www.hohupgroup.com.my

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Wilayah Persekutuan

Tel No. : 03-2084 9000
Fax No. : 03-2094 9940

ANNUAL REPORT 2010

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

HO HUP
Since 1960

annual report **two thousand ten**

2010

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37th Annual General Meeting

Venue :
Bukit Jalil Golf and Country Resort,
Langkawi Room,
Jalan 3/155B, Bukit Jalil, 57000, Kuala Lumpur, Malaysia.

Time :
21 June 2011, Tuesday, 10.00 a.m.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Dato' Kamaruzzaman Bin Shariff
Chairman/Independent Non-Executive Director

Dato' Ramli Bin Yusuff
Deputy Chairman/Non-Independent Non-Executive Director

En. Donatian Felix Dorairaj
Non-Independent Non-Executive Director

Tuan Haji Yusob Bin Md Tasir
Independent Non-Executive Director

En. Chow Seck Kai
Independent Non-Executive Director

En. Wong Kit-Leong
Executive Director

COMPANY SECRETARIES

En. Ivan Oh Boon Wee
(MIA 17911)

Cik. Chua Siew Chuan
(MAICSA 0777689)

Cik. Chin Mun Yee
(MAICSA 7019243)

En. Jauhari Bin Hassan
(LS 03681)

SHARE REGISTRAR

ShareWorks Sdn Bhd
23, Jalan Sri Hartamas 7
Sri Hartamas
50480 Kuala Lumpur
Tel No. : 03-6201 1120
Fax No. : 03-6201 3121

REGISTERED OFFICE

Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Wilayah Persekutuan
Tel No. : 03-2084 9000
Fax No. : 03-2094 9940

PRINCIPAL BANKERS

CIMB Bank Berhad
United Overseas Bank (Malaysia) Berhad
Alliance Investment Bank Berhad
RHB Bank Berhad

AUDITORS

UHY
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur

SOLICITORS

Yoong & Partners
James Monteiro
Shahrizat Rashid & Lee

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad

STOCK CODE

5169

STOCK NAME

HOHUP

WEBSITE

www.hohupgroup.com.my

CORPORATE STRUCTURE

HO HUP CONSTRUCTION COMPANY BERHAD

- 70% Bukit Jalil Development Sdn Bhd
- 90% Tru-Mix Concrete Sdn Bhd
- 100% Ho Hup Equipment Rental Sdn Bhd
- 100% Timeless Element Sdn Bhd
- 100% H2Energy Corporation Sdn Bhd
- 100% Ho Hup Geotechnics Sdn Bhd
- 100% Ho Hup Jaya Sdn Bhd
  - 100% Intermax Resources Sdn Bhd
  - 100% Mekarani Heights Sdn Bhd

- 100% Ho Hup Construction Company Berhad (Madagascar Branch)
- 100% Ho Hup Construction Company (India) Private Limited *
- 100% Ho Hup Corporation (Mauritius) Ltd **
- 100% Ho Hup Corporation (South Africa) Pty Ltd ***
- 80% PT Halford Citra ****

- 50% Hupcon Antarabangsa Sdn Bhd
- 49% Semenyih Brickmakers Sdn Bhd
- 49.9% Ho Hup Construction (Madagascar) SARL #
  - 49.8% Madagascar Malaysia Equipment Rental #
  - 49.8% Madagascar Malaysia Construction Company #
- 45% Shanghai San Ho Hup Pile Co. Ltd ##
- 48% Ho Hup Corporation (Thailand) Limited ###

*	Incorporated in India
**	Incorporated in Mauritius
***	Incorporated in South Africa
****	Incorporated in Indonesia
#	Incorporated in Madagascar
##	Incorporated in the People's Republic of China
###	Incorporated in Thailand

BOARD OF DIRECTORS' PROFILE

YBHG TAN SRI DATO' KAMARUZZAMAN BIN SHARIFF

Chairman/Independent Non-Executive Director

YBhg Tan Sri Dato' Kamaruzzaman Bin Sharrif, a Malaysian, aged 69, was appointed to the Board of the Company as an Independent Non-Executive Chairman on 17 March 2010. He is currently the Chairman of the Executive Committee, Remuneration Committee and Nomination Committee.

YBhg Tan Sri Dato' Kamaruzzaman graduated from University of Malaya in 1964 of Arts Degree and obtained a Diploma of Public Administration from Carleton University, Canada in 1969. He also holds Masters in Public Administration from Syracuse University, USA in 1979.

YBhg Tan Sri Dato' Kamaruzzaman served the Malaysian Civil Service for 38 years where he held various senior positions in Federal and State Government, including Mayor of Kuala Lumpur from 1995 to 2001. His other postings include Secretary General of the Ministry of Defence from 1992 to 1995, Deputy Director General of Public Services Department in 1992, Penang State Secretary from 1988 to 1992, Secretary in the Cabinet Division of the Prime Minister 's Department from 1983 to 1987, Director of External Assistance and General Affairs in the Economic Planning Unit of the Prime Minister's Department from 1980 to 1983 and senior positions in the Public Services Department from 1972 to 1980 and the Ministry of Education from 1964 to 1972. He has vast administrative, strategic planning and management experience by virtue of his long service in the Administrative and Diplomatic in Malaysia.

Currently, YBhg Tan Sri Dato' Kamaruzzaman also sits on the Board of Bintai Kinden Corporation Berhad, Metronic Global Berhad, Emas Kiara Industrial Berhad and Kontena Nasional Berhad.

YBhg Tan Sri Datoí Kamaruzzaman holds 1,000 ordinary shares of RM1.00 each in the Company but he has no family relationship with any director and/or major shareholder of the Company, and has no conflict of interest with the Company. He has not been convicted of any offences for the past 10 years.

DATO' RAMLI BIN YUSUFF

Deputy Chairman/Non-Independent Non-Executive Director

Dato' Ramli bin Yusuff, a Malaysian, aged 59, was appointed to the Board of the Company as a Non- Independent Non-Executive Director on 28 April 2010. He was subsequently appointed as Deputy Chairman of the Board on 26 May 2010. He is currently a member of the Executive Committee and Audit Committee.

Dato' Ramli graduated with a LLB (Bachelor in Law) with Honours from University Islam Antarabangsa ("UIA") in 1987 and he was registered as a Peguambela and Peguamcara since 1990. He also holds a LLM (Master of Law) in Commercial and Corporate from University College London ("UCL") in London.

Dato' Ramli served 39 years in the Police Force and his last post held was Director Commercial Crime Investigation Department.

Dato' Ramli does not hold any directorship in other public companies.

Dato' Ramli has no family relationship with any director and/or major shareholder of the Company, and has no conflict of interest with the Company. He has not been convicted of any offences for the past 10 years.

BOARD OF DIRECTORS' PROFILE (cont'd)

ENCIK CHOW SECK KAI
Independent Non-Executive Director

En. Chow Seck Kai, a Malaysian, aged 55, was appointed to the Board of the Company as an Independent Non-Executive Director on 17 March 2010. He is currently the Chairman of Audit Committee and a member of the Executive Committee and Remuneration Committee.

En. Chow is an Associate of The Institute of Chartered Secretaries and Administrators (UK). He is also a professional member of the National Institute of Accountant ("NIA"), Australia. En. Chow is the principal of SKC Secretarial Consultants. He has been practicing as a chartered secretary for the past 20 years.

En. Chow is the current President of the Institute of Commercial and Industrial Accountant, Malaysia and also the Honorary Secretary of the Alumni Association of NIA Australia, Malaysia Branch.

En. Chow does not hold any directorship in other public companies.

En. Chow holds 1,284,600 ordinary shares of RM1.00 each in the Company but he has no family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company and has not been convicted of any offences for the past 10 years.

ENCIK DONATIAN FELIX DORAIRAJ
Non-Independent Non-Executive Director

En. Donatian Felix Dorairaj, a Malaysian, aged 62, was appointed to the Board of the Company as a Non-Independent Non-Executive Director on 17 March 2010. He is currently a member of the Nomination Committee.

En. Dorairaj graduated from the University of Malaya with a Bachelor of Arts (Hons) Degree in 1975. In 1979, En. Dorairaj read law at the University College, Cardiff, graduating in 1982 with LLB (Hons). En. Doariraj was called to the English Bar at Lincoln's Inn in 1983 and was called to the Malaysian Bar in 1984.

En. Dorairaj was employed in the Klang Port Authority (Lembaga Pelabuhan Klang) as a Traffic Officer (Operations) as well as in the cargo claims division between 1973 and 1979. He has been active practice as Counsel in Court and at Arbitrations specializing in the area of building construction and engineering law and maritime law. He has been involved in building and engineering law disputes both within jurisdiction and overseas.

En. Dorairaj does not hold any directorship in other public companies.

En. Dorairaj has no family relationship with any director and/or major shareholder of the Company, and has no conflict of interest with the Company. He has not been convicted of any offences for the past 10 years.

BOARD OF DIRECTORS' PROFILE (cont'd)

TUAN HAJI YUSOB BIN MD. TASIR

Independent Non-Executive Director

Tuan Haji Yusob Bin Md. Tasir, a Malaysian, aged 59, was appointed to the Board of the Company as an Independent Non-Executive Director on 17 March 2010. He is currently a member of the Nomination Committee, Remuneration Committee and Audit Committee.

Tuan Haji Yusob graduated from University Islam Antarabangsa, Malaysia in 1989 with a Degree in Law (Honours).

Tuan Haji Yusob was attached with Lembaga Pelabuhan Klang for approximately 18 years. Subsequent to obtaining his degree, he served as Magistrate in several Mahkamah Majistret including Kota Bharu, Machang and Kuala Terengganu from 1989 to 1999. He then rose through the rank of Timbalan Pendakwa Raya in Pulau Pinang and Pengarah Biro Bantuan Guaman in Pahang from 1999 to 2006. He then served as a Timbalan Pendakwa Raya in the General and Sexual Criminal Department under the Jabatan Peguam Negara from 2006 to 2008. He was registered as a Peguambela and Peguamcara with the High Court of Malaya in 2008 and was attached to Messrs. Salehuddin Saidin & Associates since 2009.

Tuan Haji Yusob does not hold any directorship in other public companies.

Tuan Haji Yusob has no family relationship with any director and/or major shareholder of the Company, and has no conflict of interest with the Company. He has not been convicted of any offences for the past 10 years.

ENCIK WONG KIT-LEONG

Executive Director

En. Wong Kit-Leong, a Malaysian, aged 40, was appointed to the Board of the Company as an Executive Director on 12 August 2010.

En Wong holds a Bachelor of Commerce from University of British Columbia, Canada and graduated in 1995

He began his career with Citibank Berhad in 1995. During his tenure with Citibank, he served with Citicorp Capital Sdn. Bhd., the private equity arm of Citibank Berhad. He then joined Abric Berhad from 1999 to 2007 and served as Chief Operating Officer and Executive Director during his tenure there.

Currently, En. Wong also sits on the Board of ISS Consulting Solutions Berhad (Ace Market).

En. Wong has no family relationship with any director and/or major shareholder of the Company, and has no conflict of interest with the Company. He has not been convicted of any offences for the past 10 years.

CORPORATE GOVERNANCE STATEMENT

The Board recognises the importance of practising good Corporate Governance to protect and enhance shareholder value and continues to implement the recommendations of the Malaysian Code on Corporate Governance (Revised 2007) ("Revised Code"), particularly resulting from the changes in the composition of the Board since 2008 and the numerous problems faced by the Group after being placed under Practice Note 1 ("PN1") and Practice Note 17 ("PN17") of Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("LR"). However, the current Board of Directors will endeavour to ensure that the highest standards of corporate governance are practised throughout the Group as a fundamental part of discharging their responsibility.

During an Extraordinary General Meeting ("EGM") held on 17 March 2010, the shareholders of Ho Hup had voted to remove six (6) of the seven (7) Directors of the Company and appointed six (6) new Non-Executive Directors to the Board of Directors of the Company.

As part of formulation of PN17 Regularisation Plan, the Company and two of its subsidiary companies namely Bukit Jalil Development Sdn. Bhd. ("BJD") and Tru-mix Concrete Sdn. Bhd. ("TCSB"), collectively referred to as the Applicants had on 20 October 2010 obtained an order from High Court of Malaya at Kuala Lumpur pursuant to Section 176 of the Act which inter-alia, granted the Applicants leave to convene a Scheme Creditors meeting to consider and/or approve the Proposed Creditors Scheme and order that all further proceedings and/or action against the Applicants including but not limited to winding-up, execution and/or arbitration proceedings be restrained for a period of 90 days from the date of order.

On 26 April 2011, under Section 176(10) of the Companies Act, 1965, the High Court of Malaya at Kuala Lumpur had extended for a further period of 90 days from the date of the order with respect to the Company's and BJD's unsecured creditors and for a further 60 days with respect to the Company's and BJD's secured creditor.

Set out below is a description of how the Group has otherwise applied the principles and the extent of compliance with best practices, as set out in the Revised Code, throughout the 12 months ended 31 December 2010 and up to the date of this report.

A. DIRECTORS

1. Composition of the Board

At the date of this report, the Board consists of 6 members; with 3 Independent Non-Executive Directors, 2 Non-Independent Non-Executive Directors and 1 Executive Director. The Board complied with Paragraph 15.02 of Bursa Securities LR which requires at least two or one-third, whichever is higher, to be Independent Directors.

The Group is led by a Board who has experience in operational management and corporate matters that are relevant to drive the Group in achieving its objective. Together they supervise and manage the Group's businesses which are vital to the success of the Group especially on uplifting the PN17 status and enhancement of long term shareholders' value. A brief description of the background of each Director is presented on pages 4 to 6.

Twenty five (25) Board meeting that include emergency Board meeting were held during the year ended 31 December 2010 to deliberate and resolve significant issues in relation to strategic, operational, financial, corporate and regulatory matters that have been affecting the Group. Details of the attendance of the Directors are as follows:

CORPORATE GOVERNANCE STATEMENT (cont'd)

A. DIRECTORS (CONT'D)

1) Composition of the Board (cont'd)

Directors	Attendance
Datuk Lye Ek Seang, Vincent (removed on 17/03/2010)	5/6
Mr Low Teik Kien (resigned on 9/7/2010)	12/18
Mr Lai Moo Chan (removed on 17/03/2010)	5/6
Dato' Liew Lee Leong, Raymond (resigned on 23/02/2010)	3/4
Encik Long Md. Nor Amran bin Long Ibrahim (removed on 17/03/2010)	5/6
Mr Lim Ching Choy (appointed on 01/06/2009, removed on 17/03/2010)	6/6
Mr Foo Ton Hin (appointed on 31/07/2009, removed on 17/03/2010)	4/6
Encik Mohd Shahril Bin Tan Sri Hamzah (appointed on 31/07/2009, removed on 17/03/2010)	6/6
Tan Sri Dato' Kamaruzzaman Bin Shariff (appointed on 17/03/2010)	19/19
Mr Donatian Felix Dorairaj (appointed on 17/03/2010)	14/19
Tuan Haji Yusob Bin Md. Tasir (appointed on 17/03/2010)	16/19
Tuan Haji Slamat Bin Hamzah (appointed on 17/03/2010, resigned on 30/11/2010)	15/17
Mr Chow Seck Kai (appointed on 17/03/2010)	19/19
Mr Hew Thin Chay (appointed on 17/03/2010, resigned on 22 April 2010)	7/7
Dato' Ramli Bin Yusuff (appointed on 28/04/2010)	10/11
Mr Wong Kit-Leong (appointed on 12/08/2010)	6/6

Following the appointment of new directors on 17 March 2010, the Executive Committee ("EXCO") was reactivated to manage the day to day operations. Subsequently with the appointment of the Executive Director ("ED") on 12 August 2010, the ED takes on the day to day operations including the formulation of the PN17 Regularisation Plan.

The Terms of Reference of the EXCO are as follows:-

1. Objective

   The principal objective of the EXCO is to assist the Board of Directors in discharging their responsibilities in respect of various matters or aspects that the Board of Directors mandates.

CORPORATE GOVERNANCE STATEMENT (cont'd)

A. DIRECTORS (CONT'D)

1) Composition of the Board (cont'd)

2. Composition

   The EXCO shall be appointed by the Board of Directors, comprising not fewer than three members. Composition of the EXCO and designation of the members since 17 March 2010 are as follows:-

   - YBhg. Tan Sri Dato' Kamaruzzaman Bin Shariff - Chairman (Independent Non-Executive Director) (Appointed on 6 April 2010)
   - En. Chow Seck Kai - Member (Independent Non-Executive Director) (Appointed on 6 April 2010)
   - YBhg. Dato' Ramli Bin Yusuff - Member (Non-Independent Non-Executive Director) (Appointed on 3 May 2010)

3. Meeting of EXCO

   The EXCO may meet together to despatch business, adjourn and otherwise regulate their meetings as they think fit. Any EXCO member may at any time and the Secretary shall on the requisition of an EXCO member summon a meeting of the EXCO except in the case of an emergency, reasonable notice of every EXCO meeting shall be given in writing. The meeting quorum shall be by majority of members present.

4. Attendance at Meeting

   The Company Secretary or a designated employee ("Secretary") shall be the Secretary of the EXCO and shall be responsible for drawing up the agenda with the concurrence of the Chairman and circulating it.

   The Secretary shall also be responsible for keeping the minutes of meetings of the EXCO, circulating them to EXCO members and to the Board of Directors.

5. Frequency of Meeting

   The frequency of meeting will be decided by the EXCO.

6. Authority

   The EXCO is authorised by the Board of Directors to conduct any enquiries within its Terms of Reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the EXCO.

   The EXCO may seek authorisation from the Board of Directors to obtain independent professional advice with relevant experience and expertise if it considers this necessary.

7. Reporting

   The Chairman of the EXCO shall report to the Board of Directors, either formally in writing or verbally at Board Meeting all matters or updates as mandated by the Board of Directors.

   The EXCO shall report to the Board of Directors on any specific matters referred to it by the Board of Directors for review and recommendation.

CORPORATE GOVERNANCE STATEMENT (cont'd)

A. DIRECTORS (CONT'D)

2. Board Balance

The Board has composition of 3 Independent Non-Executive Directors, 2 Non-Independent Non-Executive Directors and 1 Executive Director. The Independent Non-Executive Directors provide strong element on the Board. The role of Independent Non-Executive Directors is particularly important in ensuring that the long term interest of shareholders, employees, customers, suppliers and the many communities in which the Group conducts business with are being looked after.

All shareholders are fairly represented on the Board. The investment of minority shareholders is fairly represented by the 3 Independent Non-Executive Directors who make up half of the Board.

3. Board Committee

The Board has put in place the following Committees to assist in carrying out its fiduciary duties. All of these Committees have written terms of reference clearly outlining their objectives, duties and powers.

EXCO

The role of the EXCO is described above under Section (A)(1) Composition of the Board.

Audit Committee

The objective of the Audit Committee is to assist the Board to review the adequacy and integrity of the Company's and Group's internal control systems and management information systems. The composition, summary of activities and terms of reference of the Audit Committee have been laid out in the Audit Committee Report from pages 21 to 26.

Nomination Committee

The role of the Nomination Committee is described below under Section (5) Appointments to the Board.

Remuneration Committee

The role of the Remuneration Committee is described below under Paragraph (B) Directors' Remuneration.

4. Board Meeting and Supply of Information

The Board meets at least four (4) times a year which is scheduled at quarterly intervals, with additional meetings convened when necessary.

Twenty five (25) Board meetings that include Emergency Board Meetings were held during the financial year ended 31 December 2010. Details of attendance of the Directors are disclosed on page 8.

All Directors have access to draft quarterly Management Accounts of the Group. The new Board of Directors is looking at ways to improve reporting procedures and to ensure that timely information is supplied to Board members before Board meetings.

CORPORATE GOVERNANCE STATEMENT (cont'd)

A. DIRECTORS (CONT'D)

4. Board Meeting and Supply of Information (cont'd)

Board papers are provided to all Directors on a regular basis to enable them to monitor the financial and operational performance of the Group. Senior Management staffs are invited to attend Board meetings as and when required to provide the Board with the necessary information and clarification on issues that are deliberated during the meetings.

All Directors have access to the advice and services of the Company Secretary and they may seek independent professionals' advice, if required.

5. Appointments to the Board

The objective of the Nomination Committee is to ensure that the appointed Directors bring to the Board, a mix of skills and expertise necessary to meet the requirements of corporate stewardship. The Nomination Committee will also assist the Board in reviewing, on an annual basis, the appropriate balance and size of Directors' participation and in establishing procedures and processes towards an annual assessment of the effectiveness of the Board as a whole and contribution of each individual Director and Board Committee member.

The Nomination Committee, in its terms of reference, is tasked with the duty of making suitable recommendations to fill vacancies on the Board and its Committees. Nonetheless, the approval for appointment of new Board member or Board Committee members rests with the Board as a whole.

The Nomination Committee currently consists of the following Non-Executive Directors, majority of whom are Independent Directors:

- YBhg. Tan Sri Dato' Kamaruzzaman Bin Shariff - Chairman
  (Appointed on 6 April 2010)

- En. Donatian Felix Dorairaj
  (Appointed on 6 April 2010)

- Tuan Haji Yusob Bin Md. Tasir
  (Appointed on 6 April 2010)

The Board will implement a process to be carried out by the Nomination Committee annually, for assessing the effectiveness of the Board as a whole, the Board Committee members and for assessing the contribution of each individual Director in the current financial year.

6. Re-election to the Board

In accordance with the Company's Articles of Association ("AA"), all Directors who are appointed by the Board are subject to re-election by shareholders at the next Annual General Meeting held after their appointment. The AA also provide that at least one third of the Directors (including Managing Director) be subject to re-election by rotation at each Annual General Meeting, provided always that all Directors shall retire from office at least once in every three years but shall be eligible for re-election. The Directors who retire in each year are the Directors who have been longest in office since their last election.

CORPORATE GOVERNANCE STATEMENT (cont'd)

A. DIRECTORS (CONT'D)

7. Directors' Training

The Board acknowledges that continuous education is vital in keeping them abreast with corporate developments. The current Directors have constantly been updated with relevant reading materials and technical updates which will enhance their knowledge and equip them with the necessary skills to effectively discharge their duties as Directors of the Company.

The Nomination Committee is tasked with recommending suitable professional educational and training programmes and will put in place training programmes for new Board members in the current financial year.

During the financial year ended 31 December year 2010, the following Directors have attended the following course:-

Name of Director	Course Attended
Tan Sri Dato' Kamaruzzaman Bin Shariff, Dato' Ramli Bin Yusuff, En. Donatian Felix Dorairaj, Tuan Haji Yusob Bin Md Tasir, En. Chow Seck Kai, and En. Wong Kit-Leong	High Impact Governance Seminar on Corporate Compliance: Focusing on Directors' Duties, Liabilities and Expectations

B. DIRECTORS' REMUNERATION

The objective of the Remuneration Committee is to set the policy framework and recommend to the Board on all aspects of remuneration, terms of employment, reward structure, and fringe benefits for Executive Directors, and other selected Senior Management positions with the aim to attract, retain, and motivate individuals of the highest caliber.

Fees payable to Non-Executive Directors are determined by way of benchmarking to comparable organisations. Non-Executive Directors are paid monthly allowances and meeting allowances based on attendance.

The Remuneration Committee currently consists of the following Non-Executive Directors:

- YBhg. Tan Sri Dato' Kamaruzzaman Bin Shariff - Chairman
  (Appointed on 6 April 2010)

- En. Chow Seck Kai
  (Appointed on 30 November 2010)

- Tuan Haji Yusob Bin Md. Tasir
  (Appointed on 30 November 2010)

CORPORATE GOVERNANCE STATEMENT (cont'd)

B. DIRECTORS' REMUNERATION (CONT'D)

The Remuneration Committee shall recommend to the Board on the remuneration and entitlements of all Directors (including the Non-Executive Chairman) and the Board will decide on the recommendations of the Remuneration Committee. The approval for Directors' remuneration rests with the Board as a whole with the Directors abstaining from voting and deliberating on decisions in respect of their own remuneration package.

Individual Director's remuneration is not disclosed in this Annual Report. Directors' remuneration are aggregated and categorised into appropriate components, number of Directors whose remuneration falls into successive bands of RM50,000.00, distinguishing between Executive and Non-Executive Directors, are shown on page 120 of this Annual Report.

C. SHAREHOLDERS

1. Shareholders and Investor Relations

The Board is committed in maintaining effective communications with the Company's shareholders, stakeholders and the public generally. In accordance with Paragraph 9.02 of Bursa Securities LR, the Board discloses to the public all material information necessary for informed investment and takes reasonable steps to ensure that all shareholders enjoy equal access to such information.

Shareholder communications policy has been developed to earn the trust and confidence of shareholders and investing public as a whole, assist in providing an understanding of the Company's business, management direction and the industry the Company is in and to be transparent for effective and informed investment decisions.

Shareholders are also able to access the Company's Annual Reports, Circulars to Shareholders, and the Group's corporate and financial information from the Bursa Securities website.

2. Annual General Meeting

Notice of Annual General Meeting and related papers are sent out to shareholders at least 21 days before the date of the meeting.

At each Annual General Meeting, the Board presents the progress and performance of the business and encourages shareholders to participate in the question and answer session. Executive Directors and the Chairman of the Audit Committee, where appropriate, are available to respond to shareholders' questions during the meeting.

D. CORPORATE SOCIAL RESPONSIBILITY

The Company is aware of its Corporate Social Responsibility and endeavours to operate as a responsible and ethical corporate entity.

The Company also ensures its business practices comply with a general respect for its environment, community, customers, suppliers and its employees.

CORPORATE GOVERNANCE STATEMENT (cont'd)

E. ACCOUNTABILITY AND AUDIT

1. Financial Reporting

In presenting the annual financial statements and quarterly announcements to shareholders, the Directors aim to present a balanced and easy to comprehend assessment of the Group's position and prospects. The statement of Directors pursuant to Section 169 of the Companies Act 1965 is set out on page 41 whereas the Directors' Responsibility Statement pursuant to Paragraph 15.27(a) of Bursa Securities LR is on page 27 of this Annual Report.

2. Internal Control

The Directors acknowledge their responsibility for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management. The internal control system involves each business and key management from each business, including the Board, and designed to meet the Group's particular needs and to manage the risks to which it is exposed. The system, by its nature, can only provide reasonable but not absolute assurance against misstatement or loss.

The present Board intends to review the adequacy and integrity of the Group's system of internal controls weaknesses. These weaknesses and steps to be taken to mitigate the weaknesses are highlighted in the Board's Statement on Internal Control as set out on pages 18 to 20 of this Annual Report.

3. Relationship with the auditors

The Company maintains a transparent relationship with the external auditors in seeking their professional advice towards ensuring compliance with the accounting standards.

The role of the Audit Committee in relation to the auditors is stated in the Audit Committee's Terms of Reference on page 24.

