THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Bursa Malaysia Securities Berhad ("Bursa Securities") takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

You should rely on your own evaluation to assess the merits and risks of the Proposed Joint Venture (as defined herein).

HOHUP®

HO HUP CONSTRUCTION COMPANY BERHAD
(Registration No. 197301000497 (14034-W))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PART A

PROPOSED JOINT VENTURE BETWEEN HO HUP DAGANG JAYA SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF HO HUP CONSTRUCTION COMPANY BERHAD ("HO HUP") AND LOW CHEE GROUP SDN BHD, TO UNDERTAKE A RESIDENTIAL DEVELOPMENT ON 2 PARCELS OF LAND LOCATED IN TAMAN DAGANG JAYA, AMPANG MEASURING APPROXIMATELY 4.71 ACRES AND 7.06 ACRES INTO 824 UNITS OF CONDOMINIUM AND 353 UNITS OF RUMAH SELANGORKU ("PROPOSED JOINT VENTURE")

PART B

INDEPENDENT ADVICE LETTER FROM MALACCA SECURITIES SDN BHD TO THE NON-INTERESTED SHAREHOLDERS OF HO HUP IN RELATION TO THE PROPOSED JOINT VENTURE

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser for Part A

M&A SECURITIES SDN BHD
Registration No. 197301001503 (15017-H)
(A Wholly-Owned Subsidiary of Insas Berhad)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser for Part B

MALACCA SECURITIES SDN BHD
Registration No: 197301002760 (16121-H)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The resolution in respect of the above proposal will be tabled at the Extraordinary General Meeting ("**EGM**") of the Company which will be held on Wednesday, 24 February 2021 at 4.00 p.m. as a fully virtual meeting via live streaming broadcast from Redwood Meeting Room, Ho Hup Tower – Aurora Place, 2-09-01 - Level 9, Plaza Bukit Jalil, No 1, Persiaran Jalil 1, Bandar Bukit Jalil, 57000 Kuala Lumpur. The Notice of the EGM together with the Form of Proxy are enclosed in this Circular.

You are encouraged to attend, participate, speak (in the form of real time submission of typed texts) and vote remotely at the forthcoming EGM using the remote participation and electronic voting facilities. If you are unable to participate in the online EGM, you may appoint a proxy or proxies to participate and vote on your behalf. The Form of Proxy must be lodged at the Share Registrar's office of the Company, ShareWorks Sdn Bhd, 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur on or before the date and time indicated below in order for it to be valid. You may also submit the Form of Proxy electronically via the Portal at https://agm.omesti.com no later than on Tuesday, 23 February 2021 at 4.00 p.m. The lodging of the Form of Proxy shall not preclude you from participating in the online EGM should you subsequently wish to do so.

Please follow the procedures provided in the Administrative Guide for our EGM which is available on our Company's website at www.hohupgroup.com.my.

Last date and time for lodging the Form of Proxy	:	Tuesday, 23 February 2021 at 4.00 p.m.
Date and time of EGM	:	Wednesday, 24 February 2021, at 4.00 p.m. or at any adjournment thereof

This Circular is dated 9 February 2021

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

"Ampang Dagang Jaya Project" or "Development"	:	A residential development of 824 units of condominium and 353 units of RSKU apartments on the Development Land
"Board"	:	Board of Directors of Ho Hup
"Bursa Depository"	:	Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
"Circular"	:	This circular to shareholders dated 9 February 2021
"Development Land"	:	Parcel A and Parcel B, collectively
"EGM"	:	Extraordinary general meeting
"EPS"	:	Earnings per Share
"GDC"	:	Gross development cost
"GDP"	:	Gross development profit
"GDV"	:	Gross development value
"HHDJ"	:	Ho Hup Dagang Jaya Sdn Bhd, a wholly-owned subsidiary of Ho Hup (Registration No. 201901045312 (1354642-A))
"HHDJ's Entitlement"	:	Approximately RM80.8 million, which is 82% of the GDV of the Ampang Dagang Jaya Project (excluding GDV for RSKU apartments) after netting off development costs of approximately RM275.0 million. HHDJ is responsible for funding all the development costs. The profits to be generated from the sale of RSKU apartments shall be shared equally between the Parties
"Ho Hup" or "Company"	:	Ho Hup Construction Company Berhad (Registration No. 197301000497 (14034-W))
"Ho Hup Group" or "Group"	:	Ho Hup and its subsidiaries, collectively
"Ho Hup Shares" or "Share(s)"	:	Ordinary shares in Ho Hup
"IAL"	:	Independent advice letter by Malacca Securities dated 9 February 2021 to the non-interested shareholders in relation to the Proposed Joint Venture as set out in Part B of this Circular
"Interested Directors"	:	Datin Chan Bee Leng and Low Kheng Lun, collectively
"Interested Major Shareholders"	:	LCG, Dato' Low Tuck Choy, Datin Chan Bee Leng, Low Kheng Lun and Low Lai Yoong, collectively

