

HO HUP CONSTRUCTION COMPANY BERHAD ("HO HUP" OR THE "COMPANY")

- (I) **PROPOSED REDUCTION OF THE EXISTING ISSUED AND PAID-UP SHARE CAPITAL OF HO HUP OF 102,000,408 ORDINARY SHARES OF RM1.00 EACH ("SHARES" OR "HO HUP SHARES") TO RM5,100,020 COMPRISING 102,000,408 ORDINARY SHARES OF RM0.05 EACH, BY CANCELLING RM96,900,388 OF HO HUP'S ISSUED AND PAID-UP SHARE CAPITAL OR RM0.95 OF THE PAR VALUE OF EACH EXISTING SHARE PURSUANT TO SECTION 64 OF THE COMPANIES ACT, 1965 (THE "ACT") ("PROPOSED CAPITAL REDUCTION");**
- (II) **PROPOSED CONSOLIDATION OF THE RESULTANT 102,000,408 ORDINARY SHARES OF RM0.05 EACH INTO 5,100,020 ORDINARY SHARES OF RM1.00 EACH, ON THE BASIS OF 20 ORDINARY SHARES OF RM0.05 EACH INTO ONE (1) ORDINARY SHARE OF RM1.00 EACH, FOLLOWING THE PROPOSED CAPITAL REDUCTION ("PROPOSED CONSOLIDATION");**

(ITEMS (I) AND (II) ABOVE ARE COLLECTIVELY REFERRED TO AS THE "PROPOSED CAPITAL RECONSTRUCTION")
- (III) **PROPOSED ISSUANCE OF 26,250,000 NEW SHARES TO INVESTORS TO BE SELECTED BY THE COMPANY'S BOARD OF DIRECTORS, AT AN ISSUE PRICE OF RM1.00 EACH ("PROPOSED RESTRICTED ISSUE");**
- (IV) **PROPOSED RENOUNCEABLE RIGHTS ISSUE OF 12,750,050 NEW SHARES ("RIGHTS SHARES"), AT AN ISSUE PRICE OF RM1.00 PER RIGHTS SHARE (AFTER THE PROPOSED CAPITAL REDUCTION AND PROPOSED CONSOLIDATION), ON THE BASIS OF FIVE (5) RIGHTS SHARES FOR EVERY TWO (2) HO HUP SHARES HELD (AFTER TAKING INTO CONSIDERATION THE PROPOSED CAPITAL RECONSTRUCTION) AT AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED RIGHTS ISSUE"); AND**
- (V) **PROPOSED AMENDMENTS TO HO HUP'S MEMORANDUM AND ARTICLES OF ASSOCIATION TO FACILITATE THE PROPOSED CAPITAL REDUCTION ("AMENDMENTS 1") AND THE PROPOSED CONSOLIDATION ("AMENDMENTS 2") (COLLECTIVELY THE "PROPOSED AMENDMENTS").**
- **ANNOUNCEMENT PURSUANT TO PRACTICE NOTE 17/2005 OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES")**

1. INTRODUCTION

The Company had on 31 July 2008 announced that it is an affected listed issuer under paragraph 2.1(d) of Practice Note 17/2005 of Bursa Securities' Main Market Listing Requirements ("**PN17**") as its auditors, Messrs Ernst & Young ("**EY**") had expressed a disclaimer opinion in the Company's audited accounts for the financial year ended ("**FYE**") 31 December 2007.

From August 2008 to December 2008, the Company had undergone a period of re-organisation of its Board of Directors ("**Board**") and key management personnel. Under the new management team, Ho Hup had been actively restructuring Ho Hup and its subsidiaries' ("**Ho Hup Group**" or the "**Group**") operations and financial conditions. The Company had, over the past few months, been engaged with various parties and in discussion with financiers, creditors, auditors, property related consultants and advisers to address the various operational and financial challenges, which includes the disclaimer opinion expressed by EY.

On 1 April 2009, the Company had announced that Bursa Securities had granted the Company an extension of time of four (4) months up until 31 July 2009 to submit its regularisation plan to the relevant authorities for approval.

On 15 May 2009, the Company had further announced that based on Ho Hup's audited financial statements for the FYE 31 December 2008, Ho Hup further triggered paragraph 2.1(a) of PN17 whereby Ho Hup's consolidated shareholders' equity is less than 25% of its issued and paid-up share capital and is less than the required minimum issued and paid-up capital. In addition, EY continued to express a disclaimer opinion in Ho Hup's audited accounts for the FYE 31 December 2008.

On 31 July 2009, the Company had announced that Bursa Securities had granted the Company a further extension of time of three (3) months up until 31 October 2009 to finalise and submit its regularisation plan to the relevant authorities pursuant to the provisions of PN17 of Bursa Securities' Main Market Listing Requirements.