OTHER INFORMATION REQUIRED BASED ON THE LISTING REQUIREMENTS

1. Sanction and/or Penalties

Since the last Annual Report issued on 04 June 2010, there were no sanctions nor any material penalties imposed on the Company or its subsidiaries, directors or management by the relevant regulatory bodies save and except for the following:-

The Company had on 28 October 2010 been publicly reprimanded by Bursa Securities for breach of paragraphs 9.22(1), 9.23(b), 9.23(a) and 2.19 of the Listing Requirement ("LR") and paragraph 9.23(2) of the Main Market LR specifically as follows:

No.	Breach	Penalty
1.	Paragraph 9.22(1) of the LR for failing to submit the quarterly report for the financial period ended 31 December 2007 ("QR 4/2007") to Bursa Securities on or before 29 February 2008. The QR 4/2007 was only submitted on 30 May 2008, after a delay of 3 months.	Public Reprimand
2.	Paragraph 9.23(b) of the LR for failing to submit the annual audited accounts for the financial year ended 31 December 2007 ("AAA 2007") to Bursa Securities on or before 30 April 2008. The AAA 2007 was only submitted on 31 July 2008, after a delay of 3 months.	Public Reprimand
3.	Paragraph 9.22(1) of the LR for failing to submit the quarterly report for the financial period ended 31 March 2008 ("QR 1/2008") to Bursa Securities on or before 31 May 2008. The QR 1/2008 was only submitted on 28 August 2008, after a delay of 3 months.	Public Reprimand
4.	Paragraph 9.23(a) of the LR for failing to submit the annual report for the financial year ended 31 December 2007 ("AR 2007") to Bursa Securities on or before 30 June 2008. The AR 2007 was only submitted on 29 September 2008, after a delay of 3 months.	Public Reprimand
5.	Paragraph 9.23(b) of the LR for failing to submit its annual audited accounts for the financial year ended 31 December 2008 ("AAA 2008") on or before 30 April 2009. The AAA 2008 was only submitted on 15 May 2009, after a delay of 10 market days.	Public Reprimand
6.	Paragraph 9.23(2) of the Main Market LR for failing to submit its annual audited accounts for the financial year ended 31 December 2009 ("AAA 2009") on or before 30 April 2010. The AAA 2009 was only submitted on 7 May 2010, after a delay of 5 market days.	Public Reprimand
7.	Paragraph 2.19 of the LR for failing to ensure that the QR 4/2007 was reviewed by the external auditors prior to the same being disseminated to the public although required by Bursa Securities.	Public Reprimand
8.	Paragraph 2.19 of the LR for failing to ensure that the QR 1/2008 was reviewed by the external auditors prior to the same being disseminated to the public although required by Bursa Securities.	Public Reprimand
9.	Paragraph 2.19 of the LR for failing to ensure that the QR 2/2008 was reviewed by the external auditors prior to the same being disseminated to the public although required by Bursa Securities.	Public Reprimand

OTHER INFORMATION REQUIRED
BASED ON THE LISTING REQUIREMENTS (cont'd)

1. Sanction and/or Penalties (cont'd)

Bursa Securities has also found that the directors of HOHUP then had failed to discharge their duties as directors pursuant to paragraph 16.11(b) of the LR in respect of compliance by the Company of its obligations under the LR.

Both the former Managing Director and Executive Director of HOHUP were publicly reprimanded and/or fined for permitting HOHUP to commit the following breaches:-

Name of Director	Penalty	Breach
Dato' Low Tuck Choy Managing Director (Suspended on 28 August 2008 and ceased on 23 October 2008)	- Delay in submission of QR 4/2007, AAA 2007, AR 2007, QR 1/2008 - Failure to ensure that the QR 4/2007, QR 1/2008 and QR 2/2008 were reviewed by the external auditors prior to the same being disseminated to the public on 30 May 2008 and 28 August 2008.	- Public Reprimand and fine of RM100,500 - Public Reprimand
Faris Najhan bin Hashim Finance Director (Resigned on 28 March 2008)	- Delay in submission of QR 4/2007	- Public Reprimand and fine of RM9,000

In addition, the Company is required to ensure all its Directors and the relevant personnel of the Company attend a training programme in relation to compliance with the LR particularly pertaining to financial statements.

2. Material Contracts

None of the Directors and/or major shareholders has any material contract with the Company and/or its subsidiaries save and except for the significant related-party transactions as disclosed in Note 33 of the financial statements during the financial year ended 31 December 2010.

3. Non-audit Fees

During the financial year ended 31 December 2010, the total non-audit fees incurred for services rendered to the Company and/or its subsidiaries by the external auditors, Messrs UHY or a firm or company affiliated to Messrs UHY amounted to RM158,000.

4. Revaluation Policy on Landed Properties

The Group has not adopted a regular revaluation policy on landed properties.

5. Share Buy-Back

The Group has not undertaken any share buy-back exercise for the financial year ended 31 December 2010.

OTHER INFORMATION REQUIRED
BASED ON THE LISTING REQUIREMENTS (cont'd)

6. Options or Convertible Securities

There were no options or convertible securities exercised during the financial year ended 31 December 2010.

7. Depository Receipt Programme ("DRP")

The Group did not sponsor any DRP during the financial year ended 31 December 2010.

8. Profit estimate, forecast or projection

The Company did not release any profit estimate, forecast or projection for the financial year ended 31 December 2010. There was no variance of 10% or more between the results for the financial year ended 31 December 2010 and the unaudited results previously announced by the Company.

9. Profit Guarantee

During the financial year ended 31 December 2010, there was no profit guarantee given by the Group.

10. Utilization of Proceeds

There were proceeds raised by the Group during the financial year 2010 via disposals of 2 non-core landbanks for repayment of term loans and working capital purposes as shown in the following table:

	Consideration	Cash received up to Year 2010	Utilisation			Balance as at 31 December 2010	Cash received as at 30 April 2011	Cash expected to be received after 30 April 2011
			Loan repayment	Working capital	Total up to Year 2010			
	(A)	(B)	(C)	(D)	(E) (C) + (D)	(F) (A) – (B)	(G)	(H)
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Geran 55268, Lot 38476, Mukim of Petaling, District of Kuala Lumpur, Wilayah Persekutuan	19,408	19,408	12,100	7,308	19,408	-	-	-
Geran 55265, Lot 38472, Mukim of Petaling, District of Kuala Lumpur, Wilayah Persekutuan	9,550	1,910	-	1,910	1,910	7,640	-	7,640
TOTAL	**28,958**	**21,318**	**5,890**	**15,428**	**21,318**	**7,640**	**-**	**7,640**

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

The Malaysian Code on Corporate Governance (Revised 2007) stipulates that the Board of Directors of listed companies should maintain a sound system of internal control to safeguard shareholders' investment and Group's assets. Set out below is the Statement on Internal Control ("Statement") of Ho Hup Construction Company Berhad and its subsidiaries, made by the Board of Directors of Ho Hup Construction Company Berhad in compliance with Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("LR") and the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

RESPONSIBILITY

The Board of Directors acknowledges that it is collectively responsible for the Group's system of internal control and reviewing its adequacy and integrity. The Group's system of internal control includes controls of an operational and compliance nature, as well as internal financial controls. The internal control system is designed to identify and manage significant risks in pursuit of the Group's business objectives as well as to safeguard shareholders' investments and the Group's assets.

The system serves to provide reasonable but not absolute assurance against the risk of material loss. The concept of reasonable assurance recognises that the cost of control procedures shall not exceed the expected benefits.

THE GROUP'S SYSTEM OF INTERNAL CONTROL

Operating Style and Monitoring Mechanisms

Subsequent to the change in Board of Directors pursuant to an Extraordinary General Meeting ("EGM") to remove certain Directors on 17 March 2010, the roles and responsibilities of the EXCO was reactivated and resumed actively. Upon the appointment of the Executive Director ("ED") on 12 August 2010, the responsibilities of the Group's operational matters were undertaken by the ED.

The Group outsourced its internal audit function to an independent advisory firm in the second half of the year 2010 and the cost incurred up to the date of this Annual Report was approximately RM28,500.

The internal audit scope covered an assessment of the Group's compliance with current Corporate Governance practices against the prescriptions of the revised Malaysian Code on Corporate Governance (Revised 2007) and recommend steps to improve accountability, transparency and operational efficiency. In addition, the internal auditors also assisted in reviewing and updating the risk registers and risk profiles of the Group.

During the financial year ended 31 December 2010, the Group faced many challenges and limitations among which are its PN17 status, cashflow limitation, staff resignations and project issues.

Resulting from the above constraints and limitations placed on the Management, the Group's strategic, financial, organizational and compliance structures were subject to the following key risks:-

a. Failure of Regularisation Plan
   Failure to convince Bursa Securities to accept the Regularisation Plan would cast a significant doubt on the going concern of the Company's business operations in the foreseeable future.

STATEMENT ON INTERNAL CONTROL (cont'd)

Operating Style and Monitoring Mechanisms (cont'd)

b. Liquidity Risk
A combination of factors which include shortfall of revenue due to temporary discontinuation of construction activities, persistent net cash outflow situation, long outstanding receivables and payables, and high gearing have attributed to liquidity risk in the Company.

c. Joint Development Agreement ("JDA") settlement failure
Failure in settlement of the JDA entered between its subsidiary and Pioneer Haven Sdn Bhd to develop the 60-acres land may result in the prolonging of the legal suits between the 2 parties and afflict the Company's chances to generate revenue for survival.

d. Litigation risk
On-going legal suits initiated against the Company has increased by 34% since 2009. The Company may also face unknown contigent liabilities due to payment issues / disputes with customers, suppliers and business partners.

On 20 October 2010, the Company and two (2) of it's subsidiaries, collectively referred to as the Applicants, had obtained an order from the High Court of Malaya at Kuala Lumpur ("the High Court") which inter alia, granted the Applicants leave to convene a Scheme Creditors meeting to consider and/or approve a Proposed Restructuring Scheme and Creditors Scheme of Arrangement and ordered that all further proceedings and/or actions against the Applicants including but not limited to any winding-up, execution and/or arbitration proceedings be restrained for a period of 90 days from the date of the order (the order in this paragraph shall hereinafter be referred to as "the Restraining Order"). The Restraining Order shall exclude the current action between Ho Hup and Pioneer Haven Sdn Bhd & 10 others bearing suit no: D-22 NCC-792-2010.

On 26 April 2011, under Section 176(10) of the Companies Act, 1965, the High Court of Malaya at Kuala Lumpur had extended for a further period of 90 days from the date of the order with respect to the Company's and Bukit Jalil Development Sdn Bhd's ("BJD") unsecured creditors and for a further 60 days with respect to the Company's and BJD's secured creditor.

e. Sustainability of business
The Company is focused on implementing the Regularisation Plan in order to emerge from PN17 status and will develop on the long-term strategy/roadmap to ensure the sustainability of business, upon completing the implementation of the Regularisation Plan.

EXCO OF THE BOARD

To strengthen the internal control environment, the EXCO was reactivated in March 2010 to oversee all aspects of the Group's operations and put in place various procedures for check and balances and approval procedures to improve governance and internal control. It is envisaged that with these new governance procedures, internal control and governance issues can be improved and addressed.

With the appointment of the ED on 12 August 2010, the ED takes on the day to day operations including the formulation of the PN17 Regularisation Plan.

STATEMENT ON INTERNAL CONTROL (cont'd)

OTHER KEY FEATURE OF THE GROUP'S INTERNAL CONTROL SYSTEM

The salient features of the Group's system of internal control are as follows:

- An EXCO and management structure, led by the ED with defined lines of roles and responsibilities;
- Regular briefing of the projects' progress by the Heads of Department and subsidiaries to the EXCO which is replaced with weekly management meeting upon the appointment of the ED ;
- Establishing a structured Enterprise Risk Management Framework for the Group. This process involves the establishment of an appropriate risk management framework including reporting structure, principles roles and responsibilities of respective Committees and Operating Units. In addition, the process also includes identifying the key risk areas, assessing the likelihood and impact of material exposures on the Group, establishment of risk action plans for key risks and monitoring the implementations; and
- Outsourcing the internal audit function to an independent advisory firm.

ASSURANCE MECHANISM

The Board will continuously review the adequacy and integrity of the Group's system of internal control. The Audit Committee, on behalf of Board, will review the adequacy and the integrity of the system of internal control.

In addition, as part of the statutory audit of the financial statement, the external auditors perform tests over certain financial controls. Any weaknesses detected are highlighted to the Audit Committee through management letters or articulated at Audit Committee meetings.

The Audit Committee Report set out on pages 25 to 26 contains further information on the Committee's activities as well as that of the internal auditors.

The Group's system of internal control mainly applies to its operating units and does not cover associated companies, dormant companies and overseas operations.

It is the intention of the new Board members to ensure that the above accords with the guidance as outlined in Statement of Internal Control Guidance for Directors of Public Listed Companies.

BOARD'S COMMITMENT

The Board understands the challenges it faces in light of the Company's status under PN 1 & PN 17 of Bursa Securities LR. The structure of controls and operations will be continuously and gradually improved to ensure they remain adequate and appropriate to the Company's and Group's situation. The Board remains committed to maintain a sound system of internal control and will, when necessary, put in place actions to continuously improve and enhance the Group's system of internal control.

This statement is made at the Board of Directors' Meeting held on 25 May 2011.

AUDIT COMMITTEE REPORT

1. Constitution

The Audit Committee of the Company was established by the Board of Directors in 1993.

2. Composition

As at the date of this report, the Audit Committee comprises three (3) members of the Board, majority of whom are Independent Non-Executive Directors.

3. Members

Members of the Board who are currently serving on the Audit Committee as at the date of the Annual Report are as follows:-

1. En. Chow Seck Kai, Chairman
   Appointed on 13 May 2010 and subsequently appointed as Audit Committee' Chairman on 19 August 2010

2. Dato' Ramli Bin Yusuff, Member
   Appointed on 19 August 2010

3. Tuan Haji Yusob bin Md Tasir, Member
   Appointed on 30 November 2010

4. Frequency of Meetings

For the financial year under review, the Committee met six (6) times including Special Audit Committee meetings. Details of the attendance of the Committee members are as follows:

Name of Committee Member	Date of Appoinment / Resignation	Attendance
Dato' Liew Lee Leong, Raymond (Chairman)	Resigned on 23/02/2010	2/2
Encik Long Md. Nor Amran bin Long Ibrahim	Removed on 17/03/2010	3/3
Encik Mohd Shahril Bin Tan Sri Hamzah	Appointed on 31/07/2009 and removed on 17/03/2010	3/3
Mr Foo Ton Hin, Benson	Appointed on 31/07/2009 and removed on 17/03/2010	1/3
Mr Lai Moo Chan	Appointed on 31/07/2009 and removed on 17/03/2010	1/3
Tuan Haji Slamat Bin Hamzah	Appointed on 13/05/2010 and resigned on 30/11/2010	3/3
Mr Chow Seck Kai (Chairman)	Appointed on 13/05/2010	3/3
Dato' Ramli Bin Yusuff	Appointed on 19/08/2010	0/2
Tuan Haji Yusob Bin Md Tasir	Appointed on 30/11/2010	0/0

AUDIT COMMITTEE REPORT (cont'd)

5. **Terms of Reference**

1.0 Composition of the Audit Committee

The Board shall appoint the Audit Committee members from amongst themselves, comprising no fewer than three (3) Non-Executive Directors. The majority of the Audit Committee members shall be Independent Directors.

All members of the Audit Committee shall be financially literate and at least one (1) member of the Audit Committee must be:-

a) a member of the Malaysian Institute of Accountant ("MIA"); or

b) if he is not a member of MIA, he must have at least three (3) years of working experience and:

i. he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or

ii. he must be a member of one of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967; or

c) fulfils such other requirements as prescribed or approved by Bursa Securities.

No alternate Director of the Board shall be appointed as a member of the Audit Committee.

The term of office and performance of the Audit Committee and each of its members shall be reviewed by the Board at least once every three (3) years to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

2.0 Retirement and resignation

If a member of the Audit Committee resigns, dies, or for any reason ceases to be a member resulting in non-compliance to the composition criteria as stated in the above paragraph, the Board shall within three (3) months of the event appoint such number of the new members as may be required to fill the vacancy.

3.0 Chairman

The members of the Audit Committee shall elect a Chairman from amongst their number who shall be an Independent Director. In the absence of the Chairman of the Audit Committee, the other members of the Audit Committee shall amongst themselves elect a Chairman who must be Independent Director to chair the meeting.

4.0 Secretary of the Audit Committee ("Committee Secretary")

The Company Secretary shall be the Secretary of the Audit Committee and as a reporting procedure, the Minutes shall be circulated to all members of the Board.

5.0 Meetings and Minutes

The Audit Committee shall meet regularly, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.

AUDIT COMMITTEE REPORT (cont'd)

5. Terms of Reference (cont'd)

5.0 Meetings and Minutes (cont'd)

The Chairman of the Audit Committee shall engage on a continuous basis with Senior Management, such as the Chairman, the Managing Director, the Chief Financial Officer ("CFO"), the Head of Internal Audit and the external auditors in order to be kept informed of matters affecting the Company.

The CFO, the Head of Internal Audit and a representative of the external auditors should normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the Audit Committee. The Audit Committee shall be able to convene meetings with the external auditors, the internal auditors or both, without executive Board members or employees present whenever deemed necessary and at least twice a year with the external auditors.

The quorum for the Audit Committee meeting shall be the majority of members present whom must be Independent Directors.

Minutes of each meeting shall be kept at the registered office and distributed to each member of the Audit Committee and also to the other members of the Board. The Audit Committee Chairman shall report on each meeting to the Board.

6.0 Objectives

The principal objectives of the Audit Committee are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries. In addition, the Audit Committee shall:-

(a) evaluate the quality of the audits performed by the internal and external auditors;

(b) provide assurance that the financial information presented by management is relevant, reliable and timely;

(c) oversee compliance with laws and regulations and observance of a proper code of conduct; and

(d) determine the quality, adequacy and effectiveness of the Group's control environment.

7.0 Authority

The Audit Committee shall, in accordance with a procedure to be determined by the Board and at the expense of the Company,

(a) have explicit authority to investigate any matter within its terms of reference, the resources to do so, and full access to information. All employees shall be directed to co-operate as requested by members of the Audit Committee.

(b) have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Company and Group.

(c) obtain independent professional or other advice and to invite outsiders with relevant experience to attend, if necessary.

AUDIT COMMITTEE REPORT (cont'd)

5. Terms of Reference (cont'd)

7.0 Authority (cont'd)

(d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any).

(e) where the Audit Committee is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the LR, the Audit Committee shall promptly report such matter to Bursa Securities.

(f) convene meetings with the external auditors, without the presence of executive members of the Audit Committee, whenever deemed necessary.

8.0 Duties and Responsibilities

The duties and responsibilities of the Audit Committee are as follows:-

(a) To consider the appointment of the external auditor, the audit fee and any question of resignation or dismissal;

(b) To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

(c) To review with the external auditor his evaluation of the system of internal controls and his audit report;

(d) To review the quarterly and year-end financial statements of the Board, focusing particularly on

- any change in accounting policies and practices;
- significant adjustments arising from the audit;
- the going concern assumption; and
- compliance with accounting standards and other legal requirements.

(e) To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management, where necessary);

(f) To review the external auditor's management letter and management's response;

(g) To do the following, in relation to the internal audit function:-

- review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
- review any appraisal or assessment of the performance of members of the internal audit function;
- approve any appointment or termination of senior staff members of the internal audit function; and
- take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

AUDIT COMMITTEE REPORT (cont'd)

5. Terms of Reference (cont'd)

8.0 Duties and Responsibilities (cont'd)

(h) To consider any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;

(i) To report its findings on the financial and management performance, and other material matters to the Board;

(j) To consider the major findings of internal investigations and management's response;

(k) To verify the allocation of employees' share option scheme ("ESOS ") in compliance with the criteria as stipulated in the by-laws of ESOS of the Company, if any;

(l) To determine the ambit of the internal audit function;

(m) To consider other topics as defined by the Board;

(n) To advise the Board of Directors and make recommendation in respect of risk management as to the following matters :

- To monitor risk management processes are integrated into all core business processes and that the culture of the organization reflects the risk consciousness of the Board;
- Review the Risk Register and ensure that all risks are well managed;
- Review the enterprise risk profile and determine the risks to be escalated to the Board once a year; and
- Provide a consolidated risk and assurance report to the Board to support the statement relating to internal control in the Company's annual report; and

(o) To consider and examine such other matters as the Audit Committee considers appropriate.

ACTIVITIES OF THE AUDIT COMMITTEE

The Audit Committee carried out its duties in accordance with its Terms of Reference.

The main activities carried out by the Committee were as follows:

- reviewed and recommended to the Board on the reappointment of external auditors and their proposed fees;
- reviewed the external auditors' scope of work and audit plan for the Group together with external auditors;
- reviewed the quarterly interim results and annual financial statements and recommends to the Board before announcements to Bursa Securities to ensure compliance with regulatory requirement such as LR, Malaysian Accounting Standard Board, and other relevant legal and regulatory requirements;

AUDIT COMMITTEE REPORT (cont'd)

ACTIVITIES OF THE COMMITTEE (CONT'D)

- assessed and evaluated the appointment of independent internal audit services that carried out outsourced internal audit function for the Group;
- reviewed the result of Corporate Governance gap review exercise that highlighted weaknesses and recommendations on improving the current Corporate Governance; and
- enhanced and reviewed enterprise risk profile.

INTERNAL AUDIT FUNCTION

The Audit Committee has appointed an independent advisory firm to carry out internal audit activities for the Group.

During the financial year under review, the internal auditors had conducted the followings:

1. Performed Corporate Governance follow-up review to ascertain the Group's compliance with current Corporate Governance practices in line with prescriptions of the revised Malaysian Code on Corporate Governance.
2. Assisted in updating the detailed risk registers and risk profiles of the Group.
3. Developed a 2-year internal audit strategy to formally designate the internal audit focus of the Group. Based on the approved internal audit strategy, the internal auditors have performed the 1st cycle of internal audit on the Group's ready mixed concrete division. While no significant issues were noted from the internal audit, relevant recommendations identified to improve the Group's system of internal control have been highlighted accordingly.

DIRECTORS' RESPONSIBILITY STATEMENT

IN RELATION TO THE AUDITED FINANCIAL STATEMENTS

The Directors are aware that they are required by the Companies Act, 1965 in Malaysia ("the Act") to ensure that the financial statements for each financial year have been made out in accordance with applicable Financial Reporting Standards in Malaysia and give a true and fair view of the state of affairs of the Group and Company at the end of the financial year and of the results and cash flows of the Group and Company for the financial year.

The Directors acknowledged that they have the collective responsibility for the preparation and fair presentation of the financial statements and keep proper accounting records which enable them to ensure that the financial statements comply with the provision of the Act and the applicable Approved Accounting Standards in Malaysia.

The financial statements of the Group and Company for the financial year ended 31 December 2010 are presented on pages 35 to 154 of this Annual Report.

CHAIRMAN'S STATEMENT

INTRODUCTION

ON BEHALF OF THE BOARD OF DIRECTORS OF HO HUP, I PRESENT TO YOU THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS OF THE GROUP AND OF THE COMPANY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010.

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2010, the Group recorded a net loss after tax of RM13.6 million (2009 : RM34.7 million) on a lower Group Revenue of RM65.1 million (2009 : RM80.1 million). As a result of the loss for the year, the Group's shareholders' equity declined to a further deficit of RM28.0 million from RM14.4 million in 2009.

OVERVIEW OF GROUP'S OPERATIONS

Construction

Total revenue in construction activities decreased to RM25.6 million in 2010 from RM37.6 million in 2009 while the loss from operations declined to RM10.1 million from RM33.8 million recorded in 2009. The lower losses are mainly due to lower one off charges to the income statement of the Madagascar branch by RM24.3 million.

Property Development

The property development division registered an increase in revenue from RM26.3 million achieved in 2009 to RM32.9 million in 2010, pursuant to the substantial completion of phase 7B comprising 20 units of 2 $^{1}/_{2}$ storey semi detached houses in Jalil Sutera during the financial year. Although there was an increase in revenue, the division recorded a lower net profit after tax of RM1.0 million (2009 : RM2.8 million). The lower net profit reported was attributed to higher operating expenses as a result of one off charges in 2010.

Ready-Mixed Concrete

Total revenue for the ready-mixed concrete division declined by 34% to RM13.1 million in 2010 (2009: RM20.1 million) due to lower orders secured during the year and the reduction in operating plants. Despite the decline in revenue, the division recorded a lower net loss of RM0.4 million against the net loss of RM1.7 million recorded for the previous year primarily as a result of gains from disposal of idle assets and effective cost control measures.

HO HUP'S PROPOSED REGULARISATION PLAN

Ho Hup has been an affected listed issuer under PN17 of Bursa Malaysia Securities Berhad Main Market Listing Requirements since 31 July 2008 and the regularization of its financial condition is the Company's priority.

On 30 October 2009, the Company submitted a PN17 Regularization Plan (the "Initial Regularisation Plan") to Bursa which entails a 95% capital reduction and a proposed rights and special issuance of 39 million new ordinary shares of RM1.00 each.

CHAIRMAN'S STATEMENT (cont'd)

HO HUP'S PROPOSED REGULARISATION PLAN (CONT'D)

The Group had also pursued the disposal of non-core landbanks representing five (5) landed properties of approximately 27.5 acres in order to raise the much needed funds to sustain its operations and partially pare down its borrowings.

A crucial ingredient to the Initial Regularisation Plan is the successful development of a 60 acres (24.3 hectare) parcel of freehold commercial land ("60 Acres Land"), held by its 70%-owned subsidiary, Bukit Jalil Development Sdn Bhd ("BJD"), into an integrated commercial centre ("the Proposed Development"). A large portion of Ho Hup's foreseeable future revenue stream and profitability is expected to be derived from the development and sales of the various residential and commercial units in the Proposed Development.

On 17 March 2010 prior to the Extraordinary General Meeting taking place, which saw the removal of certain directors and the appointment of the majority of the current Board of Directors (the "New Board" or "New Directors"), it was announced that BJD had entered into a Joint Development Agreement with Pioneer Haven Sdn Bhd ("the JDA"), for the Proposed Development of the 60 Acres Land. On 27 April 2010, the Company initiated legal action to declare the JDA null and void (the "JDA Suit") of which the Court decision is expected on 7 June 2011.

On 20 October 2010, the Company and two (2) of it's subsidiaries had obtained an order from the High Court of Malaya at Kuala Lumpur ("the High Court") which inter alia, granted the Company leave to convene a Scheme Creditors meeting to consider and/or approve a Proposed Restructuring Scheme and Creditors Scheme of Arrangement (the "S176 Scheme") and restrained any action by creditors (the "Restraining Order")until such time that the S176 Scheme is approved by Scheme Creditors or the Restraining Order period and any extension thereof expires whichever is earlier.

The New Board had also sought new assets to further support the formulation of its PN17 Regularisation Plan and on 3 November 2010, the Company entered into a Share Sale Agreement ("SSA") with Plenitude Frontier Sdn Bhd ("Plenitude") for the acquisition of 100% equity interest in Fivestar Development (Puchong) Sdn Bhd and Kolektra Recreation Sdn Bhd (the "Proposed Acquisitions"). The Proposed Acquisitions will be part of the Company's initiative to inject new viable business into the Group.

Further to the Proposed Acquisitions, on 1 March 2011, the Company also entered into a conditional definitive agreement ("Definitive Agreement") with Plenitude which sets out the series of proposals (i.e. the "Proposed Regularisation Exercise") to regularise the financial condition of the Company, with the intention of restoring the Company onto stronger financial footing. Pursuant thereto, the Proposed Regularisation Exercise, amongst others, shall comprise the following:-

(i) The proposed reduction of Ho Hup's existing issued and paid-up share capital comprising ordinary shares of RM1.00 each in Ho Hup via the cancellation of RM0.50 from the par value of each existing ordinary share of RM1.00 ("Proposed Par Value Reduction").

(ii) A proposed renounceable rights issue of 51,000,204 new Ho Hup Shares ("Rights Shares") together with 51,000,204 detachable warrants ("Warrants") at an indicative issue price of RM0.50 per Rights Share on the basis of one (1) Rights Share together with one (1) Warrant for every two (2) existing Ho Hup Shares held after the Proposed Par Value Reduction ("Proposed Rights Issue with Warrants").

(iii) Concurrent with the Proposed Rights Issue with Warrants, Ho Hup proposes to undertake a private placement of 10,200,000 new Ho Hup Shares ("Placement Shares") together with 10,200,000 free detachable Warrants on the basis of up to one (1) Warrant for every one (1) Placement Share subscribed at an indicative issue price of RM0.50 per Placement Share.

