HO HUP CONSTRUCTION COMPANY BERHAD
(14034-W)

No. 18, Jalan 17/155C, Bandar Bukit Jalil
57000 Kuala Lumpur, Wilayah Persekutuan

Tel : 03-8993 9168
Fax : 03-8993 9268

www.hohupgroup.com.my

HOHUP

Ho Hup Construction Company Berhad
(14034-W)

HO HUP CONSTRUCTION COMPANY BERHAD (14034-W)

Annual Report **2013**

HOHUP

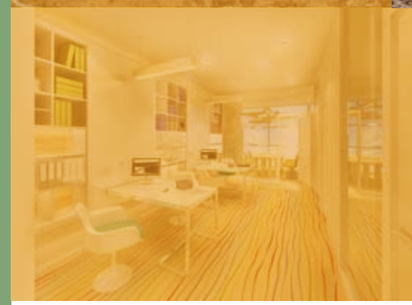
Ho Hup Construction Company Berhad
(14034-W)

BUILDING ON GROWTH

Annual Report **2013**





CONTENTS

40TH ANNUAL GENERAL MEETING

Venue: Function Room 1 & 2, 1st Floor,
Kuala Lumpur Golf & Country Club,
10 Jalan 1/70D, Off Jalan Bukit Kiara,
60000 Kuala Lumpur, Malaysia.

Date: 18 June 2014, Wednesday
Time: 10.30 a.m.

CORPORATE INFORMATION

BOARD OF DIRECTORS

YBhg. Tan Sri Dato' Kamaruzzaman Bin Shariff	Chairman/Independent Non-Executive Director
Dato' Ramli Bin Yusuff	Deputy Chairman/Non-Independent Non-Executive Director
Mr. Wong Kit-Leong *(Redesignated as Chief Executive Officer on 24 April 2014)*	Executive Director/Chief Executive Officer
Mr. Chow Seck Kai	Independent Non-Executive Director
Mr. Dimitrios Pantazaras	Independent Non-Executive Director
Datuk Seri Panglima Sulong Matjeraie *(Appointed on 15 July 2013)*	Independent Non-Executive Director
Dato' Thong Kok Khee	Non-Independent Non-Executive Director
Datin Chan Bee Leng	Non-Independent Non-Executive Director
Mr. Donatian Felix Dorairaj	Non-Independent Non-Executive Director
Mr. Low Kheng Lun	Non-Independent Non-Executive Director
Dato' Mah Siew Kwok *(Appointed on 15 July 2013)*	Non-Independent Non-Executive Director

COMPANY SECRETARIES
Ms. Chua Siew Chuan (MAICSA 0777689)
Ms. Chin Mun Yee (MAICSA 7019243)

SHARE REGISTRAR
ShareWorks Sdn. Bhd.
No. 2-1, Jalan Sri Hartamas 8
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 BANKER
United Overseas Bank (Malaysia) Berhad

AUDITORS
UHY (AF 1411)
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
Main Market, Bursa Malaysia
Securities Berhad

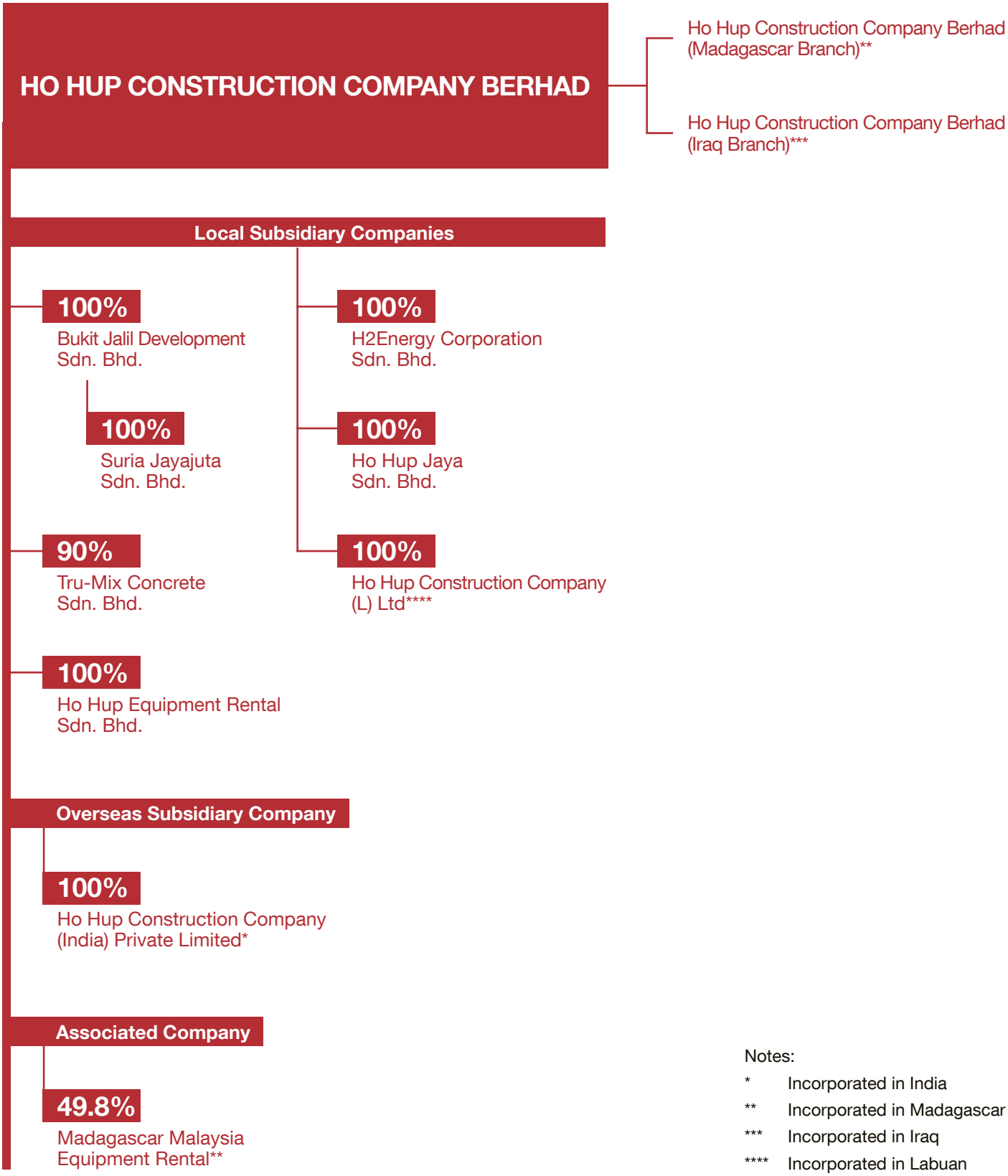
STOCK CODE
5169
5169PA
5169PB
5169WA

STOCK NAME
HOHUP
HOHUP - PA
HOHUP - PB
HOHUP - WA

WEBSITE
www.hohupgroup.com.my

CORPORATE STRUCTURE

AS AT 30 APRIL 2014



Notes:

* Incorporated in India

** Incorporated in Madagascar

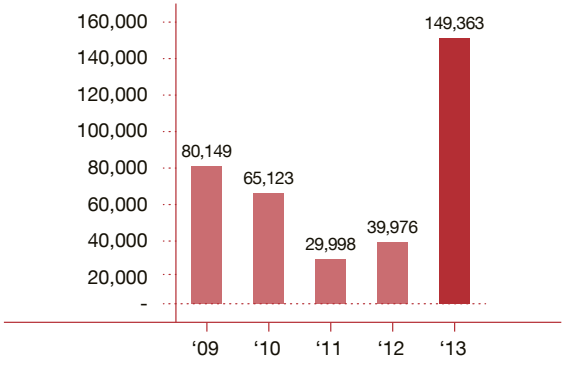
*** Incorporated in Iraq

**** Incorporated in Labuan

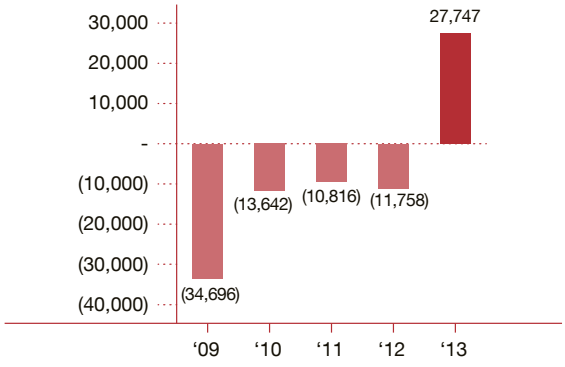
FIVE-YEAR FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHT (RM'000)	2009	2010	2011	2012	2013
Key Statement of Comprehensive Income					
Revenue	80,149	65,123	29,998	39,976	149,363
(Loss)/Profit before Tax	(33,387)	(16,093)	(10,615)	(16,707)	20,260
(Loss)/Profit after Tax	(34,696)	(13,642)	(10,816)	(11,758)	27,747
(Loss)/Profit Attributable to Owners of the Parent	(34,519)	(13,606)	(10,346)	(12,108)	22,503
Key Statement of Financial Position					
Total Assets	244,444	211,530	157,920	180,982	351,261
Total Borrowings	100,284	84,671	85,756	10,710	40,000
Shareholders Equity Attributable to Owners of the Parent	(15,679)	(29,112)	(39,639)	(51,809)	83,212
Share Information					
Net Earning per Share Attributable to Owners of the Parent (sen)	(33.84)	(13.34)	(10.14)	(11.87)	22.06
Net Assets per Share Attributable to Owners of the Parent (sen)	(15.37)	(28.54)	(38.86)	(50.79)	81.58
Financial Indicators					
Net Return on Shareholders' Funds (%)	220.16	46.74	26.10	23.37	27.04
Gearing Ratio (times)	(6.40)	(2.91)	(2.16)	(0.21)	0.48

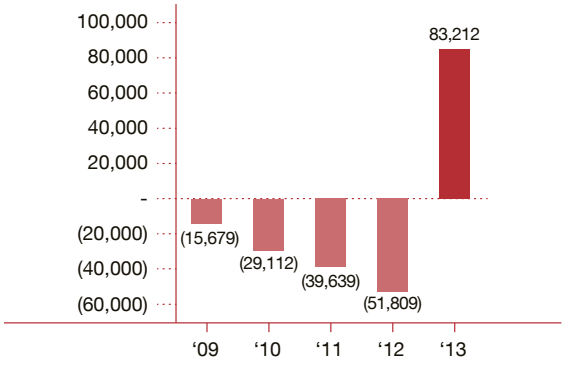
Revenue (RM'000)



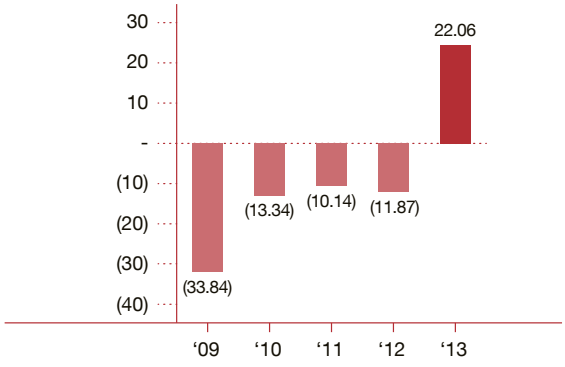
(Loss)/Profit after Tax (RM'000)



Shareholders Equity Attributable to Owners of the Parent (RM'000)



Net Earning per Share Attributable to Owners of the Parent (sen)



DIRECTORS' PROFILE

YBHG. TAN SRI DATO' KAMARUZZAMAN BIN SHARIFF | *Chairman/Independent Non-Executive Director*

YBhg. Tan Sri Dato' Kamaruzzaman Bin Shariff, a Malaysian aged 72, 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 Remuneration Committee and Nomination Committee.

He has Bachelor of Arts Degree in Economics from the University of Malaya in 1964, Diploma in Public Administration from Carleton University, Canada in 1969 and Masters in Public Administration (MPA) from Syracuse University, USA in 1979.

YBhg. Tan Sri Dato' Kamaruzzaman served in the Malaysian Civil Service for 38 years, where he served in various senior positions in the Federal and State Government. His last position in the Civil Service was that of Lord Mayor (Datuk Bandar) Kuala Lumpur from end of 1995 up to 2001. Before that, he serves as Secretary General of the Ministry of Defence from 1992 to 1995, Deputy Director General of the Public Services Department in 1992, Penang State Secretary from 1988 to 1992, Secretary of the Cabinet Division of the Prime Minister's Department from 1983 to 1987 and Director of External Assistance and General Affairs for the Economic Planning Unit of the Prime Minister's Department from 1980 to 1983. He also served various senior positions in the Ministry of Education from 1964 to 1972 and Public Services Department from 1972 to 1980. He started his career as a Government Service Officer in 1964 as an Assistant Secretary in the Ministry of Education. Thus, he has vast administrative, strategic planning and management experience by virtue of his long service in the Malaysian Civil Service.

YBhg. Tan Sri Dato' Kamaruzzaman serves as an Executive Chairman of Emas Kiara Industries Bhd (EKIB) since June 2012. He is responsible for the formulation and evaluation of the Emas Kiara Industries Bhd Group's corporate strategies for growth and development. He was also appointed as Independent Non-Executive Director of Bintai Kinden Corporation Berhad since 24 May 2006 and subsequently redesignated as Independent Non-Executive Chairman since 30 August 2006.

YBhg. Tan Sri Dato' Kamaruzzaman is Non-Executive Chairman of Lereno Bio-Chem Ltd., Singapore (formerly, MAE Engineering Ltd.) since August 28, 2003. He served as the Executive Chairman of Metronic Global Bhd since March 22, 2004 and then as Chairman of Metronic Global Bhd from March 1, 2012 to December 24, 2012. He served as an Executive Chairman of Major Team Holdings Bhd from August 1, 2003 to February 23, 2007.

He served as an Independent Non-Executive Chairman of Paragon Union Bhd from July 19, 2004 to April 28, 2008 and as an Independent Non-Executive Chairman of Magna Prima Berhad from May 27, 2004 to May 2, 2006.

YBhg. Tan Sri Dato' Kamaruzzaman 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.

YBhg. Tan Sri Dato' Kamaruzzaman attended all the six (6) Board Meetings of the Company held during the financial year ended 31 December 2013.

DATO' RAMLI BIN YUSUFF | *Deputy Chairman/Non-Independent Non-Executive Director*

Dato' Ramli bin Yusuff, a Malaysian, aged 62, 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 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 is currently the Deputy President of Malaysian Association of Security Services (PPKKM) and also Deputy President of Asian Professional Security Association (APSA).

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.

Dato' Ramli attended five (5) out of six (6) Board Meetings of the Company held during the financial year ended 31 December 2013.

DIRECTORS' PROFILE (CONT'D)

MR. CHOW SECK KAI | *Independent Non-Executive Director*

Mr. Chow Seck Kai, a Malaysian, aged 58, 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 Remuneration Committee.

Mr. Chow is an Associate of The Institute of Chartered Secretaries and Administrators (UK). He is also a Fellow Member of the Institute of Public Accountants (IPA), Australia. Mr. Chow has more than 25 years of working experience in public practice in various fields relating to his profession as company secretary and corporate advisor to SME companies.

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

Mr. Chow 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.

Mr. Chow attended all the six (6) Board Meetings of the Company held during the financial year ended 31 December 2013.

MR. DONATIAN FELIX DORAIRAJ | *Non-Independent Non-Executive Director*

Mr. Donatian Felix Dorairaj, a Malaysian, aged 65, 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.

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

Mr. 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 actively practicing as Counsel in Court and at Arbitrations specialising 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.

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

Mr. 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.

Mr. Dorairaj attended all the six (6) Board Meetings of the Company held during the financial year ended 31 December 2013.

MR. WONG KIT-LEONG | *Executive Director/Chief Executive Officer*

Mr. Wong Kit-Leong, a Malaysian, aged 43, was appointed to the Board of the Company as an Executive Director on 12 August 2010 and was entrusted with spearheading the financial and corporate restructuring of the Group. He was re-designated as Chief Executive Officer (CEO) of the Company by the Board, with effect from 24 April 2014.

Mr. Wong graduated with a Bachelor of Commerce from the University of British Columbia, Canada in 1995.

He began his career with Citibank Malaysia in 1995 before moving to Abric Berhad in 1999. During his tenure in Abric up to 2007, he served as Executive Director/Chief Operating Officer.

Mr. Wong is also a Shareholder and Director in Red Zone Development Sdn. Bhd., a substantial shareholder of Ho Hup Construction Company Berhad by virtue of its substantial shareholding in Formis Resources Berhad which is the holding company of Formis Holdings Berhad.

Mr. Wong does not hold any directorship in other public companies.

Mr. 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.

Mr. Wong attended all the six (6) Board Meetings of the Company held during the financial year ended 31 December 2013.

DIRECTORS' PROFILE (CONT'D)

MR. DIMITRIOS PANTAZARAS | *Independent Non-Executive Director*

Mr. Dimitrios Pantazaras, a Greek, aged 57, was appointed to the Board of the Company as an Independent Non-Executive Director on 9 September 2011. He is currently a member of the Nomination Committee and Audit Committee.

Mr. Pantazaras received a Master in Business Administrative (MBA) from the Stanford University Graduate School of Business, a Masters in Computer Science from the University of Essex and a Bachelor in Physics from the University of Athens. He also holds an Investment Manager License from the Indonesian Securities and Exchange Authority.

Mr. Pantazaras has over 30 years of experience in banking and investment management in the United States of America and Asia. He started his career as a consultant at Merrill Lynch in Princeton and later joined the International Finance Corporation (IFC), initially in Washington DC and later in Jakarta, where he led IFC's restructuring negotiations during the Asian financial crisis. He later founded a fund management and financial advisory firm in Jakarta and subsequently joined Emerging Markets Partnership (EMP) Bahrain, the General Partner and Manager of the US$1 billion Islamic Development Bank Infrastructure Fund, as Director of Investments for South-East Asia. Since 2009, he is based in Kuala Lumpur where he consults on various investment initiatives.

Mr. Pantazaras does not hold any directorship in other public companies.

Mr. Pantazaras 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.

Mr. Pantazaras attended all the six (6) Board Meetings of the Company held during the financial year ended 31 December 2013.

DATUK SERI PANGLIMA SULONG MATJERAIE | *Independent Non-Executive Director*

Datuk Seri Panglima Sulong Matjeraie, a Malaysian, aged 67, was appointed to the Board of the Company as an Independent Non-Executive Director on 15 July 2013. He was appointed as a member of the Nomination Committee and Remuneration Committee on 24 April 2014.

Datuk Seri Panglima Sulong graduated from University of Malaya, Kuala Lumpur with Bachelor of Arts (Honours) Degree and University of Southampton, England with a Master of Laws Degree in Mercantile Law. Datuk Seri Panglima Sulong was also admitted and enrolled as an Advocate to the High Court of Borneo at Kuching.

Datuk Seri Panglima Sulong has more than 30 years of legal and juridical experience. In 1998, Datuk Seri Panglima Sulong was appointed as a Judicial Commissioner of High Court Johor Bahru until his appointment as a High Court Judge of Malaya at Johor Bahru, Johor in June 2000 and at Kota Kinabalu, Sabah in July 2000. Datuk Seri Panglima Sulong subsequently served as a Court of Appeal Judge Malaysia from 2007 to 2012 and finally as Federal Court Judge Malaysia in 2012 until he retired in January 2013.

Datuk Seri Panglima Sulong was appointed by the Prime Minister of Malaysia as one of the four (4) eminent persons to serve in the Judicial Appointments Commission for a period of two (2) years commencing from 10 February 2013.

Datuk Seri Panglima Sulong is currently an Independent Non-Executive Director of Sona Petroleum Berhad and Brahim's Holdings Berhad.

Datuk Seri Panglima Sulong 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.

Datuk Seri Panglima Sulong attended two (2) out of two (2) Board Meetings of the Company held since his appointment as Director of the Company during the financial year ended 31 December 2013.

DATO' THONG KOK KHEE | *Non-Independent Non-Executive Director*

Dato' Thong Kok Khee, a Malaysian, aged 59, was appointed to the Board of the Company as a Non-Independent Non-Executive Director on 6 October 2011. He is currently a member of the Remuneration Committee.

Dato' Thong graduated from the London School of Economics, United Kingdom. He started work in the financial services industry since 1979. He was an Executive Director of Standard Chartered Merchant Bank Asia in Singapore and Head of its corporate finance division.

Dato' Thong is the Executive Deputy Chairman cum Chief Executive Officer of Insas Berhad. He also sits on the Board of Inari Amertron Berhad (formerly known as Inari Berhad) and Formis Resources Berhad.

Dato' Thong 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' Thong attended five (5) out of six (6) Board Meetings of the Company held during the financial year ended 31 December 2013.

DIRECTORS' PROFILE (CONT'D)

DATIN CHAN BEE LENG | *Non-Independent Non-Executive Director*

Datin Chan Bee Leng, a Malaysian, aged 54, was appointed to the Board of the Company as a Non-Independent Non-Executive Director on 31 October 2011.

Datin Chan graduated from University of Warwick, United Kingdom ("UK") with BSc (Hons) Management Science (Majoring in Finance & Marketing) and from Weston-Super-Mare Technical College, UK with GCSE 'A' Levels & Business Education Council Diploma (BEC).

Datin Chan was a Finance Manager in Brisdale Sdn. Bhd. (a subsidiary of developer Perwira Indra Sakti Sdn. Bhd.) from 1990 to 1996. She was a Director of Tepat Concrete Sdn. Bhd. from 2000 to 2006. She subsequently joined Bukit Jalil Development Sdn. Bhd. as a Consultant from 2006 to 2008.

Datin Chan is the spouse of Dato' Low Tuck Choy, the substantial shareholder of Ho Hup Construction Company Berhad and the mother to Mr. Low Kheng Lun, a Non-Independent Non-Executive Director of the Company.

Datin Chan does not hold any directorship in other public companies.

Datin Chan has no conflict of interest with the Company and has not been convicted of any offences for the past 10 years.

Datin Chan attended four (4) out of six (6) Board Meetings of the Company held during the financial year ended 31 December 2013.

MR. LOW KHENG LUN | *Non-Independent Non-Executive Director*

Mr. Low Kheng Lun, a Malaysian, aged 27, was appointed to the Board of the Company as a Non-Independent Non-Executive Director on 31 October 2011.

Mr. Low graduated from European Business School, London, United Kingdom ("UK") with MA (Hons) Entrepreneurial Management and University College London, UK with BEng (Hons) Civil Engineering.

Mr. Low was a Graduate Engineer in Buildings and Infrastructure Department in Scott Wilson PLC, London, UK from 2008 to 2009. He was an IT Advisory Associate in KPMG. He is currently the Managing Director of Catalyst Interior Design Sdn. Bhd. and Director of Low Chee Group Sdn. Bhd.

Mr. Low is the son of Dato' Low Tuck Choy, the substantial shareholder and Datin Chan Bee Leng, the Non-Independent Non-Executive Director of the Company.

Mr. Low does not hold any directorship in other public companies.

Mr. Low has no conflict of interest with the Company and has not been convicted of any offences for the past 10 years.

Mr. Low attended five (5) out of six (6) of Board Meetings of the Company held during the financial year ended 31 December 2013.

DATO' MAH SIEW KWOK | *Non-Independent Non-Executive Director*

Dato' Mah Siew Kwok, a Malaysian, aged 66, was appointed to the Board of the Company as a Non-Independent Non-Executive Director on 15 July 2013. He was appointed as a member of the Nomination Committee and Remuneration Committee on 24 April 2014.

Dato' Mah qualified in law and was called to the English Bar in 1972. He was the founder and senior partner of Messrs. Mah & Partners in 1975 and specialised in Corporate Law, Banking Law as well as Land Law. Dato' Mah remained in practice for ten (10) years before venturing into the commercial sector. Dato' Mah was the Managing Director of South Malaysia Industries Berhad from 1983 to 1994. Since 1994, Dato' Mah has been involved in the information technology business where his last executive role was as Executive Vice Chairman and Chief Executive Officer of Formis Resources Berhad.

Dato' Mah is currently a Non-Executive Vice Chairman of Formis Resources Berhad, the Chairman of Diversified Gateway Solutions Berhad and a Director of Kian Joo Can Factory Berhad. Besides, Dato' Mah is also the Deputy Chairman of Chung Hwa Independent High School and a member of the Board of Trustee of Kwan Inn Teng Foundation.

Dato' Mah 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' Mah attended two (2) out of two (2) Board Meetings of the Company held since his appointment as Director of the Company during the financial year ended 31 December 2013.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("Board") of Ho Hup Construction Company Berhad ("the Company") recognises the importance of the principles and recommendations set out in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012" or the "Code"). The Board remains committed in ensuring the highest standards of corporate governance in the Company and would strive to continuously improve on its governance process and structures towards enhancing long-term shareholder value. The Board will continue to ensure that the highest standards of corporate governance are practised throughout the Group as a fundamental part of discharging their responsibilities.

The Board is pleased to share the manner in which the principles and recommendations have been applied within the Group, as set out in the MCCG 2012, throughout the 12 months ended 31 December 2013 and up to the date of this report, unless otherwise stated.

A. DIRECTORS

1. Roles and Responsibilities

The Board has formally adopted a Board Charter that clearly sets out the role, functions, composition, operation and processes of the Board.

The Board is responsible for the stewardship of the Company's business and affairs on behalf of the shareholders with a view to enhance long terms shareholder value whilst taking into account the interest of other stakeholders and maintaining high standards of transparency and accountability.

The Board reserves a formal schedule of matters for its decision to ensure that the direction and control of the Group is firmly adhered to. This includes strategic issues and planning, performance reviews, material acquisition and disposal of assets, capital expenditure, authority levels, treasury policies, risk management policies, appointment of auditors and review of the financial statements, financing and borrowing activities, ensuring regulatory compliance and reviewing the adequacy and integrity of internal controls.

The principal responsibilities of the Board include amongst others, the following:

- reviewing and adopting a strategic plan for the Company;
- overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;
- identifying principal risks and ensure the implementation of appropriate systems to manage these risks;
- succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing executive directors and senior management;
- developing and implementing investor relations programme or shareholder communications policy for the Company;
- reviewing the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
- determining the remuneration of Non-Executive Directors, with the individuals concerned abstaining from discussions of their own remuneration; and
- ensuring that the Company adheres to high standards of ethics and corporate behavior.

In overseeing the conduct of the Group's business, the Board shall ensure that an appropriate financial planning, operating and reporting framework as well as an embedded risk management framework is established. Elements under this combined framework include the operating plan and budget, financial statements, divisional strategic/performance reviews reports and risk management reports.

The Board has also delegated certain responsibilities to several Board Committees such as the Audit Committee, Nomination Committee and Remuneration Committee which operate within clearly defined terms of reference. The details of the Board committees are set out on pages 12 to 13 of this Annual Report.

2. Board Composition and Board Independence

At the date of this report, the Board consists of eleven (11) members; with four (4) Independent Non-Executive Directors, six (6) Non-Independent Non-Executive Directors and one (1) Executive Director/Chief Executive Officer ("CEO"). The Board complied with Paragraph 15.02 of the MMLR of Bursa Securities which requires at least two (2) members or one-third of board members, whichever is higher, to be Independent Directors.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

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 and enhancement of long term shareholders' value. A brief description of the background of each Director is presented on pages 5 to 8 of this Annual Report.

