30% shares. On 12 March 2019, the Judge has directed the matter to be adjourned to 29 April 2019 for further mention.

On 29 April 2019, at the behest of the Court, the share valuers had presented a working model to the Court for evaluation of the 30% shares. Thereafter, on 26 June 2019, the Court ordered that the value of 30% shares of BJD fixed at RM99.09 mil. The Company having paid RM35.97 mil earlier for the said 30% BJD's shares is to pay further sum of RM63.12 million.

On 14 August 2019, the Court had further ordered that:-

- a) the Company is to pay Zen Courts interest upon the RM63.12 million at the rate of 5% per annum calculated from 26 June 2019 until the date of full settlement;
- b) the Company is to pay Zen Courts, party to party costs of RM250,000.00;
- c) Bukit Jalil Development is to pay the fees and disbursements of KPMG Corporate Advisory Sdn. Bhd. amounting to RM1,040,072.00 inclusive of tax; and
- d) Bukit Jalil Development is to pay the fees and disbursements of Hartanah Consultants (Valuation) Sdn. Bhd. amounting to RM2,650.00 inclusive of tax.

The Court further ordered that the Company's application for stay of all further proceedings and enforcement of all the High Court decisions pending the disposal of the appeal by the Company to the Court of Appeal had been granted on condition that the following payment are paid to Zen Courts:-

12. Changes in material litigations (cont'd)

b) High Court of Malaya at Kuala Lumpur Suit No. D-26NCC-42-2011 Federal Court of Malaysia Civil Appeal No. 02(f)-140-12/2017 (cont'd)

- a) RM20 million on or before 10 October 2019;
- b) the balance RM43.12 million on or before 10 January 2020; and
- c) all the sum are paid within the time permitted into an interest-bearing bank deposit account held jointly by the solicitors for the Company and Zen Courts.

The Company has paid RM20million on October 2019.

Meanwhile, the Company is appealing to the Court of Appeal against the High Court revaluation order of the 30% shareholding in BJDSB

In relation to Zen Courts application to the Kuala Lumpur High Court for restitution of the 30% shares in BJD from Ho Hup, the High Court has granted stay application on 15 October 2019.

On 22 January 2020, the Company has entered into a Settlement Agreement with Zen Courts. An upfront sum will be paid along with a property transfer and the balance cash settlement over a payment term of 3 instalments.

With this settlement, the disputes with Zen Courts relating to their previous 30% shareholding in BJD, including all litigation pertaining thereto will be completely resolved and upon the full payment of settlement amount, there will be no further claims whatsoever against the Company in relation to the Buy-Out Shares and the Company shall be released from all actions, claims and demands whatsoever arising from the dispute concerning the Buy-Out Shares.

Except as disclosed above, there were no other material changes in material litigations since the last annual financial year and made up to 25 November 2019, 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 12 Months ended | |
|--|--------------------------------------|------------------------|---------------------------------------|---------------------------------------|
| | 31.12.2019 RM'000 | 31.12.2018 RM'000 | 31.12.2019 RM'000 | 31.12.2018 RM'000 |
| Transaction with Directors of the Company -Progress billing received/receivable | - | - | - | 246 |
| 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 |
| Transaction with a major shareholder -Progress billing received/receivable | - | - | - | 544 |
| Transaction with a Company in which a Director of a related company has interest - Progress billing received/ receivable | - | - | - | - |
| Transaction with subsidiary companies of a corporate shareholder with a significant influence over the Company -Progress billing received/receivable -Interest expenses paid/payable -Drawdown of term loans -Repayment of term loans | - (3,113) - - | - (2,321) - - | - (7,157) - - - | 400 (10,185) 19,000 (12,000) |
| Transaction with a minority shareholder of a subsidiary company -Project management fee paid/payable | - | (1,106) | - | (2,011) |
| Transaction with a company in which a Director of the Company has interest -Progress claims paid/payable - Rental of Retail Spaces - Rental of Office | (6,533,) (280) (351) | (3,447) - - | (12,883) (699) (351) | (5,701) - - |

15. Profit before Tax

| | Individual Quarter 3 Months ended | | Cumulative Quarter 12 Months ended | |
|---|--------------------------------------|----------------------|---------------------------------------|----------------------|
| | 31.12.2019 RM'000 | 31.12.2018 RM'000 | 31.12.2019 RM'000 | 31.12.2018 RM'000 |
| Profit before tax is arrived at after charging:- | | | | |
| Depreciation of property, plant and equipment ("PPE") | 1,571 | 884 | 2,771 | 3,597 |
| Depreciation of investment properties ("IP") | 85 | 70 | 339 | 280 |
| Amortisation of intangible asset | 1,415 | 32 | 3,801 | 128 |
| Amortisation of Right-of-use assets | 342 | - | 620 | - |
| Rental expenses | 234 | 202 | 820 | 983 |
| Finance cost | 8,258 | 5,430 | 24,735 | 22,923 |
| And Crediting:- | | | | |
| Gain on disposal of PPE | - | - | - | 1,104 |
| Rental income | 360 | 308 | 1,492 | 1,790 |
| Finance income | 1,726 | 485 | 1,688 | 2,969 |

16. Earnings per share

Basic Earnings Per Share (Basic EPS)

Basic earnings per share for the financial period to-date are calculated by dividing the net profit attributable to owners of the parent by the weighted average number of ordinary shares in issue.

| | Current quarter 31.12.2019 | Preceding year corresponding quarter 31.12.2018 | Financial year to-date 31.12.2019 | Preceding year corresponding period to-date 31.12.2018 |
|---|-------------------------------|--|---|---|
| Net profit for the period attributable to owners of the parent (RM'000) | 25,968 | 6,488 | 52,401 | 28,891 |
| Weighted average number of ordinary shares ('000) | 412,383 | 374,874 | 412,383 | 374,871 |
| Basic EPS (sen) | 6.30 | 1.73 | 12.71 | 7.70 |

16. Earnings per share (cont'd)

Diluted Earnings Per Share (Diluted EPS)

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

| | Current quarter 31.12.2019 | Preceding year corresponding quarter 31.12.2018 | Financial period to-date 31.12.2019 | Preceding year corresponding period to-date 31.12.2018 |
|---|---|--|--|---|
| Net profit for the period attributable to owners of the parent (RM'000) | 25,968 | 6,488 | 52,401 | 28,891 |
| Adjustment for convertible preference dividend (RM'000) | - | - | - | - |
| Adjusted net profit for the period attributable to owners of the parent (RM'000) | 25,968 | 6,488 | 52,401 | 28,891 |
| Weighted average number of ordinary shares ('000) | 412,383 | 374,874 | 412,383 | 374,871 |
| Adjustment for Warrants ('000) | - | - | - | - |
| Adjustment for ESOS ('000) | - | - | - | - |
| Adjusted weighted average number of ordinary shares in issue ('000) | 412,383 | 374,874 | 412,383 | 374,871 |
| Diluted EPS (sen) | 6.30 | 1.73 | 12.71 | 7.70 |

By Order of the Board
Dato' Wong Kit-Leong
Chief Executive Officer
Kuala Lumpur
27 February 2020