In conjunction with Ho Hup's overall plan to regularise the Group's financial position, Ho Hup hereby proposes to undertake the following corporate exercises to warrant the continued trading and listing of its shares on the Main Market of Bursa Securities: -

- (i) Proposed reduction of the existing issued and paid-up share capital of Ho Hup of 102,000,408 Shares to RM5,100,020 comprising 102,000,408 ordinary shares of RM0.05 each, by cancelling RM96,900,388 of Ho Hup's issued and paid-up share capital or RM0.95 of the par value of each existing share pursuant to Section 64 of the Act;
- (ii) Proposed consolidation of the resultant 102,000,408 ordinary shares of RM0.05 each into 5,100,020 ordinary shares of RM1.00 each, on the basis of 20 ordinary shares of RM0.05 each into one (1) ordinary share of RM1.00 each, following the Proposed Capital Reduction;
- (iii) Proposed issuance of 26,250,000 new Shares to investors to be selected by the Board, at an issue price of RM1.00 each;
- (iv) Proposed renounceable rights issue of 12,750,050 Rights Shares, at an issue price of RM1.00 per Rights Share, on the basis of five (5) Rights Shares for every two (2) Ho Hup Shares held (after taking into consideration the Proposed Capital Reconstruction) at an entitlement date to be determined later; and
- (v) Proposed amendments to Ho Hup's Memorandum and Articles of Association to facilitate the Proposed Capital Reduction and the Proposed Consolidation.

(Collectively referred to as the "**Proposed Regularisation Plan**")

The Proposed Capital Reduction and the Amendments 1 are inter-conditional. The Proposed Consolidation, the Proposed Restricted Issue, the Proposed Rights Issue and the Amendments 2 are inter-conditional upon each other and conditional upon the Proposed Capital Reduction and the Amendments 1.

The Proposed Regularisation Plan is not conditional or inter-conditional upon any other corporate exercises being or proposed to be undertaken by Ho Hup.

In accordance with the requirements of PN17, the Proposed Regularisation Plan is intended to, *inter-alia*, restore: -

- (i) the consolidated shareholders' equity of Ho Hup to 25% or more of its issued and paid-up share capital; and
- (ii) the enlarged shareholders' equity to at least RM40 million.

2. THE PROPOSED CAPITAL REDUCTION

2.1 Details of the Proposed Capital Reduction

The Proposed Capital Reconstruction involves the capital reduction under Section 64 of the Act whereby the share capital of Ho Hup shall be reduced: -

from: an authorised share capital of RM200,000,000 divided into 200,000,000 ordinary shares of RM1.00 each, of which 102,000,408 ordinary shares of RM1.00 each have been issued and are fully paid-up

to: an authorised share capital of RM200,000,000 divided into 4,000,000,000 ordinary shares of RM0.05 each, of which 102,000,408 ordinary shares of RM0.05 each have been issued and are fully paid-up

by: reducing RM0.95 of the par value of each existing Ho Hup ordinary share of RM1.00 each in issue representing a reduction in the issued and paid-up share capital of Ho Hup by RM96,900,388, and the creation of an additional 3,800,000,000 ordinary shares of RM0.05 each

whereby the credit of RM96,900,388 ("**Capital Reduction Amount**") arising from the reduction in the par value of Ho Hup's ordinary shares shall be utilised towards reducing Ho Hup's accumulated losses until the entire Capital Reduction Amount has been fully applied.

2.2 Method of Implementation

As part of Ho Hup's PN17 regularisation plan, the Company is proposing the Proposed Capital Reduction to enable the Company to cancel its accumulated losses by RM96,900,388 (via the Capital Reduction Amount) such that its accumulated losses would be substantially reduced following the completion of the Proposed Regularisation Plan. Any remaining accumulated losses after the Proposed Regularisation Plan may be further eliminated by gains arising from the disposal of non-core landbanks as well as any profits that Ho Hup expects to generate in the financial year ending 31 December 2010 as further detailed in Sections 8 and 9.

The Capital Reduction Amount of RM96.9 million will be utilised towards: -

- (a) setting off and reducing accumulated losses of Ho Hup as at 31 December 2008 and the balance of such credit amounting to RM9.06 million to be transferred to the Company's capital reserve ("**Capital Reserve**") and dealt with in the manner set out under (b) below; and
- (b) the Capital Reserve of the Company be cancelled pursuant to Section 64(1) of the Act and the credit arising from such cancellation be applied towards setting-off and reducing the accumulated losses of the Company as at 31 December 2009.