The Board recognises the importance of having a clearly accepted division of function and responsibilities as the head of the Company to ensure a balance of power and authority. It is the policy of the Board to keep the roles of the Chairman and the CEO separate.

The Chairman of the Company is an Independent Non-Executive Director. The roles of the Chairman and the Executive Director/CEO are separately held by different individuals and the division of their responsibilities is clearly established, with each having distinct and clearly defined authority and responsibilities.

The Chairman carries out a leadership role in the conduct of the Board and its relations to shareholders and other stakeholders. The Chairman is primary responsible for:

- representing the Board to shareholders;
- ensuring the integrity of the governance process;
- maintaining regular dialogue with the Executive Directors/CEO over all operational matters and consulting with the remainder of the Board promptly over any matters that gives him cause for major concern;
- functioning as a facilitator at meetings of the Board to ensure that no member, whether Executive or Non-Executive, dominates discussion, that appropriate discussions take place and that relevant opinions among members are forthcoming. The Chairman will ensure that discussions result in logical and understandable outcomes;
- ensuring that all Directors are enabled and encouraged to participate in its activities. This includes ensuring that all relevant issues are on the agenda and that all Directors receive timely, relevant information tailored to their needs and that they are properly briefed on issues arising at Board meetings;
- ensuring that Executive Directors/CEO looks beyond his executive function and accept his full share of responsibilities of governance; and
- guiding and mediating Board actions with respect to organisational priorities and governance concerns.

The position of the Executive Director/CEO in essence is to ensure the effective implementation of the Group's strategic plan and policies established by the Board as well as to manage the daily conduct of the business to ensure its smooth operation. The Executive Director/CEO, in association with the Chairman, is accountable to the Board for the achievement of the Group's goals and objectives.

The Executive Director/CEO is expected to act within all specific authorities delegated to him by the Board. Generally, the Executive Director/CEO is responsible to the Board for the following:

- executive management of the Group's business covering, inter alia, the development of a strategic plan; an annual operating plan and budget; performance benchmarks to gauge management performance against and the analysis of management reports;
- assisting the Chairman with ensuring the integrity of the governance process;
- effectively oversee the human resources of the organisation with respect to key positions in the Group hierarchy, determination of remuneration as well as terms and conditions of employment for senior management and issues pertaining to discipline of all employees;
- assures the Group that its corporate identity, products and services are of high standards and are reflective of the market environment;
- assist the Chairman in organising information necessary for the Board to deal with the agenda and for providing this information to Directors on a timely basis; and
- performing other responsibilities assigned by the Board from time to time.

The Independent Non-Executive Directors as a group are a strong element on the Board. The role of the Independent Non-Executive Directors is particularly important in ensuring that the long term interests of shareholders, employees, customers, suppliers and many communities in which the Group conducts business with are being looked after. With their extensive knowledge, experience and expertise, the Independent Non-Executive Directors would be able to provide the necessary check and balance to the Board's decision-making process.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

All shareholders are fairly represented on the Board. The investment of minority shareholders is fairly represented by the four (4) Independent Non-Executive Directors who make up one third of the Board.

One of the recommendations of the MCCG 2012 states that the tenure of an Independent Director should not exceed a cumulative term of nine years. Upon completion of the nine years term, an Independent Director may continue to serve on the board subject to the said Director's re-designations as a Non-Independent Director.

In line with the recommendations of the MCCG 2012, the Nomination Committee had performed an annual review on the independency of the Independent Directors and there are no Independent Directors whose tenure exceeds a cumulative term of nine (9) years in the Company.

3. Strategies To Promote Sustainability

The Board is mindful of the importance of building a sustainable business and is committed to the promotion of best practice principles in this regard. The Board recognises that enhancing sustainability is a long-term commitment and therefore takes into consideration its environmental, social and governance impact when developing the corporate strategy.

The Group is committed to providing a safe workplace for its employees and conducting its business in a way that is environmentally sound. The Group is also committed to protecting the environment through conscientious efforts to ensure pollution levels are kept to a minimum in respect of its construction works. The Group also aims to eliminate all occupational injuries, prevent pollution at its source and optimise the use of natural resources.

4. Board Meetings

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

Six (6) Board Meetings, that include a Special Board Meeting, were held during the year ended 31 December 2013 to deliberate and resolve significant issues in relation to strategic, operational, financial, corporate and regulatory matters affecting the Group. Details of the attendance of the Directors are as follows:

No	Directors	Directorship	Attendance
1	YBhg. Tan Sri Dato' Kamaruzzaman Bin Shariff	Chairman/Independent Non-Executive Director	6/6
2	Dato' Ramli Bin Yusuff	Deputy Chairman/Non-Independent Non-Executive Director	5/6
3	Mr. Wong Kit-Leong	Executive Director/CEO	6/6
4	Mr. Chow Seck Kai	Independent Non-Executive Director	6/6
5	Mr. Dimitrios Pantazaras	Independent Non-Executive Director	6/6
6	Datuk Seri Panglima Sulong Matjeraie	Independent Non-Executive Director	2/2
7	Dato' Thong Kok Khee	Non-Independent Non-Executive Director	5/6
8	Datin Chan Bee Leng	Non-Independent Non-Executive Director	4/6
9	Mr. Donatian Felix Dorairaj	Non-Independent Non-Executive Director	6/6
10	Mr. Low Kheng Lun	Non-Independent Non-Executive Director	5/6
11	Dato' Mah Siew Kwok	Non-Independent Non-Executive Director	2/2

All Directors have complied with the minimum requirements on attendance at Board meetings as stipulated in the Listing Requirements of Bursa Securities (minimum 50% attendance).

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

5. 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. The final decisions on all matters are determined by the Board as a whole.

Audit Committee

The Audit Committee assists and supports the Board's responsibility to oversee the Group's operations by providing a means for review of the Group's processes for producing financial data, its internal controls, risk management process and independence of the Group's external and internal auditors. The composition, summary of activities and terms of reference of the Audit Committee have been laid out in the Audit Committee Report from pages 23 to 26 of this Annual Report.

Nomination Committee

The Nomination Committee comprises entirely of Non-Executive Directors, the majority of whom are Independent Directors. The Committee shall meet at least once a year or as and when deemed fit and necessary.

The composition of Nomination Committee and details of attendance of each member at the Committee meeting held during the financial year ended 31 December 2013 are set out below:

Directors	Directorship	Attendance
YBhg. Tan Sri Dato' Kamaruzzaman Bin Shariff (Chairman)	Chairman/Independent Non-Executive Director	2/2
Mr. Donatian Felix Dorairaj	Non-Independent Non-Executive Director	1/2
Mr. Dimitrios Pantazaras	Independent Non-Executive Director	2/2
Datuk Seri Panglima Sulong Matjeraie *(Appointed on 24 April 2014)*	Independent Non-Executive Director	N/A
Dato' Mah Siew Kwok *(Appointed on 24 April 2014)*	Non-Independent Non-Executive Director	N/A

The duties and responsibilities of the Nomination Committee are as follows:

- To recommend to the Board of Directors, new candidates for all directorships recommended by the Shareholders or the Board of Directors. In making its recommendations, the Nomination Committee would consider the candidates':
  - skills, knowledge, expertise and experience;
  - professionalism;
  - integrity; and
  - in the case of the candidates for the position of Independent Non-Executive Directors, the Nomination Committee would evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors;
- To consider, in making its recommendations, candidates for directorships proposed by the Executive Director/CEO and within the bounds of practicability, by any other senior executive or any Director or Shareholder;
- To make recommendations to the Board on the appointment or re-appointment of Directors including Directors who are retiring for re-election during the Annual General Meeting of the Company;
- To recommend to the Board of Directors, directors to fill the seats on Board Committees established by the Board;
- To assess annually the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each existing individual Director and thereafter, recommend its findings to the Board of Directors;
- To assess on an annual basis, the independence of the Independent Non-Executive Directors;
- To ensure that all directors undergo appropriate induction programs and receive continuous training;

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

- To review the succession plans for Directors and give full consideration in particular the course of its work, taking into account the challenges and opportunities facing the company, and the skills and expertise needed on the board in the future;
- To oversee appointment, management succession planning and performance evaluation of key senior officers, and recommending to the Board of Directors the removal of key senior officers if they are ineffective, errant and negligent in discharging their responsibilities;
- To review annually the required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board and thereafter, recommend its findings to the Board of Directors;
- To take the necessary steps to ensure that women candidates are sought as part of the Company's recruitment exercise to meet the gender diversity policy recommended by the MCCG 2012; and
- To apply the process as determined by the Board of Directors, for assessing the effectiveness of the Board as a whole, the committees of the Board, and for assessing the contribution of each individual director, including Independent Non-Executive Directors, as well as the CEO where all assessments and evaluations carried out by the Committee in the discharge of all its functions should be properly documented.

Remuneration Committee

The Remuneration Committee comprises wholly or mainly of Non-Executive Directors. The Committee shall meet at least once a year or as and when deemed fit and necessary. No Remuneration Committee meeting is held during the financial year ended 31 December 2013.

The composition of Remuneration Committee is set out below:

Directors	Directorship
YBhg. Tan Sri Dato' Kamaruzzaman Bin Shariff (Chairman)	Chairman/Independent Non-Executive Director
Mr. Chow Seck Kai	Independent Non-Executive Director
Dato' Thong Kok Khee	Non-Independent Non-Executive Director
Datuk Seri Panglima Sulong Matjeraie *(Appointed on 24 April 2014)*	Independent Non-Executive Director
Dato' Mah Siew Kwok *(Appointed on 24 April 2014)*	Non-Independent Non-Executive Director

The objective and functions of the Remuneration Committee is to set the policy framework and to make recommendations to the Board on all elements of the remuneration, terms of employment, reward structure and fringe benefits for the Executive Director(s) and other selected top management positions with the aim to attract, retain and motivate individuals of highest caliber.

6. Supply of Information

All Directors have access to draft quarterly management accounts of the Group. The Board continuously improves reporting procedures and ensures that timely information is supplied to Board members before Board meetings.

As a matter of best practice and to allow ample time for the Directors to consider the relevant information, Board papers and agenda items are to be circulated in advance of the meeting. It is recommended that when there is a need to table a report, a brief of previous findings and/or recommendations are prepared. Other Board materials are provided to all Directors on a regular basis to enable them to monitor the financial and operational performance of the Group. Senior Management 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.

The Chairman of the respective Board Committees are also required to report the outcome of the Committee meetings to the Board and such reports are incorporated as part of the minutes of the Board meetings.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

All Directors have the same right of access to information relevant to the furtherance of their duties and responsibilities as Directors of the Company.

Directors are also empowered to seek such external independent professional advice as they may require, at the expense of the Company, to enable them to make well-informed decisions.

7. Company Secretaries

All members of the Board have direct access to the advice and services of the Company Secretaries. The Board ensures that the Company Secretaries appointed have the relevant experiences and skills.

The Company Secretaries are responsible for ensuring the Board procedures are followed, that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation. The Company Secretaries advise the Board on issues relating to corporate governance, compliance with laws, rules, procedures and regulatory requirements.

The Company Secretaries attend and ensure that all Board meetings are properly convened and that accurate and proper records of the proceedings and resolutions passed are taken and maintained in the statutory register of the Company. The Company Secretaries are also responsible for ensuring the Board procedures as well as statutory and regulatory requirements relating to the duties and responsibilities of the Directors are complied with. The Company Secretaries have the responsibility of ensuring that relevant procedures relating to the appointment of new Directors are properly executed.

8. Appointments to the Board

The principal objective of the Nomination Committee is to assist the Board in their responsibilities in nominating new nominees to the Board. The Nomination Committee also assesses the performance of the Directors of the Company on an on-going basis.

The Nomination Committee 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(s) or Board Committee member(s) rests with the Board as a whole.

In line with the recommendations of the MCCG 2012, the Board takes cognizance of gender diversity in the boardroom as recommended by the MCCG 2012 to promote the representation of women in the composition of the Board. Presently, there is one (1) female Director on the Board of the Company. The Company does not have a policy on gender diversity at present. In its selection for Board representation, the Board membership is dependent on each candidate's skills, experience, core competencies and other qualities, regardless of gender. Nevertheless, the Board will give consideration to the gender diversity objectives in the coming years.

The Directors also observe the recommendation of the MCCG 2012 that they are required to notify the Chairman before accepting any new directorship and to indicate the time expected to be spent on the new appointment.

9. Re-appointment and Re-election of Directors

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 ("AGM") held after their appointment. The AA also provides that at least one third of the Directors (including Managing Director) be subject to re-election by rotation at each AGM, 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.

Section 129(2) of the Companies Act, 1965 ("the Act") states that the office of a director of a public company or its subsidiary of a public company who is over the age of seventy years shall become vacant at the conclusion of the AGM. Nevertheless, Section 129(6) of the Act provides provision that the Director may be appointed or reappointed as a Director of the Company by the shareholders at the AGM of the Company and to hold office until the next AGM of the Company.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

The performance of Directors who are subject to re-appointment and re-election at the AGM will be assessed by the Nominating Committee whereupon recommendations are submitted to the Board for decision on such proposed re-appointment and/or re-election of the Directors concerned for the shareholders' approval at the forthcoming AGM.

The Directors who are standing for re-appointment and re-election at the forthcoming 40th AGM of the Company to be held on 18 June 2014 are as stated in the Notice of the 40th AGM.

10. Directors' Training

The Board acknowledges that continuous education is vital in keeping them abreast with corporate developments. The 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, from time to time.

During the financial year ended 31 December 2013 and up to the date of this report, the Directors have attended the following course:

Course Attended
Advocacy Sessions On Corporate Disclosure for Directors of Listed Issuers
Audit Committee Conference 2014
The Corporate Governance Guide
Goods and Services Tax Seminar

In addition, during the financial year under review, all Directors were also advised of developments of changes to relevant law and regulatory requirements and suitable training and education programmes were identified for their participation from time to time.

The Directors will continue to undergo other relevant training programmes and seminars from time to time as they consider necessary to equip themselves with the relevant knowledge and ideas to discharge their duties effectively.

B. DIRECTORS' REMUNERATION

The Remuneration Committee comprises wholly or mainly of Non-Executive Directors. The details are set out on page 13 of this Annual Report.

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.

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.

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 as below:

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

The details of the remuneration of the Directors of the Company for the financial year ended 31 December 2013 are as follows:

Directors' Remuneration	Executive Directors RM'000	Non-Executive Directors RM'000	Total RM'000
Fees	-	-	-
Salary and other emoluments	322	276	598
EPF	38	-	38
Benefit-in-kind	70	-	70
Total	430	276	706

The number of Directors of the Company whose total remuneration for the financial year ended 31 December 2013 that fall within the following band is as follows:

Range of Remuneration	Number of Directors (Executive)	Number of Directors (Non-Executive)
RM50,000 and below	-	10
RM400,001 to RM450,000	1	-

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 MMLR of Bursa Securities, 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.

Apart from complying with the continuing disclosure requirements as stipulated in the MMLR of Bursa Securities, the Board also observes the recommendation of the MCCG 2012 which regard to strengthening communication and engagement with the shareholders.

A 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.

The following are some of the channels used by the Company to disseminate information on a timely basis to the shareholders and the investing public:

a. Annual Report communicates comprehensive information of the financial results and activities undertaken by Group.
b. The AGM has been the main forum of dialogue for the shareholders to raise their concerns, if any, pertaining to the Company.
c. Quarterly announcements and corporate disclosures to Bursa Securities are available on the website www.bursamalaysia.com.
d. Press releases provide up-to-date information on the Group's key corporate initiatives and new product and service launches.
e. The Company's website www.hohupgroup.com.my provides corporate information of the Group.

The Group's website is updated from time to time to provide current and comprehensive information about the Group.

The Board believes that on-going communication with shareholders is vital to shareholders and investors to make informed investment decisions.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

2. Annual General Meeting

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

At each AGM, the Board presents the progress and performance of the business and encourages shareholders to participate in the question and answer session. The Executive Director/CEO and the Chairman of the Audit Committee, where appropriate, are available to respond to shareholders' questions during the meeting.

Recommendation 8.2 of the MCCG 2012 recommends that the Board should encourage poll voting for substantive resolutions. The Board will evaluate the feasibility of carrying out electronic polling at its general meetings in future.

D. CORPORATE DISCLOSURE POLICY

The Company recognises the value of transparent, consistent and coherent communications with the investing community consistent with commercial confidentiality and regulatory considerations.

The Company is committed to ensure that communications to the investing public regarding the business, operations and financial performance of the Company are accurate, timely, factual, informative, consistent, broadly disseminated and where necessary, information filed with regulators is in accordance with applicable legal and regulatory requirements.

E. 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.

F. ACCOUNTABILITY AND AUDIT

1. Financial Reporting

The Directors are responsible for presenting a balanced, and easy to comprehend assessment of the Group's position and prospects to shareholders, investors and regulatory authorities. The quarterly results and annual financial statements are reviewed by the Audit Committee and recommended to the Board for approval before releasing to the public, via the Bursa website. The Audit Committee also reviews the appropriateness of the Company's and Group's accounting policies and the changes to these policies as well as ensures the financial statements comply with accounting standards and other regulatory requirements. The Statement of Directors pursuant to Section 169 of the Act is set out on page 52 whereas the Statement of Responsibility by Directors pursuant to Paragraph 15.27(a) of the MMLR of Bursa Securities is on page 27 of this Annual Report.

The details of the financial statements of the Company are set out on pages 45 to 125 of this Annual Report.

2. Risk Management and 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 is 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 material misstatements, losses and fraud.

The Audit Committee and Board 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 Risk Management and Internal Control as set out on pages 20 to 22 of this Annual Report.

3. Relationship with the auditors

The Board has established formal and transparent relationships with both Internal and External Auditors through the Audit Committee.

The External Auditors are regularly invited to attend the scheduled meetings of the Audit Committee during the period and AGM of the Company. The Audit Committee also had private meetings discussions with the External Auditors at least twice in a year, without the presence of the Executive Directors and the Management.

The role of the Audit Committee in relation to the auditors is stated in the Audit Committee's Terms of Reference on pages 23 to 26 of this Annual Report.

OTHER INFORMATION REQUIRED BASED ON THE LISTING REQUIREMENTS

1. Sanction and/or Penalties

For the financial year ended 31 December 2013, there were no sanctions nor any material penalties imposed on the Company or its subsidiaries, directors or management by the relevant regulatory bodies.

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 29 of the financial statements during the financial year ended 31 December 2013.

3. Non-audit Fees

During the financial year ended 31 December 2013, 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 RM116,000.

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 2013.

6. Options or Convertible Securities

There were no options or convertible securities exercised during the financial year ended 31 December 2013.

7. Depository Receipt Programme ("DRP")

The Group did not sponsor any DRP during the financial year ended 31 December 2013.

8. Profit Estimation, forecast or projection

The Company issued Circular to Shareholders in relation to the Proposed Regularisation Exercise for its profit estimation and forecast on 17 September 2013.

9. Variation in Results

There was no variance of 10% or more between the audited results for the financial year ended 31 December 2013 and the unaudited results previously announced by the Company for the quarter ended 31 December 2013.

10. Profit Guarantee

During the financial year ended 31 December 2013, there was no profit guarantee given by the Group and the Company.

OTHER INFORMATION REQUIRED BASED ON THE LISTING REQUIREMENTS (CONT'D)

11. Utilisation of Proceeds

Under the Regularisation Exercise, the Company had raised RM51.0 million gross proceeds from the Rights Issue of Irredeemable Convertible Preference Shares ("ICPS") with Warrants based on the issue price of RM0.50 per ICPS. The status of utilisation of proceeds raised as at the date of this report are described as below:

	Proposed Utilisation RM'000	Actual Utilisation RM'000	Expected Timeframe for Utilisation
To fund future projects	8,000	-	Within 24 months from the listing of the ICPS
To repay term loan	40,000	40,000	
Estimated expenses in relation to the Regularisation Exercise	3,000	1,591	The actual expenses are lower than the actual amount budgeted, the excess will be utilized for working capital purposes to be utilized within 24 months from the listing of the ICPS
Total Proceeds	51,000	41,591	

12. Recurrent Related Party Transactions of A Revenue Nature

The related party transactions are set out in the notes to the financial statements in which the transactions were carried out on terms and conditions not materially different from those obtainable from transactions with unrelated parties.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Malaysian Code on Corporate Governance 2012 requires listed companies to maintain a sound system of risk management and internal controls to safeguard shareholders' investments and the Group's assets. The Bursa Malaysia Securities Berhad's ("Bursa Securities") Listing Requirements require directors of public listed companies to include a statement in their annual reports on the state of their risk management and internal controls framework. The Bursa Securities' Statement on Risk Management and Internal control: Guidelines for Directors of Listed Issuers ("Guidelines") provides guidance for compliance with these requirements. The below Statement on Risk Management and Internal Control has been prepared in accordance with the Guidelines which outlines the nature and scope of internal controls of the Group during the financial year ended 31 December 2013 .

RESPONSIBILITY

The Board of Directors recognise the importance of a sound system of risk management and internal controls for good corporate governance. The Board acknowledges its primary responsibility to ensure that principal risks in the Group are identified, measured and managed with appropriate system of risk management and internal controls and to ensure that the effectiveness, adequacy and integrity of the risk management and internal control systems are reviewed on an ongoing basis. The Board also acknowledges that a sound system of risk management and internal controls are designed to identify and manage rather than eliminate the risk of failure to achieve the Group's business objectives. A sound system of risk management and internal controls therefore provide reasonable, but not absolute assurance against any risk of material misstatement or financial losses.

THE GROUP'S RISK MANAGEMENT FRAMEWORK

The Board acknowledges that the Group's business activities involve certain degree of risks and that an effective risk management practice is essential for the Group in pursuit of its corporate objectives. Key management personnel and Heads of Departments are delegated with responsibilities to manage key risks associated with the respective departments.

The Board maintains an on-going commitment to enhance the Group's control environment and processes. During management's periodic meetings, the key risks relating to the Group's operations, strategic and business plans are deliberated. Significant risks identified by the Management are also brought to the attention of the Board at their scheduled meetings. Management with the facilitation of external consultants had updated the Group's key risk profiles which were presented to the Audit Committee in the financial year ended 31 December 2012 and there is no further update for financial year ended 31 December 2013.

The abovementioned practices/initiatives put in place by the Board serve as an on-going process used to identify, evaluate and manage significant risks.

In the past few years, given the Practice Note ("PN") 17 status, the Group faces many challenges and limitations which include cashflow constraints, staff resignations and project-related issues. Resulting from the above constraints and limitations placed on the Management, the Group's strategic, financial, organisational and compliance structures were subject to the following key risks listed below. However, the successful completion of the Regularisation Plan and listing of Irredeemable Convertible Preference Shares ("ICPS"), Redeemable Convertible Preference Shares ("RCPS") and Warrants on 31 December 2013 has put the Group on a strong footing to implement its projects and normalise its operations. This is the major milestone achieved by the Group and moving forward, the Group's performance is expected to improve and the following risks will be addressed.

1. Liquidity risk

   A combination of factors which include delay in handling over vacant possession for property development and material litigation may pose liquidity risks in the Group.

2. Litigation risk

   The Group may face unknown contingency liabilities due to past issues or disputes with customers, suppliers and business partners.

3. Sustainability of business

   On 31 December 2013, the Regularisation Plan of the Group was completed with the listing of ICPS, RCPS and Warrants. The Group's current effort is to seek approvals for early upliftment from its PN17 status. The Group is also focused on executing the property development and construction projects started in 2012. The long-term strategy/roadmap to ensure the sustainability of business will be developed.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

4. Investment Risk

   Decision on any major investments would pose a challenge on Ho Hup's resources and liquidity. Potential adverse impact from ineffective investment execution is that the business performance of Ho Hup will be significantly affected should the investment sum involved is substantial. The Group has modified its previous business model. It will not emphasize projects that require large sums of capital investment for example, heavy investment in equipment (which can be outsourced or leased) that will lock up working capital. The Group will focus on joint ventures and projects where Ho Hup has a strong track record and making use of project management and technical expertise.

5. Non-Performing Sub-Contractors Risk

   In carrying out the Group's projects, the Group places emphasis on working with suitable and reliable sub-contractors. Selection and appointment of sub-contractors is by tender evaluation by the Tender Committee based on the evaluation procedures in the International Standard Operation (ISO 9001: 2008).

6. Foreign Currency risk

   For overseas project for example in Iraq, the Group is paid in Iraqi Dinar for progress claims for its services. Any repatriation back to Malaysia will be subjected to fluctuation in the currencies and the Group could incur foreign currency gain or loss.

KEY FEATURES OF THE GROUP'S INTERNAL CONTROL SYSTEM

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

- Weekly management meeting led by the Executive Director/CEO to review, monitor and follow up on operational, financial and project matters;
- Financial results are reviewed quarterly by the Audit Committee and the Board;
- Established a structured Enterprise Risk Management Framework for the Group. This process involves the updating of the Group's key risk profile, prioritising of risks in terms of likelihood of their occurrence and the impact on the achievement of the Group's business objectives/goals;
- Outsourced the internal audit function to an independent advisory firm;
- Clear Group structure, reporting lines of responsibilities and appropriate levels of delegation;
- Documented policies, procedures and limits of approving authorities for key aspects of the businesses. This provides a sound framework of authority and accountability within the organisation and facilitates proper corporate decision-making at the appropriate level in the organisation's hierarchy;
- The Audit Committee convenes meeting on quarterly basis to deliberate on the findings and recommendations for improvement by the Group Internal Audit function and external auditors. The Audit Committee reviews the actions taken to rectify the findings in a timely manner and to evaluate the effectiveness and adequacy of the Group's internal control systems; and
- The Group has adopted a performance appraisal for the Executive Director/CEO. The Board has delegated the authority to the Executive Director/CEO to review and assess the performance of management. Senior management also conducts the performance appraisals for the staff on yearly basis.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

ASSURANCE MECHANISM

The Group's internal audit function is outsourced to an independent advisory firm. The outsourced internal auditors are engaged to assist the Board and the Audit Committee in providing independent assessment of the adequacy, efficiency and effectiveness of the Group's internal control systems. They report directly to the Audit Committee and internal audit plans are tabled to the Audit Committee for review and approval to ensure adequate coverage.

The Group's internal auditors table the results of their review of the business processes of different operating departments to the Audit Committee at their scheduled meetings. In addition, the status of the implementation of corrective actions to address control weaknesses is also followed up by the internal auditors to ensure that these actions have been satisfactorily implemented.

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

The Audit Committee Report set out on pages 23 to 26 contains further information on the Committee's activities as well as that of the outsourced internal auditors.

The Group's system of risk management and 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 Board to ensure that the above accords with the guidance as outlined in Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

BOARD'S COMMITMENT

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 risk management and internal control and will, when necessary, put in place actions to continuously improve and enhance the Group's system of risk management and internal control.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Securities Listing Requirements, the External Auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with Recommended Practice Guide ("RPG") 5 issued by the Malaysian Institute of Accountants ("MIA"). Based on their review, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of risk management and internal control of the Group. RPG 5 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal controls system of the Group.