CHAIRMAN'S STATEMENT (cont'd)

HO HUP'S PROPOSED REGULARISATION PLAN (CONT'D)

The S176 Scheme and the Proposed Acquisitions are integral components of the Proposed Regularisation Exercise. Consequent to the above and the aforementioned, there will be amendments required to the Company's Memorandum & Articles of Association to reflect the effects of the Proposed Par Value Reduction and the Company's Authorised Share Capital will have to be increased accordingly. In addition, an application will be also be made to Securities Commission to seek an exemption from making a mandatory general offer for the remaining shares in Ho Hup by Plenitude.

On 26 April 2011, under Section 176(10) of the Companies Act, 1965, the High Court of Malaya at Kuala Lumpur had extended the restraining order for a further period of 90 days from the date of the order with respect to the Company's and BJD's unsecured creditors and a further 60 days with respect to the Company's and BJD's secured creditor.

On 20 May 2011 Bursa Securities granted the Company an extension of time up to 19 June 2011 to submit its Regularisation Plan to the regulatory authorities.

Barring any unforeseen circumstances, the Board will endeavor to submit the Company's Proposed Regularisation Exercise to the approving authorities within the above stipulated timeline above.

CORPORATE DEVELOPMENT

On 29 October 2010, the Company announced that its 70%-owned Bukit Jalil Development Sdn Bhd ("BJD") has entered into a Conditional Sale and Purchase Agreement with Bayu Melati Sdn Bhd for the disposal of the freehold land for cash consideration of RM9.55 million. On 10 February 2011, the sale was approved by the shareholders at a general meeting and on 4 April 2011, the High Court's validation was obtained. The transaction is expected to be completed in the 3rd quarter of 2011.

PROSPECTS

The Group has been an affected listed issuer under PN17 of Bursa Malaysia Securities Berhad Main Market Listing Requirements for almost 3 years and during this period its financial situation and survival have been sustained despite all adversities. The Group's future prospect is dependent on the successful implementation of its Proposed Regularisation Exercise.

Pursuant to the Proposed Development of the 60 acres land and the Proposed Acquisitions, the Group's core business will be transformed from construction activities to property development. The Board plans to seek for new opportunities once the Proposed Regularisation Exercise is successfully implemented.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to thank our shareholders, valued customers, government authorities and agencies, consultants, financiers, business associates, sub-contractors, suppliers and last but not least, the management and staff for their continuing support and confidence in the Group.

TAN SRI DATO' KAMARUZZAMAN BIN SHARIFF
Chairman

ANALYSIS OF SHAREHOLDINGS

AS AT 5 MAY 2011

Authorised Share Capital	:	RM200,000,000.00
Issued and Fully Paid-Up	:	RM102,000,408.00
Class of Shares	:	Ordinary Shares of One Ringgit Each
No of Shareholders	:	1,963
Voting-Right	:	One Vote Per Ordinary Share

Size of Holding	No. of Shareholders	%	No. of Ordinary Shares	%
1-99	124	6.32	2,842	0.00
100-1,000	335	17.07	179,855	0.18
1,001-10,000	1,148	58.48	4,385,395	4.30
10,001-100,000	301	15.33	9,335,661	9.15
100,001-5,100,019	53	2.70	37,227,300	36.53
5,100,020 and above*	2	0.10	50,869,355	49.87
Total	**1,963**	**100.00**	**102,000,408**	**100.00**

Notes:

* 5% and above of issued shares

DIRECTORS' INTEREST IN SHARES

Name of Directors	Direct Shareholdings	%	Indirect Shareholdings	%
Tan Sri Dato' Kamaruzzaman Bin Shariff	1,000	0.00	-	-
Dato' Ramli Bin Yusuff	-	-	-	-
Chow Seck Kai	1,284,600	1.26	-	-
Yusob Bin Md Tasir	-	-	-	-
Donatian Felix Dorairaj	-	-	-	-
Wong Kit-Leong	-	-	-	-

ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 5 MAY 2011

LIST OF THIRTY LARGEST SHAREHOLDERS

	Name	No. of Shares	%
1.	Extreme System Sdn Bhd	28,506,326	27.95
2.	Low Chee & Sons Sdn Bhd	22,363,029	21.92
3.	Low Queen Lan @ Lau Queen Lan	3,763,100	3.69
4.	M & A Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Low Tuck Choy	2,607,500	2.56
5.	Kamal Effendy Bin Abdul Rashid	2,527,100	2.48
6.	Abdul Halim Bin Abdul Karim	2,428,200	2.38
7.	Low Tuck Choy *	2,050,000	2.01
8.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse (SG BR-TST-ASING)	2,000,000	1.96
9.	Griyajaya Sdn Bhd	1,945,600	1.91
10.	Resolute Portfolio Sdn Bhd	1,850,000	1.81
11.	Tan Soon Aik	1,500,000	1.47
12.	Megat Najmuddin Bin Haji Megat Khas	1,309,000	1.28
13.	M & A Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Chow Seck Kai	1,279,600	1.25
14.	Mah Siew Kwok	1,041,000	1.02
15.	M & A Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Choo Soo Har @ Chou Kam Cheong	1,039,700	1.02
16.	Low Lai Yoong	870,500	0.85
17.	Low Chee & Sons Sdn Bhd	749,600	0.73
18.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Low Teik Kien (M78009)	698,700	0.69
19.	Lew Bok Hoa	542,500	0.53
20.	Ho Yoon Shin @ Michael Ho	525,000	0.51
21.	Yow Yan Seong	515,900	0.51
22.	Kew Hoi Lam @ Hew Hoi Lam	505,400	0.50
23.	Karen Pua Luan Ching	501,200	0.49
24.	Wong Li Lian	420,100	0.41
25.	Esteem Evergreen Sdn Bhd	407,000	0.40
26.	APT Avenue Sdn Bhd	365,500	0.36
27.	Foo Hwa Peng	360,600	0.35
28.	Chow Chee Onn	359,900	0.35
29.	Lee Chenk Guan	335,000	0.33
30.	Ng Lee Chung	299,900	0.29

* In the Register of Substantial Shareholders the shares were recorded as indirect shareholding being shares held in trust for Estate of Low Chee.

ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 5 MAY 2011

SUBSTANTIAL SHAREHOLDERS BASED ON THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name	Direct No. of Shares held	Direct %	Indirect No. of Shares held	Indirect %
Extreme System Sdn Bhd	28,506,326	27.95	-	-
YBhg. Datin Viannie Damit @ Undikai	-	-	28,506,326(1)	27.95
YBhg. Datuk Lye Ek Seang	-	-	28,506,326(2)	27.95
YBhg. Dato' Low Tuck Choy	2,607,500	2.56	25,162,629(3)	24.67
Low Teik Kien	698,700	0.68	25,162,629(3)	24.67
Low Chee & Sons Sdn Bhd	23,112,629	22.66	-	-
Toh Hong Hooi	-	-	28,506,326(4)	27.95
Lim Tow Fuh			28,506,326(4)	27.95
Tan Mei Lian	-	-	28,506,326(4)	27.95
Low Lai Yoong	870,500	0.85	23,478,129(5)	23.02

Notes:

(1) Deemed interested by virtue of her shareholding in Extreme System Sdn Bhd.

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

(3) Deemed interested pursuant to Section 6A of the Companies Act, 1965 ("the Act") by virtue of his shareholdings in Low Chee & Sons Sdn Bhd and Estate of Low Chee.

(4) Deemed interested pursuant to Section 6A of the Act by virtue of his/her substantial shareholdings in Extreme System Sdn Bhd.

(5) Deemed interested pursuant to Section 6A of the Act by virtue of her substantial shareholdings in Low Chee & Sons Sdn Bhd and APT Avenue Sdn Bhd.

LIST OF PROPERTIES

AS AT 31 DECEMBER 2010

Address/Location	Age of Building	Date of Acquisition	Tenure	Size/Area	Existing Use	Description	Net Book Value RM'000
2B 1st Floor Medan Imbi Kuala Lumpur	35 years	01/07/1986	Freehold	900 sq.ft.	Office Premise	Shophouse	58
Lot A4-01 4th Floor, Kuala Lumpur Industrial Park 8KM Jalan Klang Lama Kuala Lumpur	26 years	02/12/1985	Leasehold Expires in year 2063	2,412 sq.ft.	Rented	Flatted Factory	213
Lot 36101 Mukim of Petaling Wilayah Persekutuan	-	12/09/1995	Freehold	60 acres	Property Development	Development Land	122,463
No. 18, Jalan 17/155C Bandar Bukit Jalil Kuala Lumpur	1 year	31/12/2009*	Freehold	1,800 sq.ft.	Office Premise	Shophouse	621
No.3,Jalan Seri Sementa 1 Taman Seri Sementa, Batu 7 Jalan Kapar, Klang, Selangor	3 years	17/07/2007	Leasehold	1,496 sq.ft.	Office Premise	Shophouse	208

* Date the property was transferred from inventory to fixed asset.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activities of the Company are those of foundation engineering, civil engineering, building contracting works and hire of plant and machinery.

The principal activities of the subsidiary companies, associated companies and jointly controlled entities are disclosed in Notes 6, 7 and 8 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

Pursuant to the amendments to the Listing Requirements ("LR") of Bursa Malaysia Securities Berhad ("Bursa Securities") in relation to Practice Note No. 17/2005 ("Amended PN17"), the Company on 31 July 2008 announced ("First Announcement") that the Company is deemed an Affected Listed issuer as defined in the Amended PN17 as the auditors have expressed a disclaimer opinion in the Company's financial statements for the financial year ended 31 December 2007, 31 December 2008 and 31 December 2009.

As an Affected Listed Issuer, the Company is required pursuant to paragraph 3.1(a)(ii) of the Amended PN17 to comply with the following obligations:

(a) to announce details of the Regularisation Plan as referred to in paragraph 8.14C(3) of the Listing Requirements which announcement must set out in paragraph 3.1A of the Amended PN 17/2005;

(b) to submit the Regularisation Plan to the Securities relevant authorities ("Approving Authority"), for approval within eight (8) months from the date of the First Announcement; and to implement the Regularisation Plan within the timeframe stipulated by the relevant Approving Authority;

(c) to announce the status of its plan to regularise its condition and the number of months to the end of the relevant timeframes referred thereto, as may be applicable on a monthly basis until further notice from Bursa Securities; and

(d) to announce its compliance or non-compliance with a particular obligation imposed pursuant to Amended PN17/2005 on an immediate basis.

In the event that the Company fails to comply with the obligation to regularise its condition, all of its listed securities shall be suspended from trading on the 5th market day after the Submission Timeframe or Implementation Timeframe, as the case may be, and de-listing procedures shall be taken against the Company by Bursa Securities.

Extensions had been granted up to 30 October 2009, where the proposed initial regularisation plan was submitted. However, due to certain shareholders objection, a revised proposal was announced on 22 January 2010. Since then the revised proposal was further revised and announced on 1 March 2011 ("Revised Regularisation Plan"). Details of the proposed Revised Regularisation Plan is disclosed in Note 35(i)(b) to the financial statements.

DIRECTORS' REPORT (cont'd)

Bursa Securities had on 1 March 2011 via its letter granted the Company an extension of time of up to 1 May 2011 to submit a Revised Regularisation Plan to the regulatory authorities pursuant to Paragraph 4.1(e) of PN17 of the Main Market Listing Requirements of Bursa Securities.

On 21 April 2011, the Company had announced that it had submitted an application to Bursa Securities to seek for further extension of time up to 19 July 2011 to submit its Revised Regularisation Plan pursuant to the provisions of PN17 of the Bursa Securities Main Market Listing Requirements. The application is currently pending approval from Bursa Securities.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Loss before taxation	(16,093)	(15,131)
Taxation	2,451	4,951
Net loss for the financial year	(13,642)	(10,180)
Attributable to:		
Equity holders of the parent	(13,606)	(10,180)
Non-controlling interest	(36)	-
	(13,642)	(10,180)

Except as disclosed in Notes 36 and 37 to the financial statements, in the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Except as disclosed in Notes 36 and 37 to the financial statements, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the current financial year.

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year. The Board of Directors does not recommend any dividend in respect of the financial year under review.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year under review other than those disclosed in the financial statements.

DIRECTORS' REPORT (cont'd)

ISSUE OF SHARES AND DEBENTURES

There were no issues of shares or debentures during the financial year under review.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year under review.

DIRECTORS

The Directors who served since the date of the last report are as follows:

Tan Sri Dato' Kamaruzzaman bin Shariff	
Donatian Felix Dorairaj	
Yusob bin Md. Tasir	
Chow Seck Kai	
Dato' Ramli bin Yusuff	
Wong Kit Leong	(appointed on 12.8.2010)
Low Teik Kien	(resigned on 9.7.2010)
Haji Slamat bin Hamzah	(resigned on 30.11.2010)

DIRECTORS' INTERESTS

Details of holdings in the share capital of the Company or its related corporations by the Director in office at the end of the financial year, according to the register required to be kept under Section 134 of the Companies Act, 1965, were as follows:

	Number of ordinary shares of RM1.00 each			
	At 1.1.2010	**Acquired**	**Disposed**	**At 31.12.2010**
Ho Hup Construction Company Berhad				
Direct interest				
Tan Sri Dato' Kamaruzzaman bin Shariff	**-**	1,000	-	**1,000**
Chow Seck Kai	**1,284,600**	-	-	**1,284,600**

By virtue of his interest in the shares of the Company, Chow Seck Kai is also deemed to have interest in the shares of all its subsidiary companies to the extent the Company has an interest.

None of the other Directors holding office at the end of the financial year had any interest in the ordinary shares of the Company or its related corporations during the financial year under review.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Group and of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year, was the Company or its subsidiary companies a party to any arrangement the object of which is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Group and of the Company or any other body corporate.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

    (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

    (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

    (b) At the date of this report, the Directors are not aware of any circumstances which would render:

    (i) the amount written off for bad debts or the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent;

    (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading;

    (iii) any amount stated in the financial statements of the Group and of the Company misleading; and

    (iv) adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(c) No contingent or other liabilities have become enforceable, or are likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company or its subsidiary companies to meet their obligations as and when they fall due except as disclosed in Notes 36 and 37 to the financial statements.

DIRECTORS' REPORT (cont'd)

OTHER STATUTORY INFORMATION (cont'd)

(d) At the date of this report, there does not exist:

(i) any charge on the assets of the Company or its subsidiary companies which has arisen since the end of the financial year which secures the liabilities of any other person; and

(ii) any contingent liability in respect of the Company or its subsidiary companies which has arisen since the end of the financial year except as disclosed in Notes 36 and 37 to the financial statements.

SIGNIFICANT AND SUBSEQUENT EVENTS

The significant and subsequent events are disclosed in Note 35 to the financial statements.

AUDITORS

The auditors, UHY, have expressed their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors.

CHOW SECK KAI

WONG KIT LEONG

KUALA LUMPUR

27 APRIL 2011

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, CHOW SECK KAI and WONG KIT LEONG, being two of the Directors of HO HUP CONSTRUCTION COMPANY BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 48 to 154 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2010 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out in Note 18 to the financial statements have been compiled in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the Directors.

CHOW SECK KAI

WONG KIT LEONG

KUALA LUMPUR

27 APRIL 2011

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, IVAN OH BOON WEE, being the officer primarily responsible for the financial management of HO HUP CONSTRUCTION COMPANY BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 48 to 154 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed IVAN OH BOON WEE at)
KUALA LUMPUR in the Federal Territory)
this 27 APRIL 2011)

IVAN OH BOON WEE

Before me,
ASMAH BT BUROH W 456
COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HO HUP CONSTRUCTION COMPANY BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Ho Hup Construction Company Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 48 to 154. The financial statements of the Group and of the Company as of 31 December 2009 were audited by another auditor whose reports dated 3 May 2010, expressed a disclaimer opinion on the financial statements.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with approved standards of auditing in Malaysia. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

We set out the following matters arising from the audit:

(1) (i) The Group and the Company incurred a net loss of RM13.64 million and RM10.18 million respectively during the financial year ended 31 December 2010. As at 31 December 2010, the Group's current liabilities exceeded its current assets by RM162.06 million. The Group's shareholders' deficit as at 31 December 2010 amounted to RM29.11 million.

(ii) As disclosed in Note 35(ii)(d) to the financial statements, on 16 March 2010, the subsidiary company, Bukit Jalil Development Sdn Bhd ("BJD") entered into a Joint Development Agreement ("JDA") with Pioneer Haven Sdn Bhd ("PHSB") to develop a parcel of land measuring approximately 60 acres ("the 60 acre land") belonging to BJD into a mixed development project. The present Board of Directors appointed on 17 March 2010, has filed a suit to declare the JDA void. Consequently, the economic benefits from the development of the 60 acre land may not accrue to the Group and BJD until determination of the said legal action.

As disclosed in Note 23(c)(iii) to the financial statements, during the period from December 2009 to January 2010, BJD had collected booking fees/deposits of approximately RM9.33 million from potential purchasers of shop offices to be developed on the 60 acre land. Certain purchasers have requested for refund of their booking fees/deposits. As at the date of this report, BJD has not made any refund of these booking fees/deposits.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HO HUP CONSTRUCTION COMPANY BERHAD (cont'd)
(INCORPORATED IN MALAYSIA)

Basis for Disclaimer of Opinion (cont'd)

(iii) The Group and the Company have defaulted in the repayment of certain bank borrowings as at 31 December 2010 and 31 December 2009 and certain creditors have also filed Section 218 Notices against the Company and certain of its subsidiary companies during the current and previous years ended 31 December 2010 and 2009.

(iv) The Company has been an affected listed issuer under PN17 of Bursa Malaysia Securities Berhad Main Market Listing Requirements since 31 July 2008.

(v) On 20 October 2010, the Company and two of its subsidiary companies, namely BJD and Tru-mix Concrete Sdn Bhd ("TCSB"), collectively referred to as the Applicants had obtained an order from the High Court of Malaya at Kuala Lumpur pursuant to Section 176 of the Companies Act, 1965 which inter alia granted the Company leave to convene a Scheme Creditors meeting to consider and/or approve the Proposed Restructuring Scheme and Creditor Scheme of Arrangement and ordered that all further proceedings and/or action against the Company including but not limited to winding up, execution and/or arbitration proceedings be restrained for a period of 90 days from the date of the order. The restraining order has been further extended to 23 April 2011.

On 26 April 2011, the High Court of Malaya at Kuala Lumpur had extended the restraining order in respect of the Company and BJD for a further period of 90 days from the date of this order on its unsecured creditors and a further 60 days on its secured creditor.

The factors set forth above indicate the existence of material uncertainties which may cast significant doubt on the ability of the Group and of the Company to continue as going concerns and therefore, they may be unable to realise their assets and discharge their liabilities in the normal course of business.

As disclosed in Note 2(a) to the financial statements, the financial statements of the Group and of the Company are prepared on a going concern basis. The ability of the Group and of the Company to continue as going concerns is dependent upon the successful and timely formulation and implementation of the regularisation plan and negotiation with the relevant bank to restructure their bank borrowings which are currently in default. The Company has been granted an extension of time up to 1 May 2011 to submit the revised regularisation plan to the regulatory authorities. The present Board of Directors are in the process of formulating such a plan. On 21 April 2011, the Company had announced that it had submitted an application to Bursa Securities to seek for further extension of time up to 19 July 2011 to submit its revised regularisation plan pursuant to the provisions of PN17 of the Bursa Securities Main Market Listing Requirements. The application is currently pending approval from Bursa Securities.

Should the going concern basis of preparing the financial statements be no longer appropriate, adjustments would have to be made to reduce the value of all assets to their estimated realisable values, and to provide further estimated liabilities that may arise, and to reclassify property, plant and equipment and other non-current assets and non-current liabilities as current assets and current liabilities respectively.

The financial statements of the Group and of the Company do not include any adjustment and classification relating to the recorded assets and liabilities that may be necessary should the Group and the Company be unable to continue as going concerns.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HO HUP CONSTRUCTION COMPANY BERHAD (cont'd)
(INCORPORATED IN MALAYSIA)

Basis for Disclaimer of Opinion (cont'd)

(2) (i) As disclosed in Note 6 to the financial statements, the audited financial statements for the financial year ended 31 December 2010 of certain subsidiary companies were not available and accordingly, the unaudited management financial information of these entities were used for the preparation of the consolidated financial statements of the Group for the financial year ended 31 December 2010.

The Company's Directors are of the opinion that the accounts of these subsidiary companies were consolidated based on the unaudited management accounts are immaterial to the Group for the financial year ended 31 December 2010.

(ii) The audited financial statements of the Madagascar branch operations for the financial year ended 31 December 2010 were made available to us for consolidation in the current financial year. As disclosed in the audited report of the Madagascar branch includes the following qualifications:

(a) The branch ceased operations since the termination of the contract with the Malagasy government. Due to the equipment rental contract with Madagascar Malaysia Equipment Rental ("MMER"), which is valid till 31 December 2014, the branch has no control over its own equipment. These circumstances indicate a material uncertainty that may cast significant doubt on the Branch's ability to continue as a going concern.

(b) We are unable to perform physical observation procedures over equipments where they are being held in the custody of MMER, which did not allow entry of representatives of auditors to the Branch. We are therefore not in a position to assess whether any impairment needs to be imposed on the equipments.

(iii) On 21 May 2009, the Company had signed a settlement agreement with the State of Madagascar whereby the State of Madagascar had released USD 4 million to Ho Hup's bank account in Madagascar.

As disclosed in the Note 11(c) to the financial statements, the Company had appointed Brillant Profession Holdings Limited for their services to settle all the issues as set out in the settlement agreement. However, we are unable to ascertain the validity and authenticity of the transaction and payment made in January 2010 to Brillant Profession Holdings Limited that amounted to USD 0.2 million (2009: USD 2.3 million).

(iv) As at the date of this report, replies relating to certain debtors and creditors confirmation requests are outstanding. We are unable to confirm or verify by alternative means as to whether the carrying amounts of the debtors and creditors balances for the financial year ended 31 December 2010 were appropriate.

(v) BJD had appointed an agent on 22 December 2009 to promote and sell the shop offices within One Jalil Project where the agency fees amounted to RM1.605 million were paid during the financial year ended 31 December 2010. We were unable to ascertain the validity and authenticity of the transactions and payments made to the agent.

(3) As disclosed in Note 39 to the financial statements, the financial statements of the Group and of the Company for the financial year ended 31 December 2009 which are presented for comparative purposes were examined and reported on by another firm of auditors who have rendered a disclaimer opinion on those financial statements in their report dated 3 May 2010 and the matters which gave rise to the modification includes matters as explained in the following paragraph (i) to (vi) in so far as it relates to the financial statements for the financial year ended 31 December 2009. These matters remained unresolved in the current financial year.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HO HUP CONSTRUCTION COMPANY BERHAD (cont'd)
(INCORPORATED IN MALAYSIA)

Basis for Disclaimer of Opinion (cont'd)

(i) For the financial statements for the financial year ended 31 December 2009, the previous auditors were not able to obtain confirmations from the respective solicitors of the Group and of the Company on the status of the litigations as disclosed in Note 37 to the financial statements and accordingly they were unable to satisfy themselves as to the nature, quantum, and completeness of the said litigations.

(ii) For the financial statements for the financial year ended 31 December 2009, the replies relating to certain debtors, creditors and bank confirmation requests to confirm the balances of the Group and of the Company as at 31 December 2009 were outstanding. The previous auditors were unable to confirm or verify by alternative means as to the completeness of the recorded bank balances and the appropriateness of the carrying amounts of the debtors and creditors of the Group and of the Company for the financial year ended 31 December 2009.

(iii) As required by Malaysian Approved Standards on Auditing, ISA 560 Subsequent Events, the previous auditors were required to perform audit procedures to obtain sufficient appropriate audit evidence that all events up to the date of the auditor's report that may require adjustment of, or disclosure in, the financial statements have been identified. However, the previous auditor had not been able to complete the performance of such procedures as certain minutes of the Board of Directors' meetings of BJD for the period subsequent to financial year end were not available.

During the financial year ended 31 December 2010, we were unable to complete the performance of such procedures as certain minutes of Board of Directors' meetings of BJD for the period from 1 January 2010 to 28 March 2010 were not made available to us.

(iv) During the financial year ended 31 December 2009, the Company incurred cost of materials and services amounting to RM1.025 million for rectification works undertaken for developments which were previously abandoned but completed during the year. The previous auditors were not able to sight certain original copies of the purchase orders issued and were unable to obtain confirmations or explanations from the sub-contractors. As such, the previous auditors were not able to satisfy themselves on the quantum and the costs incurred in respect of those rectification works.

(v) For the financial statements for the financial year ended 31 December 2009, the previous auditors did not received approved budgets in respect of the construction works for certain on-going construction projects of the Company. These budgets were not approved by the previous Board of Directors prior to their removal on 17 March 2010. In the absence of a budget approved by the Board of Directors, the previous auditors were unable to ascertain the appropriateness of the profits or losses recognised in the statements of comprehensive income of the Group and of the Company for the financial year ended 31 December 2009 using the percentage of completion method and the amounts recognised as due from/to customers in the reporting of the Group and of the Company for the financial year ended 31 December 2009.

(vi) Included in other receivables as at 31 December 2009 of the Group and of the Company was an amount of approximately RM14.79 million which represent amounts due from various sub-contractor debtors. These debts arose from back charges of materials purchased on behalf of the sub-contractor by the Company for its projects. The amount outstanding is to be matched against the delivery orders ("DO") and invoices for materials purchased on behalf and subsequently reversed to the work in progress account as it is part of project related costs.

As a result of the above matters, we were unable to determine whether any adjustments or disclosures are required, if any, on the financial statements of the Group and of the Company.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HO HUP CONSTRUCTION COMPANY BERHAD (cont'd)
(INCORPORATED IN MALAYSIA)

Disclaimer of Opinion

Because of the significance of the matters referred to in the Basis for Disclaimer of Opinion paragraphs, we do not express an opinion on these financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, except for the matters as disclosed in paragraphs 1 to 3 in the Basis of Disclaimer of Opinion above, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We are unable to consider the financial statements and auditors' report of the subsidiary companies, of which we have not acted as auditors, as disclosed in Note 6 to the financial statements, as audited financial statements are not available for consolidation at the date of this report as mention in item 2(i) above.