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For illustration purposes, the proforma accumulated losses and the Capital Reduction Amount which shall be applied towards reducing such accumulated losses at this juncture are tabulated as follows: -

Proforma Accumulated Losses	Group RM'000	Company RM'000
Audited for FYE 31 December 2008	(87,840)	(15,071)
<u>Add:</u>	(Note A)	(Note B)
• Estimated loss after tax ("LAT") for the financial year ending 31 December 2009	(17,221)	(89,990)
Proforma Accumulated Losses	(105,061)	(105,061)
<u>Less:</u>		
• Capital Reduction Amount	96,900	96,900
Remaining Accumulated Losses	(8,161)	(8,161)

Notes: -

Note A Estimated LAT for the financial year ending 31 December 2009 includes, inter-alia, operating losses of the Group as well as, inter-alia, the following extraordinary items: -

- (a) *Bad debts written off in respect of receivables incurred in Madagascar of RM5.3 million;*
- (b) *Writing off of six (6) trucks donated to Government of Madagascar for RM1.2 million;*
- (c) *Estimated incidental expenses for purposes of settlement of arbitration suit for RM8.7 million;*
- (d) *Write off for the deposits paid to the International Chamber of Commerce, International Court of Arbitration in relation to arbitration suit for RM0.9 million;*
- (e) *Impairment of plant / machineries in Madagascar of RM2.5 million;*
- (f) *Estimated expenses for the Proposed Regularisation Plan of RM2.5 million of which approximately RM1.0 million will be incurred in respect of the FYE 31 December 2009;*
- (g) *Write back of overprovision of liquidated ascertained damages for RM7.5 million;*
- (h) *Gain on sale of scrap and machineries of RM9.4 million; and*
- (i) *Gain on sale of three (3) parcels of non-core landbanks amounting to RM13.02 million at the Group level and RM5.5 million at the Company level.*

Note B Estimated LAT for the financial year ending 31 December 2009 includes operating losses (Company level) and certain extraordinary items stated under Note A above as well as provision for doubtful debts – intercompany receivables of RM68.1 million (being provision made in relation to the interest portion of intercompany advances provided by Ho Hup to Bukit Jalil Development Sdn. Bhd., a 70%-owned subsidiary of the Company ("BJD")).

3. THE PROPOSED CONSOLIDATION

Following the Proposed Capital Reduction, Ho Hup will consolidate the resultant 102,000,408 ordinary shares of RM0.05 each, on the basis of 20 ordinary shares of RM0.05 each into one (1) Share. Upon completion of the Proposed Consolidation, the share capital of Ho Hup will be RM5,100,020 comprising 5,100,020 Shares.

The consolidated ordinary shares of RM1.00 pursuant to the Proposed Consolidation ("**Consolidated Shares**") shall, upon issue and allotment, rank *pari passu* in all respects amongst themselves. Fractions of the Consolidated Shares will be dealt with in such manner as the Board, in its discretion think expedient and in the Company's best interest.

To facilitate the Proposed Capital Reconstruction, the trading of Ho Hup Shares on the Main Market of Bursa Securities will be suspended effectively three (3) clear market days prior to the entitlement date to be determined whereby shareholders' names must appear on Ho Hup's Record of Depositors in order to participate in the Proposed Consolidation ("**Suspension**"). The trading of Ho Hup Shares on the Main Market of Bursa Securities will continue to be suspended until the completion of the Proposed Regularisation Plan.

4. THE PROPOSED RESTRICTED ISSUE

4.1 Details of the Proposed Restricted Issue

Upon completion of the Proposed Capital Reconstruction, the Proposed Restricted Issue entails the issuance of 26,250,000 new Ho Hup Shares at an issue price of RM1.00 each ("**Restricted Issue Shares**") to investors to be selected by the Board, under the relevant provisions of the Capital Markets and Services Act, 2007 (and any amendments made thereto from time to time and includes any re-enactment thereof) ("**Potential Investors**").

Notwithstanding that the identity of the Potential Investors has yet to be determined at this juncture, the Company intends to only place out the Restricted Issue Shares to third party investors, who are persons not connected to the Directors and substantial shareholders of the Company or persons connected to them.

As the Restricted Issue Shares are prescribed securities under the Securities Industry (Central Depositories) Act, 1991, any dealings in the Restricted Issue Shares will be subject to the provisions of the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Depository. The Restricted Issue Shares will be credited directly into the Central Depository System accounts of the Potential Investors and no physical certificates will be issued.

4.2 Basis of allocation

The Restricted Issue Shares will be allotted by the Board to the Potential Investors who are not connected to the Directors and substantial shareholders of the Company or persons connected to them in such proportion as the Board may determine in the best interests of the Company which will be dependent on general market conditions at the point of placement as well as after taking into consideration the public shareholding spread level for the purposes of complying with the relevant provisions of the same as required under Bursa Securities' Main Market Listing Requirements.

4.3 Basis and Justification of Determining the Issue Price of the Restricted Issue Shares

Prior to the Proposed Restricted Issue, Ho Hup's ordinary shares shall be subject to the Proposed Capital Reconstruction whereby the par value of Ho Hup shares shall be reduced to RM0.05 per share and thereafter consolidated into ordinary shares of RM1.00 each. The issue price of RM1.00 per Restricted Issue Share was arrived at after taking into account the par value of Ho Hup's shares of RM1.00 (after the Proposed Capital Reconstruction). This represents a premium of approximately 8.7% over the proforma net assets of the Group following the completion of the Proposed Regularisation Plan of RM0.92 per Share.

