

HO HUP CONSTRUCTION COMPANY BERHAD (“Ho Hup” or “the Company”)

- **PROPOSED DISPOSAL OF PROPERTY BY BUKIT JALIL DEVELOPMENT SDN. BHD., A 70%-OWNED SUBSIDIARY OF THE COMPANY TO ACTION MASTER SDN. BHD.**

1. INTRODUCTION

On behalf of the Board of Directors of Ho Hup (“**Board**”), AFFIN Investment Bank Berhad (“**AFFIN Investment**”) wishes to announce that Bukit Jalil Development Sdn. Bhd. (“**BJD**” or “**Vendor**”), a 70%-owned subsidiary of the Company had on 16 December 2009 entered into a conditional sale and purchase agreement (“**SPA**”) with Action Master Sdn. Bhd. (“**AMSB**” or “**Purchaser**”) for the proposed disposal of a parcel of freehold land measuring approximately 13,398 square meters held under Geran 55265 with Lot No. 38472 in the Mukim of Petaling and District of Kuala Lumpur and State of Wilayah Persekutuan (“**Property**”) for a cash consideration of RM7,641,731, subject to the terms of the SPA (“**Proposed Disposal**”).

Further details of the Proposed Disposal are set out in the following sections.

2. DETAILS OF THE PROPOSED DISPOSAL

2.1 INFORMATION ON THE PROPERTY

The Property is part of a parcel of freehold land held under Geran 55265 with Lot No. 38472 in the Mukim Petaling and District of Kuala Lumpur and State of Wilayah Persekutuan measuring approximately 13,398 square meters is located along Jalan 14/155C, Bandar Bukit Jalil, 57000 Kuala Lumpur. The category of the land use is “Bangunan”. The proposed use of the Property is to develop 76 units of town houses, of which to-date, remains undeveloped.

The audited net book value of the Property based on the audited financial statements of BJD as at 31 December 2008 is RM7,021,550. Based on the valuation letter dated 16 December 2009 issued by Henry Butcher Malaysia Sdn Bhd, an independent registered valuer, the market value of the Property is RM5,047,000 using the comparison approach.

The Property is currently charged to a local financial institution.

2.2 ORIGINAL COST OF INVESTMENT

The original cost of investment to BJD was RM2,732,245 and the date of the acquisition was on 11 May 2006.

2.3 BASIS OF ARRIVING AT THE CONSIDERATION

The consideration for the Property was arrived at based on a “willing-buyer willing-seller” basis, after taking into consideration the market value of the Property as ascribed by an independent registered valuer, Henry Butcher Malaysia Sdn Bhd, as set out in their letter dated 16 December 2009. The market value of RM5,047,000 by Henry Butcher Malaysia Sdn Bhd was determined using the comparison approach.

Based on the above, the consideration represents a premium of approximately 51.41% or RM2,594,731 to the market value of the Property.

2.4 SALIENT TERMS OF THE SPA

1. The parties expressly agreed that the sale and purchase shall be conditional upon the following conditions precedent being complied with:
 - (a) the Purchaser or the Purchaser's solicitors in receipt of the Vendor's board and members and Ho Hup resolutions (collectively referred to as "**the Vendor's Approval**") approving the sale of the Property to the Purchaser upon the terms and conditions contained in the SPA;
 - (b) the original individual title to the Property with the category of land use being "Bangunan" free from all encumbrances being deposited with the Purchaser or the Purchaser's solicitors;
 - (c) documentary evidence of all costs and expenses relating to the sub-division of the Property and the procurement of the issuance of the individual title to the Property have been paid;
 - (d) the Purchaser's board and members resolutions wherein the Purchaser's members authorised the purchase of the Property upon the terms and conditions contained in the SPA; and
 - (e) the survey to demarcate the total area of the Property has been completed.
2. The conditions precedent hereinabove shall be fulfilled and complied within six (6) months from the date of the SPA, failing which the parties agreed that the same shall be extended for a further period to be mutually agreed by the parties hereto. In the event the conditions precedent hereinabove is not fulfilled within the aforesaid period and no extension thereof has been mutually agreed upon, then, the SPA shall determined whereby the Vendor shall forthwith refund to the Purchaser all monies paid by the Purchaser to the Vendor free from all interest failing which the Vendor shall pay the Purchaser late refund interest calculated at the rate of eight per centum per annum (8% p.a.) on such aforesaid monies to be refunded or part thereof outstanding on a daily basis commencing from the day next after the expiry of the aforesaid six (6) months to the date of receipt of the full money to be refunded herein by the Purchaser.