"Interested Shareholder"	:	Concrete Paver Industries Sdn Bhd (Registration No. 199501010283 (339484-P))
"JVA"	:	A conditional joint venture agreement dated 26 November 2020 entered into between HHDJ and LCG for the Proposed Joint Venture
"LCG"	:	Low Chee Group Sdn Bhd (Registration No. 198001007547 (61331-A))
"LCG's Entitlement"	:	18% of the GDV of the Ampang Dagang Jaya Project (excluding GDV for RSKU apartments). The profits to be generated from the sale of RSKU apartments shall be shared equally between the Parties
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities, as may be amended from time to time
"LPD"	:	2 February 2021, being the latest practicable date prior to the date of this Circular
"Malacca Securities" or "Independent Adviser"	:	Malacca Securities Sdn Bhd (Registration No. 197301002760 (16121-H)) being the independent adviser appointed by the Board on 24 November 2020 to advise the non-interested Directors and non-interested Shareholders on the Proposed Joint Venture
"M&A Securities"	:	M&A Securities Sdn Bhd (Registration No. 197301001503 (15017-H))
"NA"	:	Net assets
"Parcel A"	:	A parcel of land held under GM 216, Lot No. 591, Mukim of Empang, District of Hulu Langat, State of Selangor Darul Ehsan, located in Taman Dagang Jaya, Ampang measuring approximately 4.71 acres
"Parcel B"	:	102 parcels of lands held under Mukim of Ampang, District of Hulu Langat, State of Selangor Darul Ehsan, located in Taman Dagang Jaya, Ampang measuring approximately 7.06 acres
"Parties"	:	HHDJ and LCG, collectively
"Proposed Joint Venture"	:	Proposed joint venture between HHDJ and LCG to undertake the Ampang Dagang Jaya Project on the Development Land
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"RSKU"	:	Rumah Selangorku

For the purpose of this Circular, all references to a time of day shall be a reference to Malaysian time unless otherwise stated. In this Circular, words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and vice versa. References to persons shall, where applicable, include corporations.

Certain figures included in this Circular have been subject to rounding adjustments. References to "we", "us", "our" and "ourselves" are to our Company save where the context otherwise requires, our subsidiaries and to "you" or "your" are to the shareholders of the Company.

Any reference in this Circular to the provisions of any statute, rules, regulation or rules of stock exchange shall (where the context admits) be construed as a reference to the provisions of such statute, rules, regulation or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments to the statute, rules, regulation or rules of stock exchange for the time being in force.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by our Board after due inquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that our plans and objectives will be achieved.

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EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE PROPOSED JOINT VENTURE. THE SHAREHOLDERS OF HO HUP ARE ADVISED TO READ THE CIRCULAR AND ITS APPENDICES FOR FURTHER DETAILS AND NOT TO SOLELY RELY ON THIS EXECUTIVE SUMMARY IN FORMING A DECISION ON THE PROPOSED JOINT VENTURE BEFORE VOTING AT THE EGM

The Board is recommending shareholders of Ho Hup to vote **IN FAVOUR** of the resolution in relation to the Proposed Joint Venture to be tabled at the forthcoming EGM to be convened.