4.4 Ranking of Restricted Issue Shares

The Restricted Issue Shares shall, upon allotment and issue, rank *pari passu* in all respects with the then existing issued and paid-up Shares of Ho Hup except that the holders of the Restricted Issue Shares shall not be entitled to subscribe for any of the Rights Shares from the Proposed Rights Issue nor to any dividends, rights, bonuses, issues or other allotments and / or other distributions which relevant entitlement date is on or before the date of allotment and issue of the Restricted Issue Shares.

4.5 Proposed Utilisation of Proceeds

Based on the issue price of RM1.00 per Restricted Issue Share, the total gross proceeds to be raised from the Proposed Restricted Issue will be RM26.25 million. The proceeds from the Proposed Restricted Issue shall be utilised for the Company's working capital purposes.

The proceeds from the Proposed Restricted Issue are expected to be fully utilised within two (2) years from the date of receipt of the said proceeds.

5. THE PROPOSED RIGHTS ISSUE

5.1 Details of the Proposed Rights Issue

The proposed rights issue of 12,750,050 Rights Shares is to be implemented on a renounceable basis of five (5) Rights Shares for every two (2) Ho Hup Shares held (after taking into consideration the Proposed Capital Reconstruction) at the entitlement date to be determined whereby shareholders' names must appear on Ho Hup's Record of Depositors in order to participate in the Proposed Rights Issue ("**Entitlement Date**"), at an issue price of RM1.00 per Rights Share.

In determining the shareholders' entitlements under the Proposed Rights Issue, fractional entitlements will be disregarded and will be dealt with in such manner as the Board shall in its absolute discretion think expedient or to be in the best interests of the Company.

The Rights Shares will be offered to the shareholders of Ho Hup whose names appear in the Record of Depositors of Ho Hup at the close of business on the Entitlement Date ("**Entitled Shareholders**") after obtaining the approvals from all relevant authorities.

The Entitled Shareholders can fully or partially renounce their entitlements for the Rights Shares. Any unsubscribed Rights Shares shall be offered to the other shareholders and / or the renounees of Ho Hup under excess Rights Shares application.

In view of the Suspension, there will be no trading of the provisionally allotted Rights Shares on Bursa Securities. However, the provisionally allotted Rights Shares can still be transferred / renounced by completing the relevant forms which will be attached with the provisional allotment letter to be issued pursuant to the Proposed Rights Issue.

5.2 Basis and Justification of Determining the Issue Price of the Rights Shares

Prior to the Proposed Rights Issue, Ho Hup's ordinary shares shall be subject to the Proposed Capital Reconstruction whereby the par value of Ho Hup shares shall be reduced to RM0.05 per share and thereafter consolidated into ordinary shares of RM1.00 each. The issue price of RM1.00 per Rights Share was arrived at after taking into account the par value of Ho Hup's shares of RM1.00 (after the Proposed Capital Reconstruction). This represents a premium of approximately 8.7% over the proforma net assets of the Group following the completion of the Proposed Regularisation Plan of RM0.92 per Share.

5.3 Shareholder's Undertaking & Underwriting Arrangement

The major shareholder of Ho Hup, namely Extreme System Sdn. Bhd. ("**Extreme System**"), had on 20 October 2009 given its undertaking to subscribe in full for its entitlement amounting to approximately 3.6 million Rights Shares and up to 9.2 million additional Rights Shares to be subscribed for under excess application (in the event the same are not fully subscribed by the other Ho Hup shareholders) ("**Undertaking**"), representing collectively the entire number of Rights Shares that may be issued pursuant to the Proposed Rights Issue, as follows: -

	Existing shareholding in Ho Hup after the Proposed Capital Reconstruction		Rights Shares entitled under the Proposed Rights Issue		Additional Excess Shares Subscribed	
	No. of Shares	%	No. of Shares	%*	No. of Shares	%*
Extreme System	1,425,316	27.95	3,563,290	27.95	9,186,760	72.05

Note: -

* Based on the proposed issuance of 12,750,050 Ho Hup Shares pursuant to the Proposed Rights Issue

In view of the Undertaking, no underwriting arrangement is required for the Rights Shares under the Proposed Rights Issue as Extreme System would apply for any unsubscribed Rights Shares via excess Rights Shares application.

Pursuant to the Undertaking and assuming only Extreme System applies for the Rights Shares and no other shareholder of Ho Hup subscribes for their respective entitlements, Extreme System is not expected to trigger any obligation to undertake a take-over offer under the Malaysian Code on Take-Overs and Mergers, 1998 (as amended from time to time) ("**Code**") as Extreme System's resultant shareholding in Ho Hup (as set out in Section 11.4 below) would not exceed the 33% threshold set out in Part II of the Code given that the Proposed Rights Issue and the Proposed Restricted Issue are inter-conditional.