2.5 EXPECTED GAIN/LOSSES ARISING FROM THE PROPOSED DISPOSAL

Based on the audited financial statements of BJD as at 31 December 2008, Ho Hup is expected to realise an estimated gain of RM520,181, on a consolidated basis.

2.6 PAYMENT OF THE CONSIDERATION

The consideration shall be paid by the Purchaser to Vendor in the following manner:

- (a) The deposit of RM1,146,260 paid by the Purchaser to the Vendor prior to the execution of the SPA.
- (b) The Balance Purchase Price of RM6,495,471 shall be paid by the Purchaser to the Vendor within the period and in the manner as follows:-
 - (i) a further sum of RM1,146,260 to the Vendor within seven (7) days from the date of receipt by the Purchaser or the Purchaser's solicitors (as the case may be) of certified true copy of the Vendor's Approval and the Chargee's (as defined hereinafter) letter of confirmation that the final balance purchase price of RM5,349,211 ("**Final Balance Purchase Price**") is sufficient to redeem the Property from the financial institution whom the Property is currently being charged to ("**Chargee**"); and

- (ii) the Final Balance Purchase Price shall be paid within six (6) months (“**the said Period**”) from the date of the SPA or within two (2) months from the date of receipt by the Purchaser or the Purchaser’s solicitors (as the case may be) of certified documentary evidence (“**Certified Documents**”) of the full compliance of the conditions precedent as mentioned above in Section 2.4, whichever is earlier (“**Completion Date**”), provided always that in the event the individual title to the Property free from all encumbrances is obtained before the expiry of the said Period then, the Completion Date for the Purchaser to pay the Final Balance Purchase Price shall be the time frame of two (2) months plus the remaining period of the said Period (which aforesaid remaining period is computed from the date of receipt by the Purchaser or the Purchaser’s solicitors (as the case may be) of a certified true copy of the individual title to the Property free from all encumbrances) from the date of receipt by the Purchaser or the Purchaser’s solicitors of the Certified Documents.

2.7 LIABILITIES ASSUMED PURSUANT TO THE PROPOSED DISPOSAL

The Purchaser will not assume any liabilities pursuant to the Proposed Disposal.

3. INFORMATION ON AMSB

AMSB was incorporated in Malaysia under the Companies Act, 1965 on 10 September 1997, as a private limited company, under its present name. AMSB has an authorised share capital of RM500,000 divided into 500,000 ordinary Shares of RM1.00 each of which 500,000 ordinary Shares of RM1.00 each have been issued and are fully paid up.

AMSB is principally involved in the dealing of bowling equipment and accessories.

4. UTILISATION OF THE PROCEEDS FROM THE PROPOSED DISPOSAL

The gross proceeds of RM7,641,731 arising from the Proposed Disposal would be utilised by the Group mainly for the repayment of borrowings, working capital and to defray the estimated expenses in relation to the Proposed Disposal. Further details are as set out below:

Details of Utilisation	RM'000	Timeframe for full utilisation
Repayment of borrowings	3,820	6 months from completion of the Proposed Disposal
Working capital	3,722	9 months from completion of the Proposed Disposal
Estimated expenses in relation to the Proposed Disposal	100	6 months from completion of the Proposed Disposal
Total	7,642	