(c) Because of the significance of matters discussed in the Basis of Disclaimer of Opinion paragraphs, we are unable to comment as to whether the subsidiary companies that have been consolidated with the Company's financial statements are in a form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received no satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of certain subsidiary companies were subject to qualifications and modifications as disclosed in Note 6 to the financial statements; but did not include any comment made under sub-section (3) of Section 174 of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 18 is solely disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysia Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HO HUP CONSTRUCTION COMPANY BERHAD (cont'd)
(INCORPORATED IN MALAYSIA)

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

UHY
Firm Number: AF 1411
Chartered Accountants

TEE GUAN PIAN
Approved Number: 1886/05/12 (J/PH)
Chartered Accountant

KUALA LUMPUR

27 APRIL 2011

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

		Group		Company	
		2010	2009	2010	2009
	Note	RM'000	RM'000	RM'000	RM'000
Non-Current Assets					
Property, plant and equipment	3	**11,688**	23,010	**10,550**	21,354
Investment properties	4	**-**	-	**-**	-
Land held for property development	5	**122,463**	120,874	**-**	-
Investment in subsidiary companies	6	**-**	-	**15,632**	15,747
Investment in associated companies	7	**-**	16	**-**	37
Investment in jointly controlled entity	8	**-**	-	**-**	-
		134,151	143,900	**26,182**	37,138
Current Assets					
Land and property development costs	5	**1,713**	2,125	**-**	-
Amount owing by customers on contracts	9	**-**	-	**-**	-
Inventories	10	**194**	527	**-**	130
Trade receivables	11	**22,656**	32,295	**15,660**	19,208
Other receivables	12	**31,733**	28,962	**30,228**	27,672
Amount owing by subsidiary companies	13	**-**	-	**158,671**	163,508
Amount owing by associated companies	14	**-**	358	**-**	358
Tax recoverable		**13**	-	**-**	-
Fixed deposits with licensed banks	15	**710**	1,784	**510**	1,784
Cash and bank balances	15	**13,339**	15,427	**385**	3,158
		70,358	81,478	**205,454**	215,818
Non-current assets held for sale	16	**7,021**	19,066	**-**	-
		77,379	100,544	**205,454**	215,818
Total Assets		**211,530**	244,444	**231,636**	252,956

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010 (cont'd)

		Group		Company	
		2010	2009	2010	2009
	Note	RM'000	RM'000	RM'000	RM'000
Equity					
Share capital	17	**102,000**	102,000	**102,000**	102,000
Foreign exchange reserve		**4,853**	4,680	**-**	-
Accumulated losses	18	**(135,965)**	(122,359)	**(59,099)**	(48,919)
Equity attributable to equity holders of the parent		**(29,112)**	(15,679)	**42,901**	53,081
Non-controlling interest		**1,154**	1,190	**-**	-
Total Equity		**(27,958)**	(14,489)	**42,901**	53,081
Non-Current Liabilities					
Bank borrowings	19	**-**	5,037	**-**	5,037
Deferred taxation	20	**52**	35	**-**	-
		52	5,072	**-**	5,037
Current Liabilities					
Provision for liquidated ascertained damages	21	**16,923**	19,907	**-**	-
Trade payables	22	**78,143**	76,926	**70,396**	66,275
Other payables	23	**54,410**	50,296	**27,447**	23,969
Amount owing to subsidiary companies	13	**-**	-	**18,464**	21,557
Amount owing to an associated companies	14	**2,200**	2,200	**2,200**	2,200
Hire purchase payables	24	**101**	332	**101**	313
Bank borrowings	19	**84,570**	94,915	**70,119**	74,426
Tax payable		**3,089**	9,285	**8**	6,098
		239,436	253,861	**188,735**	194,838
Total Liabilities		**239,488**	258,933	**188,735**	199,875
		211,530	244,444	**231,636**	252,956

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

		Group		Company	
		2010	**2009**	**2010**	**2009**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	25	**65,123**	80,149	**25,595**	37,590
Cost of sales	26	**(53,334)**	(65,530)	**(29,809)**	(37,674)
Gross profit/(loss)		**11,789**	14,619	**(4,214)**	(84)
Other operating income		**29,096**	14,582	**27,028**	16,842
Administration expenses		**(11,609)**	(12,401)	**(6,923)**	(8,910)
Other operating expenses		**(37,683)**	(44,471)	**(24,883)**	(36,059)
Finance costs	27	**(7,707)**	(5,695)	**(6,139)**	(5,637)
Share of profit/(loss) in an associated company		**21**	(21)	**-**	-
Loss before taxation	28	**(16,093)**	(33,387)	**(15,131)**	(33,848)
Taxation	29	**2,451**	(1,309)	**4,951**	-
Net loss for the financial year		**(13,642)**	(34,696)	**(10,180)**	(33,848)
Other comprehensive income:					
- Foreign exchange differences representing net loss not recognised in the statements of comprehensive income		**173**	71	**-**	-
Net loss for the financial year, representing total comprehensive income for the financial year		**(13,469)**	(34,625)	**(10,180)**	(33,848)
Net loss for the financial year attributable to:					
Equity holders of the parent		**(13,606)**	(34,519)		
Non-controlling interest		**(36)**	(177)		
		(13,642)	(34,696)		
Net loss for the financial year, representing total comprehensive income attributable to:					
Equity holders of the parent		**(13,433)**	(34,448)		
Non-controlling interest		**(36)**	(177)		
		(13,469)	(34,625)		
Loss per share attributable to equity holders of the parent (sen):					
Basic	30	**(13.3)**	(33.8)		

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Attributable to Equity Holders of the Parent					
	Share Capital RM'000	Non-Distributable Foreign Currency Exchange Reserve RM'000	Accumulated Losses RM'000	Total RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
Group						
At 1 January 2009	102,000	4,609	(87,840)	18,769	1,367	20,136
Net loss for the financial year, representing total comprehensive income for the financial year	-	71	(34,519)	(34,448)	(177)	(34,625)
At 31 December 2009	102,000	4,680	(122,359)	(15,679)	1,190	(14,489)
At 1 January 2010	**102,000**	**4,680**	**(122,359)**	**(15,679)**	**1,190**	**(14,489)**
Net loss for the financial year, representing total comprehensive income for the financial year	-	173	(13,606)	(13,433)	(36)	(13,469)
At 31 December 2010	**102,000**	**4,853**	**(135,965)**	**(29,112)**	**1,154**	**(27,958)**

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (cont'd)

	Share Capital RM'000	Accumulated Losses RM'000	Total RM'000
Company			
At 1 January 2009	102,000	(15,071)	86,929
Net loss for the financial year, representing total comprehensive income for the financial year	-	(33,848)	(33,848)
At 31 December 2009	102,000	(48,919)	53,081
At 1 January 2010	**102,000**	**(48,919)**	**53,081**
Net loss for the financial year, representing total comprehensive income for the financial year	-	(10,180)	(10,180)
At 31 December 2010	**102,000**	**(59,099)**	**42,901**

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash Flows From Operating Activities				
Loss before taxation	**(16,093)**	(33,387)	**(15,131)**	(33,848)
Adjustments for:				
Bad debts recovered	**(6)**	(20)	**-**	-
Depreciation of property, plant and equipment	**2,351**	5,009	**2,044**	4,407
Deposits written off	**1,434**	-	**1,434**	-
Impairment on trade receivables	**4,342**	13,472	**4,484**	13,350
Impairment on other receivables	**704**	-	**282**	-
Impairment on deposits	**224**	37	**-**	-
Impairment on amount owing by subsidiary companies	**-**	-	**1,622**	-
Impairment on amount owing by associated companies	**481**	-	**481**	-
Impairment on investment in subsidiary companies	**-**	-	**115**	-
Impairment on investment in associated companies	**37**	-	**37**	-
Impairment on property, plant and equipment	**7,442**	2,500	**7,442**	2,500
Inventories written off	**130**	-	**130**	-
Property, plant and equipment written off	**44**	1,240	**-**	1,240
Gain on disposal of investment properties	**-**	(5,488)	**-**	(5,488)
Gain on disposal of property, plant and equipment	**(12,358)**	(673)	**(11,300)**	(619)
Reversal of impairment on deposits	**(451)**	-	**(451)**	-
Unrealised foreign exchange gain	**-**	(4,489)	**-**	(4,489)
Interest income	**(63)**	(300)	**(2,675)**	(3,050)
Interest expenses	**7,707**	5,695	**6,139**	5,637
Share of results of an associate company	**(21)**	21	**-**	-
Operating loss before working capital changes	**(4,096)**	(16,383)	**(5,347)**	(20,360)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (cont'd)

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Decrease/(Increase) in working capital				
Land and property development costs	**(1,177)**	11,064	**-**	-
Inventories	**203**	(362)	**-**	(130)
Receivables	**497**	26,740	**(4,760)**	25,580
Payables	**1,593**	(6,321)	**6,461**	(6,765)
	1,116	31,121	**1,701**	18,685
Cash (used in)/generated from operations	**(2,980)**	14,738	**(3,646)**	(1,675)
Interest paid	**(7,707)**	(7,509)	**(6,139)**	(5,637)
Payments for provision for liquidated ascertained damages	**(2,984)**	(3,142)	**-**	-
Tax paid	**-**	(51)	**-**	-
	(10,691)	(10,702)	**(6,139)**	(5,637)
Net cash (used in)/from operating activities	**(13,671)**	4,036	**(9,785)**	(7,312)
Cash Flows From Investing Activities				
Purchase of property, plant and equipment	**(68)**	(691)	**(53)**	(569)
Proceeds from disposal of property, plant and equipment	**13,911**	870	**12,671**	907
Investment in associated companies	**-**	(37)	**-**	(37)
Proceeds/Deposits received for disposal of land held for sale	**12,044**	6,321	**-**	-
Interest received	**63**	300	**2,675**	3,050
Net cash from investing activities	**25,950**	6,763	**15,293**	3,351

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (cont'd)

		Group		Company	
		2010	2009	2010	2009
	Note	RM'000	RM'000	RM'000	RM'000
Cash Flows From Financing Activities					
Repayment of bank borrowings		**(14,885)**	(1,841)	**(9,376)**	1,352
Repayment of hire purchase payables		**(231)**	(542)	**(212)**	(415)
Net cash (used in)/from financing activities		**(15,116)**	(2,383)	**(9,588)**	937
Net (decrease)/increase in cash and cash equivalents		**(2,837)**	8,416	**(4,080)**	(3,024)
Effect of changes in foreign exchange rate		**173**	61	**-**	-
Cash and cash equivalents at beginning of the financial year		**11,462**	2,985	**2,028**	5,052
		8,798	11,462	**(2,052)**	2,028
Less: Cash and cash equivalents restricted from use	15	**(11,901)**	(3,804)	**(10)**	(2,444)
Cash and cash equivalents at end of the financial year	15	**(3,103)**	7,658	**(2,062)**	(416)

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The principal activities of the Company are those of foundation engineering, civil engineering, building contracting works and hire of plant and machinery.

The principal activities of the subsidiary companies, associated companies and jointly controlled entities are disclosed in Notes 6, 7 and 8 to the financial statements respectively.

The Company is a public limited liability company, incorporated in Malaysia under the Companies Act, 1965 and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur.

The principal place of business of the Company is located at No.18, Jalan 17/155C, Bandar Bukit Jalil, 57000 Kuala Lumpur.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Group and of the Company have been prepared on the historical cost convention except as disclosed in the notes to the financial statements and in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand except when otherwise stated.

Pursuant to the amendments to the Listing Requirements ("LR") of Bursa Malaysia Securities Berhad ("Bursa Securities") in relation to Practice Note No. 17/2005 ("Amended PN17"), the Company on 31 July 2008 announced ("First Announcement") that the Company is deemed an Affected Listed issuer as defined in the Amended PN17 as the auditors have expressed a disclaimer opinion on the Company's financial statements for the financial year ended 31 December 2007.

On 15 May 2009, the Company announced that it had also triggered paragraph 2.1(a) of the Amended PN17 where the consolidated shareholders' equity stood at RM18.8 million which is below 25% of the issued and paid up share capital of RM102 million and such shareholders' equity is less than the minimum issued and paid up share capital of RM60 million as required under paragraph 8.16A(1) of the LR.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of preparation (cont'd)

As an Affected Listed Issuer, the Company is required pursuant to paragraph 3.1(a)(ii) of the Amended PN17 to comply with the following obligations:

(i) to announce details of the Regularisation Plan as referred to in paragraph 8.14C(3) of the Listing Requirements which announcement must set out in paragraph 3.1A of the Amended PN 17/2005;

(ii) to submit the Regularisation Plan to the Securities relevant authorities ("Approving Authority"), for approval within eight (8) months from the date of the First Announcement; and to implement the Regularisation Plan within the timeframe stipulated by the relevant Approving Authority;

(iii) to announce the status of its plan to regularise its condition and the number of months to the end of the relevant timeframes referred thereto, as may be applicable on a monthly basis until further notice from Bursa Securities; and

(iv) to announce its compliance or non-compliance with a particular obligation imposed pursuant to Amended PN17/2005 on an immediate basis.

In the event that the Company fails to comply with the its listed securities shall be suspended from trading on the 5th market day after the Submission Timeframe or Implementation Timeframe, as the case may be, and de-listing procedures shall be taken against the Company by Bursa Securities.

Extensions had been granted up to 30 October 2009, where the proposed initial regularisation plan was submitted. However, due to certain shareholders objection, a revised proposal was announced on 22 January 2010. Since then the revised proposal was further revised and announced on 1 March 2011 ("Revised Regularisation Plan"). Details of the proposed Revised Regularisation Plan is disclosed in Note 35(i)(b) to the financial statements.

Bursa Securities had on 1 March 2011 via its letter granted the Company an extension of time of up to 1 May 2011 to submit a Revised Regularisation Plan to the regulatory authorities pursuant to Paragraph 4.1(e) of PN17 of the Main Market Listing Requirements of Bursa Securities.

On 21 April 2011, the Company had announced that it had submitted an application to Bursa Securities to seek for further extension of time up to 19 July 2011 to submit its Revised Regularisation Plan pursuant to the provisions of PN17 of the Bursa Securities Main Market Listing Requirements. The application is currently pending approval from Bursa Securities.

On 20 October 2010, the Company and two of its subsidiary companies, namely Bukit Jalil Development Sdn Bhd ("BJD") and Tru-mix Concrete Sdn Bhd ("TCSB"), collectively referred to as the Applicants had obtained an order from the High Court of Malaya at Kuala Lumpur pursuant to Section 176 of the Companies Act, 1965 which inter alia granted the Company leave to convene a Scheme Creditors meeting to consider and/or approve the Proposed Restructuring Scheme and Creditor Scheme of Arrangement and ordered that all further proceedings and/or action against the Company including but not limited to winding up, execution and/or arbitration proceedings be restrained for a period of 90 days from the date of the order. The restraining order has been further extended to 23 April 2011.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of preparation (cont'd)

On 26 April 2011, the High Court of Malaya at Kuala Lumpur had extended the restraining order in respect of the Company and BJD for a further period of 90 days from the date of this order on its unsecured creditors and a further 60 days on its secured creditor.

The Group and the Company incurred a net loss of RM13.64 million and RM10.18 million respectively during the financial year ended 31 December 2010. As at 31 December 2010, the Group's current liabilities exceeded its current assets by RM162.06 million. The Group's shareholders' deficit as at 31 December 2010 amounted to RM29.11 million. In addition, as disclosed in Note 19, the Group and the Company have defaulted on its repayment obligations relating to certain bank borrowings.

These factors indicate the existence of material uncertainties which may cast significant doubt on the ability of the Group and of the Company to continue as going concerns and therefore they maybe unable to realise their assets and discharge their liabilities in the normal course of business.

The appropriateness of preparing the financial statements of the Group and of the Company on going concern basis is dependant upon the successful and timely formulation and implementation of the regulation plan and negotiation with the relevant bank to restructure their bank borrowings which are currently in default.

Should the going concern basis of preparing the financial statements be no longer appropriate, adjustments would have to be made to reduce the value of all assets to their estimated realisable values, and to provide further estimated liabilities that may arise, and to reclassify property, plant and equipment and other non-current assets and non-current liabilities as current assets and current liabilities respectively.

The financial statements of the Group and of the Company do not include any adjustment and classification relating to the recorded assets and liabilities that may be necessary should the Group and the Company be unable to continue as going concerns.

(b) Significant accounting policies

During the financial year, the Group and the Company have adopted the following applicable new Financial Reporting Standards ("FRSs"), revised FRSs, Issues Committee ("IC") Interpretations, amendments to FRSs and IC Interpretations, issued by the Malaysian Accounting Standards Board that are mandatory for current financial year:

FRS 8	Operating Segments
FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements
Amendments to FRS 117	Leases
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 2	Share-based Payment-Vesting Conditions and Cancellations

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Significant accounting policies (cont'd)

Amendments to FRS 132	Financial Instruments: Presentation
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 - The Limit on a defined Benefit Asset, Minimum Funding Requirements and their Interaction

Amendments to FRS1, First-time Adoption Financial Reporting Standards and FRS 127, Consolidated and Separate Financial Statements - Cost of an investment in a subsidiary, Jointly Controlled Entity or Associate

Amendments to FRS 139, Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives

Amendments to FRSs contained in the document entitled "Improvements to FRSs (2009)"

The revised FRS are either not applicable to the Group and to the Company or the adoptions did not result in significant changes in accounting policies of the Company and did not have significant impact on the Company.

The Group and the Company have not early adopted the following new FRSs, revised FRSs, Issues Committee ("IC") Interpretations, amendments to FRSs and IC Interpretations, which have been issued as at the date of authorisation of these financial statements and will be effective for the financial periods as stated below:

		Effective date for financial periods beginning on or after
Amendments to FRS 132	Financial Instruments: Presentation	1 March 2010
FRS 1	First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3	Business Combinations	1 July 2010
FRS 127	Consolidated & Separate Financial Statements	1 July 2010
Amendments to FRS 2	Share-based Payment	1 July 2010
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 138	Intangible Assets	1 July 2010
IC Interpretation 12	Service Concession Arrangements	1 July 2010
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives		1 July 2010

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Significant accounting policies (cont'd)

		Effective date for financial periods beginning on or after
Amendment to FRS 1	Limited Exemption from Comparative FRS 7 Disclosure for First-time Adopters	1 January 2011
Amendment to FRS 7	Improving Disclosures about Financial Instruments	1 January 2011
IC Interpretation 4	Determining whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 18	Transfers of Assets from Customers	1 January 2011
Amendments to FRSs contained in the documents entitled "Improvements to FRSs (2010)"		1 January 2011
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 14	Prepayment of a Minimum Funding Requirement	1 July 2011
IC Interpretation 15	Agreements for Construction of Real Estate	1 January 2012
FRS 124	Related Party Disclosures	1 January 2012

The initial applications of the above applicable new FRSs, revised FRSs, IC Interpretations, amendments to FRSs and IC Interpretations is not expected to have any material impact on the financial statements of the Group and the Company, except as discussed below:

(i) FRS 7 Financial Instruments: Disclosures

This new standard requires disclosures in financial statements that enable users to evaluate the significance of financial instruments for the entity's financial position and performance, and the nature and extent of risks arising from financial instruments to which an entity is exposed and how these risks are managed. This standard requires both qualitative disclosures describing management's objectives, policies and processes for managing those risks, and quantitative disclosures providing information about the extent to which an entity is exposed to risk, based on information provided internally to the entity's key management personnel.

(ii) FRS 123 Borrowing Costs

This new standard removes the option of immediately recognising as an expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. However, capitalisation of borrowing costs is not required for assets measured at fair value, and inventories that are manufactured or produced in large quantities on a repetitive basis, even if they take a substantial period of time to get ready for use or sale.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Significant accounting policies (cont'd)

(iii) Amendments to FRS 117: Leases

Amendments to FRS 117 sets out the new requirement where leasehold land which is in substance a finance lease will be reclassified to property, plant and equipment. The Group and the Company has reassessed and determined that all leasehold land of the Group and of the Company are in substance finance leases and accordingly, has reclassified the leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment.

The reclassification does not affect the basic and diluted earnings per ordinary share for the current and prior periods.

The following comparative figures have been restated following the adoption of the amendments to FRS 117:

	As at 31 December 2009			
	Group		Company	
	As restated RM'000	As previously restated RM'000	As restated RM'000	As previously restated RM'000
Carrying amount				
Property, plant and equipment	23,010	22,790	21,354	21,134
Prepaid land lease payments	-	220	-	220

(iv) FRS 139 Financial Instruments: Recognition and Measurement

This new standard establishes the principles for the recognition, derecognition and measurement of an entity's financial instruments and for hedge accounting. The impact of applying FRS 139 on the financial statements upon first adoption of this standard as stated by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not required to be disclosed by virtue of exemptions provided under paragraph 103AB of FRS 139.

The Group and the Company has applied the transitional provisions in FRS 7 and FRS 139 which exempt entities from disclosing the possible impact arising from initial application of the respective standards on the financial statements of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on historical experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation or uncertainty at the statements of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

(i) Depreciation of property, plant and equipment

The costs of property, plant and equipment of the Group and of the Company are depreciated on a straight-line basis over the useful lives of the assets. Management estimates the useful lives of the property, plant and equipment as disclosed in Note 2(i)(iii). These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could have impact on the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amounts of the Group's and of the Company's property, plant and equipment at 31 December 2010 are disclosed in Note 3 to the financial statements.

(ii) Estimation of fair value of properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences; or

(b) recent prices of similar properties based on less active market, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

(iii) Property development costs

The Group recognises property development revenue and expenses in the statements of comprehensive income by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists. The carrying amounts of the Group's property development costs at 31 December 2010 are disclosed in Note 5 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Significant accounting estimates and judgements (cont'd)

(iv) Impairment of investment in associated companies

The carrying values of investment in associated companies and the related goodwill are reviewed for impairment in accordance with FRS 128, Investments in Associates.

In the determination of the value in use of the investment, the Group and the Company is required to estimate the expected cash flows to be generated by the associated company and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's and the Company's investment in associated companies at 31 December 2010 is disclosed in Note 7 to the financial statements.

(v) Construction costs

The Group and the Company recognises contracts revenue and contracts costs in the statements of comprehensive income by using the stage of completion method. The stage of completion is determined by the proportion that contracts cost incurred for work performed to date as a percentage of the estimated contracts costs. Significant judgement is required in determining the stage of completion, the extent of the contracts costs incurred, the estimated total contracts revenue and costs, as well as the recoverability of the constructions contracts. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists. The carrying amount of the Group's and the Company amount owing by/(to) customers on contracts at 31 December 2010 is disclosed in Note 9 to the financial statements.

(vi) Income taxes

The Group and the Company has exposure to income taxes in numerous jurisdictions. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is involved especially in determining tax base allowances and deductibility of certain expenses in determining the Group-wide provision for income taxes. The Group and the Company recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will have impact on the income tax and deferred tax provisions in the period in which such determination is made.

(vii) Impairment on financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial assets is impaired. To determine whether there is objective evidence of impairment, the Group and the Company considers factors such as the probability of significant financial difficulties of the debtor and default or significant delay in payments.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Significant accounting estimates and judgements (cont'd)

(vii) Impairment on financial assets (cont'd)

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's and the Company's loans and receivables as at 31 December 2010 is disclosed in Notes 11 and 12 to the financial statements.

(viii) Provision for liquidated ascertained damages

Provision for liquidated ascertained damages is recognised for expected liquidated ascertained damages claims based on the terms of the applicable sale and purchase agreements and is provided up to the actual or estimated completion date of development projects.

(ix) Material litigation

The Group and the Company determines whether a present obligation in relation to a material litigation existed at the reporting date by taking into consideration all available evidence, including the opinion of the solicitors. The evidence considered includes any additional evidence provided by events after the reporting date. On the basis if such evidence, the Group and the Company evaluate if a provision needs to be recognised in the financial statements.

(d) Financial assets

Financial assets are recognised on the statements of financial position when, and only when the Group and the Company becomes a party to the contractual provisions of the financial instrument.

(i) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in the statements of comprehensive income.

(ii) Subsequent measurement

Financial assets, both available-for-sale and at fair value through profit or loss are subsequently carried at fair value. The fair value measurement considerations of the Group and of the Company are as disclosed in Note 2(e). Equity instrument that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Financial assets (cont'd)

(ii) Subsequent measurement (cont'd)

Changes in the fair values of financial assets, at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in the statements of comprehensive income when the changes arise.

Interest and dividend income on financial assets, available-for-sale are recognised separately in the statements of comprehensive income. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve, together with the related currency translation differences.

(iii) Classification

The Group and the Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The designation of financial assets at fair value through profit or loss is irrevocable.

Financial assets, at fair value through profit or loss

Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Company investment strategy.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the statements of financial position date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" and "cash and cash equivalents" on the statements of financial position.

Financial assets, available-for-sale

Financial assets, available-for-sale is non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the statements of financial position date.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Financial assets (cont'd)

(iii) Classification (cont'd)

'Held-to-Maturity' Investment

'Held-to-maturity' investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group and the Company have the positive intention and ability to hold to maturity.

Subsequent to initial recognition, 'held-to-maturity' investments are measured at amortised cost using the effective interest method less any accumulated impairment losses. Gains or losses are recognised in profit or loss when 'held-to-maturity' investments are derecognised or impaired.

Held-to-maturity investment are classified as non-current assets, except for those having maturity date within 12 months after the reporting date which are classified as current.

(iv) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on a trade-date basis - the date on which the Group and the Company commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sales proceeds is recognised in the statements of comprehensive income.

(v) Impairment

The Group and the Company assesses at each statements of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired. The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in the statements of comprehensive income.

The allowance for impairment loss account is reduced through the statements of comprehensive income in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost, had no impairment been recognised in prior periods.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Financial assets (cont'd)

(v) Impairment (cont'd)

Financial assets, available-for-sale

Significant or prolonged declines in the fair value of the security below its cost and the disappearance of an active trading market for the security are objective evidence that the security is impaired.

The cumulative loss that was recognised in the fair value reserve is transferred to the statements of comprehensive income. The impairment losses recognised in the statements of comprehensive income on equity securities are not reversed through the statements of comprehensive income.

Financial assets, held-to-maturity

Impairment in respect of held-to-maturity investment carried at amortised cost are measured as the difference between the assets carrying amount and the present values of their estimated future cash flows discounted at the "held-to-maturity" investments' original effective interest rate.

(e) Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities) are based on quoted market prices at the statements of financial position date. The quoted market prices used for financial assets are current bid prices; the appropriate quoted market prices for financial liabilities are the current risk prices.

The fair values of financial instruments that are not traded in an active market are determined by using a variety of methods and makes assumptions based on market conditions existing at each statements of financial position date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flows analyses, are also used to determine the fair values of the financial instruments. However, if the probabilities of various estimates cannot be reasonably measured the Group and the Company are precluded from measuring the instruments at fair value, and the financial instruments are measured at cost.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

(f) Derivatives

Derivatives relate to fair value hedges on financial assets held through profit or loss. Derivatives are initially recognised at fair values on the date the contract is entered into and is subsequently carried at fair value.

The fair value hedges are not designated as effective hedging investments therefore changes in fair value are recognised immediately in the statements of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Financial liabilities

Financial liabilities are recognised on the statements of financial position when, and only when the Group and the Company becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, derivatives are measured at fair value. Other financial liabilities (except for financial guarantee) are measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statements of comprehensive income.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial Liabilities at 'Fair Value Through Profit or Loss'

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

A financial liability held for trading include derivative enter by the Group and by the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange difference.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

Other financial liabilities

The Group's and the Company's other financial liabilities includes trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method.

Loan and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies, associated companies and jointly controlled entities from the date that control effectively commences until the date that control ceases through equity accounting, which are made up to the end of the financial year.

(i) Subsidiary companies

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the statements of financial position date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in statements of comprehensive income.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(ii) Associated companies

Associates are entities in which the Group exercises significant influence but not control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investment in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method of accounting, the investment in associate is carried in the consolidated statements of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associates. The Group's share of the net profit or loss of associates during the financial year is included in the consolidated statements of comprehensive income. Where there has been a change recognised directly in equity of the associates, the Group recognises its share of such changes.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Basis of consolidation (cont'd)

(ii) Associated companies (cont'd)

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are eliminated unless cost cannot be recovered.

After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associates. The associates are equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate, or when it is classified as held for sale.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of investment is excluded from the carrying amount of the investment and is instead included in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in associate, including any long-term interest that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited or management financial statements of the associate are used by the Group in applying the equity method. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

(iii) Jointly controlled entities

A jointly controlled entity is an entity in which the Group has joint control over its economic activity established under a contractual arrangement.

Interest in jointly controlled entity is accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2(h)(ii).

(iv) Changes in Group composition

Where a subsidiary issues new equity shares to minority shareholders for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the statements of comprehensive income.

When a group purchases a subsidiary's equity shares from minority shareholders for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition accounting method of accounting is applied.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Basis of consolidation (cont'd)

(iv) Changes in Group composition (cont'd)

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(v) Transaction costs

Costs directly attributable to an acquisition are included as part of the cost of acquisition.

(i) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 2(k).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statements of comprehensive income as incurred.