5.4 Ranking of the Rights Shares

The Rights Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing issued and paid-up Shares of Ho Hup except that the holders of the Rights Shares shall not be entitled to any dividends, rights, bonuses, issues or other allotments and / or other distributions which relevant entitlement date is on or before the date of allotment and issue of the Rights Shares.

5.5 Utilisation of Proceeds

Based on the issue price of RM1.00 per Rights Share and the Undertaking, the total gross proceeds to be raised from the Proposed Rights Issue will be RM12.75 million. The proceeds from the Proposed Rights Issue shall be utilised in the following manner:-

	Notes	Amount (RM'000)
Working capital for the Ho Hup Group	(a)	3,050
Repayment of bank borrowings	(b)	7,200
Defray expenses relating to the Proposed Regularisation Plan	(c)	2,500
TOTAL		12,750

Notes: -

(a) Working capital for the Ho Hup Group

The following amount is proposed to be utilised by the Company to *inter-alia* engage contractors to develop certain development projects which will be undertaken by the Company, in particular its proposed development on a parcel of 60 acres land situated at Bukit Jalil.

(b) Repayment of Bank Borrowings

An amount of approximately RM7.2 million is proposed to be utilised to repay part of Ho Hup Group's bank borrowings. For information purposes, the Group's total borrowings as at 30 September 2009 amounted to approximately RM105.5 million.

The estimated annual interest savings arising from the repayment of part of the Group's bank borrowings based on an average interest rate of 7.64% per annum (in respect of the loans to be repaid) would be approximately RM0.6 million.

The repayment of bank borrowings is subject to the respective bank's approval. Any excess funds not used to repay borrowings will be used for the Company's working capital.

(c) Defray estimated expenses relating to the Proposed Regularisation Plan

The estimated expenses comprise professional fees, fees to be paid to the relevant authorities, printing and advertising charges and miscellaneous charges which are estimated at RM2.5 million. Any proceeds earmarked for estimated expenses which are not utilised will be used for the Company's working capital purposes and vice-versa.

The proceeds from the Proposed Rights Issue are expected to be fully utilised within two (2) years from the date of receipt of the said proceeds.

6. PROPOSED AMENDMENTS

The Amendments 1 is proposed to be undertaken to facilitate the Proposed Capital Reduction while the Amendments 2 is proposed to be undertaken to facilitate the Proposed Consolidation.

7. STATUS OF HO HUP'S DISCLAIMER OPINIONS

The Company had first been classified as an affected listed issuer under paragraph 2.1(d) of PN17 as the Company's auditors, EY had expressed a disclaimer opinion in its audited accounts for the FYE 31 December 2007. In the FYE 31 December 2008, EY continued to express a disclaimer opinion in Ho Hup's audited accounts (collectively, the "**Disclaimer Opinions**"). In order to resolve the Disclaimer Opinions and in conjunction with the Proposed Regularisation Plan, management had undertaken various steps towards addressing the Disclaimer Opinions.

As at the date of this announcement, the Company believes it had successfully addressed the issues resulting in the Disclaimer Opinions with EY. The Company believes that most issues have been resolved satisfactorily and may no longer be a continuing issue, subject to EY's final audit for the financial year ending 31 December 2009.

8. PROPOSED DISPOSAL OF NON-CORE LANDBANKS

To date, whilst the proposed disposal of non-core landbanks is not part of the Proposed Regularisation Plan, it represents an integral part of the Company's efforts to realign its cashflow requirements as well as raising additional capital to undertake its other development projects. The Company has identified five (5) landbanks amounting to approximately 27.5 acres which are not expected to contribute materially to the business of the Company in the future. Given that it currently does not have any plans to develop the said parcels of land, Ho Hup had undertaken various measures in disposing the said non-core landbanks.

As at the date of this announcement, one (1) of the landbanks has been successfully disposed of whilst two (2) others are currently pending approval from the relevant authorities and Ho Hup's shareholders at an extraordinary general meeting ("**EGM**") to be convened. The Company expects to realise a total cash consideration of RM22.7 million of which RM13.7 million is proposed to part repay its bank borrowings and banking facilities (of which RM6.5 million has been deposited into a sinking fund to service the Company's banking facilities) and the balance of RM9.0 million will be utilised towards working capital purposes for its future projects.

Any gain arising from future disposal of land is expected to be utilised to partially offset its accumulated losses and contribute towards strengthening its shareholders' funds.

9. THE PROPOSED DEVELOPMENT

Following the Proposed Regularisation Plan, the future prospects of Ho Hup hinges to a large extent on the successful implementation of a 60 acres (24.3 hectare) parcel of freehold commercial land it currently owns at Bukit Jalil ("**60 Acres Land**"), currently held by BJD, into an integrated commercial centre over an eight (8)-year period ("**Proposed Development**"). A large portion of Ho Hup's foreseeable future revenue stream and profitability is expected to be contributed from the development and sales of the various residential and commercial units comprised of in the Proposed Development.

