

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the financial period ended 30 June 2020

	INDIVIDUAL QUARTER 3 MONTHS ENDED		CUMULATIVE QUARTER 6 MONTHS ENDED	
	30 June 2020 RM'000 (Unaudited)	30 June 2019 RM'000 (Unaudited)	30 June 2020 RM'000 (Unaudited)	30 June 2019 RM'000 (Unaudited)
Revenue	62,972	52,537	143,274	94,899
Cost of Sales	(31,416)	(32,635)	(73,333)	(56,997)
Gross Profit	31,556	19,902	69,941	37,902
Other income	28	126	2,432	818
Administrative expenses	(3,875)	(3,660)	(7,999)	(6,977)
Operating expenses	(9,978)	(5,195)	(20,598)	(8,429)
Profit from operating activities	17,731	11,173	43,776	23,314
Finance income	1,852	8	2,393	36
Finance cost	(3,657)	(4,079)	(6,986)	(9,346)
Net finance cost	(1,805)	(4,071)	(4,593)	(9,310)
Share of results of associates and joint ventures	-	-	-	-
Profit before tax	15,926	7,102	39,183	14,004
Taxation	(2,325)	(2,178)	(6,942)	(4,236)
Profit for the period	13,601	4,924	32,241	9,768
Other comprehensive income/(loss), net of tax				
Foreign currency translation differences for foreign operations	216	-	203	(49)
Other comprehensive income/(loss) for the period, net of tax	216	-	203	(49)
Total comprehensive income for the period, net of tax	13,817	4,924	32,444	9,719
Profit/(Loss) attributable to:				
Owners of the Parent	14,077	4,877	29,924	10,176
Non-Controlling Interest	(476)	47	2,317	(408)
Profit for the period	13,601	4,924	32,241	9,768
Total comprehensive income/(loss) attributable to:				
Owners of the Parent	14,291	4,877	30,138	10,138
Non-Controlling Interest	(474)	47	2,306	(419)
Total comprehensive income for the period	13,817	4,924	32,444	9,719
Earnings per share attributable to owners of the parent (sen):				
Basic	3.41	1.30	7.26	2.71
Diluted	3.41	1.30	7.26	2.71

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2019

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	As at <u>30 June 2020</u> RM'000 (Unaudited)	As at <u>31 Dec 2019</u> RM'000 (Audited)
ASSETS		
Non-Current Assets		
Property, plant and equipment	217,256	218,783
Right-of-use assets	19,564	21,405
Investment properties	123,253	124,628
Intangible assets	91	81
Land rights	87,417	90,160
Goodwill	10,978	10,977
Quarrying rights	900	956
Inventories	10,617	13,913
Investment in joint ventures	417	417
Quarry development costs	7,328	7,046
Other Investment	-	-
	<u>477,821</u>	<u>488,366</u>
Current Assets		
Inventories and other contract costs	325,878	304,949
Contract assets	85,538	114,982
Trade receivables	303,876	203,950
Other receivables	103,563	107,569
Amount due from a joint venture	99	99
Tax recoverable	28	16
Fixed deposits with licensed banks	25,745	31,383
Cash and bank balances	69,536	54,186
	<u>914,263</u>	<u>817,134</u>
TOTAL ASSETS	<u>1,392,084</u>	<u>1,305,500</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Ordinary share capital	225,007	225,007
Employee Share Option Reserve ("ESOS Reserve")	766	766
Other reserves	(32,687)	(29,687)
Foreign currency translation reserve	(1,263)	(1,466)
Retained Earnings	267,888	237,964
	<u>459,711</u>	<u>432,584</u>
Non-Controlling Interest	<u>15,927</u>	<u>13,621</u>
Total Equity	<u>475,638</u>	<u>446,205</u>
Non-Current Liabilities		
Finance lease liabilities	9,644	11,131
Bank borrowings	181,490	163,931
Deferred tax liabilities	21,208	22,127
	<u>212,342</u>	<u>197,189</u>
Current Liabilities		
Provision for liquidated ascertained damages	5,014	10,143
Bank borrowings	247,375	191,480
Trade payables	157,988	151,216
Other payables	243,870	262,291
Finance lease liabilities	4,809	5,814
Provision for taxation	45,048	41,162
	<u>704,104</u>	<u>662,106</u>
Total Liabilities	<u>916,446</u>	<u>859,295</u>
TOTAL EQUITY AND LIABILITIES	<u>1,392,084</u>	<u>1,305,500</u>
Net assets per share attributable to equity holders of the parent (RM)	<u>1.11</u>	<u>1.05</u>