Key information		Description	Reference to Circular
Summary	:	HHDJ had on 26 November 2020 entered into JVA with LCG to undertake the Ampang Dagang Jaya Project on the Development Land.	Section 2
Rationale	:	The rationale for the Proposed Joint Venture is as follows: (i) The Proposed Joint Venture is in line with the ordinary course of business of Ho Hup Group which is principally involved in construction and property development as well as sale of building materials; (ii) Represents a strategic opportunity for the Group to replenish its existing property development projects; and (iii) Allow the Group to participate in the Development without an outright purchase of the Development Land which will otherwise require significant cash outlay.	Section 3
Risk factors	:	The Proposed Joint Venture will be subject to risks associated to the property development industry which Ho Hup is already involved in and other risk which include: (i) Non-fulfillment of conditions precedent of the JVA; (ii) Project completion risk; (iii) Financing risk for the Ampang Dagang Jaya Project; and (iv) Impact of COVID-19 on the Group's business and operations	Section 4

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PART A

LETTER FROM THE BOARD TO THE SHAREHOLDERS IN RELATION TO THE PROPOSED JOINT VENTURE

HOHUP®

HO HUP CONSTRUCTION COMPANY BERHAD
(Registration No. 197301000497 (14034-W))
(Incorporated in Malaysia)

Registered Office:

Ho Hup Tower-Aurora Place
2-07-01, Level 7
Plaza Bukit Jalil
No 1, Persiaran Jalil 1
Bandar Bukit Jalil
57000 Kuala Lumpur

9 February 2021

Directors:
Tan Sri Datuk Seri Panglima Sulong Matjeraie *(Chairman/Senior Independent Non-Executive Director)*
Dato' Mah Siew Kwok *(Deputy Chairman/Non-Independent Non-Executive Director)*
Dato' Wong Kit-Leong *(Chief Executive Officer/Executive Director)*
Dato' Wong Gian Kui *(Executive Director)*
Dato' Sri Thong Kok Khee *(Non-Independent Non-Executive Director)*
Datin Chan Bee Leng *(Non-Independent Non-Executive Director)*
Low Kheng Lun *(Non-Independent Non-Executive Director)*
Boey Tak Kong *(Independent Non-Executive Director)*
Chow Seck Kai *(Independent Non-Executive Director)*

To: The Shareholders of Ho Hup

Dear Sir/Madam,

PROPOSED JOINT VENTURE

1. INTRODUCTION

On 26 November 2020, M&A Securities had, on behalf of the Board, announced that HHDJ proposes to undertake the Proposed Joint Venture.

The Proposed Joint Venture is deemed as a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of certain Directors and major shareholders as set out in Section 8 of Part A of this Circular.

Accordingly, Malacca Securities was appointed on 24 November 2020 as the Independent Adviser to provide the non-interested Directors and non-interested shareholders in respect of the Proposed Joint Venture with:

(i) An opinion as to whether the Proposed Joint Venture is fair and reasonable so far as the non-interested shareholders of Ho Hup are concerned;

(ii) Comment whether the Proposed Joint Venture is detrimental to the non-interested shareholders of Ho Hup; and

(iii) Advise the non-interested shareholders of Ho Hup whether they should vote in favour of the resolution pertaining to the Proposed Joint Venture at the EGM to be convened.

Further details of the Proposed Joint Venture are set out in the ensuing sections.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH DETAILS ON THE PROPOSED JOINT VENTURE, TO SET OUT THE BOARD'S OPINION AND RECOMMENDATION ON THE PROPOSED JOINT VENTURE AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED JOINT VENTURE TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN CAREFULLY BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED JOINT VENTURE TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED JOINT VENTURE

2.1 Background information of the Proposed Joint Venture

HHDJ had entered into the JVA with LCG to undertake the Development subject to the terms and conditions set forth in the JVA, which are set out in **Appendix I** of this Circular.

Pursuant to the JVA, LCG, being the registered proprietor, the legal and beneficial owner of the Development Land, shall grant HHDJ the rights to carry out the Ampang Dagang Jaya Project on the Development Land in consideration of LCG's Entitlement, and HHDJ shall manage including amongst others, the development and construction, legal and financial matters as well as sales and marketing of the Ampang Dagang Jaya Project.

For the avoidance of doubt, there will be no joint venture company incorporated for the purposes of the Proposed Joint Venture.