CONCLUSION

For the financial year under review and up to the date of approval of this Statement on Risk Management and Internal Control, the Board is satisfied that the risk management and internal control system was satisfactory and has not resulted in any material loss, contingency or uncertainty. The Executive Director/CEO and the Chief Financial Officer ("CFO") have provided assurance to the Board that the Group's risk management and internal control system, in all material aspects, are operating adequately and effectively.

This statement is made in accordance with a resolution of the Board of Directors dated 24 April 2014.

AUDIT COMMITTEE REPORT

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2013.

1. 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.

2. 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.	Mr. Chow Seck Kai Chairman/Independent Non-Executive Director	Appointed on 13 May 2010 and subsequently appointed as Audit Committee Chairman on 19 August 2010
2.	Dato' Ramli Bin Yusuff Non-Independent Non-Executive Director	Appointed on 19 August 2010
3.	Mr. Dimitrios Pantazaras Independent Non-Executive Director	Appointed on 9 September 2011

3. Frequency of Meetings

For the financial year under review, the Committee met five (5) times. The details of the attendance of the Committee members are as follows:

No.	Name of Committee Member	Attendance
1	Mr. Chow Seck Kai	5/5
2	Dato' Ramli Bin Yusuff	5/5
3	Mr. Dimitrios Pantazaras	4/5

4. Terms of Reference

4.1 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 Malaysia Securities Berhad ("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.

AUDIT COMMITTEE REPORT (CONT'D)

4.2 Retirement and resignation

If a member of the Audit Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall within three (3) months of the event appoint such number of new members as may be required to fill the vacancy.

4.3 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.

4.4 Secretary of the Audit Committee

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.

4.5 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.

The Chairman of the Audit Committee shall engage on a continuous basis with Senior Management, such as the Chairman of the Board, the Executive Director/CEO, the CFO, the head of internal auditor and the external auditors in order to be kept informed of matters affecting the Company.

The CFO, a representative of the internal and 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.

4.6 Circular Resolutions

A resolution in writing signed by ALL shall be as valid and effectual as if it had been passed at a Meeting of the Audit Committee duly called and constituted.

4.7 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.

AUDIT COMMITTEE REPORT (CONT'D)

4.8 Authority

The Audit Committee shall, in accordance with a procedure to be determined by the Board of Directors 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.
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 Main Market Listing Requirements of Bursa Securities, 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 and Management, whenever deemed necessary.

4.9 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.
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 remit of the internal audit function;
m. To consider other topics as defined by the Board;

AUDIT COMMITTEE REPORT (CONT'D)

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 scorecard 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 during the financial year under review are 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 recommended to the Board before announcements to Bursa Securities to ensure compliance with regulatory requirement such as Main Market Listing Requirements of Bursa Securities, Malaysian Accounting Standard Board, and other relevant legal and regulatory requirements;
- reviewed the Internal Audit Reports prepared by the internal auditors on quarterly basis and to ensure that the management takes corrective actions and resolves the issues highlighted in the audit reports.
- reviewed and approved the Audit Planning Memorandum and the scope of works to ensure coverage on key risk areas.

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 four (4) cycles of internal audit as stipulated on the approved internal audit strategy.

The internal audit function was outsourced to Columbus Advisory Sdn. Bhd. The total costs incurred for the internal audit function of the Group in year 2013 amounted to RM64,000.

STATEMENT OF RESPONSIBILITY BY DIRECTORS

IN RESPECT OF THE PREPARATION OF THE ANNUAL AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 1965 ("the Act") to ensure that the financial statements for each financial year give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of the results and cash flows of the Group and of the Company for the financial year. As required by the Act and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the financial statements have been prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Act.

In preparing the financial statements, the Directors have applied the appropriate and relevant accounting policies on a consistent basis; made judgements and estimates that are reasonable and prudent; and prepared the annual audited financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and the Company keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the Act in Malaysia.

The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

The financial statements of the Group and of the Company for the financial year ended 31 December 2013 are presented on pages 45 to 125 of this Annual Report.

This statement is made in accordance with a resolution of the Board of Directors dated 24 April 2014.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

As I was preparing this statement in early May 2014, the Company received the wonderful news from Bursa Malaysia Securities Berhad ("Bursa Securities") that our application for an early upliftment from PN17 designation had been approved.

It is truly with great pride that I present to you, on behalf of the Board, Ho Hup Construction Company Berhad's ("Ho Hup" or "the Group" or "the Company") report for the financial year ended 31 December 2013 (FYE 2013).

During the FYE 2013, we cleared many hurdles, the most significant of which were, the successful completion of the Group's financial restructuring scheme and our return to operational profits. Equally important, we have restored our financial position to a robust and healthy state, and laid a strong foundation to sustain the growth of our core businesses – property development and construction.

It is against this positive backdrop that I present the operational and financial performance review of the Group and the Company for FYE 2013.

FINANCIAL PERFORMANCE

Total revenue of the Group rose RM109.4 million or 273.6% in the FYE 2013 to RM149.4 million from RM40.0 million in the previous financial year. The revenue came mainly from the construction and property development divisions, which contributed 55.7% and 22.3% respectively to total Group revenue.

The Group's net profit after tax was RM27.7 million, turning around from a net loss after tax of RM11.8 million in FYE 2012. Earnings per share (EPS) improved from negative to 22.1 sen in FYE 2013.

As a result of the profit for the year and the fund raising through the issuance of Irredeemable Convertible Preference Shares ("ICPS") with Warrants under the restructuring exercise, the Group's a shareholders' equity rise to RM89.4 million from a shareholders' deficit of RM50.8 million in FYE 2012.

REVIEW OF BUSINESS PERFORMANCE

The construction division which was reactivated following the Company's successful bid for projects in Malaysia's Southern state, Johor and Iraq, achieved a profit after tax of RM10.0 million compared to a loss after tax of RM12.6 million in the preceding year, RM14.1 million of the profit came from the gain on disposal of an associated company in Shanghai, China.

Our new business model which involves relatively lower capital investment by sub-contracting the entire project to third parties enabled the Company to achieve profits from the construction division, albeit at lower margins.

Work on the Group's construction projects, secured in late 2012, are progressing well. These are the (i) the construction of an integrated army complex in Johor ("Kem Askar Project") with a provisional contract value of RM87.0 million to be completed by first quarter of 2015; and (ii) the design and execution of civil and electro-mechanical works, supply and installation of equipment and pipes, operating and maintenance works for a water treatment plant in Baghdad, Iraq ("Al-Zohour Project") which has a provisional contract value of approximately RM258.9 million (equivalent to Iraqi Dinar 100.3 billion) to be completed by first quarter of 2015.

In FYE 2013, the construction division secured another new project in Iraq that involved preparing, developing and maintaining the Baghdad – Holy Karbala Road "Second Stage" (28km) ("Karbala Project"). This project has a provisional contract value of approximately RM61.3 million (equivalent to Iraqi Dinar 23.6 billion) and is expected to be completed by the second quarter of 2014.

The success of our Group's bids is partly due to Ho Hup's impressive previous track record in the industry and is indicative of the support the Group continues to enjoy.

The property development division continues to enjoy strong demand. Following the successful launch of our Parcel A's Aurora Place in September 2012, we launched the Smart Office Versatile Office (SOVO) tower project in September 2013. These projects are part of the development of our 60 acres in the up coming Bukit Jalil City Centre.

The 3, 4 and 5 stories shop offices in Aurora Place were fully sold in 2013 while the take up rate for the SOVO has been very encouraging.

The property development division contributed a profit after tax of RM17.8 million on revenue of RM33.3 million in FYE 2013, compared with an after tax profit of RM1.3 million on revenue of RM12.5 million a year earlier. Revenue and profit after tax for FYE 2013 were mainly derived from progress of the development of Parcel A's shop offices and the launch of SOVO in the FYE 2013.

CHAIRMAN'S STATEMENT (CONT'D)

COMPLETION OF REGULARISATION PLAN

After four years of intense efforts, the regularisation plan of the Group was completed on 31 December 2013, with the listing of ICPS, Redeemable Convertible Preference Shares ("RCPS") and Warrants.

In the run-up to the completion, shareholders had on 10 October 2013, approved the Proposed Regularisation Exercise at the Extraordinary General Meeting and on the same date, the Proposed Scheme of Arrangement with Ho Hup's and BJD's Creditors was approved by the respective Creditors in the Court Convened Meetings.

Under the scheme of arrangement of its subsidiary, BJD, BJD's creditors will be repaid in full in four (4) quarterly instalments, the first and second instalments were paid out end January and April 2014. Thereafter, the repayment shall be paid every three (3) months.

Under the Regularisation Exercise, the Group had raised RM51.0 million gross proceeds from the Rights Issue of ICPS with Warrants based on the issue price of RM0.50 each. As at date of this Report, the Group had utilised approximately 81.6% from the total proceeds, of which was mainly for repayment of term loan for acquiring the 30% BJD's shares.

In accordance with the PN17 Section 5.2(c) of Main Market Listing Requirements ("Listing Requirements") of Bursa Securities, a company that undertakes a regularisation plan which does not result in a significant change in the business direction or policy of the PN17 company must record a net profit for two (2) consecutive quarterly results immediately after completing implementation of the plan.

On 2 May 2014, Bursa Securities approved the Company's application for an early upliftment of the PN17 designation with effect from 5 May 2014.

ACQUISITION OF 30% IN BUKIT JALIL DEVELOPMENT SDN. BHD. ("BJD")

In another very positive development, on 7 March 2014 the Company completed its buy-out of the remaining 30% shares in BJD pursuant to a High Court Order dated 18 July 2013. With the completion of the buy-out, BJD became a wholly-owned subsidiary of the Company (Kindly refer to Note 33 (vi) of the financial statements).

FUTURE PROSPECTS OF THE GROUP

Following the exit from PN17 status, the Company will focus on rebuilding the Group's construction and development projects portfolio. We are actively exploring opportunities and bidding for construction projects where the Group has expertise and track record and we anticipate that there will be sufficient opportunities with the continuing development of infrastructure projects in the country.

The Group also intends to build a portfolio of development projects and increase its land bank, either via joint ventures or outright acquisitions.

A NOTE OF THANKS

On behalf of the Board, I wish to express my sincere appreciation to our shareholders, valued customers, consultants, financiers and business associates for their confidence and continuous support during this very challenging period of the Company's restructuring. Their invaluable support and assistance enabled us to successfully complete the exercise.

The Board would also like to thank all our staff and the management for their unflinching commitment to their jobs and the tasks at hand despite the challenges and hurdles that often cropped up. Without their dedication, FYE 2013 would not have been such a success that it was.

YBHG. TAN SRI DATO' KAMARUZZAMAN BIN SHARIFF
Chairman

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Revenue and Loss/Profit After Tax By Division

	<---------- Revenue ---------->				(Loss)/Profit After Tax	
	2013		2012		2013	2012
	RM'000	%	RM'000	%	RM'000	RM'000
Construction	83,168	55.7	2,813	7.0	9,956	(12,588)
Property Development	33,341	22.3	12,548	31.4	17,783	1,265
Ready-Mix Concrete	32,854	22.0	24,615	61.6	(8)	(294)
Others	-	-	-	-	16	(141)
Total	**149,363**	**100.0**	**39,976**	**100.0**	**27,747**	**(11,758)**

Overall, the total revenue of the Group recorded an increase of RM109.4 million or 273.6% in the financial year ended 31 December 2013 ("FYE 2013") as compared to the financial year ended 31 December 2012 ("FYE 2012"). The increase was contributed by all divisions with construction division as the main contributor at 55.7% of the total revenue of the Group in FYE 2013.

For the FYE 2013, the Group recorded a profit after tax of RM27.7 million compared to a loss after tax of RM11.8 million in 2012. The profit of the Group for FYE 2013 was mainly contributed from property development and construction division which is explained below.

Construction Division

Construction Division registered a significant increase in revenue of RM80.4 million or 2,856.6% during the FYE 2013 as compared to FYE 2012.

In the 3rd quarter of FYE 2012, the construction division was reactivated and succeeded in securing two projects, (i) the construction of an integrated army complex in Johor ("Kem Askar Project") with a provisional contract value of RM87.0 million and (ii) the design and execution of civil and electro-mechanical works, supply and installation of equipment and pipes, operating and maintenance works for a water treatment plant in Baghdad, Iraq ("Al-Zohour Project") which has a provisional contract value of approximately RM258.9 million (equivalent to Iraqi Dinar 100.3 billion). Revenue recognition from the new projects was minimal in FYE 2012 as the projects were at very initial stages.

In FYE 2013, the construction division secured another new project in Iraq for preparing, developing and maintaining the Baghdad – Holy Karbala Road "Second Stage" (28km) ("Karbala Project") which has a provisional contract value of approximately RM61.3 million (equivalent to Iraqi Dinar 23.6 billion).

The Al-Zohour and Karbala Projects contributed to 66.1% of the Construction Division's revenue in FYE 2013.

The Construction Division recorded a profit after tax of RM10.0 million in FYE 2013 as compared to a loss after tax of RM12.6 million in the preceding year. The profit in 2013 was mainly due to a gain on disposal of an associated company in Shanghai and contribution from the projects in Johor and Iraq.

Property Development Division

Bukit Jalil Development Sdn. Bhd. ("BJD"), a subsidiary company of the Company owns a 60-acre commercial prime land covering 243,000 square metre held under the Master Title Geran No. 42277, Lot No. 36101. Located within the Bandar Bukit Jalil, it is a near-oval shaped parcel of freehold commercial land ('The 60-Acres Land").

Development of The 60-Acres Land which comprises of the joint development with Pioneer Haven Sdn. Bhd. (a subsidiary of Malton Berhad) and BJD's own development provides a firm and sustainable basis to turn around the Group's financial position. Parcel A is the first phase of the 10 acres to be developed by BJD consisting of 64 units of 3, 4 and 5 stories of shop offices and a 15-storey Smart Office Versatile Office ("SOVO") which were launched in September 2012 and September 2013 with an estimated GDV of RM258.1 million and RM112.6 million respectively.

With the reactivation of the property development activities towards the end of the 2012, the property development division registered an after tax profit of RM17.8 million on a revenue of RM33.3 million for FYE 2013, compared to an after tax profit of RM1.3 million on revenues of RM12.5 million registered in the preceding year.

Revenue and profit after tax for FYE 2013 were mainly derived from progress of the development of Parcel A's shop offices and the launch of the SOVO. Besides, deferred tax income recognised in respect of prior year's losses of BJD had also contributed to the profit after tax in the FYE 2013.

Ready-Mix Concrete Division

The ready-mix concrete division registered an after tax loss of RM8,000 despite a higher revenue of RM32.9 million in FYE 2013 , compared to an after tax loss of RM0.3 million on a revenue of RM24.6 million in FYE 2012. This was mainly due to the set up cost for the new plants in Putrajaya and Subang.

The division currently has six (6) operating batching plants located in Bukit Jalil, Meru, Cheras, Jinjang, Subang and Putrajaya. The Bukit Jalil plant, being the most active and strategically located due to heavy development and construction activities in the locality, was the main contributor to the higher turnover in FYE 2013.

ANALYSIS OF SHAREHOLDINGS

AS AT 30 APRIL 2014

ORDINARY SHARES

Authorised Share Capital	:	RM495,000,000.00
Issued and Fully Paid-Up	:	RM109,780,313.00 comprising 219,560,626 Ordinary Shares of RM0.50 each
Class of Shares	:	Ordinary Share of RM0.50 each
No. of Shareholders	:	3,672
Voting Rights	:	One Vote Per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No of Ordinary Shares	%
1-99	132	3.60	2,918	~
100-1,000	369	10.05	222,865	0.10
1,001-10,000	2,030	55.28	10,187,195	4.64
10,001-100,000	910	24.78	35,072,927	15.97
100,001-10,978,030*	229	6.24	126,508,792	57.62
10,978,031 and above**	2	0.05	47,565,929	21.67
Total	3,672	100.00	219,560,626	100.00

Notes:

~ Negligible
* Less than 5% of issued shares
** 5% and above of issued shares

DIRECTORS' SHAREHOLDINGS BASED ON THE REGISTER OF DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct Shareholdings	%#	Indirect Shareholdings	%#
YBhg. Tan Sri Dato' Kamaruzzaman Bin Shariff	1,000	~	-	-
Dato' Ramli Bin Yusuff	1,000	~	-	-
Chow Seck Kai	1,284,600	0.57	-	-
Donatian Felix Dorairaj	-	-	455,000(1)	0.20
Wong Kit-Leong	-	-	27,361,000(2)	12.17
Dimitrios Pantazaras	-	-	-	-
Dato' Thong Kok Khee	-	-	11,010,700(3)	4.90
Datin Chan Bee Leng	-	-	33,118,429(4)	14.74
Low Kheng Lun	-	-	24,450,929(5)	10.88
Dato' Mah Siew Kwok	5,412,000	2.41	28,661,000(6)	12.75
Datuk Seri Panglima Sulong Matjeraie	-	-	-	-

Notes:

~ Negligible

The computation is calculated based on total number of ordinary shares of 224,740,726 as at 30 April 2014 after allotment of new ordinary shares arising from conversion of Irredeemable Convertible Preference Shares ("ICPS") and Redeemable Convertible Preference Shares ("RCPS") which were allotted on 29 April 2014 and listed on 5 May 2014.

(1) Deemed interest pursuant to Section 6A of the Companies Act, 1965 ('the Act") for being a partner of Messrs. Dorairaj, Low & Teh.

(2) Deemed interest pursuant to Section 6A of the Act by virtue of his substantial shareholdings in Red Zone Development Sdn. Bhd., a substantial shareholder of Formis Resources Berhad which is the holding company of Formis Holdings Berhad.

(3) Deemed interest pursuant to Section 6A of the Act by virtue of his substantial shareholdings in Insas Berhad.

(4) Disclosure made pursuant to Section 134(12)(c) of the Act by virtue of her spouse's shareholding in the Company and her spouse's deemed interest in Low Chee Group Sdn. Bhd. (formerly known as Low Chee & Sons Sdn. Bhd.) ("LCG") and Estate of Low Chee pursuant to Section 6A of the Act.

(5) Deemed interest pursuant to Section 6A of the Act by virtue of his substantial shareholdings in LCG.

(6) Deemed interest pursuant to Section 6A of the Act by virtue of his substantial shareholdings in Formis Resources Berhad, the holding company of Formis Holdings Berhad and disclosure made pursuant to Section 134(12)(c) of the Act by virtue of his spouse's and daughter's shareholdings in the Company.

ANALYSIS OF SHAREHOLDINGS (CONT'D)

AS AT 30 APRIL 2014

LIST OF THIRTY LARGEST SHAREHOLDERS

	Name	No. of Shares	%
1.	RHB Nominees (Tempatan) Sdn. Bhd. Pledged Securities A/C for Low Chee Group Sdn. Bhd.	24,450,929	11.14
2.	M & A Nominee (Tempatan) Sdn. Bhd. Insas Credit & Leasing Sdn. Bhd. for Formis Holdings Berhad	23,115,000	10.53
3.	Insas Plaza Sdn. Bhd.	7,010,700	3.19
4.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities A/C for Mary Anne Woon Lai Kheng	5,950,000	2.71
5.	Mah Siew Hoe	4,720,000	2.15
6.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Mohamed Nizam Bin Abdul Razak (MY0888)	4,651,554	2.12
7.	HSBC Nominees (Asing) Sdn. Bhd. Exempt AN for Credit Suisse (SG BR-TST-Asing)	4,474,200	2.04
8.	AMSEC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Formis Holdings Bhd	4,246,000	1.93
9.	JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities A/C for Mah Siew Kwok (Margin)	3,412,000	1.55
10.	Citigroup Nominees (Asing) Sdn. Bhd. CIPLC for PHEIM SICAV-SIF	2,786,000	1.27
11.	Low Tuck Choy	2,607,500	1.19
12.	RHB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Low Tuck Choy	2,050,000	0.93
13.	M & A Nominee (Asing) Sdn. Bhd. Montego Assets Limited	2,000,000	0.91
14.	M & A Nominee (Asing) Sdn. Bhd. For Winfields Development Pte. Ltd.	2,000,000	0.91
15.	M & A Nominee (Tempatan) Sdn. Bhd. Insas Credit & Leasing Sdn. Bhd. for Mah Siew Kwok	2,000,000	0.91
16.	Kenanga Investment Bank Berhad IVT (HFT)	2,000,000	0.91
17.	TA Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Good Angle Sdn. Bhd.	2,000,000	0.91
18.	Lee Kit Yew	1,787,600	0.81
19.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Hong Leong Penny StockFund	1,634,000	0.74
20.	Lim Hwi Pheng	1,562,206	0.71
21.	Soo Chia Chiang	1,416,200	0.65
22.	HSBC Nominees (Asing) Sdn. Bhd. Exempt An for Morgan Stanley & Co. International PLC (Client)	1,300,000	0.59
23.	Chow Seck Kai	1,279,600	0.58
24.	Citigroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities A/C for Lau Chi Chiang (472016)	1,240,000	0.56
25.	Tee Hong Cheat	1,230,000	0.56
26.	Tara Technic Sdn. Bhd.	1,217,500	0.55
27.	Yap Siew Bee	1,200,000	0.55
28.	Chia Wan Chin	1,170,000	0.53
29.	RHB Nominees (Tempatan) Sdn. Bhd. DMG & Partners Securities Pte Ltd for Tee May Buan (92365)	1,100,000	0.50
30.	Specialist Grouting Engineers Sdn. Bhd.	1,026,782	0.47

ANALYSIS OF SHAREHOLDINGS (CONT'D)

AS AT 30 APRIL 2014

SUBSTANTIAL SHAREHOLDERS BASED ON THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct		Indirect	
Name	No. of Shares held	%#	No. of Shares held	%#
Formis Holdings Berhad	27,361,000	12.17	-	-
Low Chee Group Sdn. Bhd. (formerly known as Low Chee & Sons Sdn. Bhd.)	24,450,929	10.88	-	-
Dato' Mah Siew Kwok	5,412,000	2.41	28,661,000(1)	12.75
Dato' Low Tuck Choy	6,617,500	2.94	26,500,929(2)	11.79
Low Teik Kien	790,000	0.35	27,718,429(3)	12.33
Low Lai Yoong	482,500	0.21	24,450,929(4)	10.88
Formis Resources Berhad	-	-	27,361,000(5)	12.17
Red Zone Development Sdn. Bhd.	-	-	27,361,000(6)	12.17
Monteiro Gerard Clair	-	-	27,361,000(7)	12.17
Wong Kit-Leong	-	-	27,361,000(7)	12.17
Raymond Tan	-	-	27,361,000(7)	12.17
Datin Chan Bee Leng	-	-	33,118,429(8)	14.74
Low Kheng Lun	-	-	24,450,929(4)	10.88

Notes:

The computation is calculated based on total number of ordinary shares of 224,740,726 as at 30 April 2014 after allotment of new ordinary shares arising from conversion of Irredeemable Convertible Preference Shares ("ICPS") and Redeemable Convertible Preference Shares ("RCPS") which were allotted on 29 April 2014 and listed on 5 May 2014.

(1) Deemed interest pursuant to Section 6A of the Companies Act, 1965 ("the Act") by virtue of his substantial shareholdings in Formis Resources Berhad, the holding company of Formis Holdings Berhad ("FHB") and disclosure made pursuant to Section 134(12)(c) of the Act by virtue of his spouse's and daughter's shareholdings in the Company.

(2) Deemed interest pursuant to Section 6A of the Act by virtue of his substantial shareholdings in Low Chee Group Sdn. Bhd. (formerly known as Low Chee & Sons Sdn. Bhd.) ("LCG") and Estate of Low Chee.

(3) Deemed interest pursuant to Section 6A of the Act by virtue of his substantial shareholdings in LCG, Estate of Low Chee and Tara Technic Sdn. Bhd.

(4) Deemed interest pursuant to Section 6A of the Act by virtue of his/her substantial shareholdings in LCG.

(5) Deemed interest pursuant to Section 6A of the Act through its wholly-owned subsidiary, FHB.

(6) Deemed interest pursuant to Section 6A of the Act by virtue of its substantial shareholdings in Formis Resources Berhad, the holding company of FHB.

(7) Deemed interest pursuant to Section 6A of the Act by virtue of his substantial shareholdings in Red Zone Development Sdn. Bhd., a substantial shareholder of Formis Resources Berhad which is the holding company of FHB.

(8) Deemed interest pursuant to Section 6A of the Act by virtue of her husband, Dato' Low Tuck Choy's substantial shareholdings in LCG and Estate of Low Chee and her husband direct shareholdings in the Company.

ANALYSIS OF ICPS HOLDERS

AS AT 30 APRIL 2014

IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS")

Authorised Share Capital	:	RM2,000,000.00
Issued and Fully Paid-Up	:	RM762,906.08 comprising of 76,290,608 ICPS of RM0.01 each
Class of Shares	:	ICPS of RM0.01 each
No. of ICPS Holders	:	596

DISTRIBUTION OF ICPS HOLDINGS

Size of Holdings	No. of ICPS Holders	%	No of ICPS Held	%
1-99	4	0.67	196	~
100-1,000	68	11.41	34,883	0.05
1,001-10,000	376	63.09	1,549,100	2.03
10,001-100,000	122	20.47	3,796,900	4.98
100,001-3,814,529*	23	3.86	12,380,100	16.23
3,814,530 and above**	3	0.50	58,529,429	76.71
Total	596	100.00	76,290,608	100.00

Notes:

~ Negligible
* Less than 5% of issued ICPS
** 5% and above of issued ICPS

DIRECTORS' ICPS HOLDINGS BASED ON THE REGISTER OF DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct Holdings	%	Indirect Holdings	%
YBhg. Tan Sri Dato' Kamaruzzaman Bin Shariff	-	-	-	-
Dato' Ramli Bin Yusuff	-	-	-	-
Chow Seck Kai	5,000	0.01	-	-
Donatian Felix Dorairaj	-	-	-	-
Wong Kit-Leong	-	-	23,115,000(1)	30.30
Dimitrios Pantazaras	-	-	-	-
Dato' Thong Kok Khee	-	-	11,010,700(2)	14.43
Datin Chan Bee Leng	-	-	30,403,729(3)	39.85
Low Kheng Lun	-	-	28,403,729(4)	37.23
Dato' Mah Siew Kwok	157,700	0.21	23,115,000(5)	30.30
Datuk Seri Panglima Sulong Matjeraie	-	-	-	-

Notes:

(1) Deemed interest pursuant to Section 6A of the Companies Act, 1965 ("the Act") by virtue of his substantial shareholdings in Red Zone Development Sdn. Bhd., a substantial shareholder of Formis Resources Berhad which is the holding company of Formis Holdings Berhad.

(2) Deemed interest pursuant to Section 6A of the Act by virtue of his substantial shareholdings in Insas Berhad.

(3) Disclosure made pursuant to Section 134(12)(c) of the Act by virtue of her spouse's shareholding in the Company and her spouse's deemed interest in Low Chee Group Sdn. Bhd. (formerly known as Low Chee & Sons Sdn. Bhd.) ("LCG") and Estate of Low Chee pursuant to Section 6A of the Act.