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2019

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the financial period ended 30 June 2020

	Attributable to Owners of the Parent						Distributable	Non-Controlling Interest	Total Equity		
	Non-Distributable			Foreign Currency Translation Reserve							
	Share Capital	ICPS	RCPS	Share Premium	Warrant Reserve	ESOS Reserve	Other Reserve	Retained Earnings	Total	Non-Controlling Interest	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
(Unaudited)											
At 1 January 2020	225,007	-	-	-	-	766	(29,687)	237,964	432,584	13,621	446,205
Profit for the financial year	-	-	-	-	-	-	-	29,924	29,924	2,317	32,241
Other comprehensive income for the financial year	-	-	-	203	-	-	(3,000)	-	(2,797)	(11)	(2,808)
Total comprehensive income for the financial year	-	-	-	203	-	-	(3,000)	29,924	27,126	2,306	29,433
At 30 June 2020	225,007	-	-	-	-	766	(32,687)	267,888	459,711	15,927	475,638

	Attributable to Owners of the Parent						Distributable	Non-Controlling Interest	Total Equity		
	Non-Distributable			Foreign Currency Translation Reserve							
	Share Capital	ICPS	RCPS	Share Premium	Warrant Reserve	ESOS Reserve	Other Reserve	Retained Earnings	Total	Non-Controlling Interest	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
(Unaudited)											
At 1 January 2019	207,574	-	-	-	-	766	(29,687)	186,599	363,719	13,538	377,257
- as previously reported											
Effect of adopting MFRS 16											
At January 2019	207,574	-	-	-	-	766	(29,687)	186,499	363,719	13,538	377,257
Profit for the financial year	-	-	-	-	-	-	-	10,176	10,176	(409)	9,767
Other comprehensive income for the financial year	-	-	-	(37)	-	-	-	-	(37)	(11)	(48)
Total comprehensive income for the financial year	-	-	-	(37)	-	-	-	10,176	10,139	(420)	9,719
At 30 June 2019	207,574	-	-	-	-	766	(29,687)	196,675	373,858	13,118	386,976

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2019

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the quarter ended 30 June 2020

	6 months ended 30-Jun-20 RM'000 (Unaudited)	6 months ended 30-Jun-19 RM'000 (Unaudited)
CASHFLOW FROM OPERATING ACTIVITIES		
Profit before tax	39,183	14,004
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	2,956	1,401
Depreciation of investment properties	1,095	-
Amortisation of intangible assets	2,742	1,192
Amortisation of Right-of-use assets	1,817	155
Impairment of trade receivables	-	40
(Gain)/ Loss on disposal of property, plant and equipment	-	(72)
Finance cost	6,986	9,346
Finance income	(2,393)	(36)
Operating profit before working capital changes	52,386	26,030
Movements in working capital		
Contract assets/ (liabilities)	29,444	37,938
Inventories and other contract costs	(17,633)	(52,204)
Receivables	(96,000)	(47,049)
Payables	(20,617)	14,362
Cash generated from / (used in) operations	(104,806)	(46,953)
Interest paid	(6,986)	(10,859)
Tax paid	(12)	6,292
Payment of liquidated ascertained damages	-	(868)
Interest received	-	-
Net cash used in operating activities	(111,804)	(54,328)
CASHFLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,429)	(2,165)
Proceeds from disposal of property, plant and equipment & investment properties	304	96
Quarry development cost	(236)	(1,103)
Interest received	-	36
Investment	-	(7,939)
Contribution from non-controlling interest	-	-
Net cash (used in)/from investing activities	(1,361)	(11,075)
CASHFLOW FROM FINANCING ACTIVITIES		
Repayment of borrowings	(10,114)	(57,105)
Drawdown of borrowings	68,218	107,436
Repayment of hire purchase and leases	(2,492)	(2,104)
Proceeds from exercise on ESOS	-	-
Net cash from financing activities	55,612	48,227
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(8,223)	10,794
Effect of changes in foreign exchange rate	-	-
OPENING BALANCE	46,325	(998)
CLOSING BALANCE	38,102	9,796
Closing balance of cash and cash equivalents comprises:-		
Cash and bank balances	69,536	29,589
Bank overdraft	(11,558)	(32,040)
Fixed deposits with licensed banks	25,745	12,247
Cash and cash equivalents restricted from use	(45,621)	-
	38,102	9,796

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2019 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 2019, 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 2019 which were prepared under MFRS and IFRS are available upon request from the Company’s registered office at Ho Hup Tower – Aurora Place, 2-07-01-Level 7, Plaza Bukit Jalil, No.1, Jalan Persiaran Jalil 1, Bandar Bukit Jalil, 57000 Kuala Lumpur.