5. RATIONALE FOR THE PROPOSED DISPOSAL

The Property forms one of the non-core landbanks that had been earmarked for disposal pursuant to the proposed disposal of non-core landbanks, which had been announced earlier on 30 October 2009 (“**Announcement**”). These non-core landbanks are not expected to contribute materially to the business of the Company and the Ho Hup group of companies in the future. In this respect, the Proposed Disposal offers an opportunity for Ho Hup to realise the capital appreciation of the Property whereby the proceeds from the sale of the Property can be used to repay a portion of its existing bank borrowing and for its working capital purposes for its future flagship project as stated in the Announcement.

6. EFFECTS OF THE PROPOSED DISPOSAL

The effects of the Proposed Disposal are as follows:

6.1 Share Capital and Shareholdings of Substantial Shareholder

The Proposed Disposal will not have any effect on issued and paid-up share capital and substantial shareholders’ shareholding of Ho Hup as the Proposed Disposal does not involve any issuance of new shares in Ho Hup.

6.2 Net assets, net assets per share and Gearing

For information purposes, the proforma effects of the Proposed Disposal on the consolidated net assets, net assets per share and gearing of Ho Hup based on the latest audited financial statements as at 31 December 2008 are as follows:

	(I) Audited consolidated as at 31.12.2008 RM'000	After (I) and the completion of the Proposed Disposal RM'000
Share capital	102,000	102,000
Reserve	(83,231)	(82,711) ¹
Shareholders' equity / NA	18,769	19,289
Number of ordinary shares in issue ('000)	102,000	102,000
NA per share (RM)	0.18	0.19
Total borrowings (interest-bearing debt)	104,515	100,695 ²
Gearing ratio (times)	5.57	5.22

Notes:

1 Inclusive of a gain of RM 520,181 arising from the Proposed Disposal

2 Assuming that RM3.82 million of the proceeds from the Proposed Disposal are used to repay borrowings.

6.3 Earnings

The Proposed Disposal is not expected to have a material effect on the consolidated earnings of Ho Hup for the financial year ending 31 December 2009 as it is expected to be completed by June 2010. Upon completion of the Proposed Disposal, Ho Hup is expected to realise a gain of RM520,181 which is expected to be recorded in the financial year ending 31 December 2010.

7. APPROVALS REQUIRED

The Proposed Disposal is subject to the following approvals being obtained:-

- (i) the shareholders of Ho Hup at an extraordinary general meeting to be convened; and
- (ii) any other relevant authorities, if necessary.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSON CONNECTED

None of the Directors, major shareholders of the Company and/or persons connected with them, as defined in the Listing Requirements of Bursa Malaysia Securities Berhad, have any interest, direct or indirect, in the Proposed Disposal.

9. DIRECTORS' RECOMMENDATION

The Board, after careful deliberations on all the aspects of the Proposed Disposal, is of the opinion that the Proposed Disposal is in the best interest of the Company.

10. PERCENTAGE RATIOS

Based on the audited consolidated financial statements of Ho Hup as at 31 December 2008, the highest percentage ratio applicable to the Proposed Disposal as per Paragraph 10.02(g) Chapter 10 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is approximately 40.7%, calculated based on the aggregate value of consideration for the Property, compared with the net assets of Ho Hup and its subsidiary companies.

11. ADVISER

AFFIN Investment has been appointed by Ho Hup to act as the Adviser for the Proposed Disposal.

12. ESTIMATED TIMEFRAME FOR COMPLETION

Barring unforeseen circumstances, the Proposed Disposal is expected to be completed by June 2010.

13. DOCUMENTS FOR INSPECTION

The SPA and valuation letter by Henry Butcher Malaysia Sdn Bhd dated 16 December 2009 will be made available for inspection at the Company's registered office at No.18, Jalan 17/155C, Bandar Bukit Jalil, 57000 Kuala Lumpur during normal office hours from Monday to Friday (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 16 December 2009.