(iii) Depreciation

Depreciation is recognised in the statements of comprehensive income on a straight-line basis over the estimated useful lives of property, plant and equipment. Leasehold buildings are depreciated over the remaining lease period. Freehold land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Property, plant and equipment (cont'd)

(iii) Depreciation (cont'd)

The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Motor vehicles	5 years
Plant and machinery	10 - 20 years
Renovations	10 years
Others	5 - 10 years

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at each financial year end.

Upon disposal of an asset, the difference between the net disposal proceeds and the carrying amount of the assets is recognised in the statements of comprehensive income.

(j) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses.

Depreciation of buildings classified as investment properties is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at an annual rate of 2%.

The residual values, useful lives and methods of depreciation of investment properties are reviewed, and adjusted if appropriate, at each financial year end.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or losses arising on the retirement or disposal of an investment property are recognised in the statements of comprehensive income in the year of retirement or disposal.

(k) Impairment of non-financial assets

The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists then the asset's recoverable amount is estimated. The recoverable amount is estimated at each reporting date or more frequently when indications of impairment are identified.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Impairment of non-financial assets (cont'd)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the statements of comprehensive income in the period in which it arises.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the unit (groups of units) and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro-rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in statements of comprehensive income, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(l) Inventories

Inventories which represent construction materials and unsold property are stated at the lower of cost (determined on the first-in, first-out basis) and net realisable value. The cost of unsold property comprises cost associated with the acquisition of land, direct costs and appropriate proportions of common costs.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the costs necessary to make the sale.

(m) Land held for property development and property development costs

(i) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Land held for property development and property development costs (cont'd)

(i) Land held for property development (cont'd)

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

(ii) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the statements of comprehensive income by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs. Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the statements of comprehensive income over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the statements of comprehensive income is classified as progress billings within trade payables.

(n) Construction contracts

Construction contracts are stated at cost plus attributable profits less applicable progress billings and allowances for foreseeable losses, if any.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activities at the statements of financial position date. The stage of completion is determined by the surveys of work performed and completion of a physical proportion of the contract work.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Construction contracts (cont'd)

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the period end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as amount owing by customers on contracts. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount owing to customers on contracts.

(o) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in statements of comprehensive income.

(p) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flows statements, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(q) Provisions for liabilities

Provisions for liabilities are recognised when the Group and the Company have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each statements of financial position date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Lease and hire purchase

A lease is recognised as a finance lease if it transfers substantially to the Group and to the Company all the risks and rewards incidental to ownership. All other leases are treated as operating leases.

Assets acquired by way of hire purchase are stated at an amount equal to the lower of their fair values and the present value of the minimum hire purchase payments at the inception of the hire purchase, less accumulated depreciation and impairment losses. The corresponding liability is included in the statements of financial position as liabilities. In calculating the present value of the minimum hire purchase payments, the discount factor used is the interest rate implicit in the hire purchase, when it is practical to determine; otherwise, the Company's incremental borrowing rate is used.

Hire purchase payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total hire purchase commitments and the fair value of the assets acquired, are recognised as an expense in the statements of comprehensive income over the term of the relevant hire purchase so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for hire purchase assets is consistent with that for depreciable property, plant and equipment which are owned.

Lease rental under operating lease is charged to the statements of comprehensive income on a straight line basis over the term of the relevant lease.

(s) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each statements of financial position date, monetary items denominated in foreign currencies are translated at the rates prevailing on the statements of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Foreign currencies (cont'd)

(ii) Foreign currency transactions (cont'd)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation.

These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's separate financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

(a) Assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the statements of financial position date;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

(c) All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the statements of financial position date.

(t) Share capital

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and to the Company and when the revenue can be measured reliably, on the following bases:

(i) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method.

(ii) Sale of development properties

Revenue from sale of development properties is accounted for by percentage of completion method.

(iii) Sale of goods

Revenue from sales of goods is recognised when significant risk and rewards have been transferred to the buyer or performance of services, net of discounts.

(iv) Hire of plant and machinery

Revenue from hire of plant and machinery is recognised over the term of lease.

(w) Income taxes

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the statements of financial position date.

Deferred tax is recognised on the liability method for all temporary differences between the carrying amount of an asset or liability in the statements of financial position and its tax base at the statements of financial position date. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(w) Income taxes (cont'd)

Deferred tax asset and liability is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the statements of financial position date. The carrying amount of a deferred tax asset is reviewed at each statements of financial position date and is reduced to the extent that it becomes probable that sufficient future taxable profit will be available.

Deferred tax is recognised in the statements of comprehensive income, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(x) Employee benefits

(i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensation absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the statements of financial position date.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the statements of comprehensive income as incurred.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT

	Freehold buildings RM'000	Leasehold land and buildings RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Renovations RM'000	Tools and technical equipment RM'000	Total RM'000
Group								
2010								
At 1 January 2010								
- As previously stated	966	-	5,351	20,881	103,178	746	3,161	134,283
- Effect of adopting FRS 117	-	354	-	-	-	-	-	354
- As restated	966	354	5,351	20,881	103,178	746	3,161	134,637
Additions	-	-	50	-	-	5	13	68
Disposals	-	-	(130)	(4,731)	(30,615)	-	(14)	(35,490)
Written off	-	-	-	-	-	(71)	-	(71)
At 31 December 2010	966	354	5,271	16,150	72,563	680	3,160	99,144
Accumulated depreciation								
At 1 January 2010								
- As previously stated	60	-	4,948	19,659	81,340	365	2,621	108,993
- Effect of adopting FRS 117	-	134	-	-	-	-	-	134
- As restated	60	134	4,948	19,659	81,340	365	2,621	109,127
Charge during the financial year	17	7	116	403	1,637	68	103	2,351
Disposals	-	-	(129)	(4,495)	(29,299)	-	(14)	(33,937)
Written off	-	-	-	-	-	(27)	-	(27)
At 31 December 2010	77	141	4,935	15,567	53,678	406	2,710	77,514
Accumulated impairment losses								
At 1 January 2010	-	-	-	-	2,500	-	-	2,500
Additions	-	-	-	-	7,442	-	-	7,442
At 31 December 2010	-	-	-	-	9,942	-	-	9,942
Carrying amount								
At 31 December 2010	889	213	336	583	8,943	274	450	11,688

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold buildings RM'000	Leasehold land and buildings RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Renovations RM'000	Tools and technical equipment RM'000	Total RM'000
Group								
2009								
Cost								
At 1 January 2009								
- As previously stated	325	-	5,279	22,405	107,486	334	3,181	139,010
- Effect of adopting FRS 117	-	354	-	-	-	-	-	354
- As restated	325	354	5,279	22,405	107,486	334	3,181	139,364
Additions	-	-	238	-	40	412	1	691
Transferred from inventories	641	-	-	-	-	-	-	641
Disposals	-	-	(166)	(1,524)	(2,606)	-	-	(4,296)
Written off	-	-	-	-	(1,742)	-	(21)	(1,763)
At 31 December 2009	966	354	5,351	20,881	103,178	746	3,161	134,637
Accumulated depreciation								
At 1 January 2009								
- As previously stated	45	-	4,854	20,447	80,419	326	2,522	108,613
- Effect of adopting FRS 117	-	127	-	-	-	-	-	127
- As restated	45	127	4,854	20,447	80,419	326	2,522	108,740
Charge for the financial year								
- As previously stated	15	-	260	411	4,157	39	120	5,002
- Effect of adopting FRS 117	-	7	-	-	-	-	-	7
- As restated	15	7	260	411	4,157	39	120	5,009
Disposals	-	-	(166)	(1,199)	(2,734)	-	-	(4,099)
Written off	-	-	-	-	(502)	-	(21)	(523)
At 31 December 2009	60	134	4,948	19,659	81,340	365	2,621	109,127

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold buildings RM'000	Leasehold property RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Renovations RM'000	Tools and technical equipment RM'000	Total RM'000
Group								
2009								
Accumulated impairment losses								
At 1 January 2009	-	-	-	-	-	-	-	-
Charge for the financial year	-	-	-	-	2,500	-	-	2,500
At 31 December 2009	-	-	-	-	2,500	-	-	2,500
Carrying amount								
At 31 December 2009								
- As previously stated	906	-	403	1,222	19,338	381	540	22,790
- Effect of adopting FRS 117	-	220	-	-	-	-	-	220
- As restated	906	220	403	1,222	19,338	381	540	23,010

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold buildings RM'000	Leasehold land and buildings RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Renovations RM'000	Tools and technical equipment RM'000	Total RM'000
Group								
2010								
Cost								
At 1 January 2010								
- As previously stated	100	-	3,725	9,327	95,985	455	2,991	112,583
- Effect of adopting FRS 117	-	354	-	-	-	-	-	354
- As restated	100	354	3,725	9,327	95,985	455	2,991	112,937
Additions	-	-	40	-	-	13	-	53
Disposals	-	-	(34)	(2,325)	(27,536)	-	-	(29,895)
At 31 December 2010	100	354	3,731	7,002	68,449	468	2,991	83,095
Accumulated depreciation								
At 1 January 2010								
- As previously stated	40	-	3,434	8,239	74,622	163	2,451	88,949
- Effect of adopting FRS 117	-	134	-	-	-	-	-	134
- As restated	40	134	3,434	8,239	74,622	163	2,451	89,083
Charge for the financial year	2	7	58	322	1,521	32	102	2,044
Disposals	-	-	(34)	(2,116)	(26,374)	-	-	(28,524)
At 31 December 2010	42	141	3,458	6,445	49,769	195	2,553	62,603
Accumulated impairment losses								
At 1 January 2010	-	-	-	-	2,500	-	-	2,500
Charge for the financial year	-	-	-	-	7,442	-	-	7,442
At 31 December 2010	-	-	-	-	9,942	-	-	9,942
Carrying amount								
At 31 December 2010	58	213	273	557	8,738	273	438	10,550

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold buildings RM'000	Leasehold land and buildings RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Renovations RM'000	Tools and technical equipment RM'000	Total RM'000
Company								
2009								
Cost								
At 1 January 2009								
- As previously stated	100	-	3,519	10,708	99,000	133	2,990	116,450
- Effect of adopting FRS 117	-	354	-	-	-	-	-	354
- As restated	100	354	3,519	10,708	99,000	133	2,990	116,804
Additions	-	-	206	-	40	322	1	569
Disposals	-	-	-	(1,381)	(1,393)	-	-	(2,774)
Written off	-	-	-	-	(1,662)	-	-	(1,662)
At 31 December 2009	100	354	3,725	9,327	95,985	455	2,991	112,937
Accumulated depreciation								
At 1 January 2009								
- As previously stated	38	-	3,276	9,179	72,497	132	2,335	87,457
- Effect of adopting FRS 117	-	127	-	-	-	-	-	127
- As restated	38	127	3,276	9,179	72,497	132	2,335	87,584
Charge for the financial year								
- As previously stated	2	-	158	154	3,939	31	116	4,400
- Effect of adopting FRS 117	-	7	-	-	-	-	-	7
- As restated	2	7	158	154	3,939	31	116	4,407
Disposals	-	-	-	(1,094)	(1,392)	-	-	(2,486)
Written off	-	-	-	-	(422)	-	-	(422)
At 31 December 2009	40	134	3,434	8,239	74,622	163	2,451	89,083

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold buildings RM'000	Leasehold land and buildings RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Renovations RM'000	Tools and technical equipment RM'000	Total RM'000
Company								
2009								
Accumulated impairment losses								
At 1 January 2009	-	-	-	-	-	-	-	-
Charge for the financial year	-	-	-	-	2,500	-	-	2,500
At 31 December 2009	-	-	-	-	2,500	-	-	2,500
Carrying amount								
At 31 December 2009								
- As previously stated	60	-	291	1,088	18,863	292	540	21,134
- Effect of adopting FRS 117	-	220	-	-	-	-	-	220
- As restated	60	220	291	1,088	18,863	292	540	21,354

(a) The carrying amount of property, plant and equipment of the Group and of the Company acquired under lease and hire purchase arrangement are as follows:

	Group/Company 2010 RM'000	Group/Company 2009 RM'000
Motor vehicles	**335**	891

(b) The freehold land and buildings of the Group and of the Company have been pledged to financial institutions as security for certain borrowings granted to the Company and its subsidiary companies as disclosed in Note 19 to the financial statements.

(c) Plant and machinery of the Group and of the Company with an aggregate net carrying amount of RM7.36 million (2009: RM18.34 million) were previously seized by the State of Madagascar. However, as disclosed in Note 11(c) to the financial statements, pursuant to a Settlement Agreement dated 21 May 2009, the State of Madagascar has released these plant and machinery to the Company's branch in Madagascar. However, these assets are currently idle. A provision of RM7.44 million (2009: RM2.50 million) has been made for impairment based on management estimation (2009: valuation done by a professional valuer, Cabinet Meva, from Madagascar in August 2009).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(d) Included in the write off of the property, plant and equipment in previous financial year is the carrying amount of 6 trucks of RM1,200,000 donated to the State of Madagascar pursuant to a Settlement Agreement as disclosed in Note 11(c) to the financial statements.

(e) The remaining lease term of leasehold land and building is 53 (2009: 54) years.

4. INVESTMENT PROPERTIES

	Group/Company	
	2010	**2009**
	RM'000	**RM'000**
At 1 January	-	1,712
Disposal	-	(1,712)
At 31 December	-	-

In the previous financial year, the Company entered into a conditional sale and purchase agreement with Kentlee (M) Sdn Bhd for the disposal of a piece of vacant industrial land for a consideration of RM7.2 million resulted in a gain of disposal of RM5.49 million.

5. LAND AND PROPERTY DEVELOPMENT COSTS

	Group	
	2010	**2009**
	RM'000	**RM'000**
Non-Current Asset		
Land held for property development		
Freehold land, at cost		
At 1 January	**120,874**	120,264
Development costs incurred during the financial year	**1,589**	610
At 31 December	**122,463**	120,874

The entire land is subject to a material litigation as disclosed in Note 35(ii)(d) to the financial statements. Because of uncertainty over the development of the said land, no reclassification was made to property development costs despite certain selling activities taking place as disclosed in Note 23(c)(iii) to the financial statements.

The entire land is charged as security for bank borrowings obtained as disclosed in Note 19 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. LAND AND PROPERTY DEVELOPMENT COSTS (cont'd)

	Group 2010 RM	Group 2009 RM
Current Asset		
Freehold land, at cost		
At 1 January	**13,710**	21,990
Transferred to non-current assets held for sale	**-**	(8,280)
At 31 December	**13,710**	13,710
Property development costs		
At 1 January	**107,650**	109,231
Addition during the financial year	**7,190**	8,413
Transferred to non-current assets held for sale	**-**	(10,786)
Reversal of completed projects	**-**	792
At 31 December	**114,840**	107,650
Cost recognised in the statements of comprehensive income		
At 1 January	**119,235**	100,170
Recognised during the financial year	**7,602**	10,136
Disposal of development land	**-**	8,137
	126,837	118,443
Less: Completed projects	**-**	792
At 31 December	**126,837**	119,235
Total land and property development costs	**1,713**	2,125

Included in property development costs incurred during the financial year are finance costs amounting to RM2.67 million (2009: RM1.81 million).

The land held for property development and property development costs are pledged to a licensed bank as security for certain borrowings granted to the Group as disclosed in Note 19 to the financial statements.

6. INVESTMENT IN SUBSIDIARY COMPANIES

(a) Investment in subsidiary companies

	Company 2010 RM'000	Company 2009 RM'000
Unquoted shares, at cost		
In Malaysia	**40,587**	40,587
Outside Malaysia	**115**	115
	40,702	40,702
Less: Accumulated impairment		
In Malaysia	**24,955**	24,955
Outside Malaysia	**115**	-
	25,070	24,955
	15,632	15,747

(b) The subsidiary companies and shareholdings therein are as follows:

	Name of Company	Country of incorporation	Equity interest (%) 2010	Equity interest (%) 2009	Principal activities
	Direct holding:				
@	H2 Energy Corporation Sdn. Bhd.	Malaysia	**100**	100	Engineering, procurement, construction and commissioning of pipeline system
@	Tru-mix Concrete Sdn. Bhd.	Malaysia	**90**	90	Manufacturing and distribution of ready-mix concrete
^	Bukit Jalil Development Sdn. Bhd.	Malaysia	**70**	70	Property development
@	Ho Hup Jaya Sdn. Bhd.	Malaysia	**100**	100	Inactive
@	Ho Hup Equipment Sdn. Bhd.	Malaysia	**100**	100	Rental of equipment
@	Ho Hup Geotechnic Sdn. Bhd.	Malaysia	**100**	100	Dormant

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

6. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

	Name of Company	Country of incorporation	Equity interest (%) 2010	2009	Principal activities
	Direct holding:				
@	Timeless Element Sdn. Bhd.	Malaysia	**100**	100	Dormant
*	Ho Hup Construction (India) Pte Ltd	India	**100**	100	Construction
*	Ho Hup Construction (Maritius) Limited	Mauritius	**100**	100	Dormant
*	Ho Hup Construction (South Africa) Pty Ltd	South Africa	**100**	100	Construction
*	PT Halford Citra	Indonesia	**80**	80	Management consulting in property and manufacturing business
	Indirect holding:				
	Subsidiary companies of Ho Hup Jaya Sdn. Bhd.				
@	Mekarani Heights Sdn. Bhd.	Malaysia	**100**	100	Dormant
@	Intermax Resources Sdn. Bhd.	Malaysia	**100**	100	Dormant

* Subsidiary companies not audited by UHY

@ The auditors' reports of the financial statements of these subsidiary companies contain an emphasis of matters relating to the appropriateness of presenting the financial statements on a going concern basis

^ The auditors' reports on the financial statements of this subsidiary company contained a disclaimer of opinion whereby the auditors do not express an opinion on the financial statements of the subsidiary company for the financial year ended 31 December 2010 due to insufficient appropriate audit evidence.

6. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

(c) The audited financial statements of the following subsidiary companies are not available at the date of this report:

(i) Ho Hup Construction (Mauritius) Limited

(ii) Ho Hup Construction (South Africa) Pty Ltd

(iii) PT Halford Citra

The Company's Directors are of the opinion that the accounts of these subsidiary companies were consolidated based on the unaudited management accounts are immaterial to the Group for the financial year ended 31 December 2010.

(d) During the financial year ended 31 December 2010, the auditors' report on the financial statements of Madagascar branch operations includes qualifications as follows:

(i) The branch ceased operations since the termination of the contract with the Malagasy government. Due to the equipment rental contract with Madagascar Malaysia Equipment Rental ("MMER"), which is valid till 31 December 2014, the branch has no control over its own equipment. These circumstances indicate a material uncertainty that may cast significant doubt on the Branch's ability to continue as a going concern.

(ii) The Madagascar auditors are unable to perform physical observation procedures over equipments where they are being held in the custody of MMER, which did not allow entry of representatives of auditors to the Branch. The Madagascar auditors are therefore not in a position to assess whether any impairment needs to be imposed on the equipments.

(e) During the financial year ended 31 December 2010, the auditors' report on the financial statements of Ho Hup Construction Company (India) Private Limited includes a qualified opinion as follows:

"Subject to the confirmation of balance receivable from Ho-Hup Simplex JV, present fairly the financial position and results of the operations of Ho Hup Construction Company (India) Private Limited as at and for the year ended 31 December 2010, for the purposes of their inclusion in the consolidated financial statements of Ho Hup Construction Company (India) Private Limited."

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

6. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

(f) The following subsidiary companies have been consolidated using the following financial information:

	Subsidiary companies	Financial information used
(i)	Ho Hup Construction (Mauritius) Limited	Unaudited management account for the financial year ended 31 December 2010
(ii)	Ho Hup Construction (South Africa) Pty Ltd	Audited financial statements for the financial year ended 31 December 2007
(iii)	PT Halford Citra	Unaudited management account for the financial year ended 31 December 2010

7. INVESTMENT IN ASSOCIATED COMPANIES

(a) Investment in associated companies

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Unquoted shares, at cost	**12,954**	12,954	**12,954**	12,954
Share of post-acquisition reserves	**-**	6	**-**	-
	12,954	12,960	**12,954**	12,954
Less: Accumulated impairment	**(12,954)**	(12,944)	**(12,954)**	(12,917)
	-	16	**-**	37
Represented by:				
Share of net assets	**-**	16		

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

7. INVESTMENT IN ASSOCIATED COMPANIES (cont'd)

(b) The associated companies and shareholdings therein are as follows:

	Name of company	Country of incorporation	Effective interest 2010 %	Effective interest 2009 %	Principal activities
	Direct holding:				
*	Semenyih Brickmakers Sdn. Bhd.	Malaysia	49	49	Dormant
	Hupcon Antarabangsa Sdn. Bhd.	Malaysia	50	50	Dormant
*	Shanghai San Ho Hup Pile Co. Ltd	The Republic of China	45	45	Manufacturing and trading of concrete spun piles
*	Ho Hup Corporation (Thailand) Limited	Thailand	48	48	Dormant
*	Ho Hup Construction (Madagascar) Sarl	Madagascar	49.9	49.9	Voluntarily liquidated
*	Madagascar Malaysia Equipment Rental	Madagascar	49.8	49.8	Dormant
*	Madagascar Malaysia Construction Company	Madagascar	49.8	49.8	Dormant

* Associated companies not audited by UHY

During the financial year, the Group and the Company made additional impairment of RM0.037 million and RM0.037 million respectively in respect of its investment in Madagascar Malaysia Equipment Rental and Madagascar Malaysia Construction Company.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

7. INVESTMENT IN ASSOCIATED COMPANIES (cont'd)

(c) The summarised financial information of the associated companies are as follows:

	Group	
	2010	**2009**
	RM'000	**RM'000**
Assets and liabilities		
Non-current assets	**4,372**	5,575
Current assets	**10,415**	14,362
Total assets	**14,787**	19,937
Current liabilities	**7,522**	13,601
	7,265	6,336
Results		
Revenue	**10,028**	14,642
Net loss for the financial year	**(1,679)**	(896)

(d) The audited financial statements of the following associated companies are not available as at the date of these financial statements:

(i) Semenyih Brickmakers Sdn. Bhd.

(ii) Ho Hup Corporation (Thailand) Limited

(iii) Ho Hup Construction (Madagascar) Sarl

(iv) Madagascar Malaysia Equipment Rental

(v) Madagascar Malaysia Construction Company

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

8. INVESTMENT IN JOINTLY CONTROLLED ENTITY

(a) Investment in jointly controlled entity

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Unquoted shares, at cost	**250**	250	**250**	250
Share of post-acquisition reserves	**(250)**	(250)	**-**	-
	-	-	**250**	250
Less: Accumulated impairment	**-**	-	**(250)**	(250)
	-	-	**-**	-

(b) The jointly controlled entities and shareholdings therein are as follows:

	Name of company	Country of incorporation	Effective interest 2010 %	Effective interest 2009 %	Principal activities
*	Ho Hup-Ballast Nedam Joint Venture	Malaysia	**-**	50	Dissolved
*	Ho Hup-Star-Zaks Joint Venture	Malaysia	**50**	50	Dormant
*	Ho Hup-Simplex Joint Venture	India	**50**	50	Inactive

* Jointly controlled entity not audited by UHY

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9. AMOUNT OWING BY/(TO) CUSTOMERS ON CONTRACTS

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Construction cost incurred to date	**161,413**	126,803	**161,413**	133,239
Add: Attributable profits	**(4,156)**	(2,445)	**(4,156)**	(1,577)
	157,257	124,358	**157,257**	131,662
Less: Progress billings	**(157,257)**	(124,358)	**(157,257)**	(131,662)
	-	-	**-**	-
Retention sum included in trade receivables	**18,389**	11,049	**18,389**	11,049

Included in the construction cost incurred during the financial year are the following:

		Group		Company	
		2010	**2009**	**2010**	**2009**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Hire of plant and machinery		**382**	465	**382**	465
Staff costs	31				
- Salaries and wages		**1,446**	1,678	**1,446**	1,678
- EPF		**165**	211	**165**	211
- Socso		**19**	31	**19**	31
- Other staff related expenses		**77**	268	**77**	268
		1,707	2,188	**1,707**	2,188

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

10. INVENTORIES

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
At cost:				
Construction materials	**194**	527	**-**	130
Property held for sale	**-**	641	**-**	-
Less: Transferred to property, plant and equipment	**-**	(641)	**-**	-
	194	527	**-**	130

In the previous financial year, the property held for sale has been transferred to property, plant and equipment for own use.

During the financial year, the Company has written off its inventories amounting to RM129,977 (2009: Nil).

11. TRADE RECEIVABLES

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Trade receivables	**55,116**	64,516	**47,815**	54,219
Retention sum on contracts	**18,389**	11,049	**18,389**	11,049
Accrued billings in respect development costs	**45**	3,282	**-**	-
	73,550	78,847	**66,204**	65,268
Less: Accumulated impairment	**(50,894)**	(46,552)	**(50,544)**	(46,060)
	22,656	32,295	**15,660**	19,208

Trade receivables of the Group and of the Company in the previous financial year included an aggregate amount of RM1.53 million receivable from the subsidiary of an associated investor in connection with progress billings on construction works. This debt has been fully impaired.

The Group's and the Company's normal trade credit terms range from 14 to 90 days (2009: 14 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

11. TRADE RECEIVABLES (cont'd)

Movements in impairment on trade receivables during the financial year are as follows:

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
At beginning of the financial year	**46,552**	33,080	**46,060**	32,710
Impairment during the financial year	**4,342**	13,472	**4,484**	13,350
At end of the financial year	**50,894**	46,552	**50,544**	46,060

Analysis of the trade receivables and retention sum on contracts ageing are as follows:

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Neither past due nor impair	**5,427**	15,058	**3,610**	11,105
Past due less than 30 days not impaired	**658**	129	**-**	3
Past due for more than 31 to 60 days not impaired	**16,526**	13,826	**12,050**	8,100
	22,611	29,013	**15,660**	19,208
Impaired	**50,894**	46,552	**50,544**	46,060
	73,505	75,565	**66,204**	65,268

The Company has not made impairment on certain past due receivables as the Directors are of the view that the receivables are recoverable.

(a) The Group's and the Company's credit exposures are concentrated mainly on 1 (2009: 9) and 1 (2009: 8) trade receivables respectively, which accounted for 45% (2009: 50%) and 65% (2009: 59%) respectively of the total trade receivables as at 31 December 2010.

(b) Included in the trade receivables of the Group and of the Company as at 31 December 2010 are the following amounts owing from one (2009: one) customers for contracts under disputes. The Company has entered into settlement with the debtor over the dispute amount. Details of these debts are as follows:

	Group/Company	
	2010	2009
	RM'000	RM'000
Gross amount receivable	**10,375**	10,675
Less: Accumulated impairment	**(8,117)**	(10,675)
Net amount receivable	**2,258**	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

11. TRADE RECEIVABLES (cont'd)

(c) On 21 May 2009, the Company had signed a settlement agreement with the State of Madagascar with the following key terms and conditions:

(i) The State of Madagascar and Ho Hup Construction Company Berhad ("the parties") agree to a mutual withdrawal of an Arbitration suit held in Paris CCI, no: 14573/EC on the following terms:

- The parties shall renounce their debts towards each other, as claimed and counter claimed in the arbitration.

- The parties shall agree to bear their own legal cost and expenses arising out of this settlement and/or withdrawal.

- The parties shall immediately instruct their respective solicitors to withdraw arbitration proceedings upon signing of the agreement.

- The parties agree not to enforce the judgement of the arbitration in Paris regardless of the outcome.

(ii) Payments to all Ho Hup's creditors:

- Ho Hup agrees to settle all the creditors' debts subject to a verification by Ho Hup's auditor and solicitor.

- The State of Madagascar agrees to assist Ho Hup to recover all its debts with all companies in Madagascar, if any.

- In negotiating with all Ho Hup's creditors and debtors, the State of Madagascar agrees to provide its representative together with Ho Hup's auditor and solicitor to resolve any dispute, if any.