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 2019.

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 2020 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 2020, the Group adopted the following new and amended MFRSs mandatory 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
Amendments to MFRS 9, Interest Rate Benchmark Rate Reform MFRS 139 and MFRS 7	1 January 2020

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

		Effective dates for financial periods beginning on or after
Amendments to MFRS 101 and MFRS 108	Definition of Material	1 January 2020
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 101	Classification of Liabilities as Current and Non-current	1 January 2022
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.

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 2019.

4. **Segment reporting**

	Cumulative 6 months			
	Revenue		Profit attributable to owners of the parent	
	30.06.20 RM'000	30.06.19 RM'000	30.06.20 RM'000	30.06.19 RM'000
Business Segment				
Construction	30,010	43,529	(2,059)	3,683
Property Development	110,296	47,785	38,077	11,733
Building Material	6,878	17,337	(3,221)	(2,203)
Others	1,799	301	(3,636)	(787)
Inter-segment eliminations	(5,709)	(14,053)	3,080	(2,658)
Total before non-controlling interest	143,274	94,899	32,241	9,768
Non-controlling interest	-	-	(2,317)	408
Total	143,274	94,899	29,924	10,176

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 2020.

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 2019	3,648,800
Exercised during the period	-
Lapsed during the period	-
Outstanding unexercised options as at 30 June 2020	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 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	
	30.06.2020 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2019 RM'000
Corporate guarantees given to licensed banks for banking facilities granted to subsidiary companies				
- Limit of guarantee	-	-	738,067	738,067
- Amount utilised	-	-	348,658	348,658
Corporate guarantees given to a supplier of goods to subsidiary companies				
- Limit of guarantee	-	-	28,850	28,850
- Amount utilised	-	-	1,797	1,797
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.

	30.06.2020 RM'000	31.12.2019 RM'000
Capital expenditure		
Approved and contracted for:		
- Purchase of property, plant and equipment	-	-

14. Significant Subsequent Event

On 24th August 2020, the Company announced that the Company has accepted the Letter of Award from Dhaya Maju Infrastructure (Asia) Sdn Bhd for the design, construction, completion, testing, commissioning and maintenance of the proposed upgrading of Keretapi Tanah Melayu Berhad station and facilities.

The contract is for a duration of thirty-six (36) months, from 21 August 2020 to 20 August 2023 at the total contract sum of RM 137.12 million.

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 6 months ended							
	Revenue				Profit attributable to owners of the parent			
	30.06.20	30.06.19	Changes		30.06.20	30.06.19	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Construction	18,984	21,370	(2,386)	(11.16)	112	1,964	(1,852)	-94.3
Property Development	42,368	26,866	15,502	57.70	14,913	5,249	9,664	>100.00
Building Material	2,744	8,557	(5,813)	(67.93)	(1,936)	(1,072)	(864)	(80.60)
Others	1,042	150	892	>100.00	(1,237)	(337)	(900)	(>100.00)
Inter-segment eliminations	(2,166)	(4,406)	2,240	50.84	1,749	(880)	2,629	>100.00
Total before non-controlling interest	62,972	52,537	10,435	19.86	13,601	4,924	8,677	>100.00
Non-controlling interest	-	-	-	-	476	(47)	523	>100.00
Total	62,972	52,537	10,435	19.86	14,077	4,877	9,200	>100.00

The Group revenue for the current quarter increased by RM10.4 million or 19.86% as compared to previous year corresponding quarter due to the following:

a) Construction

Revenue declined by RM2.4 million or 11.2% mainly due to the implementation of MCO directive, resulted in the slower construction activities in the Besut rehabilitation work, Bridge works in Teluk Intan, Yong Peng Road project and the construction of the Technical Vocational College (TVET) in Kulai.

b) Property Development

Property revenue increased mainly due to the share of progressive billings from both the Phase 2 Park Residences and the sales of the Pavilion Bukit Jalil Mall and the progressive billings for the Kota Kinabalu Crown development units.

c) Building Material

Revenue declined by RM5.8 million or 67.9% impacted by the MCO implementation that resulted in the decline in Besut rehabilitation work activities, which contributed to the overall lower rock demand.