9.1 Details of the Proposed Development

The land which will be developed, (known as Lot 36101, PT4774, Mukim of Petaling, District of Kuala Lumpur, Wilayah Persekutuan) located within the Bandar Bukit Jalil, is a near oval shaped parcel of freehold commercial land and is bounded by Jalan 3/155C on the north, Lebuhraya Bukit Jalil on part of the west. Bukit Jalil is a fairly large mixed residential and commercial development area, which lies on the east side of Lebuhraya Bukit Jalil at about 25 kilometres south-west of the City Centre of Kuala Lumpur.

The 60 Acres Land has been approved for commercial development comprising six (6) parcels of commercial plots and 175 shop / offices. The approval was obtained from Dewan Bandaraya Kuala Lumpur vide a Development Order dated 10 October 2007 and in line with the approved site Layout Plan dated 21 September 2007. The Proposed Development is expected to generate a gross development value of RM1,592 million.

The immediate surroundings are relatively developed with Bukit Jalil Golf and Country Resort to the east, Bukit OUG to the north and Bandar Kinrara to the west. Amenities and prominent landmarks such as International Medical University, Bukit Jalil National Sports Complex in which the 16th Commonwealth Games was held, Technology Park Malaysia and shopping centres are within 3 km radius from the Proposed Development. Generally, the neighbourhood of the Proposed Development is a mixed residential and commercial areas developing into a township, geared towards all level of income group.

The Proposed Development consists of the following:

- i. Parcel 1 - Hypermarket with Small Office Home Office offices
- ii. Parcel 2, 3 and 4 - Service apartments with retail lots
- iii. Parcel 5 - Office tower and Hotel apartments
- iv. Parcel 6 - Central piazza with retail lots and food & beverage outlets
- v. Parcel 7 - 175 units of 4 to 8-storey shop / offices

9.2 Critical Success Factors for the Proposed Development

The Company has identified the following salient success factors of the Proposed Development: -

- (a) Location – strategically located within Bandar Bukit Jalil surrounded by residential / recreational / educational areas as well as shopping centres;
- (b) The land on which the Proposed Development will be undertaken has been gazetted by Dewan Bandaraya Kuala Lumpur as the town centre of Bukit Jalil;
- (c) Supported by main roads and highways such as Lebuhraya Bukit Jalil as well as Lebuhraya Shah Alam thus no material infrastructure works required;
- (d) Support from Ho Hup's Construction and Ready-mixed Division enables the Company to better control the development cost; and
- (e) Lower development cost and higher margins due to the low land costs at the point of acquisition in 1995.

10. RATIONALE FOR THE PROPOSED REGULARISATION PLAN

Taking into consideration the future prospects of the Company, the Proposed Regularisation Plan is intended to achieve the following objectives: -

- (a) preserve the value of Ho Hup's listing status which has a profitable core business with earnings and growth potential;
- (b) further strengthen Ho Hup's financial position and provide future cashflow for its working capital and future expansion; and
- (c) to maximise the recovery of shareholders' value for Ho Hup's shareholders.

The Proposed Capital Reconstruction would allow the accumulated losses of the Ho Hup Group to be written down to a more manageable level which, in turn, would better reflect the present value of the Group. The reduction of the accumulated losses on Ho Hup's balance sheet would not only enhance the credibility of the Company with its bankers, suppliers, prospective investors and potential business partners, it would also give the Company a chance to start afresh after regularising its financial condition and look forward to the future.

After due consideration of the Group's financial condition, including being an affected listed issuer under PN17, the Board is of the opinion that the cash injection via the Proposed Restricted Issue and the Proposed Rights Issue is currently the most appropriate means of raising funds, as it enables the Company to raise the requisite amount of funds without burdening Ho Hup with the commitment which come with any further bank borrowings other than those currently envisaged (such as periodic interest and capital repayment) which would put a strain on the Company's profit and loss and cash flow statements, and will help rejuvenate the business of the Ho Hup Group as it will provide the Company with funds for its working capital and repayment of its bank borrowings.

11. EFFECTS OF THE PROPOSED REGULARISATION PLAN

11.1 Share Capital

The Proposed Disposal of Non-Core Landbanks will not have any impact on the issued and paid-up share capital of Ho Hup. The proforma effects of the Proposed Restructuring Plan on the issued and paid-up share capital of Ho Hup are as follows:-

	No. of Shares '000	Par value RM	Share Capital RM'000	%
Existing as at 13 October 2009	102,000	1.00	102,000	-
<i>Less:</i> Reduction pursuant to the Proposed Capital Reduction	-	(0.95)	(96,900)	-
After the Proposed Capital Reduction	102,000	0.05	5,100	-
After Proposed Consolidation	5,100	1.00	5,100	11.57
<i>Add:</i> New shares in Ho Hup to be issued pursuant to the Proposed Restricted Issue	26,250	1.00	26,250	59.52
<i>Add:</i> New shares in Ho Hup to be issued pursuant to the Proposed Rights Issue	12,750	1.00	12,750	28.91
TOTAL ENLARGED SHARE CAPITAL	44,100	1.00	44,100	100.00

11.2 Earnings

Ho Hup's earnings performance will largely be dependent on the viability of its current and future projects, which are expected to contribute positively to the earnings of Ho Hup. Arising from the Proposed Capital Reconstruction, Ho Hup's earnings per share is expected to increase consequentially with the cancellation of 96.9 million Shares as illustrated under Section 11.1 above.