Further details on the Ampang Dagang Jaya Project and the Development Land are set out in Sections 2.2 and 2.3 of Part A of this Circular.

2.2 Information of the Ampang Dagang Jaya Project

Details of the Ampang Dagang Jaya Project are set out below:

Project Name	:	Ampang Dagang Jaya Project
Type of Development	:	Residential development comprising: (i) 824 units of condominium; and (ii) 353 units of RSKU apartments
Estimated GDV	:	Total estimated GDV of RM520.3 million comprising: (i) Condominium (RM433.9 million); and (ii) RSKU apartments (RM86.4 million)
Estimated GDC [(1)]	:	Total estimated GDC of RM360.5 million comprising: (i) Condominium (RM275.0 million); and (ii) RSKU apartments (RM85.5) million)
LCG's Entitlement	:	Estimated at RM78.1 million, which is 18% of the GDV of the Ampang Dagang Jaya Project (excluding GDV for RSKU apartments) subject to a minimum guaranteed payment of RM55.0 million.

HHDJ's Entitlement	:	Approximately RM80.8 million, which is 82% of the GDV of the Ampang Dagang Jaya Project (excluding GDV for RSKU apartments) after netting off development costs of approximately RM275.0 million. HHDJ is responsible for funding all the development costs. HHDJ's Entitlement shall also include half of the profits to be generated from the sale of RSKU apartments (estimated at RM0.45 million).
Expected commencement and completion date of development	:	After taking into consideration the current economic condition, HHDJ shall commence the construction and development of the Ampang Dagang Jaya Project in third quarter 2021 and is expected to complete the Development in 2024.
Status of approvals for development and date obtained	:	HHDJ shall obtain the following approvals required for the Development under the Proposed Joint Venture:

Approvals required for the Proposed Joint Venture	**Status**
Lembaga Perumahan dan Hartanah Selangor	The application was submitted on 25 November 2020 and pending approval as at the LPD
Majlis Perbandaran Ampang Jaya	The application is expected to be submitted in second quarter of 2021
Pejabat Tanah dan Galian Selangor	The application is expected to be submitted in second quarter of 2021

Upon the receipt of approval from Lembaga Perumahan dan Hartanah Selangor for the density approval, Parcel A and Parcel B shall be surrendered to the land office and amalgamated into a master land title.

Note:

(1) The estimated GDC includes the construction costs comprising mainly piling works, building works, mechanical and electronic works as well as external works and development costs comprising mainly project management fees, authority and utilities fees.

2.3 Information of the Development Land

Details of the Development Land are as follows:

Location	:	Ampang, Selangor
Title	:	Parcel A - GM 216, Lot No. 591, Mukim of Empang, District of Hulu Langat, State of Selangor Darul Ehsan Parcel B - 102 parcels of lands held under Mukim of Ampang, District of Hulu Langat, State of Selangor Darul Ehsan
Land use/ Express Condition	:	Parcel A - Agricultural / Coffee plantation [(1)] Parcel B - Building / Residential
Tenure	:	Freehold
Land area	:	Parcel A (4.71 acres) Parcel B (7.06 acres)
Existing use	:	The Development Land is currently vacant
Registered owner	:	LCG
Audited net book value	:	The NBV of the Development Land as recorded in the financial statements of LCG is RM2.82 million.
Encumbrances	:	Free from encumbrances
Restriction in interest	:	Nil

Note:

(1) The express condition set out in the title of Parcel A states that the land shall be used for coffee plantation. LCG had on 9 July 2020 received an approval from the State Authority of Hulu Langat for the conversion of land use to "Building" with an express condition of "Residential Building", subject to a payment of land conversion premium amounting to RM3.44 million.

The land conversion premium shall be paid by HHDJ on behalf of LCG and shall be deducted from LCG's Entitlement.

2.4 Entitlements under the JVA

Pursuant to the JVA, LCG shall be entitled to 18% of the GDV of the Ampang Dagang Jaya Project (excluding GDV for RSKU apartments) subject to a minimum guaranteed payment of RM55.0 million.