Accordingly, the Group recorded a higher overall profit after tax (PAT) of RM8.6 million or more than 100% as compared to the same corresponding quarter in the previous year, mainly due to higher recognition of revenue from Pavilion Bukit Jalil Mall property development.

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			
	30.06.20	30.06.19	Changes		30.06.20	30.06.19	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Construction	30,010	43,529	(13,519)	(31.05)	(2,059)	3,683	(5,742)	(>100.00)
Property Development	110,296	47,785	62,511	>100.00	38,077	11,733	26,344	>100.00
Building Material	6,878	17,337	(10,459)	(60.32)	(3,221)	(2,203)	(1,018)	(46.20)
Others	1,799	302	1,497	>100.00	(3,636)	(787)	(2,849)	(>100.00)
Inter-segment eliminations	(5,709)	(14,054)	8,345	59.38	3,080	(2,658)	5,738	>100.00
Total before non-controlling interest	143,274	94,899	48,375	50.97	32,241	9,768	22,474	>100.00
Non-controlling interest	-	-	-	-	(2,317)	408	(2,725)	(>100.00)
Total	143,274	94,899	48,375	50.97	29,924	10,176	19,748	>100.00

The Group revenue improved by RM48.4 million and profit after tax increased by RM22.4 million for the financial period ended 30 June 2020. The Divisional revenue and profit after tax are explained as follows:-

a) Construction

Overall cumulative revenue for Quarter 2, 2020 declined by RM13.5 million mainly due to the imposition of MCO directive, which at its early stage resulted in construction activities suspension.

b) Property Development

Cumulative revenue for Quarter 2, 2020 increased by RM62.5 million, grossly contributed by the Bukit Jalil City project under the Joint Development Agreement (JDA) for Phase 2 and the progress billings of Kota Kinabalu Crown development units.

c) Building Material

Revenue declined by RM10.4 million or 60.3% impacted by the MCO implementation that resulted in the decline in Besut rehabilitation work activities, which contributed to the overall lower rock demand.

Overall, the Group recorded a higher profit after tax (PAT) of RM22.4 million or more than 100% as compared to the previous financial period.

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 6 months ended							
	Revenue				Profit before tax			
	30.06.20	31.03.20	Changes		30.06.20	31.03.20	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Construction	30,010	11,026	18,984	>100	(2,059)	(2,171)	112	5.16
Property Development	110,296	67,928	42,368	62.37	38,077	29,163	8,914	30.57
Building Material	6,878	4,134	2,744	66.37	(3,221)	(1,285)	(1,936)	(>100)
Others	1,799	757	1,043	>100	(3,636)	(2,399)	(1,237)	(51.56)
Inter-segment eliminations	(5,709)	(3,543)	(2,166)	(61.13)	3,080	(51)	3,131	>100
Total	143,274	80,302	62,972	78.42	32,241	23,257	8,984	38.63

Revenue for the current quarter is higher compared to immediate preceding quarter mainly from the higher Joint Development Agreement (JDA) entitlement of 18% recognised from the Phase 2 Park Residences completion and revenue recognition from sales of the Pavilion Bukit Jalil Mall. Lower progressive sales of Kota Kinabalu Crown development units were recorded from the retail lots sales but generally sales were affected from the MCO lockdown period due to the Covid-19 pandemic. The profit before tax increased by RM8.9 million based on the increase in revenue with some offset from higher financing cost.

3. (a) **Financial Year 2020 Prospects**

The Board expects the remaining financial year 2020 to be challenging as the market continue to be impacted by Covid-19 pandemic uncertainty.

Accordingly, Management is implementing cost management initiatives to realign operating cost to on-going business activity levels.

(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 30.06.20 RM'000
Current period tax expense	7,473
Deferred tax expense	(531)
	6,942

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

The Company had on 10th July 2020, announced that the Company is proposing to undertake a right issue of up to 82,476,799 new Redeemable Preference Shares ("RPS") at an issue price of RM1.00 per RPS together with up to 206,191,997 free detachable warrants ("Warrants") on the basis of 1 RPS for every 5 existing ordinary shares held and 5 Warrants for every 2 RPS subscribed at an entitlement date to be determined by the Board at a later date.