(iii) Ho Hup agrees to donate six trucks to the State of Madagascar bearing Ho Hup's logo and the Malaysian flag.

(iv) The State of Madagascar agrees to resolve any dispute or legal actions taken against Ho Hup in respect of the agreement.

(v) The State of Madagascar agrees to release all the machineries to Ho Hup upon the execution of the agreement, and when all Ho Hup creditors are paid in Madagascar. Nevertheless, the State of Madagascar shall continue to provide security and storage facilities for three months. All extra-storage charges after three months shall be borne by Ho Hup.

(vi) The State of Madagascar shall be committed to find special solutions for any payment issue of the customs tax/duty imposed on Ho Hup Madagascar regarding the machineries if applicable. The State of Madagascar shall assist in providing or exempting all necessary documentation or permit for the lawful usage or export of these machineries out of Madagascar upon release of the machineries to Ho Hup.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

11. TRADE RECEIVABLES (cont'd)

(vii) The State of Madagascar agrees to release USD4 million to Ho Hup's bank account in Madagascar based on the following:

- USD1.5 million upon the execution of the agreement
- USD2.5 million within 30 days upon execution of agreement

(viii) The parties agree to have neither further claim nor initiate any further legal action against each other.

(ix) The parties agree to engage Brillant Profession Holdings Limited ("BPHL") to settle all above issues for a fee of USD2.5 million.

Resulting from the Settlement Agreement, a charge of approximately RM23.31 million was recognised in the financial statements of the Group and of the Company as follows:

	Group/Company	
	2010	2009
	RM'000	RM'000
Impairment on trade receivables	-	13,350
Donation of 6 trucks	-	1,200
Professional fee paid to consultant	-	8,760
	-	23,310

The Company had appointed Brillant Profession Holdings Limited for their services to settle all the issues as set out in the settlement agreement and the payments was made in January 2010 to Brillant Profession Holdings Limited amounting to USD 0.2 million (2009: USD 2.3 million).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

12. OTHER RECEIVABLES

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Other receivables	**35,912**	30,591	**34,289**	30,531
Deposits	**3,353**	5,360	**2,875**	4,246
Prepayments	**87**	153	**-**	-
	39,352	36,104	**37,164**	34,777
Less: Accumulated impairment on other receivables	**(5,750)**	(5,046)	**(5,328)**	(5,046)
Less: Accumulated impairment on deposits	**(1,869)**	(2,096)	**(1,608)**	(2,059)
	(7,619)	(7,142)	**(6,936)**	(7,105)
	31,733	28,962	**30,228**	27,672

(i) Included in the deposits of the Group and of the Company as at 31 December 2010 is an amount of deposit of RM1.5 million (2009: RM1.5 million) paid in relation to a proposed acquisition of 51% of the total issued and paid-up share capital of Urban Shift Sdn Bhd. This acquisition was abandoned in prior year. Impairment has been made in respect of the entire deposit.

(ii) Included in the other receivables of the Group and of the Company as at 31 December 2010 is the consent judgment obtained on the compensation wrongly paid to the former Directors amounting to RM1.42 million.

(iii) Included in other receivables of the Group and of the Company is an amount of approximately RM14.79 million (2009: RM14.79 million) which represent amounts due from various sub-contractor debtors. These debts arose from back charges of materials purchased on behalf of the sub-contractor by the Company for its projects. The amount outstanding is to be matched against the delivery orders ("DO") and invoices for materials purchased on behalf and subsequently reversed to the work in progress account as it is part of project related costs. As at 31 December 2010, the matching of the DOs and invoices against the amount outstanding is still in progress.

(iv) Movements in impairment on other receivables during the financial year are as follows:

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
At beginning of the financial year	**5,046**	5,046	**5,046**	5,046
Impairment made during the financial year	**704**	-	**282**	-
At end of the financial year	**5,750**	5,046	**5,328**	5,046

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

12. OTHER RECEIVABLES (cont'd)

(v) Movements in impairment on deposits during the financial year are as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At beginning of the financial year	**2,096**	2,059	**2,059**	2,059
Impairment made during the financial year	**224**	37	**-**	-
Reversal of impairment made during the financial year	**(451)**	-	**(451)**	-
At end of the financial year	**1,869**	2,096	**1,608**	2,059

(vi) Analysis of the other receivables ageing is as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Neither past due nor impaired	**2**	7,827	**2**	7,827
Past due less than 30 days not impaired	**-**	69	**-**	69
Past due for more than 31 to 60 days not impaired	**30,160**	17,649	**28,959**	17,589
	30,162	25,545	**28,961**	25,485
Impaired	**5,750**	5,046	**5,328**	5,046
	35,912	30,591	**34,289**	30,531

The Company has not made impairment on certain past due receivables as the Directors are of the view that all the receivables are recoverable.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

13. AMOUNT OWING BY/(TO) SUBSIDIARY COMPANIES

(a) Amount owing by subsidiary companies

	Company	
	2010	**2009**
	RM'000	**RM'000**
Amount owing by subsidiary companies	**194,110**	197,325
Less: Accumulated impairment	**(35,439)**	(33,817)
	158,671	163,508

These represent trade and non trade balances which are unsecured, interest free and repayable on demand except for an amount of RM133.12 million (2009: RM140.91 million) which bears interest at a rate of 2.0% (2009: 2.0%) per annum and is subordinated to the term loan facilities of Bukit Jalil Development Sdn Bhd.

Movements in impairment on amount owing by subsidiary companies during the financial year are as follows:

	Company	
	2010	**2009**
	RM'000	**RM'000**
At beginning of the financial year	**33,817**	33,817
Impairment made during the financial year	**1,622**	-
At end of the financial year	**35,439**	33,817

(b) Amount owing to subsidiary companies

These represent trade and non trade balances which are unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

14. AMOUNT OWING BY/(TO) ASSOCIATED COMPANIES

(a) Amount owing by associated companies

	Group/Company	
	2010	**2009**
	RM'000	**RM'000**
Amount owing by associated companies	**2,326**	2,203
Less: Accumulated impairment	**(2,326)**	(1,845)
	-	358

These represent trade and non trade balances which are unsecured, interest free and repayable on demand.

Movements in impairment on amount owing by associated companies during the financial year are as follows:

	Group/Company	
	2010	**2009**
	RM'000	**RM'000**
At beginning of the financial year	**1,845**	1,845
Impairment made during the financial year	**481**	-
At end of the financial year	**2,326**	1,845

(b) Amount owing to an associated company

These represent trade and non trade balances which are unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

15. CASH AND CASH EQUIVALENTS

	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash and bank balances		**13,339**	15,427	**385**	3,158
Fixed deposits with licensed banks		**710**	1,784	**510**	1,784
		14,049	17,211	**895**	4,942
Less: Bank overdrafts	19	**(5,251)**	(5,749)	**(2,947)**	(2,914)
		8,798	11,462	**(2,052)**	2,028
Less: Cash and cash equivalents restricted from use					
Cash held under Housing Development Account	(a)	**1,505**	1,038	**-**	-
Sinking fund accounts restricted from use	(b)	**309**	322	**-**	-
Sinking fund accounts pledged as security	(c)	**-**	660	**-**	660
Escrow bank balances	(d)	**10,077**	-	**-**	-
Fixed deposits with licensed banks	(e)	**10**	1,784	**10**	1,784
		11,901	3,804	**10**	2,444
Cash and cash equivalents		**(3,103)**	7,658	**(2,062)**	(416)

(a) Cash held under Housing Development Account of the Group are held pursuant to Section 7A of the Housing Developers (Control and Licensing) Act 1966 and are therefore restricted from use in other operations.

(b) This represents cash at banks of the Group placed in sinking funds for the purpose of expenditure incurred in repairs and maintenance of certain properties, as required by the Building and Common Property (Maintenance and Management) Act, 2007.

(c) Sinking fund accounts of the Group and of the Company are pledged to banks as security for credit facilities granted to the Group and to the Company as disclosed in Note 19 to the financial statements and hence, are not available for general use.

(d) Escrow bank balances were maintained to repay the term loan and for servicing of term loan interest.

15. CASH AND CASH EQUIVALENTS (cont'd)

(e) Fixed deposits with licensed banks of the Group and of the Company are pledged to banks as security for credit facilities granted to the Group and to the Company as disclosed in Note 19 to the financial statements and hence, are not available for general use.

The weighted average interest rates of deposits of the Group and of the Company at the reporting date are 2.75% and 2.75% (2009: 2.01% and 2.01%) per annum respectively.

The average maturities of deposits of the Group and of the Company are 30 days and 30 days (2009: 57 days and 57 days) respectively.

16. NON-CURRENT ASSETS HELD FOR SALE

	Group	
	2010	**2009**
	RM'000	**RM'000**
Land costs	**2,732**	8,280
Property development costs	**4,289**	10,786
	7,021	19,066

Details on the non-current assets held for sale are disclosed in Note 35(ii)(c) to the financial statements. The expected gain to be realised from the disposals of the above non-current assets held for sale is RM2.53 million (2009: RM7.98 million).

17. SHARE CAPITAL

	Group/Company	
	2010	**2009**
	RM'000	**RM'000**
Ordinary shares of RM1.00 each		
Authorised	**200,000**	200,000
Issued and fully paid	**102,000**	102,000

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18. ACCUMULATED LOSSES

	2010	
	Group	Company
	RM'000	RM'000
Accumulated losses		
- Realised	**(172,784)**	(59,099)
Less: Consolidated adjustments	**36,819**	-
	(135,965)	(59,099)

The disclosure of realised and unrealised profits or losses is solely compiled in accordance to the Malaysian Institute of Accountants Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements issued on 20 December 2010.

The disclosure of realised and unrealised profits and losses is solely for the purpose of disclosure requirements of Bursa Malaysia Securities Berhad Listing Requirements, and the comparative figures are not required in the first financial year of complying with the realised and unrealised profits and losses disclosure.

19. BANK BORROWINGS

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Secured				
Bank overdrafts	**-**	2,769	**-**	34
Term loans	**76,462**	86,654	**64,315**	69,968
	76,462	89,423	**64,315**	70,002
Unsecured				
Bank overdrafts	**5,251**	2,980	**2,947**	2,880
Revolving credits	**2,857**	3,640	**2,857**	3,640
Term loans	**-**	2,941	**-**	2,941
Bankers' acceptance	**-**	968	**-**	-
	8,108	10,529	**5,804**	9,461
Total bank borrowings	**84,570**	99,952	**70,119**	79,463

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

19. BANK BORROWINGS (cont'd)

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Analysed as:				
Repayable within twelve months				
Secured				
Bank overdrafts	**-**	2,769	**-**	34
Term loans	**76,462**	85,726	**64,315**	69,040
	76,462	88,495	**64,315**	69,074
Unsecured				
Bank overdrafts	**5,251**	2,980	**2,947**	2,880
Revolving credits	**2,857**	1,247	**2,857**	1,247
Term loans	**-**	1,225	**-**	1,225
Bankers' acceptance	**-**	968	**-**	-
	8,108	6,420	**5,804**	5,352
	84,570	94,915	**70,119**	74,426
Repayable after twelve months				
Secured				
Term loans	**-**	928	**-**	928
Unsecured				
Revolving credits	**-**	2,393	**-**	2,393
Term loans	**-**	1,716	**-**	1,716
	-	4,109	**-**	4,109
	-	5,037	**-**	5,037
Total Bank Borrowings	**84,570**	99,952	**70,119**	79,463

The Group and the Company did not meet repayment obligations relating to certain bank borrowings amounting to RM76.46 million (2009: RM85.56 million) and RM64.32 million (2009: RM67.90 million) respectively. Accordingly, all instalments under these bank borrowings, which were originally scheduled for repayment after 31 December 2010 and 2009 respectively, have been reclassified as current liabilities.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

19. BANK BORROWINGS (cont'd)

Maturity of borrowings is as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Within one year	**84,570**	94,915	**70,119**	74,426
Between one and two years	**-**	5,037	**-**	5,037
	84,570	99,952	**70,119**	79,463

The weighted average interest rates (excluding penalty interest rates) during the financial year is as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	%	**%**	**%**	**%**
Bank overdrafts	**7.30**	7.05	**7.30**	7.05
Revolving credits	**7.30**	7.10	**7.30**	7.10
Term loans	**7.80**	7.80	**7.80**	7.99
Bankers' acceptance	**-**	3.46	**-**	-

The above credit facilities obtained from licensed banks were secured by the following:

(a) The bank overdrafts of the Group and of the Company were secured by:

For the financial year ended 31 December 2010:

(i) Corporate guarantee by the holding company.

For the financial year ended 31 December 2009:

(i) Fixed deposits with licensed banks of the Group and of the Company as disclosed on Note 15 to the financial statements; and

(ii) Sinking fund accounts of the Group and of the Company as disclosed on Note 15 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

19. BANK BORROWINGS (cont'd)

(b) The revolving credits of the Group and of the Company were secured by:

For the financial year ended 31 December 2010:

(i) Corporate guarantee by a subsidiary company.

(c) The secured term loans of the Group and of the Company were secured by:

(i) Fixed deposits with licensed banks of the Group and of the Company as disclosed on Note 15 to the financial statements;

(ii) First/third party charge over the development land in Mukim of Petaling, District of Kuala Lumpur owned by a subsidiary, ranking pari passu with subsidiary's facilities as follows:

- Lot No. 36100, Geran 42276 (individual titles issued) - 2 1/2 storey terrace/semi detached houses (50 titles); and
- Lot No. 36101 - Commercial

First party first legal charge on the properties above was to secure facilities under a subsidiary company;

(iii) Assignment of contract proceeds and advance payment to be remitted into an escrow account with the agent bank in Madagascar. Sinking fund to hold 5% of the contract proceeds remitted into the escrow account excluding the advance payment of up to maximum amount equivalent to 25% of the performance bond or approximately RM5.5 million; and

(iv) Supplemental agreement for the restructuring of RM63 million.

20. DEFERRED TAXATION

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 January	**35**	25	**-**	-
Recognised in statements of comprehensive income	**17**	(7)	**-**	-
Foreign exchange difference	**-**	17	**-**	-
At 31 December	**52**	35	**-**	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

20. DEFERRED TAXATION (cont'd)

Presenting after appropriate offsetting as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferred tax liabilities	**64**	5,920	**-**	5,558
Deferred tax assets	**(12)**	(5,885)	**-**	(5,558)
	52	35	**-**	-

The components and movements of deferred tax liabilities and deferred tax assets of the Group and of the Company prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM'000	Receivables RM'000	Total RM'000
At 1 January 2010	**5,785**	**135**	**5,920**
Recognised in statements of comprehensive income	**(5,721)**	**(135)**	**(5,856)**
At 31 December 2010	**64**	**-**	**64**
At 1 January 2009	5,850	135	5,985
Recognised in statements of comprehensive income	(65)	-	(65)
At 31 December 2009	5,785	135	5,920

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

20. DEFERRED TAXATION (cont'd)

Deferred tax assets of the Group:

	Unused tax losses and unutilised capital allowances RM'000	Payables RM'000	Total RM'000
At 1 January 2010	**(5,730)**	**(155)**	**(5,885)**
Recognised in statements of comprehensive income	**5,730**	**143**	**5,873**
At 31 December 2010	**-**	**(12)**	**(12)**
At 1 January 2009	(5,779)	(164)	(5,943)
Recognised in statements of comprehensive income	49	9	58
At 31 December 2009	(5,730)	(155)	(5,885)

Deferred tax liabilities of the Company:

	Accelerated capital allowances RM'000	Total RM'000
At 1 January 2010	**5,558**	**5,558**
Recognised in statements of comprehensive income	**(5,558)**	**(5,558)**
At 31 December 2010	**-**	**-**
At 1 January 2009	5,679	5,679
Recognised in statements of comprehensive income	(121)	(121)
At 31 December 2009	5,558	5,558

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

20. DEFERRED TAXATION (cont'd)

Deferred tax assets of the Company:

	Unused tax losses and unutilised capital allowances RM'000	Total RM'000
At 1 January 2010	**(5,558)**	**(5,558)**
Recognised in statements of comprehensive income	**5,558**	**5,558**
At 31 December 2010	**-**	**-**
At 1 January 2009	(5,679)	(5,679)
Recognised in statements of comprehensive income	121	121
At 31 December 2009	(5,558)	(5,558)

Deferred tax assets have not been recognised in respect of the following temporary differences:

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Unused tax losses	**141,211**	145,221	**82,753**	83,752
Unutilised capital allowances	**10,587**	184	**10,395**	-
Unutilised reinvestment allowances	**296**	296	**-**	-
Other timing differences	**(19,576)**	37,707	**(18,983)**	37,706
	132,518	183,408	**74,165**	121,458

The unused tax losses, unutilised capital allowances and unutilised reinvestment allowances of the Group amounting to RM152.09 million (2009: RM145.70 million) are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

The unused tax losses and unutilised capital allowances of the Company amounting to RM93.14 million (2009: RM83.75 million) are available for offsetting against future taxable profits subject to no substantial change in shareholdings under the Income Tax Act, 1967 and guidelines issued by the tax authority.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

21. PROVISION FOR ASCERTAINED DAMAGES

	Group	
	2010	2009
	RM'000	RM'000
At 1 January	**19,907**	23,054
Payments made during the financial year	**(2,984)**	(3,147)
At 31 December	**16,923**	19,907

Provision for liquidated damages is in respect of property development projects undertaken by the Company. The provision is recognised for expected liquidated damages claims based on the terms of the applicable sale and purchase agreements.

22. TRADE PAYABLES

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Trade payables	**64,244**	62,054	**60,480**	51,474
Trade accruals	**-**	1,158	**-**	1,158
Retention sum on contracts	**9,991**	13,714	**9,916**	13,643
Progress billing in respect of property development costs	**3,908**	-	**-**	-
	78,143	76,926	**70,396**	66,275

The normal trade credit terms granted to the Group and the Company range from 30 to 120 days (2009: 30 to 120 days). Other credit terms are assessed and approved on a case to case basis.

Trade payables of the Group and of the Company amounting to RM5.25 million (2009: RM5.86 million) are under litigation.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

23. OTHER PAYABLES

		Group		Company	
		2010	2009	2010	2009
	Note	RM'000	RM'000	RM'000	RM'000
Associate investor	(a)	**-**	1,211	**-**	-
Other payables		**24,818**	28,424	**16,591**	17,348
Accruals	(b)	**16,266**	12,106	**10,484**	6,621
Deposits received	(c)	**13,326**	8,555	**372**	-
		54,410	50,296	**27,447**	23,969

(a) The amount owing to associate investor is unsecured, interest free and repayable on demand.

(b) Accruals

(i) Included in accruals of the Group is an amount of RM2,542 (2009: RM2,542) owing to Sri Rakyat Management Sdn Bhd ("Sri Rakyat"). Bukit Jalil Development Sdn Bhd ("BJD"), a subsidiary of the Company, incorporated Sri Rakyat as a vehicle to undertake the obligations and responsibilities of BJD under the Strata Title Act 1985 (Act 318) & Strata Titles Rules 1988 ("the Act"), as the original proprietor. Sri Rakyat will provide management and maintenance services for the low cost apartments and will be transferred to the parcel proprietors of the low cost apartments upon completion of the transfer of strata title in respect of all parcels by BJD or upon the making of an order under subsection (2) of the Section 64A of the Act.

(ii) Included in accruals of the Group and the Company in previous financial year is interest on borrowings and penalty on interest amounting to RM45,112.

(c) Deposits received

(i) Included in the deposits received is RM3.05 million (2009: RM6.32 million) on land to be disposed as detailed in Notes 35(ii)(b) and 35(ii)(c) to the financial statements.

(ii) Included in the deposits received is RM0.50 million (2009: Nil) pursuant to the joint development with Pioneer Haven Sdn. Bhd. for the development of 60 acres land as disclosed in Note 35(ii)(d) to the financial statements.

(iii) Included in the deposit received is booking fees/deposits of approximately RM9.33 million (2009: RM8.55 million) collected from potential purchasers of shop offices to be developed on the 60 acre land owned by Bukit Jalil Development Sdn. Bhd. ("BJD"). Certain purchasers have requested for refund of their booking fees/ deposits. As at the date of this report, BJD has not made any refund of these booking fees/deposits.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

23. OTHER PAYABLES (cont'd)

(d) Included in other payables and accruals are amounts relating to the followings:

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Unpaid salary and wages including holiday pay	**496**	718	**492**	686
Social security costs	**40**	127	**13**	127
EPF	**472**	1,271	**471**	1,204
Unpaid Schedular Tax Deductions	**7**	233	**-**	229

24. HIRE PURCHASE PAYABLES

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
(a) **Minimum hire purchase payments**				
Within one year	**105**	361	**105**	342
Less : Future finance charges	**(4)**	(29)	**(4)**	(29)
Present value of hire purchase liabilities	**101**	332	**101**	313
(b) **Present value of hire purchase liabilities**				
Repayable within one year	**101**	332	**101**	313
Analysed as:				
Repayable within one year	**101**	332	**101**	313

The hire purchase liabilities interest is charged at rates ranging from 2.60% to 5.25% (2009: 2.60% to 5.25%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25. REVENUE

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Construction contracts	**18,663**	32,778	**25,595**	37,188
Sale of development properties	**32,977**	27,813	**-**	-
Sale of goods	**13,062**	19,156	**-**	-
Hire of plant and machinery	**421**	402	**-**	402
	65,123	80,149	**25,595**	37,590

Sale of development properties of the Group includes revenue from disposals of one (2009: two) parcels land held under non-current assets held for sale by a subsidiary company of RM19.41 million (2009: RM15.51 million) as disclosed in Note 35(ii)(a) to the financial statements.

26. COST OF SALES

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Construction contract costs	**22,877**	33,264	**29,809**	37,674
Property development costs	**7,602**	10,136	**-**	-
Cost of goods sold	**10,036**	13,993	**-**	-
Disposal of development land	**-**	8,137	**-**	-
Non-current assets held for sale	**12,045**	-	**-**	-
Others	**774**	-	**-**	-
	53,334	65,530	**29,809**	37,674

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

27. FINANCE COSTS

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest expenses on:				
Bankers' acceptance	**42**	94	**-**	-
Bank overdrafts	**411**	475	**215**	250
Revolving credits	**216**	1,280	**216**	1,280
Hire purchase	**203**	11	**206**	5
Term loans	**6,835**	7,622	**5,502**	6,075
Over accrual in prior year	**-**	(1,973)	**-**	(1,973)
	7,707	7,509	**6,139**	5,637
Less: Interest expense capitalised in property development costs	**-**	(1,814)	**-**	-
	7,707	5,695	**6,139**	5,637

28. LOSS BEFORE TAXATION

Loss before taxation is derived after charging/(crediting):

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Auditors remuneration (Note a)	**(55)**	275	**(100)**	140
Impairment on:				
- Investment in subsidiary companies	**-**	-	**115**	-
- Investment in associated companies	**37**	-	**37**	-
- Trade receivables	**4,342**	13,472	**4,484**	13,350
- Other receivables	**704**	-	**282**	-
- Deposits	**224**	37	**-**	-
- Amount owing by subsidiary companies	**-**	-	**1,622**	-
- Amount owing by associated companies	**481**	-	**481**	-
- Property, plant and equipment	**7,442**	2,500	**7,442**	2,500

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

28. LOSS BEFORE TAXATION (cont'd)

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors' remuneration (Note b)	**1,218**	2,015	**1,038**	1,787
Depreciation of property, plant and equipment	**2,351**	5,009	**2,044**	4,407
Deposits written off	**1,434**	-	**1,434**	-
Inventories written off	**130**	-	**130**	-
Loss on foreign exchange - Realised	**-**	1	**-**	-
Professional fee paid to a consultant in connection with a Settlement Agreement reached with the State of Madagascar	**-**	8,760	**-**	8,760
Property, plant and equipment written off	**44**	1,240	**-**	1,240
Provision of VAT and income tax to non-residents providers	**1,817**	-	**1,817**	-
Rental of office and store	**232**	696	**130**	615
Rental of equipment	**19**	43	**-**	-
Bad debts recovered	**(6)**	(20)	**-**	-
Reversal of impairment on deposits	**(451)**	-	**(451)**	-
Interest income				
- subsidiary company	**-**	-	**(2,674)**	(2,958)
- deposits with financial Institutions	**(63)**	(102)	**(1)**	(82)
- others	**-**	(198)	**-**	(10)
Gain on disposal of investment properties	**-**	(5,488)	**-**	(5,488)
Gain on disposal of property, plant and equipment	**(12,358)**	(673)	**(11,300)**	(619)
Gain on foreign exchange - Realised	**(152)**	-	**(152)**	-
Gain on foreign exchange - Unrealised	**-**	(4,489)	**-**	(4,489)
Rental income	**-**	(21)	**(282)**	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

28. LOSS BEFORE TAXATION (cont'd)

(a) Auditors' remuneration

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Auditors of the Company				
- Statutory audit				
- Current year	**99**	167	**68**	108
- Tax	**-**	49	**-**	16
	99	216	**68**	124
Other auditors				
- Statutory audit				
- Current year	**28**	49	**14**	16
- Over provision in prior years	**(182)**	-	**(182)**	-
Fee for other services		-		
- Tax	**-**	10	**-**	-
	(154)	59	**(168)**	16
	(55)	275	**(100)**	140

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

28. LOSS BEFORE TAXATION (cont'd)

(b) Directors' remuneration

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Executive Directors				
- Salaries and other emoluments	**796**	1,278	**629**	1,078
- EPF	**85**	175	**74**	147
- Benefits-in-kind	**8**	153	**6**	153
	889	1,606	**709**	1,378
Non-executive Directors				
- Fees	**-**	133	**-**	133
- Other emoluments	**329**	276	**329**	276
	329	409	**329**	409
	1,218	2,015	**1,038**	1,787

29. TAXATION

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Tax expenses for the financial year				
Current income tax:				
Current tax provision				
- in Malaysia	**-**	45	**-**	-
(Over)/Under provision in prior years	**(2,468)**	1,271	**(4,951)**	-
	(2,468)	1,316	**(4,951)**	-
Deferred tax:				
Relating to origination and reversal of temporary differences	**17**	(7)	**-**	-
	(2,451)	1,309	**(4,951)**	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2009: 25%) of the estimated assessable profit for the financial year.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

29. TAXATION (cont'd)

A reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Loss before taxation	**(16,093)**	(33,387)	**(15,131)**	(33,848)
Taxation at Malaysian statutory tax rate of 25% (2009: 25%)	**(4,023)**	(8,347)	**(3,783)**	(8,462)
Income not subject to tax	**-**	(106)	**-**	-
Expenses not deductible for tax purposes	**7,764**	4,125	**5,370**	3,541
Deferred tax assets not recognised	**370**	5,361	**-**	4,921
Permanent loss during the financial year	**6**	-	**-**	-
Utilisation of previously unrecognised capital allowances	**(4,100)**	(49)	**(1,587)**	-
Utilisation of current year reinvestment allowances	**-**	52	**-**	-
Utilisation of previously unrecognised tax losses	**-**	(998)	**-**	-
(Over)/Under provision of current taxation in prior years	**(2,468)**	1,271	**(4,951)**	-
Tax expense for the financial year	**(2,451)**	1,309	**(4,951)**	-

The Group has unused tax losses and unutilised capital allowances amounting to approximately RM152.09 million (2009: RM145.70 million) available for carry forward to set-off against future taxable profits. The said amounts are subject to approval by the tax authorities.