The Proposed Restricted Issue and the Proposed Rights Issue will not have any effect on the earnings of the Group for the FYE 31 December 2009 as they are only expected to be completed in the second (2nd) quarter of the calendar year 2010. However, the proceeds of the Proposed Restricted Issue and the Proposed Rights Issue are expected to contribute positively to the earnings of the Group in the future. Nevertheless, the earnings per Share of the Group will be correspondingly reduced as a result of the increase in the number of Ho Hup Shares upon completion of the Proposed Restricted Issue and the Proposed Rights Issue.

11.3 Dividends

Ho Hup did not declare any dividends for the FYE 31 December 2008.

The Board may from time to time declare a dividend or other distribution. Any declaration and payment of dividends in the future will be determined at the sole discretion of the Board. There is no assurance as to whether the dividend distribution will occur as intended, the amount of dividend payment or the timing of such payment.

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11.4 Substantial Shareholders

Assuming all Entitled Shareholders subscribe for their Rights Shares entitlements

	Existing as at 13 October 2009				I After Proposed Capital Reconstruction				II After Proposed Rights Issue and Proposed Restricted Issue			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares (‘000)	%	No. of Shares (‘000)	%	No. of Shares (‘000)	%	No. of Shares (‘000)	%	No. of Shares (‘000)	%	No. of Shares (‘000)	%
Extreme System	28,506	27.95	-	-	1,425	27.95	-	-	4,989	11.31	-	-
Datin Viannie Damit @ Undikai ⁽¹⁾	-	-	28,506	27.95	-	-	1,425	27.95	-	-	4,989	11.31
Datuk Lye Ek Seang ⁽²⁾	-	-	28,506	27.95	-	-	1,425	27.95	-	-	4,989	11.31
Dato' Low Tuck Choy ⁽³⁾	1,319	1.29	25,163	24.67	66	1.29	1,258	24.67	231	0.52	4,403	9.99
Low Teik Kien ⁽³⁾	699	0.69	25,163	24.67	35	0.69	1,258	24.67	122	0.28	4,403	9.99
Low Chee & Sons Sdn. Bhd.	23,113	22.66	-	-	1,156	22.66	-	-	4,045	9.17	-	-
Toh Hong Hooi ⁽⁴⁾	-	-	28,506	27.95	-	-	1,425	27.95	-	-	4,989	11.31
Lim Toh Fuh ⁽⁴⁾	-	-	28,506	27.95	-	-	1,425	27.95	-	-	4,989	11.31
Tan Mei Lian ⁽⁴⁾	-	-	28,506	27.95	-	-	1,425	27.95	-	-	4,989	11.31
Potential Investors	-	-	-	-	-	-	-	-	26,250*	59.52	-	-

Notes: -

(1) Deemed interest by virtue of her substantial shareholdings in Extreme System.

(2) Deemed interest by virtue of his spouse, Datin Viannie Damit @ Undikai's substantial shareholdings in Extreme System.

(3) Deemed interest by virtue of his interest in Low Chee & Sons Sdn. Bhd. and Low Chee Estate.

(4) Deemed interest by virtue of his / her substantial shareholdings in Extreme System.

* The Proposed Restricted Issue is expected to be allotted to potential investors to assist in meeting the public shareholding spread level for the purposes of complying with the relevant provisions of the same as required under Bursa Securities' Main Market Listing Requirements.

Assuming that no Entitled Shareholders (other than Extreme System) subscribe for their Rights Shares entitlement and the Proposed Rights Issue is completed based on the Undertaking