HHDJ's entitlement is approximately RM80.8 million, which is 82% of the GDV of the Ampang Dagang Jaya Project (excluding GDV for RSKU apartments) after netting off development costs of approximately RM275.0 million. HHDJ is responsible for funding all the development costs. The profits to be generated from the sale of RSKU apartments shall be shared equally between the Parties.

For illustrative purposes, based on the total estimated GDV of approximately RM520.3 million for the Proposed Joint Venture, the Parties' entitlement will be as follows:

Details	Entitlements excluding the RSKU apartments (RM million)	Entitlements from the RSKU apartments (RM million)	Total (RM million)
Total estimated GDV	433.90	86.40	520.30
Less: Estimated GDC	(275.00)	(85.50)	(360.50)
	158.90	**(2) 0.90**	**159.80**
LCG's Entitlement	(1) 78.10	0.45	78.55
HHDJ's entitlement	80.80	0.45	81.25
	158.90	**(2) 0.90**	**159.80**

Notes:

(1) The entitlement of LCG is 18% of the GDV of the Ampang Dagang Jaya Project, subject to a minimum guaranteed payment of RM55.0 million. LCG's Entitlement of the GDV excludes the GDV from sale of RSKU apartments.

LCG's Entitlement, being 18% of the estimated GDV of the Ampang Dagang Jaya was determined after taking into consideration of the payment to the landowners based on the precedent joint venture transactions for the past 4 years with a ranged from 12% to 22%. Kindly refer to Section 6.2 (d) of the IAL on details of precedent joint venture transactions.

In addition, the minimum guaranteed payment of RM55.0 million was supported by an Independent Valuation Report dated 20 January 2021 by PA International Property Consultants (KL) Sdn Bhd.

(2) The profits to be generated from the sale of RSKU apartments shall be shared equally between the Parties.

2.5 Information of HHDJ

HHDJ, a wholly-owned subsidiary of Ho Hup was incorporated in Malaysia under the Companies Act 2016 as a private limited company on 16 December 2019. The intended principal activities of HHDJ are in construction and property development of commercial and non-commercial properties.

As at the LPD, HHDJ's share capital is RM2.00 comprising 2 ordinary shares. HHDJ is a wholly-owned subsidiary of Ho Hup. The Directors of HHDJ are Dato' Wong Kit-Leong and Monteiro Gerard Clair.

2.6 Information of LCG

LCG was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 8 August 1980 under the name, Low Chee & Sons Sdn Bhd. It subsequently changed its name to LCG on 11 April 2013. LCG is principally involved in the investment holding of properties and shares.

As at the LPD, LCG's share capital is RM5,000,000 comprising 5,000,000 ordinary shares. The Directors of LCG are Dato' Low Tuck Choy, Low Lai Yoong and Low Kheng Lun.

The shareholders of LCG are as follows:

	Shares	**%**
Dato' Low Tuck Choy	1,528,318	30.57
Low Lai Yoong	1,528,318	30.57
Low Kheng Lun	868,364	17.36
Trustee for Low Chee	625,000	12.50
Estate of Tang Sau Kuan @ Tang Sow Keng (deceased)	450,000	9.00
	5,000,000	**100.00**

2.7 Basis and justification for the LCG's Entitlement

LCG's Entitlement is determined after taking into consideration the following:

(i) Based on management's feasibility study, earnings from the Ampang Dagang Jaya Project is expected to generate GDP of approximately RM81.25 million (after deducting the estimated GDC and LCG's Entitlement, but before tax);

(ii) No significant upfront costs will be incurred to acquire the Development Land; and

(iii) The rationale and prospects as stated in Sections 3 and 6 of Part A of this Circular, respectively.

Based on the above, Board is of the view that LCG's Entitlement of 18% of the estimated GDV of the Development (excluding GDV for RSKU apartments) is deemed reasonable.

2.8 Liabilities to be assumed

Save for the obligations and liabilities arising from and in connection to the implementation and completion of the Ampang Dagang Jaya Project as set out in the JVA, there are no other liabilities, contingent liabilities or guarantees to be assumed by HHDJ pursuant to the Proposed Joint Venture.