The Company has unused tax losses and unutilised capital allowances amounting to approximately RM93.14 million (2009: RM83.75 million) available for carry forward to set-off against future taxable profits. The said amounts are subject to approval by the tax authorities.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30. LOSS PER SHARE

The basis loss per share has been calculated based on the consolidated loss after taxation for the financial year attributable to equity holders of the parent for the Group and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2010	**2009**
Basis Loss Per Share		
Net loss for the financial year (RM'000)	**(13,606)**	(34,519)
Weighted average number of ordinary shares issue ('000)	**102,000**	102,000
Basis loss per share (sen)	**(13.3)**	(33.8)

There have been no other transactions involving ordinary shares between reporting date and the date of completion of these financial statements.

31. STAFF COSTS

		Group		Company	
		2010	**2009**	**2010**	**2009**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Total staff costs for the financial year (excluding Directors)		**7,249**	7,902	**2,834**	4,658
Less: Staff costs including in construction contracts costs	9	**(1,707)**	(2,188)	**(1,707)**	(2,188)
		5,542	5,714	**1,127**	2,470

Included in the total staff costs above are contributions made to the Employees Provident Fund under a defined contribution plan for the Group and the Company amounting to RM751,464 and RM343,535 (2009: RM828,000 and RM550,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

32. OPERATING LEASE ARRANGEMENTS

The Group has entered into cancellable operating lease agreements for the use of buildings. These leases have an average life of between 2 and 3 years with renewal or purchase option included in the contracts. All contracts include fixed rentals for an average of 2 to 3 years. There are no restrictions placed upon the Group by entering into these leases.

The future minimum rental payable under cancellable operating leases for the use of buildings as at the reporting date but not recognised as liabilities are as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Future minimum lease rental payments				
Not later than 1 year	**18**	118	**111**	108
Later than 1 year and not later than 5 years	**-**	302	**10**	197
	18	420	**121**	305

33. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year.

	2010 RM'000	2009 RM'000
Group		
With companies/estates/individual in which certain Director is deemed to have beneficial interest		
*Office and store rent payable to:		
- Low Chee & Sons Sdn Bhd #	-	382
- Estate of Low Chee ^	-	66
- Estate of Tang Sau Kuan@	-	34
Company		
With companies/estates/individual in which certain Directors is deemed to have beneficial interest		
*Office and store rent payable to:		
- Low Chee & Sons Sdn Bhd #	-	382
- Estate of Low Chee ^	-	54

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

33. RELATED PARTY DISCLOSURES (cont'd)

	2010 RM'000	2009 RM'000
Company		
Subsidiary companies		
* Purchase of materials		
- Tru-mix Concrete Sdn. Bhd.	**273**	933
* Progress billings for construction work - Bukit Jalil Development Sdn. Bhd.	**7,606**	4,410
* Rent of office payable - Bukit Jalil Development Sdn. Bhd.	**130**	124
Interest income receivable/received - Bukit Jalil Development Sdn. Bhd.	**2,674**	2,958
Settlement of liabilities by holding company on behalf of a subsidiary company - Ho Hup Jaya Sdn. Bhd	**1,916**	-

* The Directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Certain Director of the Company is also Director of the company

^ Estate of the late father of a Director of the Company

@ Estate of the late mother of a Director of the Company

(b) Information regarding outstanding balances arising from related party transactions as at 31 December 2010 is disclosed in Notes 13 and 14 to the financial statements.

(c) Information regarding compensation of key management personnel is as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Short-term employee benefits	**881**	1,453	**703**	1,225
Benefit-in-kind	**8**	153	**6**	153
	889	1,606	**709**	1,378

Key management personnel include personnel having authority and responsibility for planning, directing and controlling the activities of the entity, including any Director of the Company.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

34. SEGMENTAL INFORMATION

The main business segments of the Group comprise the following:

Construction	Foundation and civil engineering, building contracting works and engineering, procurement, construction and commissioning of pipeline system
Property development	Development of residential and commercial properties
Manufacturing	Manufacturing and distribution of ready-mixed concrete
Others	Hire of machinery

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Executive Director, who is the Group's chief operating decision maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

Segment assets information is neither included in the internal management reports nor provided regularly to the Executive Director. Hence no disclosure is made on segment assets. Segment information is primarily presented in respect of the Group's business segment which is based on the Group's management and internal reporting structure.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Executive Director. Hence no disclosure is made on segment liability. Segment information is primarily presented in respect of the Group's business segment which is based on the Group's management and internal reporting structure.

34. SEGMENTAL INFORMATION (cont'd)

	Construction RM'000	Property development RM'000	Manufacturing RM'000	Others RM'000	Adjustments and eliminations RM'000	Per consolidated financial statements RM'000
2010						
Revenue						
External sales	18,663	32,977	13,062	421	-	65,123
Inter-segment sales	6,932	-	-	-	(6,932)	-
Total revenue	25,595	32,977	13,062	421	(6,932)	65,123
Results						
Segment results	(11,667)	4,788	(104)	(1,361)	(126)	(8,470)
Interest income	2,675	62	-	-	(2,674)	63
Finance costs	(6,139)	(1,331)	(237)	-	-	(7,707)
Share of profit in associated companies	-	-	-	-	21	21
(Loss)/Profit before taxation	(15,131)	3,519	(341)	(1,361)	(2,779)	(16,093)
Taxation	4,951	(2,483)	(17)	-	-	2,451
Net (loss)/profit for the financial year	(10,180)	1,036	(358)	(1,361)	(2,779)	(13,642)
Assets						
Additions to non-current assets	53	2	13	-	-	68

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

34. SEGMENTAL INFORMATION (cont'd)

	Construction RM'000	Property development RM'000	Manufacturing RM'000	Others RM'000	Adjustments and eliminations RM'000	Per consolidated financial statements RM'000
2010						
Non-cash expenses/(income)						
Depreciation of property, plant and equipment	2,044	29	389	5	(116)	2,351
Property, plant and equipment written off	-	44	-	-	-	44
Gain on disposal of property, plant and equipment	(11,300)	(56)	(1,002)	-	-	(12,358)
Deposits written off	1,434	-	-	-	-	1,434
Inventories written off	130	-	-	-	-	130
Impairment on :						
- Investment in subsidiary companies	115	-	-	-	(115)	-
- Investment in associated companies	37	-	-	-	-	37
- Property, plant and machinery	7,442	-	-	-	-	7,442
- Trade receivables	4,063	-	273	6	-	4,342
- Other receivables	282	421	-	1	-	704
- Deposits	-	204	-	20	-	224
- Amount owing by associated companies	481	-	-	-	-	481
- Amount owing by subsidiary companies	1,622	-	-	-	(1,622)	-
Reversal of impairment on deposits	(451)	-	-	-	-	(451)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

34. SEGMENTAL INFORMATION (cont'd)

	Construction RM'000	Property development RM'000	Manufacturing RM'000	Others RM'000	Adjustments and eliminations RM'000	Per consolidated financial statements RM'000
2009						
Revenue						
External customer	34,672	26,320	19,157	-	-	80,149
Inter-segment	2,918	-	933	-	(3,851)	-
Total revenue	37,590	26,320	20,090	-	(3,851)	80,149
Results						
Segment results	(31,261)	3,732	(1,487)	735	310	(27,971)
Interest income	3,050	159	48	1	(2,958)	300
Finance costs	(5,637)	262	(320)	-	-	(5,695)
Share of loss in associated companies	-	-	-	-	(21)	(21)
(Loss)/Profit before taxation	(33,848)	4,153	(1,759)	736	(2,669)	(33,387)
Taxation	-	(1,309)	-	-	-	(1,309)
Net (loss)/profit for the financial year	(33,848)	2,844	(1,759)	736	(2,669)	(34,696)
Assets						
Additions to non-current assets	569	40	82	-	-	691

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

34. SEGMENTAL INFORMATION (cont'd)

	Construction RM'000	Property development RM'000	Manufacturing RM'000	Others RM'000	Adjustments and eliminations RM'000	Per consolidated financial statements RM'000
2009						
Non-cash expenses/(income)						
Depreciation of property, plant equipment	4,407	55	536	11	-	5,009
Property, plant and equipment written off	1,240	-	-	-	-	1,240
Gain on disposal of investment properties	(5,488)	-	-	-	-	(5,488)
Gain on disposal of property, plant and equipment	(619)	(54)	-	-	-	(673)
Impairment on :						
- Trade receivables	13,350	-	122	-	-	13,472
- Deposits	-	-	-	37	-	37
- Property, plant and equipment	2,500	-	-	-	-	2,500
Unrealised foreign exchange gain	(4,489)	-	-	-	-	(4,489)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

35. SIGNIFICANT AND SUBSEQUENT EVENTS

The following significant and subsequent events took during and subsequent to the financial year:

(i) Ho Hup Construction Company Berhad ("Ho Hup" or "the Company")

(a) On 16 July 2010, a Memorandum of Understanding ("MOU") was signed with Mr Raymond Tan for the purpose of acquiring 100% equity in Fivestar Development (Puchong) Sdn Bhd ("Fivestar") and Kolektra Recreation Sdn Bhd ("Kolektra"), collectively referred to as the Target Companies, free from all liens, charges and encumbrances and with all rights attaching to and accruing in respect of the Target Companies at a price to be determined and agreed by Ho Hup and Mr Raymond Tan prior to the execution of the Definitive Agreement and after taking into consideration the results of the due diligence review and valuation to be conducted by the relevant advisors, experts, consultants and professionals.

Subsequently, on 3 November 2010, the Company entered into a conditional Share Sale Agreement ("SSA") with Plenitude Frontier Sdn Bhd ("Plenitude") for the acquisition of 100% equity interest in the Target Companies. Plenitude is a special purpose vehicle incorporated to act as the holding company of the Target Companies and is controlled by Mr Raymond Tan.

Thereafter on 1 March 2011, the Company had entered into a conditional Definitive Agreement with Plenitude which sets out the series of proposals (i.e. the "Proposed Regularisation Exercise") to regularise the financial condition of Ho Hup. On the same date, the Company and Plenitude also entered into an amended and restated conditional share agreement ("Restated SSA") to vary certain terms of the SSA. The Proposed Regularisation Exercise is further elaborated below.

The proposed acquisition involves the acquisition by the Company of the entire equity interest in the Target Companies from Plenitude for an indicative purchase consideration of RM46,803,900 to be satisfied by the allotment and issuance of new ordinary shares of RM0.50 each in Ho Hup at an issue price of RM0.50 per share.

(b) On 1 March 2011, the Company announced the Proposed Regularisation Exercise comprising the following:

(1) Proposed Par Value Reduction

The Company proposes to reduce its existing issued and paid-up share capital comprising ordinary shares of RM1.00 each in Ho Hup via the cancellation of RM0.50 from the par value of each existing ordinary share of RM1.00 in Ho Hup pursuant to Section 64 of the Companies Act, 1965 ("Act") ("Proposed Par Value Reduction").

The issued and paid-up share capital of Ho Hup as at 31 December 2010 is RM102,000,408 comprising 102,000,408 ordinary shares of RM1.00 each. The Proposed Par Value Reduction will result in a credit of RM51,000,204 which will be utilised to reduce the accumulated losses of Ho Hup.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

35. SIGNIFICANT AND SUBSEQUENT EVENTS (cont'd)

(i) Ho Hup Construction Company Berhad ("Ho Hup" or "the Company") (cont'd)

(b) On 1 March 2011, the Company announced the Proposed Regularisation Exercise comprising the following: (cont'd)

(2) Proposed Rights Issue with Warrants

Upon the completion of the Proposed Par Value Reduction, the Company is proposing to undertake a renounceable rights issue of 51,000,204 new Shares ("Rights Shares") together with 51,000,204 detachable warrants ("Warrants") at an issue price of RM0.50 per Rights Share on the basis of one (1) Rights Share together with one (1) Warrant for every two (2) existing Shares held after the Proposed Par Value Reduction ("Proposed Rights Issue with Warrants").

The Proposed Rights Issue with Warrants will raise approximately RM25.5 million. The Warrants will entitled its registered holder to subscribe to one Share in the Company at an exercise price to be determined later, but will not be less than the par value of RM0.50 each, within the period of 10 years.

(3) Proposed Private Placement with Warrants

Concurrent with the Proposed Rights Issue with Warrants, the Company proposes to undertake a private placement of 10,200,000 new Shares ("Placement Shares") together with 10,200,000 free detachable Warrants on the basis of up to one (1) Warrant for every one (1) Placement Share subscribed at an indicative issue price of RM0.50 per Placement Share ("Proposed Private Placement with Warrants").

The Proposed Private Placement with Warrants will raise approximately RM5.1 million. The Warrants will entitled its registered holder to subscribe to one share in the Company at an exercise price to be determined later, but will not be less than the par value of RM0.50 each, within the period of 10 years.

(4) Proposed Creditors Scheme

The Company proposes to implement a creditors scheme which will be implemented through formal schemes of arrangement pursuant to Section 176 of the Act or such other more expedient arrangement ("Proposed Creditors Scheme") in respect of the amounts owing to a secured creditor and all other unsecured creditors ("collectively the Scheme Creditors") of Ho Hup and certain of its subsidiaries.

The scheme of arrangement which shall be subject to appropriate modification/amendment by the Scheme Creditors of which the mechanism shall in principle be utilising the cash proceeds from the development of the freehold land owned by Bukit Jalil Development Sdn Bhd ("BJD"), held under individual title Geran 42277, Lot No. 36101, Mukim of Petaling, District of Kuala Lumpur, Wilayah Persekutuan measuring approximately 243,000 square meters ("sq m") into a mixed commercial and residential development ("One Jalil Development") to repay all amounts due to the Scheme Creditors, which will be subject to proof of debt, as at 31 October 2010 or such other date to be agreed with the Scheme Creditors ("Cut-off Date").

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

35. SIGNIFICANT AND SUBSEQUENT EVENTS (cont'd)

(i) Ho Hup Construction Company Berhad ("Ho Hup" or "the Company") (cont'd)

(b) On 1 March 2011, the Company announced the Proposed Regularisation Exercise comprising the following: (cont'd)

(5) Proposed Acquisition

Pursuant to the Restated SSA, the Company proposes to acquire the entire equity interest in Fivestar and Kolektra from Plenitude for a purchase consideration of up to RM46,803,900 to be satisfied entirely via the allotment and issuance of up to 93,607,800 new Ho Hup Shares ("Consideration Shares") to Plenitude on terms as set out in the SSA and as varied by the Restated SSA ("Proposed Acquisition").

(6) Proposed Exemption

Upon completion of the above proposals, the collective shareholdings of Plenitude in the Company will increase to above 33.0% as a result of the Proposed Acquisition. In accordance with Paragraph 9(1) of Part III of the Malaysian Code on Take-Overs and Mergers, 2010 ("Code"), Plenitude will be obliged to undertake a mandatory general offer for all the remaining Ho Hup Shares not already held by them.

An application will be made to the Securities Commission ("SC") to exempt the abovesaid obligations of Plenitude pursuant to Practice Note 9, Section 16.1 of the Code ("Proposed Exemption").

(7) Proposed Amendment and increase in authorised share capital

Consequential amendments to the Memorandum & Articles of Association of the Company will be required to facilitate the reduction in the par value of the shares in the Company from RM1.00 per share to RM0.50 per share resulting from the Proposed Par Value Reduction ("Proposed Amendment") and to facilitate any other amendments arising from the Proposed Regularisation Exercise.

In addition the authorised share capital of the Company will need to be increased to accommodate the increase in the number of Ho Hup Shares pursuant to the Proposed Regularisation Exercise and the issuance of new Ho Hup Shares in the future arising from the exercise of Warrants.

(c) The Company and two of its subsidiary companies namely Bukit Jalil Development Sdn. Bhd. ("BJD") and Tru-mix Concrete Sdn. Bhd. ("TCSB"), collectively referred to as the Applicants had on 20 October 2010 obtained an order from High Court of Malaya at Kuala Lumpur pursuant to Section 176 of the Act which inter-alia, granted the Applicants leave to convene a Scheme Creditors meeting to consider and/or approve the Proposed Creditors Scheme and order that all further proceedings and/or action against the Applicants including but not limited to winding-up, execution and/or arbitration proceedings be restrained for a period of 90 days from the date of order. The restraining order has been further extended to 23 April 2011.

On 26 April 2011, the High Court of Malaya at Kuala Lumpur had extended the restraining order in respect of the Company and BJD for a further period of 90 days from the date of this order on its unsecured creditors and a further 60 days on its secured creditor.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

35. SIGNIFICANT AND SUBSEQUENT EVENTS (cont'd)

(i) Ho Hup Construction Company Berhad ("Ho Hup" or "the Company") (cont'd)

(d) Bursa Malaysia Securities Berhad ("Bursa Securities") had on 1 March 2011 via its letter granted Ho Hup an extension of time of up to 1 May 2011 to submit a revised regularisation plan to the regulatory authorities pursuant to Paragraph 4.1(e) of PN17 of the Main Market Listing Requirements of Bursa Securities.

On 21 April 2011, the Company had announced that it had submitted an application to Bursa Securities to seek for further extension of time up till 19 July 2011 to submit its revised regularisation plan pursuant to the provisions of PN17 of the Bursa Securities Main Market Listing Requirements. The application is currently pending approval from Bursa Securities.

(e) Change in Board of Directors of the Company

On 17 March 2010, at an Extraordinary General Meeting convened at the requisitioned of 2 shareholders holding more than 10%, the shareholders of the Company had voted to remove six (6) Directors of the seven (7) Directors of the Company and appointed six (6) new non-executive Directors to the Board of the Company.

(f) On 13 April 2011, the Company has entered into an agreement with Gerhana Prestij Sdn Bhd to dispose its entire shares held in the following subsidiary and associated companies at a total consideration of RM8:

Subsidiary/Associated companies	Percentage of shareholding (%)	Consideration RM
Mekarani Heights Sdn. Bhd.	100	1
Intermax Resources Sdn. Bhd.	100	1
Ho Hup Geotechnics Sdn. Bhd.	100	1
Hupcon Antarabangsa Sdn. Bhd.	50	1
Timeless Element Sdn. Bhd.	100	1
Semenyih Brickmakers Sdn. Bhd.	49	1
Ho Hup Corporation (Mauritius) Ltd.	100	1
Ho Hup Corporation (South Africa) Pty. Ltd.	100	1
		8

Following the disposals, the above companies shall cease to be the subsidiary and associated companies of the Company.

The disposals are part of the proposed restructuring exercise and application to the High Court of Malaya at Kuala Lumpur, wherein the Company had subsequently on 20 October been granted an order pursuant to Section 176(1) and 176 (10) of the Company Act, 1965.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

35. SIGNIFICANT AND SUBSEQUENT EVENTS (cont'd)

(i) Ho Hup Construction Company Berhad ("Ho Hup" or "the Company") (cont'd)

The disposal are conditional upon the following being obtained within ninety (90) days from the date of agreement:

(1) The approval of Board of Directors of the Company to dispose the shares in its subsidiary and associated companies pursuant to the terms and conditions of the agreement;

(2) The Company obtaining sanction of the High Court of Malaya at Kuala Lumpur pursuant to the disposal of the shares in its subsidiary and associated companies; and

(3) The Company waiving all intercompany advances, loans and debts that are owing by its subsidiary and associated companies to the Company and/or its remaining subsidiary companies.

(ii) Bukit Jalil Development Sdn. Bhd. ("BJD")

(a) On 2 March 2009, BJD has entered into a conditional Sale and Purchase Agreement with Permata Juang (M) Sdn Bhd ("PJSB"), a wholly owned subsidiary of Magna Prima Berhad for the disposal of a parcel of freehold land held under Geran 55268, Lot 38476, Mukim of Petaling, District of Kuala Lumpur, state of Wilayah Persekutuan Kuala Lumpur for a cash consideration of RM19.41 million.

The disposal was not completed in previous financial year as the Court has granted an injunction in favour of PJSB. As at 31 December 2009, BJD received RM6,636,981 as deposit for the disposal of the said land.

At the Extraordinary General Meeting held on 29 March 2010, the shareholders of the Company have voted in favour of the disposal of land to PJSB. The disposal of the said land was completed during the financial year.

(b) On 16 December 2009, BJD entered into a conditional Sales and Purchase Agreement ("SPA") with Action Master Sdn Bhd ("AMSB") for the disposal of a parcel of freehold land held under Geran 55265, Lot 38472, Mukim of Petaling, District of Petaling Jaya, state of Wilayah Persekutuan Kuala Lumpur for a cash consideration of RM7.64 million.

The transaction did not proceed as the shareholders of the Company, had voted against the disposal of the land to AMSB at Extraordinary General Meeting held on 28 June 2010 and therefore the SPA is automatically determined. As at 31 December 2010, BJD has received RM1.14 million as deposit for the disposal of the said land which yet to be refunded to AMSB.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

35. SIGNIFICANT AND SUBSEQUENT EVENTS (cont'd)

(ii) Bukit Jalil Development Sdn. Bhd. ("BJD") (cont'd)

(c) On 29 October 2010, BJD entered into a conditional Sales and Purchase Agreement with Bayu Melati Sdn Bhd ("BMSB") for the disposal of a parcel of freehold land held under Geran 55265, Lot 38472, Mukim of Petaling, District of Petaling Jaya, state of Wilayah Persekutuan Kuala Lumpur for a cash consideration of RM9.55 million.

Subsequent to the reporting date, at the Extraordinary General Meeting held on 10 February 2011, the shareholders of the Company, Ho Hup had voted in favour of the disposal of land to BMSB. The Company is in the midst of extracting the sealed order from the Courts validating the disposal.

As at 31 December 2010, the Company received RM1.91 million as deposit for the disposal of land.

(d) On 16 March 2010, BJD entered into a Joint Development Agreement ("JDA") with Pioneer Haven Sdn Bhd ("PHSB"), a subsidiary of Malton Bhd ("JDA"), to develop a piece of freehold land held under individual title Geran 42277, Lot No. 36101, Mukim of Petaling, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur, measuring in land area of approximately 243,000 square meter into a mixed commercial and residential development subject to the terms and conditions stipulated in the JDA.

Under the JDA, this development is to be carried out and completed in phases over the next ten (10) years from the date of the approval of the development order for the master layout plan with option to extend for a further five (5) years. The development order for the master layout plan was approved on 10 October 2007 but has since lapsed. An amended application was submitted to Dewan Bandaraya Kuala Lumpur ("DBKL") on 26 November 2009 and is still pending approval.

On 27 April 2010, the holding company announced that it has filed a legal suit in the Kuala Lumpur High Court in respect of the JDA ("the Suit") wherein the Suit seeks the High Court to declare the JDA null and void.

The holding company has also applied to the High Court for certain injunctions against PHSB and each of the other defendants of the Suit to restrain them from acting pursuant to the JDA. On 13 October 2010, the court has granted injunction to the Company.

On 13 October 2010, the Company announced that the court has granted injunction in Ho Hup's favour.

The proceedings of the trial pertaining to the Suit have been on-going and the witnesses for the Company as well as for the defendants have given evidence in Court. Submissions will be exchanged between the respective lawyers, and it is expected that the Court will give its decision and judgment on 19 May 2011.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

36. CONTINGENT LIABILITIES

(a) Financial guarantee

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Unsecured guarantees given to financial institutions in respect of credit facilities granted to subsidiary companies				
- Limit of guarantee	**-**	-	**4,000**	4,000
- Amount utilised	**-**	-	**2,366**	4,070
Guarantees issued by financial institutions in connection with performance bonds, security and tender deposits in favour of third parties for construction projects:				
- Secured fixed deposits	**10**	10	**10**	10
- Unsecured	**-**	6,560	**-**	4,060

These guarantees are secured by fixed deposits of the Group and of the Company as disclosed in Note 15 to the financial statements.

(b) On 24 May 2005, the Company was appointed as a sub-contractor for a construction of a highway project known as "Trans Kedah" project with a contract sum of RM230 million. The main contractor had subsequently awarded portions of the contract to third parties (Third Parties Works) another party due to the delays in the progress of the construction works and the inability of the Company to complete the whole of the construction works within the stipulated time frame.

However, Certificate of Completion was obtained for Segment 1 on 22 November 2010 and Certificate of Partial Completion for segment 2 and 3 was obtained on 1 July 2010. As such, no liquidated damages is expected for the project as the work was completed within the stipulated time frame.

At the date of this report, we are unable to ascertain whether the Third Parties' Works has incurred any losses accruing to the Company until a final account is certified by Jabatan Kerja Raya (JKR) representing the Employer which is expected to be out in the near future.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

37. MATERIAL LITIGATIONS

The Group and the Company have not engaged in any material litigation which will have a material effect on the business or financial position of the Group and of the Company except the following:

(i) Europlus Corporation Sdn Bhd v Ho Hup Construction Company Berhad
Kuala Lumpur High Court Civil Suit No. S1-22-241-2004

Europlus Corporation Sdn Bhd ("Europlus") lodged a claim in the High Court, Kuala Lumpur, vide Civil Suit No. S1-22-241-2004 on 26 February 2004. The claim is for an alleged overpayment under a project known as "Proposed Bukit Beruntung Interchange" for a sum of RM4,387,463.

The Summons and Statement of Claim was filed on 26 February 2004 and served on 1 April 2004. The Company subsequently filed an application for further and better particulars on 30 July 2004 and the matter was fixed for hearing on 19 August 2004 but was adjourned to 26 October 2004. The Company obtained order in terms of the said application on 26 October 2004 and Europlus has subsequently served the Company the particulars as requested on 25 November 2004. The Company then filed its defence on 10 December 2004. To date, Europlus has not taken any further action in pursuing its claim.

(ii) Ho Hup Construction Company Berhad v KM Quarry Sdn Bhd
Kuala Lumpur High Court Civil Suit No. S1-22-1076-2005

The Company filed a claim against KM Quarry for an amount of RM3,433,334 for incomplete joint measurement and RM2,439,294 for overlapping claims in suit No. 22-3-2005.

KM Quarry has filed a counter claim against the Company for a total sum of RM3,774,876 for work done for progress claim No 19, 20 & 21 plus the retention sum of RM862,019.

The matter was fixed for Case Management on the 29th March 2011 and, on that date, the Court ordered the Company to pay KM Quarry Sdn Bhd the sum of RM 3,609,655 with interest and Arbitrator's costs of RM 233,454. The Company has since lodged an appeal to the Court of Appeal on the 8 April 2011 for which the hearing date has not been fixed.

(iii) Arbitration between Ho Hup Construction Company (India) Pte Ltd and Andhra Pradesh Housing Board

On 9 March 2005, a subsidiary of the Company, Ho Hup Construction Company (India) Pte Ltd ("Ho Hup India") entered into a Joint Development Agreement with the Andhra Pradesh Housing Board ("APHB") to develop a piece of land situated at Kancha Imarat, Maheshwaran Mandal, Ranga Reddy District, Andhra Pradesh, India. Ho Hup India has been selected to implement the development of the said land into an intergrated township with an approximate development value of India Rupee ("Rs") 3.6 billion (equivalent to RM204.92 million) at Shamshabad near Hyderabad. Ho Hup India shall pay APHB development fees of Rs101,175,000 (equivalent to RM8.57 million) over a period of 5 years.

This Joint Development Agreement was subsequently terminated by APHB. The Company is disputing the termination on the ground that APHB had yet to comply with its obligations in respect of the conditions precedent under the agreement.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

37. MATERIAL LITIGATIONS (cont'd)

(iii) Arbitration between Ho Hup Construction Company (India) Pte Ltd and Andhra Pradesh Housing Board (cont'd)

On 2 May 2005, Ho Hup India commenced an arbitration claim for damages amounting to Rs.2,544,512,230 (RM200.5 million) being the unlawful termination of the abovementioned contract.

The award in Ho Hup India's favour has been published in May 2008 as follows:

(a) APHB shall pay Ho Hup India the sum of Rs16,796,250 (equivalent to RM1.42 million) together with simple interest at the rate of 12% per annum from 1 February 2006 to the date of payment;

(b) APHB shall pay partial compensation of Rs6 lakhs (equivalent to RM50,820) together with simple interest at the rate of 9% per annum from 6 January 2006 to the date of payment.