(4) Deemed interest pursuant to Section 6A of the Act by virtue of his substantial shareholdings in LCG.

(5) Deemed interest pursuant to Section 6A of the Act by virtue of his substantial shareholdings in Formis Resources Berhad, the holding company of Formis Holdings Berhad.

ANALYSIS OF ICPS HOLDERS (CONT'D)

AS AT 30 APRIL 2014

LIST OF THIRTY ICPS HOLDERS

	Name	No. of ICPS	%
1.	RHB Nominees (Tempatan) Sdn. Bhd. Pledged Securities A/C for Low Chee Group Sdn. Bhd.	28,403,729	37.23
2.	M & A Nominee (Tempatan) Sdn. Bhd. Insas Credit & Leasing Sdn. Bhd. for Formis Holdings Berhad (HH)	23,115,000	30.30
3.	Insas Plaza Sdn. Bhd.	7,010,700	9.19
4.	M & A Nominee (Asing) Sdn. Bhd. Montego Assets Limited	2,000,000	2.62
5.	M & A Nominee (Asing) Sdn. Bhd. For Winfields Development Pte. Ltd.	2,000,000	2.62
6.	RHB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Low Tuck Choy	2,000,000	2.62
7.	Low Lai Yoong	880,000	1.15
8.	HSBC Nominees (Tempatan) Sdn. Bhd. Exempt An for Credit Suisse AG (SG-CLT-T-OS PR)	862,300	1.13
9.	CIMSEC Nominees (Asing) Sdn. Bhd. Pledged Securities Account for Noble Plan Sdn. Bhd.	791,100	1.04
10.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Teoh Ewe Jin (MY0829)	749,500	0.98
11.	Wong Ley Bing	450,000	0.59
12.	Khoo Siang Hsi @ Khoo Chen Nan	295,700	0.39
13.	Tan Sok Ing	259,000	0.34
14.	Kew Hoi Lam @ Hew Hoi Lam	246,000	0.32
15.	Chung May Ching	220,000	0.29
16.	HLB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Mah Wan Loong	205,300	0.27
17.	AMSEC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Michael Lau Kwong San @ Low Kwong San	200,000	0.26
18.	Lai Kam Keong	178,500	0.23
19.	Ng Khea Chuan	165,000	0.22
20.	JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities A/C for Mah Siew Kwok (Margin)	157,700	0.21
21.	Lim Bee Kua	131,400	0.17
22.	Ng Sing Lay	130,000	0.17
23.	Loong Caesar	123,500	0.16
24.	Lim Aik Hoe	115,000	0.15
25.	Yap Eng Huai	110,100	0.14
26.	Yong Voon Choon	110,000	0.14
27.	Mah Yin Fong	100,000	0.13
28.	Loh Fatt Chong	100,000	0.13
29.	Woo Sau Wa	100,000	0.13
30.	Abdul Malek Sabki Bin Ahmad Sabki	100,000	0.13

ANALYSIS OF RCPS HOLDERS

AS AT 30 APRIL 2014

REDEEMABLE CONVERTIBLE PREFERENCE SHARES ("RCPS")

Authorised Share Capital	:	RM3,000,000.00
Issued and Fully Paid-Up	:	RM365,329.12 comprising 36,532,912 RCPS of RM0.01 each
Class of Shares	:	RCPS of RM0.01 each
No. of RCPS Holders	:	117

DISTRIBUTION OF RCPS HOLDINGS

Size of Holdings	No. of ICPS Holders	%	No of ICPS Held	%
1-99	6	5.13	216	~
100-1,000	4	3.42	2,914	0.01
1,001-10,000	15	12.82	109,290	0.30
10,001-100,000	44	37.61	2,566,980	7.03
100,001-1,826,645*	46	39.32	17,176,738	47.02
1,826,646 and above**	2	1.70	16,676,774	45.64
Total	117	100.00	36,532,912	100.00

Notes:

~ Negligible
* Less than 5% of issued RCPS
** 5% and above of issued RCPS

DIRECTORS' RCPS HOLDINGS BASED ON THE REGISTER OF DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct Holdings	%	Indirect Holdings	%
YBhg. Tan Sri Dato' Kamaruzzaman Bin Shariff	-	-	-	-
Dato' Ramli Bin Yusuff	-	-	-	-
Chow Seck Kai	-	-	-	-
Donatian Felix Dorairaj	-	-	1,000,000(1)	2.74
Wong Kit-Leong	-	-	-	-
Dimitrios Pantazaras	-	-	-	-
Dato' Thong Kok Khee	-	-	5,643,000(2)	15.45
Datin Chan Bee Leng	-	-	13,011,964(3)	35.62
Low Kheng Lun	-	-	11,033,774(4)	30.20
Dato' Mah Siew Kwok	1,267,800	3.47	110,000(5)	0.30
Datuk Seri Panglima Sulong Matjeraie	-	-	-	-

Notes:

(1) Deemed interest pursuant to Section 6A of the Companies Act, 1965 ("the Act") for being a partner of Messrs. Dorairaj, Low & Teh.

(2) Deemed interest pursuant to Section 6A of the Act by virtue of his substantial shareholdings in Insas Berhad.

(3) Disclosure made pursuant to Section 134(12)(c) of the Act by virtue of her spouse's deemed interest in Low Chee Group Sdn. Bhd. (formerly known as Low Chee & Sons Sdn. Bhd.) ("LCG"), Estate of Low Chee and Concrete Pavers Industries Sdn. Bhd. pursuant to Section 6A of the Act.

(4) Deemed interest pursuant to Section 6A of the Act by virtue of his substantial shareholdings in LCG.

(5) Disclosure pursuant to Section 134(12)(c) of the Act by virtue of his daughter's interest in the Company.

ANALYSIS OF RCPS HOLDERS (CONT'D)

AS AT 30 APRIL 2014

LIST OF THIRTY RCPS HOLDERS

	Name	No. of RCPS	%
1.	Low Chee Group Sdn. Bhd.	11,033,774	30.20
2.	Insas Plaza Sdn. Bhd.	5,643,000	15.45
3.	RHB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Low Tuck Choy	1,629,000	4.46
4.	JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities A/C for Mah Siew Kwok (Margin)	1,267,800	3.47
5.	Walicon Sdn. Bhd.	1,100,000	3.01
6.	M & A Nominee (Tempatan) Sdn. Bhd. Exempt An for UHY Advisory (KL) Sdn. Bhd.	1,000,000	2.74
7.	Laurent Victor Jean-Marie D'Herve	954,198	2.61
8.	Jasbeer Singh A/L Banta Singh	950,058	2.60
9.	VSL Engineers (M) Sdn. Bhd.	783,202	2.14
10.	Pembinaan S.Y. Sdn. Bhd.	630,000	1.72
11.	Bumitra Blastrac Sdn .Bhd.	550,540	1.51
12.	Tan Chong Siew	549,448	1.50
13.	Wong Kian Kheong	546,452	1.50
14.	Leaw Seng Aik	507,030	1.39
15.	Tee Hong Cheat	500,000	1.37
16.	AllianceGroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities A/C for Lim Kon Kwan (8119594)	452,060	1.24
17.	CIMSEC Nominees (Asing) Sdn. Bhd. Pledged Securities Account for Noble Plan Sdn. Bhd.	450,000	1.23
18.	Boon & Cheah Steel Pipes Sdn. Berhad	388,440	1.06
19.	Concrete Pavers Industries Sdn. Bhd.	349,190	0.96
20.	Abdul Halem Bin Berahim	253,508	0.69
21.	Sulaiman Bin Daud	228,640	0.63
22.	AMSEC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Michael Lau Kwong San @ Low Kwong San	223,000	0.61
23.	Low Kim Leng	214,950	0.59
24.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Low Choon Chong	205,300	0.56
25.	Time Dotcom Berhad	202,108	0.55
26.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Teoh Ewe Jin (MY0829)	200,000	0.55
27.	Yap Chee Khoon	200,000	0.55
28.	Chia Sik Cheong	184,966	0.51
29.	Hong Giap Sendirian Berhad	175,072	0.48
30.	Lee Nan San	168,408	0.46

ANALYSIS OF WARRANT HOLDERS FOR WARRANTS 2013/2018

AS AT 30 APRIL 2014

WARRANTS 2013/2018 ("WARRANTS")

Number of Outstanding Warrants Issued : 50,997,704.00
No. of Warrant Holders : 1,015

DISTRIBUTION OF WARRANT HOLDINGS

Size of Warrant Holdings	No. of Warrant Holders	%	No of Warrant Held	%
1-99	38	3.74	1,804	0.01
100-1,000	188	18.52	138,585	0.27
1,001-10,000	454	44.73	2,248,250	4.41
10,001-100,000	271	26.70	9,956,450	19.52
100,001-2,549,884*	61	6.01	14,718,100	28.86
2,549,885 and above**	3	0.30	23,934,515	46.93
Total	1,015	100.00	50,997,704	100.00

Notes:

* Less than 5% of issued Warrants
** 5% and above of issued Warrants

DIRECTORS' WARRANT HOLDINGS BASED ON THE REGISTER OF DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct Holdings	%	Indirect Holdings	%
YBhg. Tan Sri Dato' Kamaruzzaman Bin Shariff	-	-	-	-
Dato' Ramli Bin Yusuff	-	-	-	-
Chow Seck Kai	2,500	0.01	-	-
Donatian Felix Dorairaj	-	-	-	-
Wong Kit-Leong	-	-	11,557,500(1)	22.66
Dimitrios Pantazaras	-	-	-	-
Dato' Thong Kok Khee	-	-	5,505,350(2)	10.08
Datin Chan Bee Leng	-	-	8,821,665(3)	17.30
Low Kheng Lun	-	-	8,821,665(4)	17.30
Dato' Mah Siew Kwok	1,325,000	2.60	11,707,500(5)	22.96
Datuk Seri Panglima Sulong Matjeraie	-	-	-	-

Notes:

(1) Deemed interest pursuant to Section 6A of the Act by virtue of his substantial shareholdings in Red Zone Development Sdn. Bhd., a substantial shareholder of Formis Resources Berhad which is the holding company of Formis Holdings Berhad.

(2) Deemed interest pursuant to Section 6A of the Act by virtue of his substantial shareholdings in Insas Berhad.

(3) Disclosure made pursuant to Section 134(12)(c) of the Act by virtue of her spouse's deemed interest in Low Chee Group Sdn. Bhd. (formerly known as Low Chee & Sons Sdn. Bhd.) ("LCG") and Estate of Low Chee.

(4) Deemed interest pursuant to Section 6A of the Act by virtue of his substantial shareholdings in LCG.

(5) Deemed interest pursuant to Section 6A of the Act by virtue of his substantial shareholdings in Formis Resources Berhad, the holding company of Formis Holdings Berhad and disclosure made pursuant to Section 134(12)(c) of the Act by virtue of his spouse's and daughter's interests in the Company.

ANALYSIS OF WARRANT HOLDERS FOR WARRANTS 2013/2018 (CONT'D)

AS AT 30 APRIL 2014

LIST OF THIRTY WARRANT HOLDERS

	Name	No. of Warrants	%
1.	M & A Nominee (Tempatan) Sdn. Bhd. Insas Credit & Leasing Sdn. Bhd. for Formis Holdings Berhad (HH)	11,557,500	22.66
2.	RHB Nominees (Tempatan) Sdn. Bhd. Pledged Securities A/C for Low Chee Group Sdn. Bhd.	8,871,665	17.40
3.	Insas Plaza Sdn. Bhd.	3,505,350	6.87
4.	JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities A/C for Mah Siew Kwok (Margin)	1,325,000	2.60
5.	M & A Nominee (Asing) Sdn. Bhd. Montego Assets Limited	1,000,000	1.96
6.	M & A Nominee (Asing) Sdn. Bhd. For Winfields Development Pte. Ltd.	1,000,000	1.96
7.	Ngan Bee Lee	513,300	1.01
8.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Teoh Ewe Jin (MY0829)	479,750	0.94
9.	Low Lai Yoong	440,000	0.86
10.	HSBC Nominees (Tempatan) Sdn. Bhd. Exempt An for Credit Suisse AG (SG-CLT-T-OS PR)	431,150	0.85
11.	Yeo Khoon Kooi	416,000	0.82
12.	Chan Mun Ying	400,000	0.78
13.	HLIB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Goh Tiong Sheng	370,000	0.73
14.	Soo Chia Chiang	335,000	0.66
15.	AllianceGroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities A/C for Chong Wan Fun (8069242)	300,000	0.59
16.	MERCSEC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Wong Chin Sin	250,000	0.49
17.	Chia Wan Chin	245,000	0.48
18.	HLIB Nominees (Tempatan) Sdn. Bhd. Hong Leong Bank Bhd for Goh Tiong Sheng	230,300	0.45
19.	Carolyn Wong Tarnn Yoong	230,000	0.45
20.	Chin Nyook Fong	220,000	0.43
21.	Sim Heng Siong	210,000	0.41
22.	Allan Lee Tuck Wah	207,500	0.41
23.	Voon Mee Lee	204,000	0.40
24.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities A/C for Gan Kong Hiok (KLC/Ken)	200,000	0.39
25.	AMSEC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Michael Lau Kwong San @ Low Kwong San	200,000	0.39
26.	Lau Sai Kit	200,000	0.39
27.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Low Choon Chong	200,000	0.39
28.	HSBC Nominees (Asing) Sdn. Bhd. Exempt An for Credit Suisse (SG BR-TST-Asing)	198,800	0.39
29.	Yeo Jon Tian @ Eeyo Jon Thiam	195,000	0.38
30.	AMSEC Nominees (Tempatan) Sdn. Bhd.	186,600	0.37

LIST OF PROPERTIES

AS AT 31 DECEMBER 2013

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	28 years	01/07/1986	Freehold	900 sq.ft.	Rented	Shophouse	52
Lot A4-01, 4th Floor, Kuala Lumpur Industrial Park 8KM Jalan Klang Lama Kuala Lumpur	29 years	02/12/1985	Leasehold Expires in year 2063	2,412 sq.ft.	Office Store	Flatted Factory	191
Lot 36101 Mukim of Petaling Wilayah Persekutuan	–	12/09/1995	Freehold	60 acres	Property Development	Development Land	149,977
No. 18, Jalan 17/155C Bandar Bukit Jalil Kuala Lumpur	4 years	31/12/2009*	Freehold	1,800 sq.ft.	Office Premise	Shophouse	588

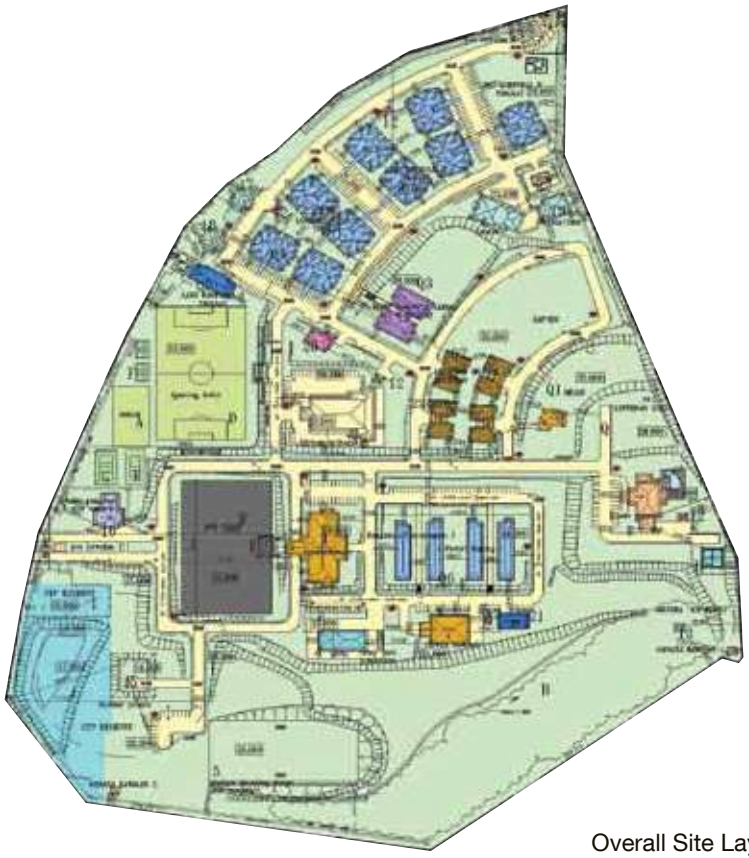
* Date the property was transferred from inventory to fixed asset.

PROPERTY DEVELOPMENT

PARCEL A DEVELOPMENT, AURORA PLACE, BUKIT JALIL

CONSTRUCTION

KEM ASKAR PROJECT, JOHOR BAHRU



Overall Site Layout (203,216.60m^2)

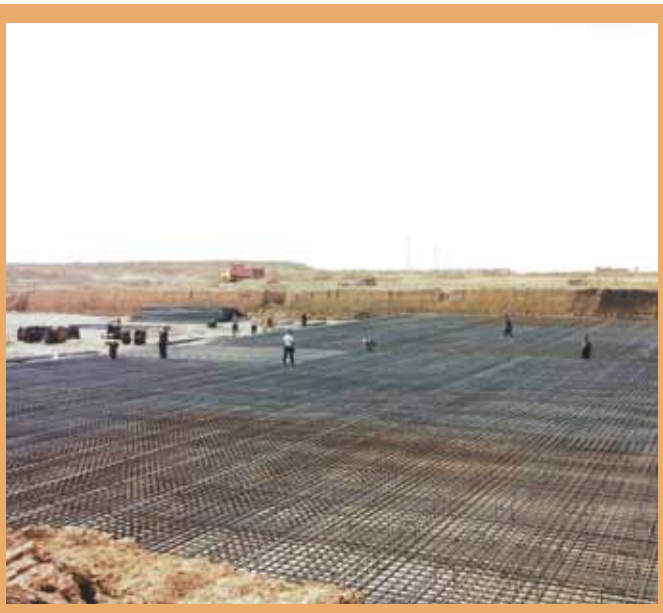
Semi-Detached Houses

Mosque

Apartment

CONSTRUCTION (CONT'D)

AL-ZOHOUR WATER TREATMENT PLANT PROJECT, IRAQ



Al-Zohour • Booster Station

Reinforced Concrete Work in Progress

Suction Chamber • Reinforced Concrete Works in Progress

CONSTRUCTION (CONT'D)

KARBALA ROAD PROJECT, IRAQ

Cleaning Milling Area Using Power Broom

Spraying Tack Coat for Asphalt Surface

Resurfacing • Spreading and Compacting Asphatic Wearing Course

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 2013.

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, associates and joint ventures are disclosed in Notes 6, 7 and 8 to the financial statements respectively.

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

The Company on 31 July 2008 announced that it is deemed an affected listed issuer pursuant to the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad in relation to Practice Note No. 17/2005 as the auditors have expressed a disclaimer opinion in the Company's audited financial statements for the financial year ended 31 December 2007. On 31 December 2013, the regularisation plan of the Group was completed with the listing of the Irredeemable Convertible Preference Shares ("ICPS"), Redeemable Convertible Preference Shares ("RCPS") and Warrants.

The details of the Regularisation Plan are disclosed in Note 31(i)(a) to the financial statements.

Financial Results

	Group	Company
	RM'000	RM'000
Profit before taxation	20,260	6,138
Taxation	7,487	-
Net profit for the financial year	27,747	6,138
Attributable to:		
Owners of the parent	22,503	
Non-controlling interests	5,244	
	27,747	

Dividend

There were no dividends proposed, declared or paid 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.

Reserves and Provisions

All material transfers to or from reserves and provisions during the financial year are as disclosed in Note 17 to the financial statements.

DIRECTORS' REPORT (CONT'D)

Issue of Shares and Debentures

The changes in the authorised and issued and paid up share capital of the Company for the financial year ended 31 December 2013 are as follows:

a. On 10 October 2013, the Company increased its authorised share capital from RM200,000,000 comprising of 200,000,000 ordinary share of RM1.00 each to RM500,000,000 comprising of:

   i. 990,000,000 ordinary shares of RM0.50 each;
   ii. 200,000,000 ICPS of RM0.01 each; and
   iii. 300,000,000 RCPS of RM0.01 each.

b. Subsequent to the shareholders' approval in the Extraordinary General Meeting of the Company on 10 October 2013, the Company implemented par value reduction of its issued and paid up share capital of RM102,000,408 comprising of 102,000,408 ordinary shares of RM1.00 each to RM51,000,204 comprising of 102,000,408 ordinary shares of RM0.50 each pursuant to Section 64 of the Companies Act, 1965. The resulting credit arising from the capital reduction was used to reduce the Company's accumulated losses by RM51,000,204.

c. On 23 December 2013, the Company issued 102,000,408 ICPS of RM0.01 each and 51,000,204 warrants pursuant to the Rights Issue of ICPS with Warrants. On the same date, the Company issued 133,560,930 RCPS of RM0.01 each pursuant to a Scheme of Arrangement with Creditors approved by the Court under Section 176 of the Companies Act, 1965.

   The salient features of the ICPS and RCPS are disclosed in Note 16 to the financial statements. As at 31 December 2013, the number of ICPS, Warrants and RCPS in issue were 102,000,408, 51,000,204 and 133,560,930 shares respectively.

   The ICPS holders and RCPS holders are not entitled to any voting rights or participation in any rights, allotments and/or other distribution in the Company until and unless the holders convert their ICPS and/or RCPS into new ordinary shares.

There was no issuance of ordinary shares and debentures during the financial year.

Options Granted Over Unissued Shares

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

Directors

The Directors in office since the date of the last report are as follows:

Tan Sri Dato' Kamaruzzaman bin Shariff
Dato' Ramli bin Yusuff
Chow Seck Kai
Donatian Felix Dorairaj
Wong Kit-Leong
Dimitrios Pantazaras
Dato' Thong Kok Khee
Datin Chan Bee Leng
Low Kheng Lun
Datuk Seri Panglima Sulong Matjeraie (Appointed on 15.07.2013)
Dato' Mah Siew Kwok (Appointed on 15.07.2013)

DIRECTORS' REPORT (CONT'D)

Directors' Interests

The interests and deemed interests in the shares and warrants of the Company or its related corporations by the Directors 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			
	At 01.01.2013/ ^ As at date of appointment	Acquired/ Par Value Reduction	Disposed	At 31.12.2013
Ho Hup Construction Company Berhad				
*Par value of ordinary share**	RM1.00	RM1.00/ RM0.50	RM1.00/ RM0.50	RM0.50
Direct interest				
Tan Sri Dato' Kamaruzzaman bin Shariff	1,000	-	-	1,000
Chow Seck Kai	1,284,600	-	-	1,284,600
Datin Chan Bee Leng	40,000	-	(40,000)	-
Dato' Mah Siew Kwok	^ 4,650,000	-	-	4,650,000
Indirect interest				
Dato' Thong Kok Khee (1)	4,070,000	6,940,700	-	11,010,700
Wong Kit-Leong (2)	21,150,000	1,965,000	-	23,115,000
Datin Chan Bee Leng (3)	27,770,129	333,600	-	28,103,729
Low Kheng Lun (4)	-	23,446,229	-	23,446,229
Dato' Mah Siew Kwok (5)	^ 22,390,000	1,025,000	-	23,415,000

	Number of ICPS of RM0.01 each			
	At 01.01.2013	Acquired	Disposed	At 31.12.2013
Ho Hup Construction Company Berhad				
Direct interest				
Chow Seck Kai	-	5,000	-	5,000
Dato' Mah Siew Kwok	-	2,650,000	-	2,650,000
Indirect interest				
Dato' Thong Kok Khee (1)	-	11,010,700	-	11,010,700
Wong Kit-Leong (2)	-	23,115,000	-	23,115,000
Datin Chan Bee Leng (3)	-	34,403,729	-	34,403,729
Low Kheng Lun (4)	-	28,403,729	-	28,403,729
Dato' Mah Siew Kwok (5)	-	23,415,000	-	23,415,000

DIRECTORS' REPORT (CONT'D)

Directors' Interests (Cont'd)

	Number of RCPS of RM0.01 each			
	At 01.01.2013	Acquired	Disposed	At 31.12.2013
Ho Hup Construction Company Berhad				
Indirect interest				
Dato' Thong Kok Khee [(1)]	-	514,800	-	514,800
Datin Chan Bee Leng [(3)]	-	13,071,964	-	13,071,964
Low Kheng Lun [(4)]	-	11,033,774	-	11,033,774
Donatian Felix Dorairaj [(6)]	-	4,300,000	-	4,300,000

	Number of Warrants 2013/2018			
	At 01.01.2013	Acquired	Disposed	At 31.12.2013
Ho Hup Construction Company Berhad				
Direct interest				
Chow Seck Kai	-	2,500	-	2,500
Dato' Mah Siew Kwok	-	1,325,000	-	1,325,000
Indirect interest				
Dato' Thong Kok Khee [(1)]	-	5,505,350	-	5,505,350
Wong Kit-Leong [(2)]	-	11,557,500	-	11,557,500
Datin Chan Bee Leng [(3)]	-	17,201,865	(400,000)	16,801,865
Low Kheng Lun [(4)]	-	14,201,865	(200,000)	14,001,865
Dato' Mah Siew Kwok [(5)]	-	11,707,500	-	11,707,500

Notes:

* *Par value of ordinary shares of the Company reduced from RM1.00 to RM0.50 each due to capital reduction pursuant to the Regularisation Plan as disclosed in Note 31(i)(a) to the financial statements.*

(1) Deemed interest pursuant to Section 6A of the Companies Act, 1965 ("the Act") by virtue of his substantial shareholdings in Insas Berhad.

(2) Deemed interest pursuant to Section 6A of the Act by virtue of his substantial shareholdings in Red Zone Development Sdn. Bhd., a substantial shareholder of Formis Resources Berhad which is the holding company of Formis Holdings Berhad.

(3) Deemed interest by virtue of her spouse, Dato' Low Tuck Choy's substantial shareholdings in Low Chee Group Sdn. Bhd. (formerly known as Low Chee & Sons Sdn. Bhd.) and Estate of Low Chee pursuant to Section 6A of the Act and her husband's direct shareholdings in the Company pursuant to Section 134(12)(c) of the Act.

(4) Deemed interest pursuant to Section 6A of the Act by virtue of his substantial shareholdings in Low Chee Group Sdn. Bhd. (formerly known as Low Chee & Sons Sdn. Bhd.).

(5) Deemed interest by virtue of his substantial shareholdings in Formis Resources Berhad, the holding company of Formis Holdings Berhad pursuant to Section 6A of the Act and his spouse's and his daughter's direct shareholdings in the Company pursuant to Section 134(12)(c) of the Act.

(6) Deemed interest pursuant to Section 6A of the Act for being a partner of Messrs. Dorairaj, Low & Teh.

By virtue of their interest in the shares of the Company, Wong Kit-Leong, Datin Chan Bee Leng, Low Kheng Lun and Dato' Mah Siew Kwok are deemed to have interests 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, ICPS, RCPS and Warrants of the Company or its related corporations during the financial year.