2.9 Estimated financial commitments

Save for LCG's Entitlement and financial commitments requirement for the implementation and completion of the Development, HHDJ is not expected to incur any other additional financial commitment in relation to the Proposed Joint Venture.

2.10 Source of funding

Ho Hup intends to fund the Ampang Dagang Jaya Project through a combination of internally generated funds, bank borrowings and/or proceeds to be raised from the private placement exercise announced on 20 November 2020, the exact quantum of which will be determined by the Board at a later stage depending on the cost of funding and funding requirements of its other business operations. As per the terms of the JVA, HHDJ has the rights to use the Development Land as security for project financing.

3. RATIONALE FOR THE PROPOSED JOINT VENTURE

The Proposed Joint Venture is in line with the ordinary course of business of Ho Hup Group which is principally involved in construction and property development as well as sale of building materials.

The Development Land's connectivity and accessibility to public amenities especially with the upcoming Sungai Besi – Ulu Klang Elevated Expressway and Ampang LRT station is expected to improve the demand for the units under the Ampang Dagang Jaya Project. The Development Land is also located just a short drive away from Aeon Big, Ampang.

The Proposed Joint Venture represents a strategic opportunity for the Group to replenish its existing property development projects. The Ampang Dagang Jaya Project is expected to improve the revenue and profit contribution from the property development segment as well as the overall financial performance of the Group where the Group is expected to generate an estimated GDP (after deducting the estimated GDC and LCG's Entitlement, but before tax) of RM81.25 million.

The Proposed Joint Venture will allow the Group to participate in the Development without an outright purchase of the Development Land which will otherwise require significant cash outlay. The property development projects currently undertaken by the Group are as follows:

Project(s)/ Name of project owners	**Description**	**Commencement date of construction**	**% of completion / sale as at LPD**	**Estimated completion**	**Estimated GDV/GDC (RM million)**
Laman Iskandaria/ Intact Corporate Approach Sdn Bhd	Residential project comprising of 457 units of double storey terrace linked house	First quarter of 2021	- % / -%	Fourth quarter of 2022	168.3 / 124.1
The Crown Service Suits / Golden Wave Sdn Bhd	Development of the Crown Project in Kota Kinabalu, comprising service suites and retail space	Third quarter of 2018	18.2% / -%	Second quarter of 2022	491.3 / 325.3

4. RISK FACTORS

4.1 Non-fulfillment of conditions precedent of the JVA

The JVA is conditional upon fulfilment of the conditions precedent as disclosed in **Appendix I** of this Circular. There is no assurance that the JVA can be completed within the time period permitted under the said agreement. In the event that the conditions precedent are not fulfilled within the stipulated time period, the completion of the Proposed Joint Venture may be affected.

In this regard, the Board will take reasonable steps to ensure that the conditions precedent in the JVA are met in order to complete the Proposed Joint Venture. Notwithstanding the above, there is no assurance that such steps taken by the Board will yield the desired outcomes.

4.2 Project completion risk

The timely completion of the Ampang Dagang Jaya Project may be subjected to external factors which are beyond the control of the Group, such as delay in obtaining approvals/permits necessary for the development, availability and adequacy of raw materials and labour, weather conditions, shortage of labour workforce and other unforeseen circumstances. There can be no assurance that the Group will not experience significant delays in the completion of the Ampang Dagang Jaya Project which may adversely affect the Group's reputation and financial performance.

There is no assurance that project delays will not increase the development costs which will materially affect profitability of the Group. The Board will seek to limit such risk by managing and closely monitoring the Ampang Dagang Jaya Project to minimise any delay in the completion of the Ampang Dagang Jaya Project. Nevertheless, there is no assurance that the efforts to be undertaken by the Group including close coordination with all parties involved in the Ampang Dagang Jaya Project will result in the Group avoiding or minimising the risk of any delays in the completion of the Ampang Dagang Jaya Project.

4.3 Financing risk for the Ampang Dagang Jaya Project

The Group may seek external financing to fund the development costs of the Ampang Dagang Jaya Project. If the Group obtains bank borrowings, the Group may incur an interest expense on the bank borrowings. In view that the interest expenses charged on bank borrowings are subject to prevailing interest rate, the Group may potentially be exposed to interest rate fluctuation which may significantly increase the project costs and affect the Group's cash flows as well as profitability. The Group will actively review its debt portfolio taking into consideration the level and nature of borrowings and seek to adopt cost effective financing options.