	Existing as at 13 October 2009				I After Proposed Capital Reconstruction				II After Proposed Rights Issue and Proposed Restricted Issue			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares (‘000)	%	No. of Shares (‘000)	%	No. of Shares (‘000)	%	No. of Shares (‘000)	%	No. of Shares (‘000)	%	No. of Shares (‘000)	%
Extreme System	28,506	27.95	-	-	1,425	27.95	-	-	14,175	32.14	-	-
Datin Viannie Damit @ Undikai ⁽¹⁾	-	-	28,506	27.95	-	-	1,425	27.95	-	-	14,175	32.14
Datuk Lye Ek Seang ⁽²⁾	-	-	28,506	27.95	-	-	1,425	27.95	-	-	14,175	32.14
Dato’ Low Tuck Choy ⁽³⁾	1,319	1.29	25,163	24.67	66	1.29	1,258	24.67	66	0.15	1,258	2.85
Low Teik Kien ⁽³⁾	699	0.69	25,163	24.67	35	0.69	1,258	24.67	35	0.08	1,258	2.85
Low Chee & Sons Sdn. Bhd.	23,113	22.66	-	-	1,156	22.66	-	-	1,156	2.62	-	-
Toh Hong Hooi ⁽⁴⁾	-	-	28,506	27.95	-	-	1,425	27.95	-	-	14,175	32.14
Lim Toh Fuh ⁽⁴⁾	-	-	28,506	27.95	-	-	1,425	27.95	-	-	14,175	32.14
Tan Mei Lian ⁽⁴⁾	-	-	28,506	27.95	-	-	1,425	27.95	-	-	14,175	32.14
Potential Investors	-	-	-	-	-	-	-	-	26,250*	59.52	-	-

Notes: -

(1) Deemed interest by virtue of her substantial shareholdings in Extreme System.

(2) Deemed interest by virtue of his spouse, Datin Viannie Damit @ Undikai’s substantial shareholdings in Extreme System.

(3) Deemed interest by virtue of his interest in Low Chee & Sons Sdn. Bhd. and Low Chee Estate.

(4) Deemed interest by virtue of his / her substantial shareholdings in Extreme System.

* The Proposed Restricted Issue is expected to be allotted to potential investors to assist in meeting the public shareholding spread level for the purposes of complying with the relevant provisions of the same as required under Bursa Securities’ Main Market Listing Requirements.

11.5 Net Assets ("NA") and Gearing

	Existing as at 31 December 2008	After incorporating estimated loss after tax for FYE 31 December 2009	I After Proposed Capital Reconstruction	II After (I) and Proposed Restricted Issue	III After (II) and Proposed Rights Issue
	RM'000	RM'000	RM'000	RM'000	RM'000
Share Capital	102,000	102,000	5,100	31,350	44,100
Foreign Exchange Reserve	4,609	4,609	4,609	4,609	4,609
Accumulated Losses	(87,840)	(105,061)	(8,161)	(8,161)	(8,161)
Shareholders' Equity	18,769	1,548	1,548	27,798	40,548
No. Of Shares ('000)	102,000	102,000	5,100	31,350	44,100
NA per Share (RM)	0.18	0.02	0.30	0.89	0.92
Total Borrowings	104,515	97,315*	97,315	97,315	90,115
Gearing (times)	5.6	62.9	62.9	3.5	2.2

Note: -

* including the repayment of RM7.2 million of bank borrowings from the proceeds of disposal of non-core landbank

The above proforma was prepared on the basis that the Capital Reduction Amount of RM96,900,388 will be utilised entirely to offset the accumulated losses as at 31 December 2008 as well as any further accumulated losses arising from the estimated LAT for FYE 31 December 2009.

12. CONDITIONS OF THE PROPOSED REGULARISATION PLAN

The Proposed Regularisation Plan is conditional upon the following approvals being obtained:

-

- (a) Bursa Securities for: -
 - (i) the Proposed Regularisation Plan (save for the Proposed Amendments);
 - (ii) the listing and quotation of the Consolidated Shares, the Restricted Issue Shares and the Rights Shares on the Main Market of Bursa Securities;
- (b) the confirmation of the High Court of Malaya for the Proposed Capital Reduction under Section 64 of the Act;
- (c) the shareholders of Ho Hup for the Proposed Regularisation Plan at the EGM to be convened; and
- (d) any other relevant authorities, if required.

13. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the Directors and / or major shareholders of the Ho Hup Group and / or persons connected with them have any interest, direct or indirect, in the Proposed Regularisation Plan beyond their respective entitlements under the Proposed Rights Issue (including the right to apply for excess Rights Shares), to which all shareholders of Ho Hup are entitled.

14. ESTIMATED TIME FRAME FOR SUBMISSION AND COMPLETION

The application to the authorities is expected to be made by end October 2009, whilst the Proposed Regularisation Plan is expected to be completed by the second (2nd) quarter of 2010.

The tentative timeline in relation to the implementation of the Proposed Regularisation Plan is as follows: -

DATE	EVENTS
December 2009	EGM to approve the Proposed Regularisation Plan
Mid February 2010	<ul style="list-style-type: none">• Obtain court order• Announcement of Books Closing Date ("BCD")
End February 2010	BCD for the Proposed Capital Reconstruction and the Proposed Rights Issue
Early March 2010	Despatch of Abridged Prospectus, Rights Subscription Form and Notices of Allotment
End March 2010	Last day for payment and acceptance of Rights Shares
Early April 2010	<ul style="list-style-type: none">• Listing and quotation of the Consolidated Shares, Restricted Issue Shares and Rights Shares• Completion of the Proposed Regularisation Plan• Upliftment of Ho Hup's PN17 status

This announcement is dated 30 October 2009.