DIRECTORS' REPORT (CONT'D)

Directors' Benefits

Since the end of the previous financial year, no Director 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, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 29(b) to the financial statements.

Neither during nor at the end of the financial year, was the Company 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 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 adequate allowance had been made for doubtful debt and there were no bad debts to be written off; and

   ii. to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have 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. it necessary to write off any bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

   ii. the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

c. At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

d. At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

e. At the date of this report, there does not exist:

   i. any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

   ii. any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.

f. In the opinion of the Directors:

   i. no contingent liability or other liability of the Group and of the Company have become enforceable or are likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;

   ii. the results of 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; and

   iii. 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 financial year in which this report is made.

DIRECTORS' REPORT (CONT'D)

Significant and Subsequent Events

The significant and subsequent events are disclosed in Note 31 to the financial statements.

Auditors

The Auditors, Messrs UHY, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 24 April 2014.

CHOW SECK KAI	**WONG KIT-LEONG**

KUALA LUMPUR

STATEMENT BY DIRECTORS

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

We, the undersigned, 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 55 to 124 are drawn up in accordance with Financial Reporting Standards and the requirements of 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 2013 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 125 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 on behalf of the Board of Directors in accordance with a resolution of the Directors dated 24 April 2014.

CHOW SECK KAI

WONG KIT-LEONG

KUALA LUMPUR

STATUTORY DECLARATION

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

I, WONG KIT-LEONG, being the Director 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 55 to 125 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 WONG KIT-LEONG)
at KUALA LUMPUR in the Federal Territory on 24 April 2014)

WONG KIT-LEONG

Before me,

HALIM BIN HAMID (W646)
COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HO HUP CONSTRUCTION COMPANY BERHAD (Company No.: 14034-W)

(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 2013 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 55 to 124.

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 requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible 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 our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

a. In our opinion, 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 have considered the accounts and the auditors' reports of all the subsidiary companies of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.

c. We are satisfied that the accounts of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

d. The audit reports on the accounts of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF HO HUP CONSTRUCTION COMPANY BERHAD (Company No.: 14034-W)

(INCORPORATED IN MALAYSIA)

Other Reporting Responsibilities

The supplementary information set out on page 125 is solely disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. 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 Malaysian 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.

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

KUALA LUMPUR
24 April 2014

NG WEE TEIK
Approved Number: 1817/12/14 (J)
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

		GROUP		COMPANY	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
Non-Current Assets					
Property, plant and equipment	4	**5,968**	1,608	**884**	892
Land and property development costs	5	**111,068**	111,307	**-**	-
Investment in subsidiary companies	6	**-**	-	**15,635**	15,632
Investments in associates	7	**-**	-	**-**	-
Investments in joint ventures	8	**-**	-	**-**	-
Other receivables	9	**500**	4,216	**500**	4,216
Deferred tax assets	10	**7,500**	-	**-**	-
		125,036	117,131	**17,019**	20,740
Current Assets					
Land and property development costs	5	**12,166**	15,527	**-**	-
Amount owing by customers on contracts	11	**11,193**	1,099	**3,134**	1,099
Inventories	12	**620**	319	**-**	-
Trade receivables	13	**45,708**	14,394	**12,650**	2,852
Other receivables	9	**49,080**	28,487	**29,845**	26,531
Amount owing by subsidiary companies	14	**-**	-	**78,004**	73,988
Fixed deposits with licensed banks	15	**38,494**	1,543	**37,593**	564
Cash and bank balances	15	**68,964**	2,482	**61,821**	109
		226,225	63,851	**223,047**	105,143
Total Assets		**351,261**	180,982	**240,066**	125,883

STATEMENTS OF FINANCIAL POSITION (CONT'D)

AS AT 31 DECEMBER 2013

		GROUP		COMPANY	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
Equity					
Share capital	16	**53,356**	102,000	**53,356**	102,000
Reserves	17	**123,739**	4,907	**124,095**	-
Accumulated losses		**(93,883)**	(158,716)	**(36,486)**	(84,954)
Equity attributable to owners of the parent		**83,212**	(51,809)	**140,965**	17,046
Non-controlling interests		**6,236**	992	**-**	-
		89,448	(50,817)	**140,965**	17,046
Current Liabilities					
Provision for liquidated ascertained damages	18	**21,956**	19,439	**-**	-
Trade payables	19	**61,072**	49,972	**18,933**	27,162
Other payables	20	**138,381**	151,292	**40,168**	54,429
Amount owing to subsidiary companies	14	**-**	-	**-**	18,784
Bank borrowings	21	**40,000**	10,710	**40,000**	8,462
Tax payable		**404**	386	**-**	-
Total Liabilities		**261,813**	231,799	**99,101**	108,837
Total Equity and Liabilities		**351,261**	180,982	**240,066**	125,883

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	GROUP 2013 RM'000	GROUP 2012 RM'000	COMPANY 2013 RM'000	COMPANY 2012 RM'000
Revenue	22	**149,363**	39,976	**92,649**	2,813
Cost of sales	23	**(129,674)**	(42,419)	**(88,364)**	(8,370)
Gross profit/(loss)		**19,689**	(2,443)	**4,285**	(5,557)
Other income		**15,422**	3,832	**9,815**	2,855
Administration expenses		**(4,232)**	(4,331)	**(1,658)**	(1,894)
Other operating expenses		**(9,542)**	(4,653)	**(5,405)**	(4,977)
Finance costs	24	**(1,077)**	(9,112)	**(899)**	(8,148)
Profit/(Loss) before taxation	25	**20,260**	(16,707)	**6,138**	(17,721)
Taxation	26	**7,487**	4,949	**-**	2,595
Net profit/(loss) for the financial year		**27,747**	(11,758)	**6,138**	(15,126)
Other comprehensive income:					
Foreign currency translation differences for foreign operations		**(22)**	(62)	**-**	-
Reclassification adjustment					
- Exchange translation reserve		**(5,241)**	-	**-**	-
Other comprehensive income for the financial year		**(5,263)**	(62)	**-**	-
Total comprehensive income for the financial year		**22,484**	(11,820)	**6,138**	(15,126)
Net profit/(loss) for the financial year attributable to:					
Owners of the parent		**22,503**	(12,108)		
Non-controlling interests		**5,244**	350		
		27,747	(11,758)		
Total comprehensive income attributable to:					
Owners of the parent		**17,240**	(12,170)		
Non-controlling interests		**5,244**	350		
		22,484	(11,820)		
Earnings/(Loss) per share attributable to owners of the parent (sen):					
Basic	27	**22.1**	(11.9)		
Diluted	27	**6.2**	*		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

		<---------- Attributable to Owners of the Parent ---------->									
					<------ Non-Distributable ------>						
Group	Note	Share Capital RM'000	ICPS RM'000	RCPS RM'000	Share Premium RM'000	Foreign Exchange Reserve RM'000	Warrant Reserve RM'000	Accumulated Losses RM'000	Total RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
At 1 January 2012		102,000	-	-	-	4,969	-	(146,608)	(39,639)	642	(38,997)
Total comprehensive income for the financial year		-	-	-	-	(62)	-	(12,108)	(12,170)	350	(11,820)
At 31 December 2012		102,000	-	-	-	4,907	-	(158,716)	(51,809)	992	(50,817)
At 1 January 2013		**102,000**	**-**	**-**	**-**	**4,907**	**-**	**(158,716)**	**(51,809)**	**992**	**(50,817)**
Total comprehensive income for the financial year		**-**	**-**	**-**	**-**	**(5,263)**	**-**	**22,503**	**17,240**	**5,244**	**22,484**
Transactions with owners:											
Capital reduction	16	**(51,000)**	**-**	**-**	**-**	**-**	**-**	**51,000**	**-**	**-**	**-**
Issue of ICPS	16	**-**	**1,020**	**-**	**49,980**	**-**	**-**	**-**	**51,000**	**-**	**51,000**
Issue of RCPS	16	**-**	**-**	**1,336**	**65,445**	**-**	**-**	**-**	**66,781**	**-**	**66,781**
Issue of warrants	17	**-**	**-**	**-**	**-**	**-**	**8,670**	**(8,670)**	**-**	**-**	**-**
Total transactions with owners		**(51,000)**	**1,020**	**1,336**	**115,425**	**-**	**8,670**	**42,330**	**117,781**	**-**	**117,781**
At 31 December 2013		**51,000**	**1,020**	**1,336**	**115,425**	**(356)**	**8,670**	**(93,883)**	**83,212**	**6,236**	**89,448**

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

		<------ Non-Distributable ------>						
		Share Capital	ICPS	RCPS	Share Premium	Warrant Reserve	Accumulated Losses	Total Equity
Company	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2012		102,000	-	-	-	-	(69,828)	(32,172)
Total comprehensive income for the financial year		-	-	-	-	-	(15,126)	(15,126)
At 31 December 2012		102,000	-	-	-	-	(84,954)	(17,046)
At 1 January 2013		**102,000**	**-**	**-**	**-**	**-**	**(84,954)**	**(17,046)**
Total comprehensive income for the financial year		**-**	**-**	**-**	**-**	**-**	**6,138**	**6,138**
Transactions with owners:								
Capital reduction	16	**(51,000)**	**-**	**-**	**-**	**-**	**51,000**	**-**
Issue of ICPS	16	**-**	**1,020**	**-**	**49,980**	**-**	**-**	**51,000**
Issue of RCPS	16	**-**	**-**	**1,336**	**65,445**	**-**	**-**	**66,781**
Issue of warrants	17	**-**	**-**	**-**	**-**	**8,670**	**(8,670)**	**-**
Total transactions with owners		**(51,000)**	**1,020**	**1,336**	**115,425**	**8,670**	**42,330**	**117,781**
At 31 December 2013		**51,000**	**1,020**	**1,336**	**115,425**	**8,670**	**(36,486)**	**140,965**

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	GROUP		COMPANY	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Cash Flows From Operating Activities				
Profit/(Loss) before taxation	**20,260**	(16,707)	**6,138**	(17,721)
Adjustments for:				
Bad debts written off	**-**	34	**-**	34
Depreciation of property, plant and equipment	**576**	629	**220**	296
Deposits written off	**-**	33	**-**	-
Fair value adjustment on other receivables	**-**	659	**-**	659
Impairment on trade receivables	**73**	35	**29**	-
Impairment on other receivables	**-**	556	**-**	556
Impairment on amount owing by subsidiary companies	**-**	-	**-**	2,538
Gain on disposal of investment in an associate company	**(14,142)**	-	**(8,901)**	-
Gain on disposal of non-current asset held for sale	**-**	(1,591)	**-**	-
Gain on disposal of property, plant and equipment	**(15)**	(532)	**(1)**	(161)
Provision for liquidated ascertained damages	**2,517**	2,529	**-**	-
Reversal of impairment on trade receivables	**(79)**	(604)	**-**	(604)
Reversal of impairment on deposits	**-**	(17)	**-**	(17)
Reversal of fair value adjustment on other receivables	**(659)**	-	**(659)**	-
Reversal of over accruals payables	**-**	(1)	**-**	-
Writeback of provision for value added tax	**(3)**	(1,943)	**(3)**	-
Interest income	**(182)**	(147)	**(130)**	(98)
Interest expenses	**1,077**	9,112	**899**	8,148
Operating profit/(loss) before working capital changes	**9,423**	(7,955)	**(2,408)**	(6,370)
Changes in working capital				
Land and property development costs	**3,600**	(1,417)	**-**	-
Amount owing by customers on contracts	**(10,094)**	(1,099)	**(2,035)**	(1,099)
Inventories	**(301)**	(145)	**-**	-
Receivables	**(47,526)**	(30,355)	**(12,782)**	48,601
Payables	**59,370**	116,529	**19,907**	22,478
	5,049	83,513	**5,090**	69,980
Cash generated from operations	**14,472**	75,558	**2,682**	63,610
Interest paid	**(1,077)**	(9,896)	**(899)**	(8,148)
Tax paid	**(13)**	(55)	**-**	-
Tax refund	**18**	2,595	**-**	2,595
	(1,072)	(7,356)	**(899)**	(5,553)
Net cash from operating activities	**13,400**	68,202	**1,783**	58,057

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	GROUP		COMPANY	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Cash Flows From Investing Activities				
Purchase of property, plant and equipment	**(4,966)**	(327)	**(215)**	(28)
Proceeds from disposal of property, plant and equipment	**41**	710	**1**	192
Proceeds from disposal of investment in an associated company (net of transaction costs)	**8,901**	-	**8,901**	-
Proceeds/Deposits received for disposal of land held for sale	**-**	3,837	**-**	-
Interest received	**182**	147	**130**	98
Net cash from investing activities	**4,158**	4,367	**8,817**	262
Cash Flows From Financing Activities				
Proceeds from issuance of irredeemable convertible preference shares	**51,000**	-	**51,000**	-
Drawdown of term loans	**40,000**	-	**40,000**	-
Repayment of term loans	**-**	(75,003)	**-**	(62,003)
Repayment of hire purchase payables	**-**	(15)	**-**	(15)
Net cash from/(used in) financing activities	**91,000**	(75,018)	**91,000**	(62,018)
Net increase/(decrease) in cash and cash equivalents	**108,558**	(2,449)	**101,600**	(3,699)
Effect of changes in foreign exchange rate	**(18)**	(62)	**-**	-
Cash and cash equivalents at beginning of the financial year	**(1,082)**	1,429	**(2,186)**	1,513
	107,458	(1,082)	**99,414**	(2,186)
Less: Cash and cash equivalents restricted from use [Note 15]	**(2,298)**	(698)	**(1,623)**	-
Cash and cash equivalents at end of the financial year [Note 15]	**105,160**	(1,780)	**97,791**	(2,186)

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

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 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, associates and joint ventures are disclosed in Notes 6, 7 and 8 respectively. There have been no significant changes in the nature of these activities during the financial year.

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

a. Statement of compliance

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 ("FRSs") and the Companies Act, 1965 in Malaysia.

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

FRS 10	Consolidated Financial Statements
FRS 11	Joint Arrangements
FRS 12	Disclosures of Interests in Other Entities
FRS 13	Fair Value Measurement
FRS 119 (2012)	Employee Benefits
FRS 127 (2012)	Separate Financial Statements
FRS 128 (2012)	Investment in Associates and Joint Ventures
FRS 3	Business Combinations (IFRS 3 issued by IASB in March 2004)
FRS 127	Consolidated and Separate Financial Statements (IAS 27 revised by IASB in December 2003)
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to FRS1	Government Loans
Amendments to FRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to FRS 10, FRS 11 and FRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Amendments to FRS 101	Presentation of Items of Other Comprehensive Income
Amendments to FRSs contained in the document entitled "Annual Improvements 2009 - 2012 Cycle"	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Basis of Preparation (Cont'd)

a. Statement of compliance (Cont'd)

The effects of the adoption of applicable FRSs and amendments to FRSs above are summarised below:

i. FRS 10 Consolidated Financial Statements and FRS 11 Joint Arrangements

Under FRS 10, an investor controls an investee when the investor has:

i. The power by investor over an investee;
ii. Exposure, or rights, to variable returns from investor's involvement with the investee; and
iii. Ability to affect those returns through its power over investee.

This new control model differs from how previously companies were assessed to be a subsidiary. Under FRS 127, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The classification of joint arrangements under FRS 11 is determined based on the rights and obligations of the parties to the joint arrangements by considering the structure, the legal form, the contractual terms agreed by the parties to the arrangement and when relevant, other facts and circumstances. Under FRS 11, joint arrangements are classified as either joint operations or joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

FRS 11 removes the option to account for jointly controlled entities ("JCE") using proportionate consolidation. Instead, JCE that meet the definition of a joint venture must be accounted for using the equity method.

ii. FRS 12 Disclosure of Interests in Other Entities

FRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

iii. FRS 127 Separate Financial Statements (as amended by IASB in May 2011)

As a consequence of the new FRS 10 and FRS 12, FRS 127 is limited to accounting for subsidiaries, joint controlled entities and associates in separate financial statements. This standard affects disclosures only and has no impact on the Group's financial position or performance.

iv. FRS 128 Investments in Associates and Joint Ventures (as amended by IASB in May 2011)

As a consequence of the new FRS 11 and FRS 12, FRS 128 is renamed as FRS 128 Investments in Associates and Joint Ventures. This new standard describes the application of the equity method to investments in joint ventures in addition to associates. This standard affects disclosures only and has no impact on the Group's financial position or performance.

v. FRS 13 Fair Value Measurement

FRS 13 establishes a single source of guidance under FRS for all fair value measurements. FRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under FRS. FRS 13 defines fair value as an exit price. As a result of the guidance in FRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. FRS 13 also requires additional disclosures.

Application of FRS 13 has not materially impacted the fair value measurement of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Basis of Preparation (Cont'd)

a. Statement of compliance (Cont'd)

vi. FRS 119 Employee Benefits (as amended by IASB in June 2011)

The adoption of the revised FRS 119 has affected the accounting treatment of certain items such as the timing of the recognition of actuarial gains and losses arising from defined benefit plans and the presentation of changes in defined benefit liability or asset. The key changes include:

- Actuarial gains and losses (renamed as 'remeasurements') are recognised immediately in other comprehensive income, and are not subsequently recycled to statement of profit or loss. The corridor approach for accounting for unrecognised actuarial gains in prior years is discontinued.

- Past service costs, whether unvested or already vested, are recognised immediately in the statement of profit or loss as incurred and the annual defined benefit costs in the statement of profit or loss will include net interest expense/income on the defined benefit asset/liability.

The adoption of this revised FRS 119 has resulted in changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. This change in accounting policy has been accounted for retrospectively.

vii. Amendments to FRS 101: Presentation of Items of Other Comprehensive Income

The amendments to FRS 101 introduce a grouping of items presented in other comprehensive income. Items that will be reclassified ("recycled") to profit or loss at a future point in time (e.g. net loss or gain on available-for-sale financial assets) have to be presented separately from items that will not be reclassified (e.g. revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's financial position or performance.

The Group and the Company have not applied the following FRSs, IC Interpretations and Amendments to FRSs, which have been issued by the MASB but are not yet effective for the Group and the Company:

		Effective date for financial periods beginning on or after
Amendments to FRS 10	Investment Entity	1 January 2014
Amendment to FRS 12	Investment Entities	1 January 2014
Amendment to FRS 127	Investment Entities	1 January 2014
Amendments to FRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to FRS 136	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to FRS 139	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21	Levies	1 January 2014
Amendments to FRS 119	Defined Benefits Plans: Employee Contributions	1 July 2014
Amendments to FRSs contained in the document entitled "Annual Improvements 2010 - 2012 Cycle"		1 July 2014
Amendments to FRSs contained in the document entitled "Annual Improvements 2011 - 2013 Cycle"		1 July 2014
Amendments to FRS 7	Mandatory Date of FRS 9 and Transition Disclosures	To be announced
FRS 9 (IFRS 9 (2009))	Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced
FRS 9 (IFRS 9 (2010))	Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Basis of Preparation (Cont'd)

a. Statement of compliance (Cont'd)

The Group and the Company intend to adopt the above FRS when they become effective.

The initial application of the abovementioned FRSs is not expected to have any significant impacts on the financial statements of the Group and of the Company except as mentioned below:

FRS 9 Financial Instruments

FRS 9 (IFRS 9 (2009)) replaces the guidance in FRS 139 Financial Instruments: Recognition and Measurement on classification and measurement of financial asset. FRS 9 requires financial asset to be measured at fair value or amortised cost. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

FRS 9 (IFRS 9 (2010)) includes the requirements for the classification and measurement of financial liabilities and for derecognition. Measurement for financial liability designated as at fair value through profit or loss, requires the amount of change in the fair value of the financial liability, that is attributable to the change of credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

Under FRS 139, the entire amount of the change in fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The adoption of FRS 9 will result in a change in accounting policy. The Group is currently examining the financial impact of adopting FRS 9.

Malaysian Financial Reporting Standards ('MFRS')

On 19 November 2011, MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework"). The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture ("MFRS 141") and IC Interpretation 15 Agreements for Construction of Real Estate ("IC Interpretation 15"), including its parent, significant investor and venturer (hereinafter called "Transitioning Entities").

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework until the adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2015.

The Group falls within the scope of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the financial year ending 31 December 2015. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework.

The Group and the Company are currently assessing the implications and financial impact of transition to the MFRS Framework. Accordingly, the financial performance and financial position as disclosed in these financial statements for the financial year ended 31 December 2013 could be different if prepared under the MFRS Framework.

The Group expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2015.

b. Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Group's and Company's functional currency and all values are rounded to the nearest thousand except when otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Basis of Preparation (Cont'd)

c. Significant accounting estimates and judgements

The summary of accounting policies are essential to understand the Group's and the Company's results of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Directors exercise their judgement in the process of applying the Group's accounting policies.

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 and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The key assumptions concerning the future and other key sources of estimation or uncertainty at the end of the reporting period, 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. Useful lives of property, plant and equipment (Note 4)

Management estimates the useful lives of the property, plant and equipment to be within 3 to 50 years and reviews the useful lives of depreciable assets at the end of each reporting period. At 31 December 2013, management assesses that the useful lives represent the expected utilisation of the assets to the Group. Actual results, however, may vary due to change in the business plan and strategies, expected level of usage and technological developments, which resulting the adjustment to the Group's assets. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the carrying amount of property, plant and equipment.

ii. Property development costs (Note 5)

The Group recognises property development revenue and expenses in the profit or loss 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.

iii. Impairment of investment in subsidiary companies (Note 6)

The carrying amounts of investment in subsidiary companies and the related goodwill are reviewed for impairment. In the determination of fair value in use of the investment, the Company is required to estimate the expected cash flows to be generated by the subsidiary companies and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

iv. Impairment of investment in associates (Note 7)

The carrying amounts of investment in associates and the related goodwill are reviewed for impairment in accordance with FRS 136, Impairment of Assets.

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 associates and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Basis of Preparation (Cont'd)

c. Significant accounting estimates and judgements (Cont'd)

v. Construction costs (Note 11)

The Group and the Company recognise construction contracts based on stage of completion method. Revenue recognised from construction contracts reflects management's best estimate about each contract's outcome and stage of completion. The Group and the Company assess the profitability of on-going construction contracts and the order backlog at least monthly, using project management procedures. For more complex contracts in particular costs to complete and contract profitability are subject to significant estimation uncertainty.

vi. Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. The actual results, may vary, and may cause significant adjustments to the Group's and the Company's assets within the next reporting period.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

vii. Income taxes

The Group and the Company have 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 recognise 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.

viii. Deferred tax assets (Note 10)

Deferred tax assets recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which all the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

ix. Impairment of loan and receivables (Notes 9 and 13)

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

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.

x. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Basis of Preparation (Cont'd)

c. Significant accounting estimates and judgements (Cont'd)

xi. Contingent liabilities

Recognition and measurement for contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and experts, internal and external to the Group and the Company, for matters in the ordinary course of business.

xii. Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques, management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable, management uses it best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

3. Significant Accounting Policies

a. Property, plant and equipment

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 3(h).

i. Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use.

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.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

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 to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

iii. Depreciation

Depreciation of property, plant and equipment is recognised in the profit or loss on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life. Leasehold land is depreciated over the remaining lease period of 50 years.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Significant Accounting Policies (Cont'd)

a. Property, plant and equipment (Cont'd)

iii. Depreciation (Cont'd)

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Buildings	50 years
Furniture, fittings and office equipment	5 - 10 years
Motor vehicles	5 years
Plant and machinery	3 - 20 years
Renovations	10 years
Tools and technical equipment	5 - 10 years

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits in the property, plant and equipment.

b. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies, its associates through equity accounting, and its joint ventures through proportionate consolidation, which have been prepared in accordance with the Group's accounting policies, and are all drawn up to the same reporting period.

i. Subsidiary companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's separate financial statements, investment in subsidiary companies is stated at cost less any impairment losses, unless the investment is held for sale or distribution. The cost of investments includes transaction costs.

Upon the disposal of investment in a subsidiary, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

ii. Consolidation

The acquisition method of accounting is used to account for business combination. The consideration transferred for acquisition of a subsidiary company is the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange, as well as any contingent consideration given. Acquisition related costs are expensed off in the profit or loss as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition.

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the financial year. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In a business combination achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Significant Accounting Policies (Cont'd)

b. Basis of consolidation (Cont'd)

ii. Consolidation (Cont'd)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with FRS 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Changes in the Company owners' ownership interest in a subsidiary company that do not result in a loss of control are accounted for as equity transactions. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid is recognised directly in equity.

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

iii. Goodwill on consolidation

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary company acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

iv. Non-controlling interests

Non-controlling interest is the equity in a subsidiary company not attributable, directly or indirectly, to a parent. On an acquisition-by-acquisition basis, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

All earnings and losses of the subsidiary company are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Significant Accounting Policies (Cont'd)

b. Basis of consolidation (Cont'd)

v. Associates

Associates are entities in which the Group has significant influence, but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in associates is initially at cost, and recognising the Group's share of its associates' post-acquisition results and its share of post-acquisition net results and other changes to comprehensive income against the carrying amount of the investments. When the Group's share of losses in an associate company equals or exceeds its interest in the associate company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate company.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in profit or loss. Any retaining investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

When the Group's interest in an associate reduces but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss.

Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate, unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's separate financial statements, investments in associate are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

vi. Jointly arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement.

A joint arrangement is classified as joint operation when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.

A joint arrangement is classified as joint venture when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method.

Under equity method, the investment in joint ventures is initially at cost, and recognising the Group's share of the post-acquisition results of the joint ventures and its share of post-acquisition movements within reserves in reserves. The cumulative post acquisition movements are adjusted against the cost of the investment and include goodwill on acquisition, net of accumulated impairment loss (if any). When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Significant Accounting Policies (Cont'd)

b. Basis of consolidation (Cont'd)

vi. Jointly arrangements (Cont'd)

Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture, unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's separate financial statements, investments in joint ventures are stated at cost less impairment losses. On disposal of such investment, the difference between net disposal proceeds and their carrying amount is included in the profit or loss.

c. 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, if any.

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 profit or loss 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 including costs to be incurred over the defects liability period shall be 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 profit or loss 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Significant Accounting Policies (Cont'd)

d. Financial assets

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

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 profit or loss.

The Group and the Company classify their financial assets depending on the purpose for which it was acquired at initial recognition into loan 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 end of the reporting period which are presented as non-current assets.

After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Regular way purchase or sale of financial assets

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in the profit or loss.

e. 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.

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.

f. Construction contracts

Construction contracts are contracts specifically negotiated for the construction of an asset or combination of assets that are closely interrelated or interdependent in terms of their design, technology and function of their ultimate purpose or use.

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Significant Accounting Policies (Cont'd)

f. Construction contracts (Cont'd)

Irrespective whether the outcome of a construction contract can be estimated reliably, 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 or loss recognised on each contract is compared against the progress billings up to the year end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is presented as amounts owing by contract customers. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as amounts owing to contract customers.

g. 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 statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

h. Impairment of assets

i. Non-financial assets

The carrying amounts of assets except for inventories are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

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. 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 profit or loss in the period in which it arises.

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.