However, there can be no assurance that the performance of the Group would not be materially affected in the event of any adverse changes in interest rates.

4.4 Impact of COVID-19 on the Group's business and operations

Over the last financial quarters, the COVID-19 pandemic has spread across the world resulting in lockdown or similar measures imposed by governments worldwide to curb the spread of the virus. These have resulted in adverse impact to the performance of the world's economies including Malaysia. Even with the gradual relaxation of lockdown measures, consumer sentiment is expected to remain dampened in the near future as consumers stay cautious in their spending. With the recent resurgence of COVID-19 infections across the world, the dampening effects of the COVID-19 pandemic on consumer spending is expected to remain prevalent in the foreseeable future.

The Group was able to operate with minimal disruptions during the Movement Control Order ("MCO"), including the MCO currently in effect as at the LPD. The Group was able to operate as it has obtained the necessary approvals from the relevant authorities. However, there is no assurance that the COVID-19 outbreak and/or lockdown or similar measures will not have a material adverse impact on the industry in which the Group operates.

The Group does not foresee any disruptions resulting from the COVID-19 pandemic on the Ampang Dagang Jaya Project as it shall apply for the necessary approvals to commence constructions works in the event of any MCO. However, the take-up rate of the Ampang Dagang Jaya Project in the near term may be affected given the dampening effects of the COVID-19 pandemic on consumer spending and property investments.

5. FINANCIAL EFFECTS OF THE PROPOSED JOINT VENTURE

5.1 Share capital

The Proposed Joint Venture will not have any effect on the share capital of Ho Hup as it does not involve any issuance of new Ho Hup shares.

5.2 NA and gearing

Barring any unforeseen circumstances, the Proposed Joint Venture is not expected to have any immediate material effect on the NA and gearing of the Group. However, the effects on the future NA and/or gearing of the Group will depend on the manner of funding for the Ampang Dagang Jaya Project. The Proposed Joint Venture is expected to contribute positively towards the NA of the Group as and when the Ampang Dagang Jaya Project is completed and sold.

5.3 Substantial shareholders shareholdings

The Proposed Joint Venture will not have any effect on the substantial shareholders' shareholdings of Ho Hup as it does not involve any issuance of new Ho Hup shares.

5.4 Earnings and EPS

The JVA is expected to contribute positively towards the earnings and EPS of the Group for future financial years when the Ampang Dagang Jaya Project is completed and sold. Any profit attributable would be realised in stages over the tenure of the Ampang Dagang Jaya Project based on its progress.

6. INDUSTRY OVERVIEW AND PROSPECTS

6.1 Overview and outlook of the Malaysian economy

In line with the reopening of the economy from earlier COVID-19 containment measures and improving external demand conditions, the Malaysian economy recorded a smaller contraction of 2.7% in the third quarter of 2020 (second quarter of 2020: -17.1%). The improvement largely reflected the reopening of the economy from COVID-19 pandemic containment measures and better external demand conditions. Improvements in growth were seen across most economic sectors, particularly in the manufacturing sector, which turned positive following strong electrical and electronics production activity. On the expenditure side, domestic demand contracted at a slower pace, while net exports rebounded. On a quarter-on-quarter seasonally-adjusted basis, the economy turned around to register an expansion of 18.2% (second quarter of 2020: -16.5%).

For the quarter, headline inflation recorded a smaller negative at -1.4%, due mainly to the higher domestic retail fuel prices, in line with the recovery in global oil prices. Core inflation moderated slightly to 1.0%.

The recent resurgence of COVID-19 pandemic cases and targeted containment measures could affect the momentum of the recovery in the final quarter of the year. However, as most economic sectors have been allowed to continue to operate subject to compliance with standard operating procedures, the impact is expected to be less severe compared to the containment measures during previous periods.

Going into 2021, growth is expected to recover, benefitting from the improvement in global demand and a turnaround in public and private sector expenditure amid various policy support. This includes Government's measures such as KITA PRIHATIN and the recently

announced Budget 2021, specifically the Bantuan Prihatin Rakyat, targeted wage subsidies and public projects. Additionally, the continued financial measures and low interest rate environment are also expected to lend further support economic activity.