An appeal was submitted by APHB (but not served) in the Hyderabad High Court to set aside the award and a date is pending. The purported termination does not have any material adverse impact on the financial statement for the Group and of the Company.

The Company's lawyers in India have been instructed to enforce the said award to recover the sums referred to above.

(iv) Dato' Low Tuck Choy vs Ho Hup Construction Company Bhd and seven (7) others Kuala Lumpur High Court Civil Suit No. S3-23-160-2008

On 21 October 2008, Dato' Low Tuck Choy ("Plaintiff") served the Board of Directors, i.e.Tan Sri Datuk Seri Panglima Abdul Kadir Bin Haji Sheikh Fadzir, Datuk Lye Ek Seang, Low Teik Kien, Mustapa Bin Mohamed, Lai Moo Chan, Lee Chong Hoe and Zainal Abidin Bin Mohd Yusof and the Company with a Writ of Summons dated 21 October 2008 and Statement of Claim dated 20 October 2008 (Civil Suit No. S3-23-160-2008). The Plaintiff claimed for damages including aggravated damages for libel, an injunction restraining the Defendants from publishing or causing to be published the same or similar words defamatory of the Plaintiff, and costs. The matter is pending a date to be fixed by the Court.

(v) Dato' Low Tuck Choy vs Ho Hup Construction Company Bhd Kuala Lumpur High Court Civil Suit No. S-22-525-2009

On 31 July 2009, the Company was served by Dato' Low Tuck Choy ("Plaintiff") with a Writ of Summons KL High Court Civil Suit S-22-525-2009 dated 24th July 2009, seeking damages and, an injunction that the Defendants and or his agents to injunct the International Court of Arbitration from awarding the arbitral award. The Company has engaged solicitors to defend this matter. Statement of Defence filed on 26 October 2009. This matter has been fixed for further case management on 11 March 2011 and has been adjourned the 25 July 2011.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

37. MATERIAL LITIGATIONS (cont'd)

(vi) Extreme System Sdn Bhd vs Ho Hup Construction Company Bhd and 27 others
Kuala Lumpur High Court Suit No: D-22NCC-146-2010

On 27 January 2010, Extreme System Sdn Bhd ("Plaintiff") vide Kuala Lumpur High Court Suit No: D-22NCC-146-2010 has filed an Injunction Application to restrain Dato' Low Tuck Choy (2nd Defendant") and 27 others from holding or proceeding with the EGM of the Company ("1st Defendant") on 4 February 2010 for the removal of the existing directors of the Company. On 3 February 2010, the Court granted the restraining order in favour of the Plaintiff.

The Plaintiff also filed a suit concerning an attempt by the 2nd Defendant while acting in concert with other shareholders who are collectively known as the "Concerted Parties", to take control of the Company by the acquisition of over 16,005,206 (15.69%) shares in the Company ("the swing vote") and the calling of an EGM to remove the entire board of the Company save for the 2nd Defendant's brother. The attempted take-over is in breach of the Malaysian Code on Take-Overs and Mergers 1998 ("Code"), the Securities Commission Act ("SCA") and for improper purposes.

The Plaintiff claims that there was a breach of fiduciary duties by 2nd Defendants and that the Concerted Parties breached their duties and obligations to comply with the provisions of the Code.

The Plaintiff filed a 2nd Injunction Application on 5 March 2010 to restrain the EGM of the Company fixed for 17 March 2010. The Learned Judge dismissed the Plaintiff's Injunction Application to restrain the EGM fixed on 17 March 2010.

Plaintiff filed the Erinford Injunction and the same has been dismissed with costs. Plaintiff filed an appeal in respect of said dismissal and to stay the resolutions passed at the EGM on 17 March 2010. On 17 March 2010, the Court of Appeal unanimously dismissed the applications.

The matter was fixed for Trial from 10 January to 14 January 2011 in but proceedings were stayed due to interlocutory proceedings in the Court of Appeal where the Company is not named and, as such, has no formal notice of. These proceedings will be disposed of on the 21 April 2011 wherein the matter will revert back to the High Court. Parties, including the Company, will then be officially notified by the High Court on the date of appearance before the Judge.

(vii) Ho Hup Construction Company Bhd vs Low Chee & Sons Sdn Bhd
Kuala Lumpur High Court Suit No. S-23-2-2010

On 7 January 2010 the Company filed suit at Kuala Lumpur High Court (Suit No. S-23-2-2010) against Low Chee & Sons Sdn Bhd ("Defendant") for damages among others, publishing a notice entitled "Important Notice to All Shareholders of Ho Hup Construction Company Berhad" ("Notice") in the Sin Chew Daily newspaper on 25 December 2009 and in The Star newspaper, Starbiz section on 28 December 2009. The notice amounts to a very serious libel on the Company and as a consequence, the Company's reputation has been damaged.

The Defendant filed their Notice of Appearance on 29 January 2010. An extension of time until 4 April 2010 has been agreed between parties for the Defendants to file and serve their defence. The Court has yet to fix a new date for this matter.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

37. MATERIAL LITIGATIONS (cont'd)

(vii) Ho Hup Construction Company Berhad v Bukit Jalil Development Sdn Bhd and 10 others Kuala Lumpur High Court Suit No. 22NCC-792-2010

Ho Hup has filed Suit No. 22NCC-792-2010 in the Kuala Lumpur High Court against Bukit Jalil Development Sdn Bhd ("BJD") and 10 others in respect of the Joint Development Agreement ("JDA") dated 16 March 2010 between Bukit Jalil Development Sdn Bhd and Pioner Haven Sdn Bhd ("PHSB") to develop of the 60 acres freehold land held under individual title Geran 42277, Lot No. 36101, Mukim Petaling, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan into a mixed commercial and residential development comprising inter alia of but not limited to shopping complex, shop offices, office tower, service apartments and hotel subject to the terms and conditions as stipulated in the JDA.

The Company claimed in the Statement of Claim the following:

(i) A declaration that each of the JDA, the Power of Attorney and the Endorsement and Undertaking is void;

(ii) An Order for PHSB to account for all benefit of any form received or accrued by reason of or otherwise arising from JDA, the Power of Attorney and the Endorsement and undertaking;

(iii) An Order that PHSB pay or otherwise deliver to BJD all said benefits within 14 days of the Order;

(iv) An Order that Registrar of Land Titles be ordered to expunge and/or remove the caveat entered by PHSB on the land;

(v) Interest at the rate of 8% per annum awarded by the Court from the date of the filing of the suit to the date of full and final settlement;

(vi) Costs; and

(vii) Any further or other relief the Court deems fit and appropriate.

The proceedings of the trial have been ongoing and the witnesses for the Company as well as the Defendants have given evidence in Court. Submissions will be exchanged between the respective lawyers and it is expected that the Court will give its decision and judgement on 19 May 2011.

(ix) Ho Hup Construction Company Bhd vs PKNS Engineering and Construction Berhad ("PKNS") Shah Alam High Court Suit No. 22-1054-2010

Pursuant to a letter of Intent dated 29 April 2009 issued by PKNS, the main contractor to the Company in relation to the project known as "Cadangan Membina, Menyiapkan dan Menguji Kuarters Integrasi Klang Kelas 56F, 106G di Hospital Tengku Ampuan Rahimah, Selangor Darul Ehsan." The lump sum contract if for RM18,038,000. PKNS had vide letter dated 2 June 2010 terminated the subcontract with the Company even though PKNS earlier vide letter dated 29 April 2010 had reached agreement with the Company on certain issues for the completion of the project. PKNS had written a letter dated 6 July 2010 to Malaysian Assurance Alliance Berhad making a claim on the Performance Bond for the sum of RM901,900.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

37. MATERIAL LITIGATIONS (cont'd)

(ix) Ho Hup Construction Company Bhd vs PKNS Engineering and Construction Berhad ("PKNS") Shah Alam High Court Suit No. 22-1054-2010 (cont'd)

On 21 July 2010, the Company has filed an Injunction Application to restrain PKNS from dealing in any manner whatsoever and/or receiving any monies under the said Performance Bond until the hearing and disposal of the suit or until further of the Court. A Writ of Summons was filed whereby the Company is claiming for damages which will be assessed by the Court. On 3 August 2010, the Court has granted an ad-interim injuction order in favour of the Company until the Court decides on the application. The matter is now fixed for case management on 20th April 2011.

(x) Ho Hup Construction Company Bhd vs Dato' Low Tuck Choy ("DLTC") Industrial Court Suit No. 26/4-586/10

Dato' Low Tuck Choy brought an action against the Company for reinstatement as managing director of the Company. DLTC's lawyer filed the Statement of Case and the matter is now fixed for Mention on the 29th April 2011.

(xi) Ho Hup Construction Company Bhd vs 1) Datuk Lye Ek Seng ("1st Defendant"); 2) Lim Ching Choy ("2nd Defendant"); 3) Datuk Woo Thin Choy ("3rd Defendant") High Court of Malaya at Kuala Lumpur (Commercial Division) Suit No. D-22NCC-1745-2010

On 29 December 2010, the Company brought an action against certain former directors and employees, that they caused to be paid to themselves the sum if RM1,416,452 as compensation upon termination of their service contracts, which are unjustified and improper.

The relief sought by the Company, include, inter alia, a judgement in sum of RM1,416,452 being the amounts wrongfully paid with interest and costs.

The High Court of Malaya at Kuala Lumpur had on 29 March 2011 adjudged by consent as follows:

(a) The 1st Defendant shall pay the Company the sum of RM549,355 by four (4) equal installment of RM137,339 each, with first installment payment due and payable on or before 1 April 2011 and the remaining three installment due and payable on or before the 1st day of each month;

(b) The 2nd Defendant shall pay the Company the sum of RM867,097 by four (4) equal installment of RM216,774 each, with first installment payment due and payable on or before 1 April 2011 and the remaining three installment due and payable on or before the 1st day of each month; and

(c) In the event of default on the part of 1st or 2nd Defendants in paying any installments in the manner above, the total sums due by the defaulting Defendant shall become immediately due and payable.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

38. FINANCIAL INSTRUMENTS

Certain comparative figures have not been presented for 31 December 2009 by virtue of the exemption given in the paragraph 44AA of FRS 7, which is effective for annual periods beginning on and after 1 January 2010.

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 2 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Loans and receivables RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
Group			
2010			
Financial Assets			
Trade receivables	22,656	-	22,656
Other receivables	31,733	-	31,733
Fixed deposits with licensed banks	710	-	710
Cash and bank balances	13,339	-	13,339
Total financial assets	68,438	-	68,438
Financial Liabilities			
Provision for liquidated ascertained damages	-	16,923	16,923
Trade payables	-	78,143	78,143
Other payables	-	54,410	54,410
Amount owing to an associated company	-	2,200	2,200
Hire purchase payables	-	101	101
Bank borrowings	-	84,570	84,570
Total financial liabilities	-	236,347	236,347

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

38. FINANCIAL INSTRUMENTS (cont'd)

(a) Classification of financial instruments (cont'd)

	Loans and receivables RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
Group			
2009			
Financial Assets			
Trade receivables	32,295	-	32,295
Other receivables	28,962	-	28,962
Amount owing by associated companies	358	-	358
Fixed deposits with licensed banks	1,784	-	1,784
Cash and bank balances	15,427	-	15,427
Total financial assets	78,826	-	78,826
Financial Liabilities			
Provision for liquidated ascertained damages	-	19,907	19,907
Trade payables	-	76,926	76,926
Other payables	-	50,296	50,296
Amount owing to an associated company	-	2,200	2,200
Hire purchase payables	-	332	332
Bank borrowings	-	99,952	99,952
Total financial liabilities	-	249,613	249,613

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

38. FINANCIAL INSTRUMENTS (cont'd)

(a) Classification of financial instruments (cont'd)

	Loans and receivables RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
Company			
2010			
Financial Assets			
Trade receivables	**15,660**	**-**	**15,660**
Other receivables	**30,228**	**-**	**30,228**
Amount owing by subsidiary companies	**158,671**	**-**	**158,671**
Fixed deposits with licensed banks	**510**	**-**	**510**
Cash and bank balances	**385**	**-**	**385**
Total financial assets	**205,454**	**-**	**205,454**
Financial Liabilities			
Trade payables	**-**	**70,396**	**70,396**
Other payables	**-**	**27,447**	**27,447**
Amount owing to subsidiary companies	**-**	**18,464**	**18,464**
Amount owing to an associated company	**-**	**2,200**	**2,200**
Hire purchase payables	**-**	**101**	**101**
Bank borrowings	**-**	**70,119**	**70,119**
Total financial liabilities	**-**	**188,727**	**188,727**

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

38. FINANCIAL INSTRUMENTS (cont'd)

(a) Classification of financial instruments (cont'd)

	Loans and receivables RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
Company			
2009			
Financial Assets			
Trade receivables	19,208	-	19,208
Other receivables	27,672	-	27,672
Amount owing by subsidiary companies	163,508	-	163,508
Amount owing by associated companies	358	-	358
Fixed deposits with licensed banks	1,784	-	1,784
Cash and bank balances	3,158	-	3,158
Total financial assets	215,688	-	215,688
Financial Liabilities			
Trade payables	-	66,275	66,275
Other payables	-	23,969	23,969
Amount owing to subsidiary companies	-	21,557	21,557
Amount owing to an associated company	-	2,200	2,200
Hire purchase payables	-	313	313
Bank borrowings	-	79,463	79,463
Total financial liabilities	-	193,777	193,777

38. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial assets/(liabilities) at "fair value through profit or loss"

There is no fair value through profit or loss has been imposed as the Group and the Company credit risks and liquidity risk are within the acceptable collection/payment period.

(c) Capital risk management objectives and policies

The Group and the Company's management manages its capital to ensure that the Group and the Company is able to continue as a going concern and maintains an optimal capital structure so as to maximise shareholder value. The management reviews the capital structure by considering the cost of capital and the risks associated with the capital.

The capital of the Group and of the Company consists of issued capital, cash and cash equivalents and bank borrowings.

(d) Financial risk management objectives and policies

The Group's and the Company's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's and the Company's operations whilst managing its financial risks, including foreign currency exchange risk, interest rate risk, credit risk and liquidity risk. The Group and the Company operate within clearly defined guidelines that are approved by the Board and the Group's and the Company's policy is not to engage in speculative transactions.

(e) Credit risk

Fixed deposits with licensed banks, cash at banks are placed with a credit worthy financial institutions.

Credit risk arises mainly from the inability of its customers to make payments when due. The Group and the Company has adopted a policy of only dealing with creditworthy counterparties. Receivables are monitored on an ongoing basis via Company's management reporting procedures and action will be taken for long outstanding debts.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the reporting represents the Group's and the Company's maximum exposure to credit risk in relation to financial assets. No financial assets carry a significant exposure to credit risk.

(f) Liquidity risk

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group and the Company monitors its cash flows and ensures that sufficient funding is in place to meet the obligations as and when they fall due.

The following table analyses the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

38. FINANCIAL INSTRUMENTS (cont'd)

(f) Liquidity risk (cont'd)

	On demand or within 1 year RM'000	Repayable after 1 year RM'000	Total RM'000
Group			
2010			
Trade payables	**78,143**	**-**	**78,143**
Other payables	**54,410**	**-**	**54,410**
Amount owing to an associated company	**2,200**	**-**	**2,200**
Hire purchase payables	**101**	**-**	**101**
Bank borrowings	**84,570**	**-**	**84,570**
	219,424	**-**	**219,424**
2009			
Trade payables	76,926	-	76,926
Other payables	50,296	-	50,296
Amount owing to an associated company	2,200	-	2,200
Hire purchase payables	332	-	332
Bank borrowings	94,915	5,037	99,952
	224,669	5,037	229,706

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

38. FINANCIAL INSTRUMENTS (cont'd)

(f) Liquidity risk (cont'd)

	On demand or within 1 year RM'000	Repayable after 1 year RM'000	Total RM'000
Company			
2010			
Trade payables	**70,396**	**-**	**70,396**
Other payables	**27,447**	**-**	**27,447**
Amount owing to subsidiary companies	**18,464**	**-**	**18,464**
Amount owing to an associated company	**2,200**	**-**	**2,200**
Hire purchase payables	**101**	**-**	**101**
Bank borrowings	**70,119**	**-**	**70,119**
	188,727	**-**	**188,727**
2009			
Trade payables	66,275	-	66,275
Other payables	23,969	-	23,969
Amount owing to subsidiary companies	21,557	-	21,557
Amount owing to an associated company	2,200	-	2,200
Hire purchase payables	313	-	313
Bank borrowings	74,426	5,037	79,463
	188,740	5,037	193,777

(g) Market risks

(i) Foreign currency exchange risk

The Group incurs foreign currency risk on transactions that are denominated in foreign currencies. The currencies giving rise to this risk are primarily the United States Dollar (USD), Indonesia Rupiah (IDR), Indian Rupee (INR) and South African Rand (Rand). The Group has not entered into any derivative instruments for hedging or trading purposes as the net exposure to foreign currency risk is not significant.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

38. FINANCIAL INSTRUMENTS (cont'd)

(g) Market risks (cont'd)

(i) Foreign currency exchange risk (cont'd)

The carrying amounts of the Group's are foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

	Financial Assets		
	Trade and other receivables RM'000	Cash and bank balances RM'000	Total RM'000
Group			
2010			
USD	**-**	**1**	**1**
Rand	**517**	**158**	**675**
INR	**1,504**	**28**	**1,532**
IDR	**-**	**19**	**19**
2009			
USD	1	-	1
Rand	517	158	675
INR	3,655	30	3,685
IDR	-	29	29

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

38. FINANCIAL INSTRUMENTS (cont'd)

(g) Market risks (cont'd)

(i) Foreign currency exchange risk (cont'd)

	Financial Liabilities		
	Trade and other payables RM'000	Amount owing to holding company RM'000	Total RM'000
Group			
2010			
USD	**40**	**-**	**40**
Rand	**296**	**199**	**495**
INR	**127**	**170**	**297**
IDR	**19**	**51**	**70**
2009			
USD	23	-	23
Rand	296	190	486
INR	103	206	309
IDR	54	19	73

(ii) Foreign currency risk sensitivity

A 10% strengthening of Ringgit Malaysia against the following foreign currencies at the end of the reporting period would (increase)/decrease the loss before taxation and other comprehensive income by RM0.13 million. This analysis assumes that all other variables remain unchanged.

A 10% weakening of Ringgit Malaysia against the above foreign currencies at the end of the reporting period would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain unchanged.

38. FINANCIAL INSTRUMENTS (cont'd)

(g) Market risks (cont'd)

(iii) Interest rate risk

The Group and the Company obtains financing through other financial liabilities. The Group's and the Company's policy is to obtain the financing with the most favourable interest rates in the market.

The Group and the Company constantly monitors its interest rate risk and does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes. At the end of the reporting period, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

The carrying amounts of the Group's and of the Company's financial instruments that are exposed to interest rate risk are as follows:

	2010 RM'000	2009 RM'000
Financial Asset		
Group		
Fixed deposits with licensed banks	**710**	1,784
Company		
Fixed deposits with licensed banks	**510**	1,784
Financial Liability		
Group		
Bank borrowings	**84,570**	99,952
Company		
Bank borrowings	**70,119**	79,463

The Group and the Company are exposed to interest rate risk arising from its short and long term debts obligations, and its fixed deposits. Fixed deposits interest rate is insignificant and any fluctuations in the rate would have no material impact on the results of the Group and the Company.

38. FINANCIAL INSTRUMENTS (cont'd)

(g) Market risks (cont'd)

(iv) Interest rate risk sensitivity

An increase in market interest rates by 1% on financial assets and liabilities of the Group and of the Company which have variable interest rates at the end of the reporting date would increase the loss before taxation by RM0.84 million and RM0.70 million respectively. This analysis assumes that all other variables remain unchanged.

A decrease in market interest rates by 1% on financial assets and liabilities of the Group and of the Company which have variable interest rates at the end of the reporting period would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain unchanged.

(h) Fair values of financial assets and financial liabilities

The carrying amount of financial assets and financial liabilities of the Group and of the Company are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

It is not practical to estimate the fair value of contingent liabilities as disclosed in Note 36 to the financial statements due to the uncertainties of timing, costs and eventual outcome.

The fair value of the term loans approximate the carrying amounts as the interest rates attached to these borrowings approximate the current interest rates for liabilities with similar risk profiles.

39. COMPARATIVE FIGURES

The financial statements of the Group and of the Company for the financial year ended 31 December 2009 which are presented for comparative purposes were examined and reported on by another firm of auditors who have rendered on disclaimer of opinion on those financial statements in their report dated 3 May 2010.

Certain comparative figures have been reclassified where necessary to conform with the current year presentation.

	As previously stated RM'000	Reclassification RM'000	As restated RM'000
Group			
Statements of financial position			
Non-current assets			
Property, plant and equipment	22,790	220	23,010
Prepaid lease payment	220	(220)	-
Current assets			
Other receivables	29,320	(358)	28,962
Amount owing by associated companies	-	358	358
Fixed deposits with licensed banks	-	1,784	1,784
Cash and bank balances	17,211	(1,784)	15,427
Current liabilities			
Other payables	52,593	(2,297)	50,296
Amount owing to an associated company	-	2,200	2,200
Hire purchase payables	-	332	332
Bank borrowings	95,247	(332)	94,915
Equity			
Non-controlling interest	1,093	97	1,190
Statements of comprehensive income			
Administration expenses	(29,490)	17,089	(12,401)
Other operating expenses	(27,382)	(17,089)	(44,471)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

39. COMPARATIVE FIGURES (cont'd)

	As previously stated RM'000	Reclassification RM'000	As restated RM'000
Company			
Statements of financial position			
Non-current assets			
Property, plant and equipment	21,134	220	21,354
Prepaid lease payment	220	(220)	-
Current assets			
Other receivables	191,538	(163,866)	27,672
Amount owing by subsidiary Companies	-	163,508	163,508
Amount owing by associated Companies	-	358	358
Fixed deposits with licensed Banks	-	1,784	1,784
Cash and bank balances	4,942	(1,784)	3,158
Current liabilities			
Other payables	47,726	(23,757)	23,969
Amount owing to subsidiary Companies	-	21,557	21,557
Amount owing to an associated company	-	2,200	2,200
Hire purchase payables	-	313	313
Bank borrowings	74,739	(313)	74,426
Statements of comprehensive Income			
Administration expenses	(25,999)	17,089	(8,910)
Other operating expenses	(18,970)	(17,089)	(36,059)

40. DATE OF AUTHORISATION FOR ISSUE

The financial statements of the Group and of the Company for the financial year ended 31 December 2010 were authorised for issue in accordance with a resolution of the Board of Directors on 27 April 2011.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Seventh Annual General Meeting of the Company will be held at Bukit Jalil Golf and Country Resort, Langkawi Room, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur on Tuesday, 21 June 2011 at 10:00 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2010 together with the Reports of the Directors and the Auditors thereon. **(Please refer to Explanatory Note 6(a))**

2. To re-elect the following Directors who retire by rotation in accordance with Article 90 of the Company's Articles of Association, and being eligible, have offered themselves for re-election: -

   (i) Tan Sri Dato' Kamaruzzaman Bin Shariff **(Resolution 1)**
   (ii) Mr. Chow Seck Kai **(Resolution 2)**

3. To re-elect Mr. Wong Kit-Leong the Director who retires in accordance with Article 96 of the Company's Articles of Association, and being eligible, has offered himself for re-election. **(Resolution 3)**

4. To re-appoint Messrs. UHY as the Company's Auditors for the ensuing year and to authorise the Board of Directors to fix their remuneration. **(Resolution 4)**

5. As Special Business:

   To consider and, if thought fit, with or without any modifications, to pass the following resolution which will be proposed as ordinary resolution:-

   ORDINARY RESOLUTION
   - AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

   "THAT subject to Section 132D of the Companies Act, 1965 and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this Resolution does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being; AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company." **(Resolution 5)**

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

7. To transact any other ordinary business for which due notice has been given.

By Order of the Board

Chua Siew Chuan (MAICSA 0777689)
Chin Mun Yee (MAICSA 7019243)
Company Secretaries

Kuala Lumpur
30 May 2011

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy/proxies to attend and vote in his stead. A proxy need not be a member of the Company. However, in accordance with Section 129(1)(b) of the Companies Act, 1965, a member shall not be entitled to appoint a person who is not a member of the Company as his proxy unless that person is a qualified legal practitioner, an approved company auditor or a person approved by the Companies Commission of Malaysia in a particular case.

2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds which is credited with ordinary shares of the Company. In respect of deposited securities, only members whose names appear in the Record of Depositors on 15 June 2011 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.

3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.

4. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Securities Services (Holdings) Sdn. Bhd., Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof.

6. Explanatory Notes on Ordinary and Special Business

   (a) Item 1 of the Agenda

   This Agenda item is meant for discussion only, as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

   (b) Resolution 5 – Authority to Issue Shares

   This is the renewal of the mandate obtained from the members at the last Annual General Meeting ("the previous mandate"). The previous mandate was not utilised and accordingly no proceeds were raised.

   The proposed resolution, if passed, would provide flexibility to the Directors to undertake fund raising activities, including but not limited to placement of shares for the funding of the Company's future investment projects, working capital and/or acquisitions, by the issuance of shares in the Company to such persons at any time as the Directors may deem fit, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of the next Annual General Meeting of the Company.

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)
(Incorporated in Malaysia)

PROXY FORM

No. of Shares Held	CDS Account No.

*I/We, (full name in capital letters) ____________________

of (full address) ____________________ being a *member/members

of **HO HUP CONSTRUCTION COMPANY BERHAD** ("the Company"), hereby appoint (full name in capital letters)

____

of (full address) ____________________

or *failing him/her, (full name in capital letters) ____________________

of (full address) ____________________

or *failing him/her, the CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us and on *my/our behalf at the Thirty-Seventh Annual General Meeting of the Company to be held at Bukit Jalil Golf and Country Resort, Langkawi Room, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur on Tuesday, 21 June 2011 at 10:00 a.m. and at any adjournment thereof.

Please indicate with an "X" in the spaces provided below how you wish your votes to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.

1	To receive the Audited Financial Statements for the financial year ended 31 December, 2010 together with the Reports of the Directors and the Auditors thereon.		
No.	**Resolutions**	**For**	**Against**
2 (i)	To re-elect Tan Sri Dato' Kamaruzzaman Bin Shariff who retires in accordance in accordance with Article 90 of the Company's Articles of Association. (Resolution 1)		
2 (ii)	To re-elect Mr. Chow Seck Kai who retires in accordance with Article 90 of the Company's Articles of Association. (Resolution 2)		
3	To re-elect Mr. Wong Kit-Leong who retires in accordance with Article 96 of the Company's Articles of Association. (Resolution 3)		
4	To re-appoint Messrs. UHY as the Company's Auditors for the ensuing year and to authorise the Board of Directors to fix their remuneration. (Resolution 4)		
	As Special Business :		
5	**Ordinary Resolution** - Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965 (Resolution 5)		

* strike out whichever not applicable

Signed this ____________ day of ____________, 2011

____
Signature of Member/Common Seal

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy/proxies to attend and vote in his stead. A proxy need not be a member of the Company. However, in accordance with Section 129(1)(b) of the Companies Act, 1965, a member shall not be entitled to appoint a person who is not a member of the Company as his proxy unless that person is a qualified legal practitioner, an approved company auditor or a person approved by the Companies Commission of Malaysia in a particular case.
2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds which is credited with ordinary shares of the Company. In respect of deposited securities, only members whose names appear in the Record of Depositors on 15 June 2011 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.
4. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Securities Services (Holdings) Sdn. Bhd., Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof.

Fold this flap for sealing

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Affix
Stamp

THE COMPANY SECRETARIES

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)
c/o Securities Services (Holdings) Sdn. Bhd.
Level 7, Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

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