Previously recognised impairment losses are assessed at the end of each reporting period whether there is any indication that the loss has decreased or no longer exists. An impairment loss for an asset 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 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 is recognised in the profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

ii. Financial assets

All financial assets, other than those at fair value through profit or loss, are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

Financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Significant Accounting Policies (Cont'd)

h. Impairment of assets (Cont'd)

ii. Financial assets (Cont'd)

Financial assets carried at amortised cost (Cont'd)

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in the profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

i. Share capital

i. Ordinary shares

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instrument. Ordinary shares are recorded at the nominal value of shares issued. Ordinary shares are classified as equity.

Dividends on ordinary shares are accounted for in equity as appropriation of retained earnings and recognised as a liability in the period in which they are declared.

ii. Preference shares

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distribution within equity. Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

j. Financial liabilities

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

All financial liabilities are initially recognised at fair value plus transaction cost and subsequently carried at amortised cost using the effective interest method, other than those categorised as fair value through profit or loss. Changes in the carrying value of these liabilities are recognised in the profit or loss.

The Group and the Company classify their financial liabilities at initial recognition into other liabilities measured at amortised cost.

Other financial liabilities are non-derivatives financial liabilities. The Group's and the Company's other financial liabilities comprise trade and other payables and borrowings. Other financial liabilities are classified as current liabilities; except for maturities more than 12 months after the end of the reporting period, in which case they are classified as non-current liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Significant Accounting Policies (Cont'd)

j. Financial liabilities (Cont'd)

Other liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Derecognition

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Offsetting of financial instruments

A financial asset and financial liability are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

k. Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recongised as a finance cost.

Any reimbursement that the Group and the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The relating expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

l. Foreign currency translation

i. Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the rate at the date of transaction.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Significant Accounting Policies (Cont'd)

l. Foreign currency (Cont'd)

ii. Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange prevailing at the reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2012, the date of transition to MFRS, which are treated as assets and liabilities of the Company. Income and expenses items are translated at the average rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rate at the dates of the transactions are used. Exchange differences arising on the translation are recognised in other comprehensive income.

On disposal of a foreign operation, the cumulative amount of exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in equity shall be reclassified to profit or loss when the gain or loss on disposal is recognised.

m. Contingencies

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or 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 assets or contingent liabilities unless the probability of outflow of economic benefits is remote.

n. Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

For arrangements entered into prior to 1 January 2011, the date of inception is deemed to be 1 January 2011 in accordance with the FRS 1.

Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

o. Revenue

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 in accordance to the accounting policies as disclosed in Note 3(f).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Significant Accounting Policies (Cont'd)

o. Revenue (Cont'd)

ii. Sale of development properties

Revenue from sale of development properties is accounted in accordance to the accounting policies as disclosed in Note 3(c)(ii).

iii. Sale of goods

Revenue is recognised at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when the transfer of significant risk and rewards of ownership of the goods to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

iv. Interest income

Interest income is recognised on accruals basis using the effective interest method.

v. Commission

Commission is recognised when the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

vi. Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

p. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

q. Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. Significant Accounting Policies (Cont'd)

q. Income taxes (Cont'd)

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance, being a tax incentive that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

r. 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 end of the reporting period.

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 profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

s. Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

t. Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, which comprise convertible preference shares and warrants.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. Property, Plant and Equipment

Group	Freehold buildings RM'000	Leasehold land and building 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
2013								
Cost								
At 1 January 2013	**741**	**354**	**5,325**	**8,407**	**60,395**	**751**	**3,207**	**79,180**
Additions	**-**	**-**	**224**	**1,778**	**2,906**	**14**	**44**	**4,966**
Disposals	**-**	**-**	**(11)**	**(11)**	**(283)**	**-**	**(2)**	**(307)**
Written off	**-**	**-**	**(111)**	**-**	**-**	**-**	**-**	**(111)**
Exchange difference	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At 31 December 2013	**741**	**354**	**5,427**	**10,174**	**63,018**	**765**	**3,249**	**83,728**
Accumulated depreciation								
At 1 January 2013	**86**	**155**	**5,046**	**8,380**	**43,587**	**495**	**2,970**	**60,719**
Charge for the financial year	**13**	**7**	**93**	**77**	**209**	**54**	**123**	**576**
Disposals	**-**	**-**	**(11)**	**(11)**	**(259)**	**-**	**-**	**(281)**
Written off	**-**	**-**	**(111)**	**-**	**-**	**-**	**-**	**(111)**
Exchange difference	**-**	**-**	**4**	**-**	**-**	**-**	**-**	**4**
At 31 December 2013	**99**	**162**	**5,021**	**8,446**	**43,537**	**549**	**3,093**	**60,907**
Accumulated impairment losses								
At 1 January 2013/ 31 December 2013	**-**	**-**	**-**	**-**	**16,808**	**-**	**45**	**16,853**
Carrying amount								
At 31 December 2013	**642**	**192**	**406**	**1,728**	**2,673**	**216**	**111**	**5,968**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. Property, Plant and Equipment (Cont'd)

Group	Freehold buildings RM'000	Leasehold land and building 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
2012								
Cost								
At 1 January 2012	966	354	5,314	10,076	61,172	727	3,184	81,793
Additions	-	-	67	28	185	24	23	327
Disposals	(225)	-	(54)	(1,697)	(962)	-	-	(2,938)
Exchange difference	-	-	(2)	-	-	-	-	(2)
At 31 December 2012	741	354	5,325	8,407	60,395	751	3,207	79,180
Accumulated depreciation								
At 1 January 2012	94	148	5,013	9,940	44,343	442	2,816	62,796
Charge for the financial year	15	7	88	106	206	53	154	629
Disposals	(23)	-	(54)	(1,666)	(962)	-	-	(2,705)
Exchange difference	-	-	(1)	-	-	-	-	(1)
At 31 December 2012	86	155	5,046	8,380	43,587	495	2,970	60,719
Accumulated impairment								
At 1 January 2012	55	-	-	-	16,808	-	45	16,908
Disposal	(55)	-	-	-	-	-	-	(55)
At 31 December 2012	-	-	-	-	16,808	-	45	16,853
Carrying amount								
At 31 December 2012	655	199	279	27	-	256	192	1,608

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. Property, Plant and Equipment (Cont'd)

Company	Freehold buildings RM'000	Leasehold land and building 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
2013								
Cost								
At 1 January 2013	**100**	**354**	**3,740**	**3,069**	**57,108**	**455**	**3,004**	**67,830**
Additions	**-**	**-**	**202**	**13**	**-**	**-**	**-**	**215**
Disposals	**-**	**-**	**-**	**(11)**	**-**	**-**	**-**	**(11)**
Exchange difference	**-**	**-**	**(3)**	**-**	**-**	**-**	**-**	**(3)**
At 31 December 2013	**100**	**354**	**3,939**	**3,071**	**57,108**	**455**	**3,004**	**68,031**
Accumulated depreciation								
At 1 January 2013	**46**	**155**	**3,527**	**3,041**	**40,300**	**259**	**2,757**	**50,085**
Charge for the financial year	**2**	**7**	**76**	**1**	**-**	**32**	**102**	**220**
Disposals	**-**	**-**	**-**	**(11)**	**-**	**-**	**-**	**(11)**
At 31 December 2013	**48**	**162**	**3,603**	**3,031**	**40,300**	**291**	**2,859**	**50,294**
Accumulated impairment losses								
At 1 January 2013/ 31 December 2013	**-**	**-**	**-**	**-**	**16,808**	**-**	**45**	**16,853**
Carrying amount								
At 31 December 2013	**52**	**192**	**336**	**40**	**-**	**164**	**100**	**884**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. Property, Plant and Equipment (Cont'd)

Company	Freehold buildings RM'000	Leasehold land and building 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
2012								
Cost								
At 1 January 2012	100	354	3,766	3,698	57,108	455	3,004	68,485
Additions	-	-	28	-	-	-	-	28
Disposals	-	-	(54)	(629)	-	-	-	(683)
At 31 December 2012	100	354	3,740	3,069	57,108	455	3,004	67,830
Accumulated depreciation								
At 1 January 2012	44	148	3,517	3,550	40,300	227	2,655	50,441
Charge for the financial year	2	7	64	89	-	32	102	296
Disposals	-	-	(54)	(598)	-	-	-	(652)
At 31 December 2012	46	155	3,527	3,041	40,300	259	2,757	50,085
Accumulated impairment								
At 1 January 2012/ 31 December 2012	-	-	-	-	16,808	-	45	16,853
Carrying amount								
At 31 December 2012	54	199	213	28	-	196	202	892

The remaining lease term of leasehold land is 50 (2012: 51) years.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. Land and Property Development Costs

	Group	
	2013	2012
	RM'000	RM'000
Non-Current Asset		
Land held for property development		
Freehold land, at cost		
At 1 January	**111,307**	124,192
(Reversal)/Additions	**(239)**	1,042
Transferred to current property development costs	**-**	(13,927)
At 31 December	**111,068**	111,307
Current Asset		
Freehold land, at cost		
At 1 January	**6,823**	1,387
Additions	**1,175**	-
Transferred from non-current property development costs	**-**	5,436
At 31 December	**7,998**	6,823
Property development costs		
At 1 January	**22,743**	10,872
Addition during the financial year	**12,162**	3,380
Transferred from non-current property development costs	**-**	8,491
At 31 December	**34,905**	22,743
Cost recognised in the statements of comprehensive income		
At 1 January	**14,039**	11,818
Recognised during the financial year	**16,698**	2,221
At 31 December	**30,737**	14,039
Total land and property development costs	**12,166**	15,527

a. As further explained in Note 31(ii)(b), the freehold land held by BJD under individual title Geran 42277, Lot No 36101, Mukim of Petaling Daerah Kuala Lumpur, Negeri Wilayah Persekutuan measuring land area of approximately 60 acres (243,000 square metres) was charged to a bank for a syndicated term loan and bridging loan facility of RM180 million for Pioneer Haven Sdn. Bhd. (a subsidiary company of Malton Berhad).

Out of the 60 acres, the bank has given a Disclaimer on the Charge over 10 acres of the land (which is being developed by BJD) pending the subdivision of the land title.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. Land and Property Development Costs (Cont'd)

b. Included in the property development costs incurred during the financial year are the following:

		Group	
		2013	2012
	Note	RM'000	RM'000
Term loan interest	24	-	784
Directors' remuneration	25(b)	**360**	384
Employee benefits expenses	28	**561**	553

6. Investment in Subsidiary Companies

	Company	
	2013	2012
	RM'000	RM'000
Unquoted shares, at cost		
In Malaysia	**40,590**	40,587
Outside Malaysia	**8**	8
	40,598	40,595
Less: Accumulated impairment		
In Malaysia	**24,955**	24,955
Outside Malaysia	**8**	8
	24,963	24,963
	15,635	15,632

The subsidiary companies and shareholdings therein are as follows:

Name of Company	Country of incorporation	Equity interest		Principal activities
		2013	2012	
		%	%	
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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. Investment in Subsidiary Companies (Cont'd)

The subsidiary companies and shareholdings therein are as follows: (Cont'd)

Name of Company	Country of incorporation	Equity interest 2013 %	Equity interest 2012 %	Principal activities
Direct holding:				
Ho Hup Jaya Sdn. Bhd.	Malaysia	**100**	100	Trading services
Ho Hup Equipment Rental Sdn. Bhd.	Malaysia	**100**	100	Rental of equipment
Ho Hup Construction Company (L) Ltd.	Labuan, Malaysia	**100**	-	Construction, property development and investment holding. However, this subsidiary has not commenced its operation since its incorporation on 13 May 2013
* Ho Hup Construction Company (India) Pte. Ltd.	India	**100**	100	Construction
Indirect holding:				
Subsidiary company of Bukit Jalil Development Sdn. Bhd.				
Suria Jayajuta Sdn. Bhd.	Malaysia	**100**	100	Dormant

* Subsidiary company not audited by UHY

Acquisition of subsidiary companies

a. On 13 May 2013, the Company incorporated a wholly-owned subsidiary company, Ho Hup Construction Company (L) Ltd. with cash subscription of RM2,930.

The summary of effects of the acquisition on the financial position of the Group is as follows:

	Group 2013 RM'000	Group 2012 RM'000
Cash and bank balances	**3**	-
Amount owing to holding company	**(3)**	-
	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. Investment in Subsidiary Companies (Cont'd)

b. The summarised financial information on subsidiary companies with material non-controlling interests are as follows:

Name of company	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(Loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	2013	2012	2013	2012	2013	2012
	%	%	RM'000	RM'000	RM'000	RM'000
Tru-mix Concrete Sdn. Bhd.	**10**	10	**(21)**	29	**1,074**	1,095
Bukit Jalil Development Sdn. Bhd.	**30**	30	**5,265**	379	**5,162**	(103)
Total non-controlling interests					**6,236**	992

The summarised financial information for each subsidiary company that has non-controlling interests that are material to the Group is disclosed below. The summarised financial information below represents amounts before inter-company eliminations.

	Tru-Mix Concrete Sdn. Bhd.		Bukit Jalil Development Sdn. Bhd.	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Total assets	**26,517**	21,929	**190,996**	153,210
Total liabilities	**15,796**	10,996	**225,732**	205,496
Net assets/(liabilities)	**10,721**	10,933	**(34,736)**	(52,286)
Equity attributable to owners of the Company	**9,647**	9,838	**(39,898)**	(52,183)
Non-controlling interests	**1,074**	1,095	**5,162**	(103)
	10,721	10,933	**(34,736)**	(52,286)
Revenue	**32,854**	24,615	**33,341**	12,548
(Loss)/Profit before taxation	**(212)**	(294)	**10,062**	(1,041)
Taxation	**-**	-	**7,487**	2,306
Net (loss)/profit for the financial year	**(212)**	(294)	**17,549**	1,265
Net cash from operating activities	**6,802**	428	**4,849**	9,753
Net cash (used in)/from investing activities	**(4,695)**	259	**(15)**	3,797
Net cash used in financing activities	**-**	-	**-**	(13,000)
Net increase in cash and cash equivalents	**2,107**	687	**4,834**	550

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. Investment in Subsidiary Companies (Cont'd)

c. On 7 March 2014, the acquisition of remaining 30% share capital in Bukit Jalil Development Sdn. Bhd. ("BJD") was completed upon the execution of Form 32A by the Deputy Registrar of the High Court as disclosed in Note 33(vi). Accordingly, the Company's shareholding in BJD has increased from 70% to 100%.

There are no significant restrictions on the ability of the subsidiary companies to transfer funds to the Group in the form of cash dividends or repayment of loans and advances. Generally, for all subsidiary companies which are not wholly-owned by the Company, non-controlling shareholders hold protective rights restricting the Company's ability to use the assets of the subsidiary companies and settle the liabilities of the Group, unless approval is obtained from non-controlling shareholders.

7. Investments in Associates

	Group/Company	
	2013	**2012**
	RM'000	**RM'000**
Unquoted shares, at cost	**18**	10,327
Less: Accumulated impairment	**(18)**	(10,327)
	-	-

During the financial year, the Group and the Company have disposed the entire shareholding in Shanghai San Ho Hup Pile Co. Ltd. as disclosed in Note 31(i)(d).

The associates and shareholdings therein are as follows:

Name of company	Country of incorporation	Effective interest		Principal activities
		2013	**2012**	
		%	**%**	
Direct holding:				
* Shanghai San Ho Hup Pile Co. Ltd.	The Republic of China	**-**	45	Manufacturing and trading of concrete spun piles
* Madagascar Malaysia Equipment Rental	Madagascar	**49.8**	49.8	Dormant

* Associate not audited by UHY

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. Investments in Associates (Cont'd)

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	Group	
	2013	2012
	RM'000	RM'000
Assets and liabilities		
Non-current assets	-	7,125
Current assets	-	2,338
Total assets	-	9,463
Current liabilities	-	(1,431)
	-	8,032
Results		
Revenue	-	-
Net loss for the financial year	-	(1,628)

The unrecognised share of losses of the associates is as follows:

	Group	
	2013	2012
	RM'000	RM'000
At 1 January	**12,460**	11,727
Addition during the financial year	-	733
Disposal during the financial year	**(12,460)**	-
At 31 December	-	12,460

The audited financial statements of Madagascar Malaysia Equipment Rental are not available as at the date of these financial statements.

8. Investments in Joint Ventures

	Group/Company	
	2013	2012
	RM'000	RM'000
Unquoted shares, at cost	**250**	250
Share of post-acquisition reserves	-	-
	250	250
Less: Accumulated impairment	**(250)**	(250)
	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8. Investments in Joint Venture (Cont'd)

The joint venture and shareholdings therein are as follows:

Name of company	Country of incorporation	Effective interest 2013	Effective interest 2012	Principal activities
		%	%	
* Ho Hup-Simplex Joint Venture	India	**50**	50	Inactive

* Jointly controlled equity not audited by UHY

9. Other Receivables

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-current				
Other receivables	**500**	4,875	**500**	4,875
Less: Fair value adjustment	**-**	(659)	**-**	(659)
Net carrying amount	**500**	4,216	**500**	4,216
Current				
Other receivables	**48,768**	32,163	**29,797**	30,774
Deposits	**4,755**	3,254	**4,074**	2,397
Prepayments	**2,880**	393	**2,614**	-
	56,403	35,810	**36,485**	33,171
Less: Accumulated impairment on other receivables [Note 9(iii)]	**(5,471)**	(5,471)	**(5,049)**	(5,049)
Less: Accumulated impairment on deposits [Note 9(iv)]	**(1,852)**	(1,852)	**(1,591)**	(1,591)
	(7,323)	(7,323)	**(6,640)**	(6,640)
	49,080	28,487	**29,845**	26,531

i. Included in the other receivables of the Group and of the Company is an amount of RM21.32 million and RM21.32 million (2012: RM26.02 million and RM26.02 million) respectively, representing project advances to a sub-contractor for a construction contract undertaken by the Company.

ii. Included in the other receivables of the Group is an amount of RM17.62 million (2012: RM Nil) received by two (2) subsidiary companies from debt settlement by the Company for the placement of RCPS and kept in a stakeholder fund. The stakeholder sum was retained by the stakeholder until the listing of RCPS.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9. Other Receivables (Cont'd)

iii. Movements in impairment on other receivables (individually impaired) are as follows:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
At 1 January	**5,471**	4,915	**5,049**	4,493
Impairment made (Note 25)	**-**	556	**-**	556
At 31 December	**5,471**	5,471	**5,049**	5,049

iv. Movements in impairment on deposits (individually impaired) are as follows:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
At 1 January	**1,852**	1,869	**1,591**	1,608
Reversal of impairment (Note 25)	**-**	(17)	**-**	(17)
At 31 December	**1,852**	1,852	**1,591**	1,591

10. Deferred Tax Assets

	Group	
	2013	2012
	RM'000	RM'000
At 1 January	**-**	-
Recognised in profit or loss (Note 26)	**7,500**	-
At 31 December	**7,500**	-

The net deferred tax liability and assets shown on the statements of financial position after appropriate offsetting are as follows:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Deferred tax liability	**(2,027)**	(2,061)	**(2,017)**	(2,051)
Deferred tax assets	**9,527**	2,061	**2,017**	2,051
	7,500	-	**-**	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. Deferred Tax Assets (Cont'd)

The components and movements of the deferred tax liability and assets are as follows:

Group
Deferred tax liability

	Accelerated capital allowances	Total
	RM'000	RM'000
At 1 January 2013	**2,061**	**2,061**
Recognised in profit or loss	**(34)**	**(34)**
At 31 December 2013	**2,027**	**2,027**
At 1 January 2012	-	-
Recognised in profit or loss	2,061	2,061
At 31 December 2012	2,061	2,061

Deferred tax assets

	Unutilised capital allowances	Unused tax losses	Total
	RM'000	RM'000	RM'000
At 1 January 2013	**1,907**	**154**	**2,061**
Recognised in profit or loss	**22**	**7,444**	**7,466**
At 31 December 2013	**1,929**	**7,598**	**9,527**
At 1 January 2012	-	-	-
Recognised in profit or loss	1,907	154	2,061
At 31 December 2012	1,907	154	2,061

Company
Deferred tax liability

	Accelerated capital allowances	Total
	RM'000	RM'000
At 1 January 2013	**2,051**	**2,051**
Recognised in profit or loss	**(34)**	**(34)**
At 31 December 2013	**2,017**	**2,017**
At 1 January 2012	-	-
Recognised in profit or loss	2,051	2,051
At 31 December 2012	2,051	2,051

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. Deferred Tax Assets (Cont'd)

Company
Deferred tax assets

	Unutilised capital allowances	Unused tax losses	Total
	RM'000	RM'000	RM'000
At 1 January 2013	**1,907**	**144**	**2,051**
Recognised in profit or loss	**22**	**(56)**	**(34)**
At 31 December 2013	**1,929**	**88**	**2,017**
At 1 January 2012	-	-	-
Recognised in profit or loss	1,907	144	2,051
At 31 December 2012	1,907	144	2,051

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

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Unused tax losses	**173,057**	217,479	**119,200**	117,520

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiary companies that have a recent history of losses.

11. Amount Owing by Customers on Contracts

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Construction cost incurred todate	**91,356**	3,742	**91,356**	3,742
Add: Attributable profits	**4,112**	145	**4,112**	145
	95,468	3,887	**95,468**	3,887
Less: Progress billings	**(84,275)**	(2,788)	**(92,334)**	(2,788)
	11,193	1,099	**3,134**	1,099
Retention sum included in trade receivables (Note 13)	**7,322**	6,891	**7,322**	6,891

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

11. Amount Owing by Customers on Contracts (Cont'd)

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

	Group/Company	
	2013	2012
	RM'000	RM'000
Employee benefits expenses (Note 28)	**382**	46
- Salaries and wages	**40**	6
- EPF	**2**	-
- SOCSO	**-**	2
- Other staff related expenses	**424**	54

12. Inventories

	Group	
	2013	2012
	RM'000	RM'000
At cost:		
Construction materials	**620**	319

13. Trade Receivables

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Trade receivables	**88,591**	57,714	**55,208**	45,812
Retention sum on contracts (Note 11)	**7,322**	6,891	**7,322**	6,891
	95,913	64,605	**62,530**	52,703
Less: Accumulated impairment	**(50,205)**	(50,211)	**(49,880)**	(49,851)
	45,708	14,394	**12,650**	2,852

Trade receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.

The Group's and the Company's normal trade credit terms range from 14 to 90 days (2012: 14 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

a. The Group's and the Company's credit exposures are concentrated mainly on 4 (2012: 2) and 3 (2012: 1) debtors respectively, which accounted for 35% (2012: 17%) and 98% (2012: 58%) respectively of the total trade receivables as at 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. Trade Receivables (Cont'd)

b. Included in the trade receivables of the Group and of the Company are the following amounts owing from one (2012: one) customer for contracts under dispute. The Company has entered into a settlement with the debtor over the dispute amount. Details of this debt are as follows:

	Group/Company	
	2013	**2012**
	RM'000	**RM'000**
Gross amount receivable	**8,395**	9,275
Less: Accumulated impairment	**(8,117)**	(8,117)
Net amount receivable	**278**	1,158

Analysis of the trade receivables and retention sum on contracts ageing as at the end of the reporting period is as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Neither past due nor impaired	**22,790**	3,838	**10,186**	1,669
Past due not impaired:				
Less than 30 days not impaired	**3,818**	1,751	**1,140**	-
More than 30 days	**19,100**	8,805	**1,324**	1,183
	22,918	10,556	**2,464**	1,183
	45,708	14,394	**12,650**	2,852
Impaired	**50,205**	50,211	**49,880**	49,851
	95,913	64,605	**62,530**	52,703

Receivables that are neither past due nor impaired

Trade receivables that neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company. None of the Group's and the Company's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

Trade receivables that are past due but not impaired are unsecured in nature. These relate to a number of independent customers from whom there is no recent history of default.

Receivables that are impaired

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. Trade Receivables (Cont'd)

Receivables that are impaired (Cont'd)

Movements in impairment (individually impaired) on trade receivables during the financial year are as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 January	**50,211**	50,780	**49,851**	50,455
Impairment made (Note 25)	**73**	35	**29**	-
Reversal of impairment (Note 25)	**(79)**	(604)	**-**	(604)
At 31 December	**50,205**	50,211	**49,880**	49,851

14. Amount Owing by/(to) Subsidiary Companies

a. Amount owing by subsidiary companies

	Company	
	2013	**2012**
	RM'000	**RM'000**
Amount owing by subsidiary companies	**115,806**	111,790
Less: Accumulated impairment	**(37,802)**	(37,802)
	78,004	73,988

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

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

	Company	
	2013	**2012**
	RM'000	**RM'000**
At 1 January	**37,802**	35,264
Impairment made (Note 25)	**-**	2,538
At 31 December	**37,802**	37,802

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)

15. Cash and Cash Equivalents

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Fixed deposits with licensed banks		**38,494**	1,543	**37,593**	564
Cash and bank balances		**68,964**	2,482	**61,821**	109
		107,458	4,025	**99,414**	673
Less: Bank overdrafts	21	**-**	(5,107)	**-**	(2,859)
		107,458	(1,082)	**99,414**	(2,186)
Less: Cash and cash equivalents restricted from use					
Cash held under Housing Development Account	(a)	**281**	275	**-**	-
Sinking fund accounts restricted from use	(b)	**121**	158	**-**	-
Fixed deposits with a licensed bank	(c)	**1,623**	-	**1,623**	-
Fixed deposits pledged for bank guarantee		**273**	265	**-**	-
		2,298	698	**1,623**	-
Cash and cash equivalents		**105,160**	(1,780)	**97,791**	(2,186)

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. Fixed deposits with licensed banks of the Group and of the Company are pledged to a licensed bank as security for credit facilities granted to the Group and to the Company as disclosed in Note 21 and hence, are not available for general use.

The weighted average interest rates of deposits of the Group and of the Company at the end of the reporting period are 2.56% and 2.55% (2012: 2.89% and 2.50%) per annum respectively.