The proposed utilisation as tabled below:

	Minimum Scenario	Maximum Scenario
	RM'000	RM'000
Working capital	30,000	30,000
Repayment of borrowings	18,200	50,677
Estimated expenses	1,800	1,800
	50,000	82,477

Other than the above, 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**

	30.06.2020	31.12.2019
	RM'000	RM'000
Borrowings denominated in Ringgit Malaysia:		
Secured		
<u>Non-Current</u>		
Finance lease liabilities	9,644	11,131
Bank borrowings	181,490	163,931
<u>Current</u>		
Finance lease liabilities	4,809	5,814
Bank borrowings	247,375	191,480
Total Borrowings	<u>443,318</u>	<u>372,356</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.

12. Changes in material litigations (cont'd)

a) 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 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.

Following thereto, HHCCI has lodged an Execution Petition before the City Civil Courts at Hyderabad, India to proceed with execution and recovery of Appellate Court's award against APHB. The matter is pending before City Civil Courts at Hyderabad.

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 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").

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)

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:-

- 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 in October 2019.

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

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)**

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 of RM16.5 million has been 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 26 August 2020, 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 6 Months ended		Cumulative Quarter 6 Months ended	
	30.06.2020 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2019 RM'000
Transaction with Directors of the Company				
-Progress billing received/receivable	90	-	90	158
Transaction with companies in which a substantial shareholder has interest				
-Progress billing received/receivable	-	-	-	197
Transaction with Directors of related companies				
-Progress billing received/receivable	248	21	248	30
Transaction with a major shareholder				
-Progress billing received/receivable	178	-	178	870
Transaction with a Company in which a Director of a related company has interest				
- Progress billing received/ receivable	185	934	185	934
Transaction with subsidiary companies of a corporate shareholder with a significant influence over the Company				
-Progress billing received/receivable	-	3,898	-	3,967
-Interest expenses paid/payable	(1,523)	(2,854)	(10,206)	(5,059)
-Drawdown of term loans	5,942	30,000	5,942	40,000
-Repayment of term loans	-	-	(4,042)	(7,000)
Transaction with a minority shareholder of a subsidiary company				
-Project management fee paid/payable	-	(520)	-	(1,040)
Transaction with a company in which a Director of the Company has interest				
-Progress claims paid/payable	-	(2,916)	(12,883)	(8,985)
- Rental of Retail Spaces	-	(418)	(909)	(418)
- Rental of Office	316	-	877	-

15. Profit before Tax

	Individual Quarter 3 Months ended		Cumulative Quarter 6 Months ended	
	30.06.2020 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2019 RM'000
Profit before tax is arrived at after charging:-				
Depreciation of property, plant and equipment ("PPE")	1,478	920	2,956	1,401
Depreciation of investment properties ("IP")	548	-	1,095	-
Amortisation of intangible asset	606	377	2,742	1,192
Amortisation of Right-of-use assets	909	155	1,817	155
Rental expenses	70	241	174	362
Finance cost	3,657	4,079	6,986	9,346
And Crediting:-				
Gain on disposal of PPE	-	-	-	-
Rental income	364	286	875	596
Finance income	1,852	8	2,393	36

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 30.06.2020	Preceding year corresponding quarter 30.06.2019	Financial year to-date 30.06.2020	Preceding year corresponding period to-date 30.06.2019
Net profit for the period attributable to owners of the parent (RM'000)	14,077	4,877	29,924	10,176
Weighted average number of ordinary shares ('000)	412,383	374,890	412,383	374,890
Basic EPS (sen)	3.41	1.30	7.26	2.71

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 30.06.2020	Preceding year corresponding quarter 30.06.2019	Financial period to-date 30.06.2020	Preceding year corresponding period to-date 30.06.2019
Net profit for the period attributable to owners of the parent (RM'000)	14,077	4,877	29,924	10,176
Adjustment for convertible preference dividend (RM'000)	-	-	-	-
Adjusted net profit for the period attributable to owners of the parent (RM'000)	14,077	4,877	29,924	10,176
Weighted average number of ordinary shares ('000)	412,383	374,890	412,383	374,890
Adjustment for Warrants ('000)	-	-	-	-
Adjustment for ESOS ('000)	-	-	-	-
Adjusted weighted average number of ordinary shares in issue ('000)	412,383	374,890	412,383	374,890
Diluted EPS (sen)	3.41	1.30	7.26	2.71

By Order of the Board

Dato' Wong Kit-Leong
Chief Executive Officer
Kuala Lumpur
26 August 2020