The average maturities of deposits of the Group and of the Company are 30 days and 30 days (2012: 30 days and 30 days) respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. Share Capital

	Group/Company			
	Number of shares		Amount	
	2013	2012	2013	2012
	Unit'000	Unit'000	RM'000	RM'000
Authorised				
Ordinary shares				
At 1 January, shares of RM1.00 each	**200,000**	200,000	**200,000**	200,000
Capital reduction of RM0.50 per share	**-**	-	**(100,000)**	-
Created during the financial year	**790,000**	-	**395,000**	-
At 31 December, shares of RM0.50 (2012: RM1.00) each	**990,000**	200,000	**495,000**	200,000
Irredeemable convertible preference shares of RM0.01 each				
At 1 January	**-**	-	**-**	-
Created during the financial year	**200,000**	-	**2,000**	-
At 31 December	**200,000**	-	**2,000**	-
Redeemable convertible preference shares of RM0.01 each				
At 1 January	**-**	-	**-**	-
Created during the financial year	**300,000**	-	**3,000**	-
At 31 December	**300,000**	-	**3,000**	-
Total	**1,490,000**	200,000	**500,000**	200,000
Issued and fully paid				
Ordinary shares				
At 1 January, shares of RM1.00 each	**102,000**	102,000	**102,000**	102,000
Capital reduction of RM0.50 per share	**-**	-	**(51,000)**	-
At 31 December, shares of RM0.50 (2012: RM1.00) each	**102,000**	102,000	**51,000**	102,000
Irredeemable convertible preference shares of RM0.01 each				
At 1 January	**-**	-	**-**	-
Issued during the financial year	**102,000**	-	**1,020**	-
At 31 December	**102,000**	-	**1,020**	-
Redeemable convertible preference shares of RM0.01 each				
At 1 January	**-**	-	**-**	-
Issued during the financial year	**133,561**	-	**1,336**	-
At 31 December	**133,561**	-	**1,336**	-
Total	**337,561**	102,000	**53,356**	102,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. Share Capital (Cont'd)

The changes in the authorised and issued and paid up share capital of the Company for the financial year ended 31 December 2013 are as follows:

a. On 10 October 2013, the Company increased its authorised share capital from RM200,000,000 comprising of 200,000,000 ordinary share of RM1.00 each to RM500,000,000 comprising of:

   i. 990,000,000 ordinary shares of RM0.50 each;
   ii. 200,000,000 ICPS of RM0.01 each; and
   iii. 300,000,000 RCPS of RM0.01 each.

b. Subsequent to the shareholders' approval in the Extraordinary General Meeting of the Company on 10 October 2013, the Company implemented par value reduction of the existing issued and paid up share capital of RM102,000,408 comprising of 102,000,408 ordinary shares of RM1.00 each to RM51,000,204 comprising of 102,000,408 ordinary shares of RM0.50 each pursuant to Section 64 of the Company Act, 1965. The resulting capital reduction had enabled the Company to reduce its accumulated losses by RM51,000,204.

c. On 23 December 2013, the Company issued 102,000,408 ICPS of RM0.50 each and 51,000,204 warrants pursuant to the Rights Issue of ICPS with Warrants. On the same date, the Company issued 133,560,930 RCPS of RM0.50 each pursuant to a Scheme of Arrangement with creditors approved by the Court under Section 176 of the Companies Act, 1965.

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

Redeemable Convertible Preference Shares ("RCPS")

The salient features of the RCPS are as follows:

i. The RCPS were issued at RM0.50 each (par value of RM0.01) and the maturity date of RCPS is the day immediately preceding the third anniversary from the date of issue of the RCPS unless the tenure of the RCPS, if permitted by law, is extended by the Company and the RCPS holders.

ii. The RCPS are convertible at any time from the date of issue of the RCPS up to the maturity date at the option of the RCPS holder into ordinary share of the Company on the basis of one ordinary share for every RCPS held without the payment of additional consideration by the holder thereof.

iii. The RCPS are redeemable at the option of the Company at the issue price of RM0.50 at any time during the tenure of the RCPS of three years but excluding the maturity date by giving not less than 30 days' notice.

iv. Any remaining RCPS that are not converted or redeemed by the maturity date shall be automatically converted into new ordinary shares of the Company.

v. The RCPS carry a dividend of 1.5 sen per RCPS, payable semi-annually. The dividend rights are cumulative.

vi. The RCPS holders are not entitled to any voting right or participation in any rights, allotments and/or other distributions in the Company except on resolutions which varies or is deemed to vary the rights and privileges attaching to the RCPS, for the winding up of the Company; and other circumstances as may be provided under the law and applicable to RCPS and/or RCPS holders from time to time or until holders converts his RCPS into new ordinary shares.

vii. The RCPS shall rank in priority to the holders of ICPS and any other class of shares in the capital of the Company.

As at 31 December 2013, the total numbers of RCPS in issue were 133,560,930 shares.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. Share Capital (Cont'd)

Irredeemable Convertible Preference Shares ("ICPS")

The salient features of the ICPS are as follows:

i. The ICPS were issued at RM0.50 each (par value of RM0.01) and the maturity date of ICPS is the day immediately preceding the third anniversary from the date of issue of the ICPS unless the tenure of the ICPS, if permitted by law, is extended by the Company and the ICPS holders.

ii. The ICPS are convertible at any time from the date of issue of the ICPS up to the maturity date at the option of the ICPS holder into ordinary share of the Company on the basis of one ordinary share for every ICPS held without the payment of additional consideration by the holder thereof.

iii. The ICPS are not redeemable.

iv. Any remaining ICPS that are not converted by the maturity date shall be automatically converted into new ordinary shares of the Company.

v. The ICPS carry a dividend of 2.5 sen per ICPS, payable semi-annually. The dividend rights are cumulative.

vi. The ICPS holders are not entitled to any voting right or participation in any rights, allotments and/or other distributions in the Company except on resolutions which varies or is deemed to vary the rights and privileges attaching to the ICPS, for the winding up of the Company; and other circumstances as may be provided under the law and applicable to ICPS and/or ICPS holders from time to time or until holders converts his ICPS into new ordinary shares.

vii. The ICPS shall rank after the holders of the RCPS but in priority to any other class of shares in the capital of the Company.

As at 31 December 2013, the total numbers of ICPS in issue were 102,000,408 shares.

17. Reserves

		Group		Company	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
Non-distributable					
Share premium	(a)	**115,425**	-	**115,425**	-
Foreign exchange reserve	(b)	**(356)**	4,907	**-**	-
Warrant reserve	(c)	**8,670**	-	**8,670**	-
		123,739	4,907	**124,095**	-

a. Share premium

Share premium arose from issue of ICPS of RM0.01 each and RCPS of RM0.01 each at premium of RM0.49 per share.

b. Foreign exchange reserve

Foreign exchange reserve represents the exchange differences arising from the translation of the financial statements of foreign operations whose functional currency is different from that of the Group's presentation currency.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. Reserves (Cont'd)

c. Warrant reserve

Warrant reserve represents reserve allocated to free detachable warrants issued with right issue.

During the financial year, the Company executed a Deed Poll constituting the Warrants on the basis of one (1) warrant for every two (2) ICPS of RM0.50 each issued on 23 December 2013. The issue price and exercise price of the Warrants have been fixed at RM0.50 and RM0.60 each respectively.

The Warrants may be exercised at any time during the tenure of five (5) years including and commencing from the issue date of Warrants. The rights attached to the Warrants which are not exercised during the exercise period will thereafter lapse.

The new ordinary shares allotted and issued upon exercise of the Warrants shall rank pari passu in all respects with the then existing ordinary shares of the Company, except that such new shares shall not be entitled to any dividends, rights, allotments, and/or other distributions on or prior to the date of allotment of the new ordinary shares arising from exercise of the Warrants.

As at 31 December 2013, the total numbers of Warrants that remain unexercised were 51,000,204.

18. Provision for Liquidated Ascertained Damages

	Group	
	2013	**2012**
	RM'000	**RM'000**
At 1 January	**19,439**	16,910
Current year provision	**2,517**	2,529
At 31 December	**21,956**	19,439

Provision for liquidated ascertained 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.

19. Trade Payables

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade payables	**22,088**	37,190	**10,178**	27,090
Retention sum on contracts	**8,755**	83	**8,755**	72
Progress billing in respect of property development costs	**30,229**	12,699	**-**	-
	61,072	49,972	**18,933**	27,162

The normal trade credit terms granted to the Group and to the Company range from 30 to 120 days (2012: 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 RM Nil (2012: RM3.26 million) are under litigation.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20. Other Payables

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Other payables	**110,290**	129,380	**29,002**	47,878
Accruals	**17,584**	10,383	**11,115**	6,504
Deposits received	**9,825**	10,491	**51**	47
Prepayment of progress billing from purchasers	**682**	1,038	**-**	-
	138,381	151,292	**40,168**	54,429

a. Included in other payables of the Group and of the Company is an amount of RM80.02 million and RM3.11 million (2012: RM81.22 million and 3.11 million) respectively owing to Pioneer Haven Sdn. Bhd. ("PHSB") being advance entitlement pursuant to the Supplemental Agreement entered between the Company, BJD and PHSB.

b. Included in the other payables is an amount of RM21.84 million (2012: RM26.02) million, representing prepayment of progress billing from a customer for a construction contract undertaken by the Company.

c. Included in the deposit received by the Group are booking fees/deposits of approximately RM9.21 million (2012: RM9.28 million) which was previously collected by a subsidiary company. These purchasers have submitted their Proof of Debts and are part of the Section 176 Scheme Creditor. Refer to Note 31 (ii) for Scheme of Arrangement with the subsidiary company, BJD's creditors.

21. Bank Borrowings

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Secured				
Floating rate				
Term loan	**40,000**	-	**40,000**	-
	40,000	-	**40,000**	-
Unsecured				
Floating rate				
Term loan	**-**	2,606	**-**	2,606
Bank overdrafts	**-**	5,107	**-**	2,859
Revolving credits	**-**	2,997	**-**	2,997
	-	10,710	**-**	8,462
Total bank borrowings repayable within twelve months	**40,000**	10,710	**40,000**	8,462

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. Bank Borrowings (Cont'd)

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

a. The term loan of the Group and of the Company (which was fully repaid by the Company on 8 January 2014) was secured by the followings:

   i. A first fixed charge over the existing 70% shares of BJD held by the Company and/or such other shares listed on Bursa Malaysia Securities Berhad acceptable to the Bank;

   ii. A first fixed charge over the 30% shares of BJD to be acquired by the Company;

   iii. A charge of fixed deposit of not less than RM4,030,000 for which all accrued interest shall be added onto the principal sum upon maturity as disclosed in Note 15; and

   iv. An assignment of the ICPS proceeds raise from the Company's Proposed Rights Issue of ICPS with warrants, the Bank shall be authorised and have the rights to utilise a sum of up to RM40,000,000 out of the ICPS proceeds for the repayment of the indebtedness.

b. The bank overdrafts of a subsidiary company were supported by way of corporate guarantee provided by the holding company. As at 31 December 2013, the subsidiary company has fully repaid the bank overdrafts. On 31 December 2013, the bank overdrafts of the Group and of the Company amounting to RM2.86 million and RM2.86 million respectively were fully settled upon the listing of RCPS.

c. The revolving credits of the Group and of the Company were supported by way of corporate guarantee provided by a subsidiary company. On 31 December 2013, the revolving credits of the Group and of the Company amounting to RM2.99 million and RM2.99 million respectively were fully settled upon the listing of RCPS.

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
	%	**%**	**%**	**%**
Bank overdrafts	**-**	8.40	**-**	8.40
Revolving credits	**-**	8.01	**-**	8.01
Term loans	**5.25**	8.80	**5.25**	8.80

22. Revenue

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Construction contracts	**83,168**	2,813	**92,649**	2,813
Sale of development properties	**33,341**	3,936	**-**	-
Non-current asset held for sale	**-**	8,612	**-**	-
Sale of goods	**32,854**	24,615	**-**	-
	149,363	39,976	**92,649**	2,813

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. Cost of Sales

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Construction contracts costs	**80,629**	8,370	**88,364**	8,370
Property development costs	**16,698**	2,221	**-**	-
Non-current asset held for sale	**-**	7,021	**-**	-
Cost of goods sold	**32,292**	24,573	**-**	-
Others	**55**	234	**-**	-
	129,674	42,419	**88,364**	8,370

Included in the construction contract costs of the Group and of the Company is an amount of RM Nil (2012: RM5.7 million) arising from the recognition of additional project cost on a project which was completed in prior years.

24. Finance Costs

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Interest expenses on:				
Bank overdrafts	**418**	428	**240**	240
Revolving credits	**220**	240	**220**	240
Term loans	**439**	9,228	**439**	7,668
	1,077	9,896	**899**	8,148
Less: Interest expense capitalised in property development costs (Note 5)	**-**	(784)	**-**	-
	1,077	9,112	**899**	8,148

25. Profit/(Loss) before Taxation

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration (Note a)	**271**	163	**216**	115
Bad debts written off	**-**	34	**-**	34
Impairment on:				
- Trade receivables (Note 13)	**73**	35	**29**	-
- Other receivables [Note 9(iii)]	**-**	556	**-**	556
- Amount owing by subsidiary companies [Note 14(a)]	**-**	-	**-**	2,538
Depreciation of property, plant and equipment	**576**	629	**220**	296
Directors' remuneration (Note b)	**706**	(202)	**706**	(202)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

25. Profit/(Loss) before Taxation (Cont'd)

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deposits written off	**-**	33	**-**	-
Employee benefits expenses (Note 28)	**3,933**	4,043	**1,049**	1,494
Fair value adjustment on other receivables	**-**	659	**-**	659
Incorporation expenses	**11**	-	**-**	-
Provision for liquidated ascertained damages (Note 18)	**2,517**	2,529	**-**	-
Rental of office and store	**289**	88	**92**	88
Interest income				
- deposits with licensed banks	**(182)**	(147)	**(130)**	(98)
Gain on disposal of investment in an associate company	**(14,142)**	-	**(8,901)**	-
Gain on disposal of non-current asset held for sale	**-**	(1,591)	**-**	-
Gain on disposal of property, plant and equipment	**(15)**	(532)	**(1)**	(161)
Rental income	**(138)**	(138)	**-**	-
Reversal of fair value adjustment on other receivables	**(659)**	-	**(659)**	-
Reversal of impairment on trade receivables (Note 13)	**(79)**	(604)	**-**	(604)
Reversal of impairment on deposits [Note 9(iv)]	**-**	(17)	**-**	(17)
Reversal of over accrued payables	**-**	(1)	**-**	-
Writeback of provision for value added tax	**(3)**	(1,943)	**(3)**	-

a. Auditors' remuneration

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Auditors of the Company				
- Statutory audit				
- Current year	**121**	106	**78**	76
- (Over)/Under provision in prior years	**(4)**	8	**-**	8
- Non-statutory audit				
- Current year	**116**	5	**116**	5
- Under provision in prior years	**-**	5	**-**	5
	233	124	**194**	94
Other auditors				
- Statutory audit				
- Current year	**38**	39	**22**	21
	38	39	**22**	21
	271	163	**216**	115

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

25. Profit/(Loss) before Taxation (Cont'd)

b. Directors' remuneration

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Executive Director				
- Salaries and other emoluments	**644**	629	**322**	283
- EPF	**76**	75	**38**	37
- Benefit-in-kind	**70**	39	**70**	39
	790	743	**430**	359
Less: Director's remuneration capitalised in property development costs [Note 5(b)]	**(360)**	(384)	**-**	-
	430	359	**430**	359
Non-executive Directors				
- Other emoluments	**276**	281	**276**	281
	706	640	**706**	640
Over provision of Directors' fee in prior years	**-**	(842)	**-**	(842)
	706	(202)	**706**	(202)

26. Taxation

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Tax expenses recognised in profit or loss				
Current income tax:				
Current tax provision				
- in Malaysia	**13**	-	**-**	-
Over provision in prior years	**-**	(4,949)	**-**	(2,595)
	13	(4,949)	**-**	(2,595)
Deferred tax (Note 10):				
Relating to origination and reversal of temporary difference	**(7,500)**	-	**-**	-
	(7,487)	(4,949)	**-**	(2,595)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. Taxation (Cont'd)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the financial year.

A reconciliation of income tax expense applicable to profit/(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	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit/(Loss) before taxation	**20,260**	(16,707)	**6,138**	(17,721)
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	**5,065**	(4,177)	**1,535**	(4,430)
Income not subject to tax	**(2,259)**	(641)	**(2,260)**	(641)
Expenses not deductible for tax purposes	**814**	1,067	**305**	1,059
Deferred tax assets not recognised	**420**	4,020	**420**	4,012
Utilisation of previously unrecognised capital allowances and tax losses	**(11,527)**	(269)	**-**	-
Over provision of taxation in prior years	**-**	(4,949)	**-**	(2,595)
Tax expense for the financial year	**(7,487)**	(4,949)	**-**	(2,595)

Income tax savings arising from tax losses:

	Group	
	2013	**2012**
	RM'000	**RM'000**
Income tax savings arising from utilisation of prior year losses previously not recognised	**3,488**	269

The Group has unused tax losses, unutilised capital allowances and unutilised reinvestment allowances amounting to approximately RM211.16 million (2012: RM225.72 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 RM127.27 million (2012: RM125.72 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)

27. Earnings/(Loss) Per Share

a. Basic earnings/(loss) per share

The basic earnings/(loss) per share has been calculated based on the consolidated profit/(loss) after taxation for the financial year attributable to owners of the parent and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2013	**2012**
Net profit/(loss) for the financial year, attributable to the owners of the parent (RM'000)	**22,503**	(12,108)
Weighted average number of ordinary shares in issue ('000)	**102,000**	102,000
Basic earnings/(loss) per share, attributable to the owners of the parent (sen)	**22.1**	(11.9)

b. Diluted earnings/(loss) per share

The diluted earnings/(loss) per share has been calculated based on the adjusted consolidated profit/(loss) for the financial year attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares as follows:

	Group	
	2013	**2012**
Net profit/(loss) for the financial year, attributable to the owners of the parent (RM'000)	**22,503**	(12,108)
Weighted average number of ordinary shares in issue ('000)	**102,000**	102,000
Adjustment for incremental shares from assumed conversions		
- ICPS ('000)	**102,000**	-
- RCPS ('000)	**133,561**	-
- Warrants ('000)	**25,711**	-
Weighted average number of ordinary shares at 31 December (diluted) ('000)	**363,272**	102,000
Diluted earnings per share, attributable to the owners of the parent (sen)	**6.2**	*

* The diluted earnings per share is not presented as there were no potential dilutive ordinary shares outstanding as at 31 December 2012.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. Employee Benefits Expenses

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Total employee benefits expenses for the financial year (excluding Directors)	**4,918**	4,650	**1,473**	1,548
Less: Employee benefits expenses capitalised				
- construction contracts costs (Note 11)	**(424)**	(54)	**(424)**	(54)
- property development costs (Note 5)	**(561)**	(553)	**-**	-
	3,933	4,043	**1,049**	1,494

Included in the total staff costs above are contributions made to the Employees Provident Fund under a defined contribution plan of the Group and of the Company amounting to RM0.39 million and RM0.11 million (2012: RM0.37 million and RM0.11 million) respectively.

29. Related Party Disclosures

a. Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or to the Company if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of Company either directly or indirectly. The key management personnel include all the Directors of the Group and of the Company and certain members of senior management of the Group and the Company.

The Group has related party relationship with its associates, joint ventures, Company's Directors, shareholders and a Director of a subsidiary company.

The Company has related party relationship with its subsidiary companies, associates and joint ventures.

b. 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:

	2013	2012
	RM'000	RM'000
Group		
Transaction with Directors of the Company		
Progress billing received/receivable	**2,073**	3,113
Transaction with company in which a Director of the Company has interest		
Progress billing received/receivable	**2,886**	4,027

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. Related Party Disclosures (Cont'd)

b. 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: (Cont'd)

Group	2013 RM'000	2012 RM'000
Transaction with a Director of a subsidiary company		
Progress billing received/receivable	**-**	1,280
Transaction with companies in which a substantial shareholder has interest		
Progress billing received/receivable	**2,043**	2,280
Transaction with a major shareholder		
Progress billing received/receivable	**850**	-
Company		
Transaction with a subsidiary company		
Progress billings for construction work		
- BJD	**9,481**	-

c. Information regarding outstanding balances arising from related party transactions as at 31 December 2013 is disclosed in Note 14.

d. Information regarding compensation of key management personnel is as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Short-term employee benefits	**3,028**	2,523	**1,417**	782
Benefit-in-kind	**107**	83	**97**	68
	3,135	2,606	**1,514**	850

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. 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	Trading services

Performance is measured based on segment profit before taxation, 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 liabilities. 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.

	Construction	Property development	Manufacturing	Others	Adjustments and eliminations	Per consolidated financial statements
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2013						
Revenue						
External sales	**92,649**	**33,341**	**32,854**	**604**	**(10,085)**	**149,363**
Total revenue	**92,649**	**33,341**	**32,854**	**604**	**(10,085)**	**149,363**
Results						
Segment results	**6,907**	**10,010**	**(34)**	**16**	**4,256**	**21,155**
Interest income	**130**	**52**	**-**	**-**	**-**	**182**
Finance costs	**(899)**	**-**	**(178)**	**-**	**-**	**(1,077)**
Profit/(Loss) before taxation	**6,138**	**10,062**	**(212)**	**16**	**4,256**	**20,260**
Taxation	**-**	**7,487**	**-**	**-**	**-**	**7,487**
Net profit/(loss) for the financial year	**6,138**	**17,549**	**(212)**	**16**	**4,256**	**27,747**
Assets						
Additions to non-current assets	**215**	**15**	**4,736**	**-**	**-**	**4,966**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. Segmental Information (Cont'd)

	Construction	Property development	Manufacturing	Others	Adjustments and eliminations	Per consolidated financial statements
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2013						
Non-cash (income)/expenses						
Depreciation of property, plant and equipment	**220**	**24**	**536**	**-**	**(204)**	**576**
Gain on disposal of property, plant and equipment	**(1)**	**-**	**(14)**	**-**	**-**	**(15)**
Impairment on trade receivables	**29**	**-**	**44**	**-**	**-**	**73**
Gain on disposal of investment in an associate company	**(8,901)**	**-**	**-**	**-**	**(5,241)**	**(14,142)**
Provision for liquidated ascertained damages	**-**	**2,517**	**-**	**-**	**-**	**2,517**
Reversal of fair value adjustment on other receivables	**(659)**	**-**	**-**	**-**	**-**	**(659)**
Reversal of impairment on trade receivables	**-**	**-**	**(79)**	**-**	**-**	**(79)**
Writeback of provision for value added tax	**(3)**	**-**	**-**	**-**	**-**	**(3)**
2012						
Revenue						
External sales	2,813	12,548	24,615	-	-	39,976
Total revenue	2,813	12,548	24,615	-	-	39,976
Results						
Segment results	(9,671)	(314)	(106)	(189)	2,538	(7,742)
Interest income	98	49	-	-	-	147
Finance costs	(8,148)	(776)	(188)	-	-	(9,112)
(Loss)/Profit before taxation	(17,721)	(1,041)	(294)	(189)	2,538	(16,707)
Taxation	2,595	2,306	-	48	-	4,949
Net (loss)/profit for the financial year	(15,126)	1,265	(294)	(141)	2,538	(11,758)
Assets						
Additions to non-current assets	28	40	259	-	-	327

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. Segmental Information (Cont'd)

	Construction	Property development	Manufacturing	Others	Adjustments and eliminations	Per consolidated financial statements
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2012						
Non-cash (income)/ expenses						
Bad debts written off	34	-	-	-	-	34
Depreciation of property, plant and equipment	296	20	305	8	-	629
Deposits written off	-	33	-	-	-	33
Gain on disposal of non-current asset held for sale	-	(1,591)	-	-	-	(1,591)
Gain on disposal of property, plant and equipment	(161)	-	(371)	-	-	(532)
Fair value adjustment on other receivables	659	-	-	-	-	659
Impairment on:						
- Trade receivables	-	35	-	-	-	35
- Other receivables	556	-	-	-	-	556
- Amount owing by a subsidiary company	2,538	-	-	-	(2,538)	-
Provision for liquidated ascertained damages	-	2,529	-	-	-	2,529
Reversal of impairment on:						
- Trade receivables	(604)	-	-	-	-	(604)
- Deposits	(17)	-	-	-	-	(17)
Reversal of over accruals payables	-	-	-	(1)	-	(1)
Writeback of provision for value added tax	(1,943)	-	-	-	-	(1,943)

31. Significant and Subsequent Events

The following significant and subsequent events took place for the Company and its subsidiary companies during and subsequent to the financial year:

i. Ho Hup Construction Company Berhad ("Ho Hup" or "the Company")

a. Proposed Regularisation Plan

On 31 July 2008, it was announced that Ho Hup is an affected issuer under paragraph 2.1(d) of Practice Note No. 17/2005 of the Bursa Malaysia Securities Berhad ("Bursa Securities") as the Company's auditors had expressed a disclaimer opinion in the Company's audited financial statements for the financial year ended 31 December 2007.

On 28 September 2012, the Company announced that the revised Proposed Regularisation Plan was submitted to Bursa Securities.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31. Significant and Subsequent Events

i. Ho Hup Construction Company Berhad ("Ho Hup" or "the Company") (Cont'd)

a. Proposed Regularisation Plan (Cont'd)

The revised regularisation plan comprises the following:

i. Proposed Par Value Reduction

Proposed share capital reduction of the existing issued and paid-up share capital of Ho Hup of RM102,000,408 comprising 102,000,408 ordinary shares of RM1.00 each, to RM51,000,204 comprising 102,000,408 ordinary shares of RM0.50 each ("Ho Hup Shares") to reduce the accumulated losses of Ho Hup;

ii. Proposed Rights Issue of Irredeemable Convertible Preference Shares with Warrants ("Rights Issue of ICPS with Warrants")

Proposed renounceable rights issue of 102,000,408 new Irredeemable Convertible Preference Shares ("ICPS") together with 51,000,204 free detachable warrants ("Warrants") at an issue price of RM0.50 per ICPS on the basis of one (1) ICPS for every one (1) existing Ho Hup Share held together with one (1) Warrants for every two (2) ICPS subscribed held after the Proposed Par Value Reduction;

iii. Proposed Scheme of Arrangement with Creditors

Proposed scheme of arrangement with the creditors of Ho Hup and Bukit Jalil Development Sdn. Bhd. ("BJD") pursuant to Section 176 of the Companies Act, 1965 in respect of the amounts owing to the unsecured creditors of Ho Hup and BJD aggregating RM257.66 million as at 31 October 2010;

iv. Proposed Amendments

Proposed amendments to the existing Memorandum and Articles of Association of Ho Hup to facilitate the reduction in the par value of the shares in Ho Hup from RM1.00 per share to RM0.50 per share resulting from the Proposed Par Value Reduction, the issuance of ICPS pursuant to the Proposed Rights Issue of ICPS with Warrants and the issuance of Redeemable Convertible Preference Shares ("RCPS") pursuant to the Proposed Scheme of Arrangement with Creditors; and

v. Proposed Increase In Authorised Share Capital

Proposed increase in authorised share capital involving the increase in the authorised share capital of Ho Hup from RM200,000,000 comprising 200,000,000 ordinary shares of RM1.00 each to RM500,000,000 comprising 990,000,000 ordinary shares of RM0.50 each of Ho Hup Shares, 200,000,000 ICPS of RM0.01 par value each and 300,000,000 RCPS of RM0.01 par value each to accommodate the creation of ICPS and RCPS pursuant to the Proposed Rights Issue of ICPS with Warrants and Proposed Scheme of Arrangement with Creditors respectively and the issuance of new Ho Hup Shares in the future arising from the conversion of ICPS and RCPS and exercise of Warrants.

On 13 May 2013, Bursa Securities had approved the above plan subject to *inter alia*, the following conditions:

i. Ho Hup and M&A Securities Sdn. Bhd. ("M&A Securities") to fully comply with the relevant provisions under the Main Market Listing Requirements of Bursa Securities pertaining to the implementation of the Proposed Regularisation Exercise;

ii. Ho Hup and M&A Securities to inform Bursa Securities upon completion of the Proposed Regularisation Plan; and

iii. Ho Hup to furnish Bursa Securities with written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Regularisation Exercise is completed.

On 10 October 2013, the Proposed Regularisation Exercise was approved by the shareholders in the Extraordinary General Meeting. On the same date, the Proposed Scheme of Arrangement with Ho Hup's and BJD's Creditors was approved by the respective Creditors in the Court Convened Meetings.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31. Significant and Subsequent Events (Cont'd)

i. Ho Hup Construction Company Berhad ("Ho Hup" or "the Company") (Cont'd)

a. Proposed Regularisation Plan (Cont'd)

On 22 October 2013, the High Court of Malaya at Kuala Lumpur granted the following under Sections 176 and 176(4) of the Companies Act, 1965 that:

i. The Court approved and sanctioned Ho Hup's Proposed Scheme of Arrangement with its creditors effect of which will bind its Scheme Creditors;

ii. The Court approved and sanctioned BJD's Proposed Scheme of Arrangement with its creditors effect of which will bind its Scheme Creditors; and

iii. Ho Hup and BJD be at liberty to apply for additional and/or consequential orders.

On 8 November 2013, the Court had granted an order confirming the Par Value Reduction pursuant to Section 64 of the Act and the sealed court order was duly lodged with the Registrar of Companies on 11 November 2013.

On 31 December 2013, the Regularisation Exercise of the Company was completed with the listing of ICPS, RCPS and Warrants.

Under the scheme of arrangement of its subsidiary, BJD, BJD's creditors will be repaid in full in four (4) quarterly instalments, the first of which was paid end January 2014. Thereafter, the repayment shall be paid every three (3) months.

Under the Regularisation Exercise, the Company had raised RM51.0 million gross proceeds from Rights Issue of ICPS with Warrants based on the issue price of RM0.50 each.

In accordance with the PN17 Section 5.2(c) of Main Market Listing Requirements of Bursa Securities, a company that undertakes a regularisation plan which does not result in a significant change in the business direction or policy of the PN17 company must record a net profit for two (2) consecutive quarterly results immediately after the completion of the implementation of the plan.

On 5 March 2014, the Company's principal advisor had on behalf of the Company, submitted an application to Bursa Securities for an early upliftment from being classified as a PN17 company under the Listing Requirements. As at date of this Report, the Company's application is pending for Bursa Securities' approval.

b. Upliftment of Practice Note 1 ("PN 1") Status

On 14 February 2014, the Company has fully remedied the event of default under PN1 of the Main Market Listing Requirements of Bursa Securities and no longer a PN1 status company.

c. Incorporation of a new wholly-owned subsidiary in Labuan

On 13 May 2013, Ho Hup had incorporated a new wholly-owned subsidiary, namely Ho Hup Construction Company (L) Ltd. ("HHCCL") under the Labuan Companies Act, 1990.

HHCCL has an authorised capital of USD1,000 comprising 1,000 ordinary shares of USD1.00 each, all of which have been issued and fully paid-up. According to the Articles of Association of HHCCL, it will be able to carry out activities such as property development, construction and investment holding.

d. Disposal of Shanghai San Ho Hup Pile Co. Ltd., 45% associate of Ho Hup

The Company had on 30 May 2013 entered into an Agreement with Shanghai Dongyuan Investment Management Co., Ltd. ("Shanghai Dongyuan") to dispose of the shares held in Shanghai San Ho Hup Pile Co., Ltd ("SSHH"), at a total cash consideration of RMB39.2 million (approximately RM20.12 million) (100% equity). The Company's share of proceeds for its 45% shareholding in SSHH amounted to RMB17.64 million (approximately RM9.35 million). On 9 September 2013, the said disposal was completed.

Following the Disposal, SSHH ceased to be an associate of Ho Hup.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31. Significant and Subsequent Events (Cont'd)

ii. Bukit Jalil Development Sdn. Bhd. ("BJD")

a. On 10 October 2013, the Proposed Scheme of Arrangement with BJD's Creditors was approved by the Creditors in the Court Convened Meetings and approved by the holding company's shareholders in the Extraordinary General Meeting.

On 22 October 2013, the High Court of Malaya at Kuala Lumpur granted inter-alia the following under Sections 176 and 176(4) of the Companies Act, 1965 that:

i. The Court approved and sanctioned BJD's Proposed Scheme of Arrangement with its creditors effect of which will bind its Scheme Creditors; and

ii. BJD be at liberty to apply for additional and/or consequential orders.

Under the scheme of arrangement of its subsidiary, BJD, BJD's creditors will be repaid in full in four (4) quarterly installments, the first of which was paid end January 2014. Thereafter, the repayment shall be paid every three (3) months.

b. In accordance with the Supplemental Agreement (SA) to the Joint Development Agreement (JDA) entered between Pioneer Haven Sdn. Bhd. (PHSB) and BJD on 3 July 2012, BJD shall be entitled to 18% of the Gross Development Value (GDV) from development of BJD's Land via the JDA. Further in accordance with the SA, PHSB had advanced BJD RM80 million to settle BJD's indebtedness as at 31 December 2012. This advance shall be treated as an advance of part of BJD's entitlement and all payments so made by PHB shall be deducted accordingly to the provision of the 18% entitlement. Simultaneously, with the settlement of such indebtedness, BJD shall deliver to PHSB's financier's solicitors the original issue of title to the Land, executed,valid and registrable charge for the title.

Pursuant to the SA, PHSB has secured a syndicated term loan and bridging loan facility of RM180 million whereby PHSB's financiers have a charge on the freehold land held by BJD under individual title Geran 42277, Lot No 36101, Mukim of Petaling, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan measuring land area of approximately 60 acres (243,000 square metres).

Out of the 60 acres, PHSB's financiers have given a Disclaimer on the Charge over 10 acres of the land (which is being developed by BJD) pending subdivision of the land title.

32. Contingent Liabilities

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Corporate guarantees given to a supplier of goods to a subsidiary company - unsecured				
- Limit of guarantee	**-**	-	**12,000**	10,000
- Amount utilised	**-**	-	**6,735**	3,579
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	**-**	265	**-**	-
- Unsecured	**7,416**	42,237	**7,416**	42,237

These secured fixed deposit guarantees are secured by fixed deposits of the Group and of the Company as disclosed in Note 15.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

33. Material Litigation

The Group and the Company have not engaged in any litigation which will have a material effect on the business or financial position of the Group and of the Company except for the following:

i. 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 at Shamshabad near Hyderabad. Ho Hup India shall pay APHB development fees of Rs101,175,000 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.

On 2 May 2005, Ho Hup India commenced an arbitration claim for damages amounting to Rs.2,544,512,230 being the unlawful termination of the abovementioned contract. The award in Ho Hup India's favour was published in May 2008.

The Company has since appointed an Advocate to represent Ho Hup India in respect of execution of the said award as well as the appeal lodged by APHB against same. Ho Hup India filed its Counter on the 18 November 2013. The hearing for this case has been postponed to a date to be fixed by the Court.

ii. 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. On the 15 August 2012, the Plaintiff has withdrawn his claim against the Company without liberty to file afresh and no order as to costs. However, the 6th Defendant of this suit has filed a 3rd party notice against the Company. Subsequently, on the 2 May 2013 the Plaintiff has withdrawn the suit against the 4th, 6th and 7th Defendants of this suit. In light of the said withdrawal, the 6th Defendant withdrew the 3rd party action against the Company.

iii. Dato' Low Tuck Choy vs Ho Hup Construction Company Bhd
Kuala Lumpur High Court Civil Suit No. S-22-525-2010

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 24 July 2009, seeking damages and, an injunction that the Defendants and or his agents to injunct an arbitral tribunal from handing down its award. This derivative action is now fixed for further Trial on the 28 May 2014.

iv. Ho Hup Construction Company Bhd vs Dato' Low Tuck Choy ("DLTC")
Industrial Court Suit No. 26/4-586/10

Dato' Low Tuck Choy ("DLTC") brought an action against the Company for reinstatement as managing director of the Company. On 16 April 2013, DLTC and the Company had amicably settled for a settlement sum of RM1,750,000.00 only as full and final settlement of this case. A judgment by consent for the aforesaid settlement terms was subsequently recorded on 6 May 2013.

v. Ho Hup Construction Company Bhd vs Woo Thin Choy
Kuala Lumpur High Court Suit Suit No. 22NCVC-873-09/2011

On 9 September 2011, the Company brought an action against Woo Thin Choy, the Company's former Project Director. The Company claimed that the Defendant caused the Company to suffer loss and damages of USD 2.5 million and further alleged that the Defendant breached his fiduciary, contractual and/or common law duties owed to the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

33. Material Litigation (Cont'd)

v. Ho Hup Construction Company Bhd vs Woo Thin Choy
Kuala Lumpur High Court Suit Suit No. 22NCVC-873-09/2011 (Cont'd)

The Company sought relief from Court for, inter alia an order for payment of the sum of USD2.5 million by the Defendant. The Company also sought relief for an account of all sums received by the Defendant and all such assets or any part thereof as well as general damages arising from the Defendant's breach of duty owed to the Company.

On 16 January 2014, the Court decided that the Company has not proven its claim and dismissed same with costs of RM40,000.00. The Company has further filed a Notice of Appeal to the Court of Appeal against the said decision on 27 January 2014 and the same is now fixed for further Case Management on 29 May 2014.

vi. Zen Court Sdn. Bhd. vs Bukit Jalil Development Sdn. Bhd. & 2 others & 10 others
Kuala Lumpur Sessions Court Summons No.: 52-9694-2011

Pursuant to an Agreement dated 12 September 1995 ("the 1995 JVA"), the Company and United Engineers (Malaysia) Berhad ("UEM") entered into a joint venture whereby the Company and UEM agreed to subscribe for shares in Bukit Jalil Development Sdn. Bhd. ("BJD") on a 70%-30% ratio respectively. Subsequently, on 28 September 2009, Zen Courts Sdn. Bhd. ("Zen Courts") entered into a Sale and Purchase Agreement to buy shares held by UEM in BJD.

On 9 June 2011, Zen Courts served a sealed copy of the Petition pursuant to Section 181 of the Companies Act, 1965 on BJD, the Company and Ho Hup Equipment Rental Sdn. Bhd. ("HHER") ("the Companies") claiming, inter alia, that BJD and the Company have allegedly oppressed them and would not recognise their rights under the 1995 JVA.

On 27 March 2012, the Court, after hearing the Petition, ordered a buy-out of Zen Court's stake in BJD by the Company ("Buy-Out Order"). The Court further ordered that a valuation be made on a net tangible assets basis as at the date of the Judgment to be valued by an Independent Valuer, of which Ferrier Hodgson Monteiro Heng Sdn. Bhd. ("FHMH") was appointed as said Independent Valuer on the 19 June 2012 and the valuation report was issued by FHMH on the 31 December 2012 ("Valuation Report").

Zen Courts subsequently filed applications to review the valuation and for an interim payment of the amount so valued viz. RM35,970,000.00. The Company further filed an application to confirm the valuation pursuant to the Buy-Out Order. On the 18 July 2013, the Court has dismissed applications filed by Zen Courts and further ordered, *inter alia*, that the Company shall purchase the 4,500,000 shares ("Shares") in BJD held by Zen Courts at the price of RM7.99 per share and the aggregate purchase price for the same shall be fixed at RM 35,970,000.00 (the "Purchase Price").

On 14 August 2013, Zen Courts filed two (2) Notices of Appeal ("Appeals") in respect of Orders made on the 18 July 2013 by the High Court, *inter-alia*, dismissing Zen Courts' application to make further representations on the Valuation Report and fixing the Purchase Price of the Shares at RM35,970,000.00 and related orders. The said Appeals have since been dismissed by the Court of Appeal on the 19 February 2014. Zen Courts, being dissatisfied, filed an application for leave to the Federal Court to appeal against the dismissal of its Appeals ("Leave Application"). The Federal Court has yet to fix any date for the Leave Application.

Zen Courts also filed an appeal to the Judge against the decision of the Deputy Registrar allowing a correction of a clerical mistake in the Order of 18 July 2013. The same is now fixed for a Case Management on the 16 June 2014.

On 4 December 2013, the High Court has granted leave for the Companies to take committal proceedings against Zen Courts and its four directors for contempt of court. During the Hearing date on the 1 April 2014, Zen Courts and its directors have tendered their apology to the Court and to the Companies for any breach of the Buy-Out Order and Order of the 18 July 2013. In view of the acceptance of their apology, the Court has further ordered the committal proceedings be struck out with cost of RM5,000 to be paid to the Company and the Set Aside Application be withdrawn with no order as to cost.

On the 25 February 2014, The Company's application for the Consequential Orders has since been allowed by the High Court ("the Consequential Order"). Pursuant to the said Consequential Order, the Form of Transfer of Securities (Form 32A) has been executed by the Deputy Registrar on the 7 March 2014 and the 2 banker's cheques for the Purchase Price and interest have since been delivered to Zen Courts' solicitors. Hence, the transfer of the Shares to the Company as ordered by the Court has been completed on the 7 March 2014.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. Financial Instruments

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 3 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:

Group	Loans and receivables RM'000	Other financial liabilities at amortised cost RM'000	Total carrying amount RM'000
2013			
Financial Assets			
Trade receivables	**45,708**	**-**	**45,708**
Other receivables	**46,700**	**-**	**46,700**
Fixed deposits with licensed banks	**38,494**	**-**	**38,494**
Cash and bank balances	**68,964**	**-**	**68,964**
Total financial assets	**199,866**	**-**	**199,866**
Financial Liabilities			
Provision for liquidated ascertained damages	**-**	**21,956**	**21,956**
Trade payables	**-**	**61,072**	**61,072**
Other payables	**-**	**138,381**	**138,381**
Bank borrowings	**-**	**40,000**	**40,000**
Total financial liabilities	**-**	**261,409**	**261,409**
2012			
Financial Assets			
Trade receivables	14,394	-	14,394
Other receivables	32,310	-	32,310
Fixed deposits with licensed banks	1,543	-	1,543
Cash and bank balances	2,482	-	2,482
Total financial assets	50,729	-	50,729
Financial Liabilities			
Provision for liquidated ascertained damages	-	19,439	19,439
Trade payables	-	49,972	49,972
Other payables	-	151,292	151,292
Bank borrowings	-	10,710	10,710
Total financial liabilities	-	231,413	231,413

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. Financial Instruments (Cont'd)

a. Classification of financial instruments (Cont'd)

Company	Loans and receivables RM'000	Other financial liabilities at amortised cost RM'000	Total carrying amount RM'000
2013			
Financial Assets			
Trade receivables	**12,650**	**-**	**12,650**
Other receivables	**27,731**	**-**	**27,731**
Amount owing by subsidiary companies	**78,004**	**-**	**78,004**
Fixed deposits with licensed banks	**37,593**	**-**	**37,593**
Cash and bank balances	**61,821**	**-**	**61,821**
Total financial assets	**217,799**	**-**	**217,799**
Financial Liabilities			
Trade payables	**-**	**18,933**	**18,933**
Other payables	**-**	**40,168**	**40,168**
Bank borrowings	**-**	**40,000**	**40,000**
Total financial liabilities	**-**	**99,101**	**99,101**
2012			
Financial Assets			
Trade receivables	2,852	-	2,852
Other receivables	30,747	-	30,747
Amount owing by subsidiary companies	73,988	-	73,988
Fixed deposits with licensed banks	564	-	564
Cash and bank balances	109	-	109
Total financial assets	108,260	-	108,260
Financial Liabilities			
Trade payables	-	27,162	27,162
Other payables	-	54,429	54,429
Amount owing to subsidiary companies	-	18,784	18,784
Bank borrowings	-	8,462	8,462
Total financial liabilities	-	108,837	108,837

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. Financial Instruments (Cont'd)

b. Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its financial risks, including credit risk, liquidity risk and market risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group and the Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

i. Credit risk

Financial assets that are primarily exposed to credit risks are receivables, inter-company balances and deposits, cash and bank balances.

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group and the Company's exposure to credit risk arises principally from the inability of its customers to make payments when due.

The Group has adopted a policy of only dealing with creditworthy counterparties. Receivables are monitored on an ongoing basis via the Group'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 period represents the Group and the Company's maximum exposure to credit risk in relation to financial assets. No financial assets carry a significant exposure to credit risk except as disclosed in Note 13(a).

ii. Liquidity risk

Liquidity risk refers to the risk that the Group and the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from its various payables, loan and borrowings.

The Group's and the Company's funding requirements and liquidity risk is managed with the objective of meeting business obligations on a timely basis. The Group monitors its cash flows and ensures that sufficient funding is in place to meet the obligations as and when they fall due. Note 31(i)(a) describes the Regularisation Plan of the Group.

The following table analyses the remaining contractual maturity for non-derivative financial liabilities. The table has 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.

Group	On demand or within 1 year RM'000	Total contractual cash flows RM'000	Total carrying amount RM'000
2013			
Provision for liquidated ascertained damages	**21,956**	**21,956**	**21,956**
Trade payables	**61,072**	**61,072**	**61,072**
Other payables	**138,381**	**138,381**	**138,381**
Bank borrowings	**40,000**	**40,000**	**40,000**
Total financial liabilities	**261,409**	**261,409**	**261,409**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. Financial Instruments (Cont'd)

b. Financial risk management objectives and policies (Cont'd)

ii. Liquidity risk (Cont'd)

Group	On demand or within 1 year RM'000	Total contractual cash flows RM'000	Total carrying amount RM'000
2012			
Financial Liabilities			
Provision for liquidated ascertained damages	19,439	19,439	19,439
Trade payables	49,972	49,972	49,972
Other payables	151,292	151,292	151,292
Bank borrowings	10,710	10,710	10,710
Total financial liabilities	231,413	231,413	231,413
Company			
2013			
Financial Liabilities			
Trade payables	**18,933**	**18,933**	**18,933**
Other payables	**40,168**	**40,168**	**40,168**
Bank borrowings	**40,000**	**40,000**	**40,000**
Total financial liabilities	**99,101**	**99,101**	**99,101**
2012			
Financial Liabilities			
Trade payables	27,162	27,162	27,162
Other payables	54,429	54,429	54,429
Amount owing to subsidiary companies	18,784	18,784	18,784
Bank borrowings	8,462	8,462	8,462
Total financial liabilities	108,837	108,837	108,837

c. Market risks

i. Foreign currency exchange risk

The Group's and the Company's exposure to foreign currency exchange risk is minimal.

ii. Interest rate risk

The Group's and the Company's exposure to interest rate risk arises primarily from financing through interest bearing financial assets and 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 monitor 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. Financial Instruments (Cont'd)

c. Market risks (Cont'd)

ii. Interest rate risk (Cont'd)

The Group and the Company are exposed to interest rate risk arising from its short 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.

The carrying amounts of the Group's and of the Company's financial instruments that are exposed to interest rate risk are as follows:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Financial asset				
Fixed deposits with licensed banks	**38,494**	1,543	**37,593**	564
Financial liability				
Bank borrowings	**40,000**	10,710	**40,000**	8,462

iii. Interest rate risk sensitivity

An increase in market interest rates by 1% on financial assets and financial liabilities of the Group and of the Company which have variable interest rates at the end of the reporting period would decrease the profit before taxation by RM0.02 million (2012: RM0.09 million) and RM0.02 million (2012: RM0.08 million) respectively. This analysis assumes that all other variables remain unchanged.

A decrease in market interest rates by 1% on financial assets and financial 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.

d. Fair values of financial instruments

The carrying amounts of short term receivables and payables, cash and cash equivalents and short term borrowing approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

35. Capital Management

The Group's management manages its capital to ensure that the Group 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.

Total capital managed at Group level comprises of shareholders' equity, cash and cash equivalents and bank borrowings.

The gearing ratios are as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
Total bank borrowings (RM'000)	**40,000**	5,603	**40,000**	5,603
Less: Cash and cash equivalents (RM'000)	**(105,160)**	1,780	**(97,791)**	2,186
Net debt (RM'000)	**(65,160)**	7,383	**(57,791)**	7,789
Shareholders' equity (RM'000)	**89,448**	(50,817)	**140,965**	17,046
Debt-to-equity ratio (%)	**#**	*	**#**	46%

\# Gearing ratio not applicable to the Group and to the Company as the cash and cash equivalents as at 31 December 2013 is sufficient to cover the entire borrowing obligation.

* Gearing ratio not applicable to the Group due to deficit in shareholders' equity as at 31 December 2012.

There were no changes in the Group's approach to capital management during the financial year.

The Proposed Regularisation Plan of the Company is disclosed in Note 31(i)(a).

36. Date of Authorisation for Issue

The financial statements of the Group and of the Company for the financial year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 24 April 2014.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

Supplementary Information on the Disclosure of Realised and Unrealised Profit or Losses

The breakdown of the accumulated losses of the Group and of the Company as at 31 December 2013 and 31 December 2012 into realised and unrealised amounts is as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Accumulated losses				
- Realised	**(140,945)**	(196,090)	**(36,486)**	(84,954)
- Unrealised	**7,500**	-	**-**	-
	(133,445)	(196,090)	**(36,486)**	(84,954)
Less: Consolidation adjustments	**39,562**	37,374	**-**	-
	(93,883)	(158,716)	**(36,486)**	(84,954)

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 Securities 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 Securities Listing Requirements and should not be applied for any other purpose.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fortieth Annual General Meeting ("AGM") of the Company will be held at Function Room 1 & 2, 1st Floor, Kuala Lumpur Golf & Country Club, 10 Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Wednesday, 18 June 2014 at 10:30 a.m. for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2013 together with the Reports of the Directors and the Auditors thereon. **[Please refer to Explanatory Note (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. Mr. Donatian Felix Dorairaj **(Resolution 1)**
   ii. Dato' Ramli Bin Yusuff **(Resolution 2)**
   iii. Dato' Thong Kok Khee **(Resolution 3)**

3. To re-elect the following Directors who retire in accordance with Article 96 of the Company's Articles of Association, and being eligible, have offered themselves for re-election:

   i. Datuk Seri Panglima Sulong Matjeraie **(Resolution 4)**
   ii. Dato' Mah Siew Kwok **(Resolution 5)**

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 6)**

AS SPECIAL BUSINESS:

To consider and, if thought fit, with or without any modifications, to pass the following ordinary/special resolutions:

5. **ORDINARY RESOLUTION 1** **(Resolution 7)**
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."

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

6. **ORDINARY RESOLUTION 2** **(Resolution 8)**
PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")

"**THAT**, subject to the provisions of the Listing Requirements of Bursa Malaysia Securities Berhad, approval is hereby given to the Company and/or its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature as set out in Part A, Section 2.4 of the Circular to Shareholders dated 26 May 2014, provided that such transactions are necessary for the day-to-day operations; and undertaken in the ordinary course of business, on arm's length basis, on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company.

THAT such approval shall continue to be in force until:

i. the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which the Proposed Shareholders' Mandate is passed, at which time it will lapse unless the authority is renewed by a resolution passed at the next AGM;

ii. the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Companies Act ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act; or

iii. it is revoked or varied by resolution passed by shareholders in general meeting;

whichever is earlier;

AND THAT the Directors of the Company be hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate."

7. **SPECIAL RESOLUTION** **(Resolution 9)**
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY ("PROPOSED AMENDMENTS")

"**THAT** the Proposed Amendments to the Company's Articles of Association as contained in Appendix II of the Circular to Shareholders dated 26 May 2014, be and are hereby approved **AND THAT** the Directors be and are hereby authorised to take all steps as are necessary and expedient in order to implement, finalise and give full effect to the Proposed Amendments of the Company's Articles of Association."

8. 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
26 May 2014

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Notes:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 12 June 2014 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.

2. A member entitled to attend and vote at the Meeting is entitled to appoint proxy/ proxies to attend and vote in his stead. A proxy need not be a member of the Company. Notwithstanding this, a member entitled to attend and vote at the Meeting is entitled to appoint any person as his proxy to attend and vote instead of the member at the Meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.

3. 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.

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

5. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.

6. 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.

7. The instrument appointing a proxy must be deposited at the office of the Share Registrar, ShareWorks Sdn. Bhd., 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof.

8. Explanatory Notes on 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. Ordinary Resolution 1 - 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 AGM of the Company.

   c. Ordinary Resolution 2 - Proposed Shareholders' Mandate

      The proposed resolution, if passed, will allow the Group to enter into recurrent related party transactions of a revenue or trading nature pursuant to the provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

      Please refer to the Circular to Shareholders dated 26 May 2014 for further information.

   d. Special Resolution

      The Proposed Amendments of Articles of Association are to streamline the Company's Article of Association to be aligned with the recent amendments to the Listing Requirements of Bursa Malaysia Securities Berhad and to incorporate the necessary amendments to ensure clarity and consistency with the relevant regulatory provisions.

9. YBhg. Tan Sri Dato' Kamaruzzaman Bin Shariff who retires pursuant to Section 129(6) of the Companies Act, 1965, has expressed his intention not to seek re-appointment at the Fortieth AGM. Hence, he will retain office until the close of the Fortieth AGM.

HOHUP

Ho Hup Construction Company Berhad (14034-W)
(Incorporated in Malaysia)

FORM OF PROXY

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 Fortieth Annual General Meeting of the Company to be held at Function Room 1 & 2, 1st Floor, Kuala Lumpur Golf & Country Club, 10 Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Wednesday, 18 June 2014 at 10:30 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.

Item	Agenda	For	Against
1.	To receive the Audited Financial Statements for the financial year ended 31 December, 2013 together with the Reports of the Directors and the Auditors thereon.		
2. i.	To re-elect Mr. Donatian Felix Dorairaj who retires in accordance with Article 90 of the Company's Articles of Association. (Resolution 1)		
2. ii.	To re-elect Dato' Ramli Bin Yusuff who retires in accordance with Article 90 of the Company's Articles of Association. (Resolution 2)		
2. iii.	To re-elect Dato' Thong Kok Khee who retires in accordance with Article 90 of the Company's Articles of Association. (Resolution 3)		
3. i.	To re-elect Datuk Seri Panglima Sulong Matjeraie who retires in accordance with Article 96 of the Company's Articles of Association. (Resolution 4)		
3. ii.	To re-elect Dato' Mah Siew Kwok who retires in accordance with Article 96 of the Company's Articles of Association. (Resolution 5)		
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 6)		
	As Special Business:		
5.	**Ordinary Resolution 1** - Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965. (Resolution 7)		
6.	**Ordinary Resolution 2** - Proposed Shareholders' Mandate (Resolution 8)		
7.	**Special Resolution** - Proposed Amendments to the Articles of Association (Resolution 9)		

* strike out whichever not applicable

Signed this _____ day of _____ , 2014

_____
Signature of Member/Common Seal

Notes:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 12 June 2014 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.
2. A member entitled to attend and vote at the Meeting is entitled to appoint proxy/ proxies to attend and vote in his instead. A proxy need not be a member of the Company. Notwithstanding this, a member entitled to attend and vote at the Meeting is entitled to appoint any person as his proxy to attend and vote instead of the member at the Meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
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4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. 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.
6. 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.
7. The instrument appointing a proxy must be deposited at the office of the Share Registrar, ShareWorks Sdn. Bhd., 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof.

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AFFIX
STAMP

THE SHARE REGISTRAR

SHAREWORKS SDN. BHD.
2-1, Jalan Sri Hartamas 8,
Sri Hartamas,
50480 Kuala Lumpur,
Wilayah Persekutuan

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