The balance of risks is tilted to the downside, emanating mainly from on-going uncertainties surrounding COVID-19 globally and domestically. However, the economy could benefit from a larger-than-expected positive impact from various policy measures, and better-than-expected recovery in global economy.

For 2021, the International Monetary Fund projects the global economy to grow by 5.2%, although this outlook is highly conditional on progress in the resolution of the pandemic. The recent resurgence in COVID-19 cases across some advanced and emerging economies therefore poses a downside to the outlook. Some major economies have already begun to reinstate containment measures and delay plans to reopen. This will dampen growth prospects in the fourth quarter of 2020 and recovery momentum heading into 2021. Although the more recent containment measures have not been imposed to the same degree observed in the second quarter, higher risk aversion will suppress private sector demand and weigh on growth.

(Source: Bank Negara Malaysia, Economic and Financial Developments in the Malaysian Economy in the Third Quarter of 2020)

6.2 Overview and outlook of the property market in Malaysia

The property market performance recorded a sharp decline in the first half of 2020 (H1 2020) compared to the same period last year (H1 2019). A total of 115,476 transactions worth RM46.94 billion were recorded, showing a decrease of 27.9% in volume and 31.5% in value compared to the same period last year, which recorded 160,165 transactions worth RM68.53 billion.

In the primary market, the number of new launches in the first half-year were far behind those recorded in similar half of 2019. There were 13,294 units launched, down by 43.6% against 23,591 units in similar half year of 2019.

Against the preceding half, the launches were lower by 31.6% (H2 2019: 19,444 units). Sales performance was poor at 3.3%, way lower compared to H1 2019 (30.9%) and H2 2019 (28.4%). The lower new launches and poor sales performance was probably due to the total closure of almost all business and economic activities during the MCO period, which was imposed in March 2020.

The slow market absorption of the primary market led to the increase in residential overhang. There were 31,661 overhang units worth RM20.03 billion, increased by 3.3% in volume (H2 2019: 30,664 units) and 6.4% in value against the preceding half (H2 2019: RM18.82 billion). Meanwhile the unsold under construction recorded a marginal increase to 74,230 units, up by 2.1% whilst the unsold not constructed improved as the numbers dropped to 14,542 units, reduced by 13.3%.

Construction activities remained on a low tone for starts, which declined by 28.3% to 33,493 units compared to the same period last year (H1 2019: 46,735 units), all states except Johor and Kelantan recorded lower commencement of project. Likewise, new planned supply dropped by 34.1% to 24,098 units (H1 2019: 36,578 units) as all states recorded fewer except Pulau Pinang, Negeri Sembilan and Kedah. In contrast, completion recorded a marginal increase of 0.9% to 27,529 units (H1 2019: 27,277 units); all states recorded lower completion except Selangor, Putrajaya, Melaka, Kelantan and Sarawak. Selangor contributed the highest number of completion, accounting for 25.4% (6,996 units) of the national total.

The Malaysian House Price Index continued to increase at a moderating trend. As at 2nd quarter of 2020, the Malaysian House Price Index stood at 198.3 points (at base year 2010), up by 0.4% on annual basis, the lowest annual growth recorded since year 2010. However, on quarterly movements, the index points decreased marginally by 0.7% against 1st quarter of 2020 (199.7 points).

Notwithstanding the above, the resurgent COVID-19 infections in the country have put the brakes on expectations of a quick recovery for the property industry in 2021. Recent news of viable vaccines making their way to the public will likely provide a timely shot-in-the-arm for consumer sentiment.

(Source: Property Market Report First Half 2020, JPPH Malaysia, Valuation and Property Services Department Malaysia, Ministry of Finance Malaysia, PropertyGuru)

6.3 Prospects of the Ho Hup Group

The magnitude of COVID-19 effects upon the residential market will largely depend on both the scale and longevity of the outbreak. In general, prices will be under pressure due to the severe economic impact on businesses and individuals although the 6-month automatic loan moratorium is expected to provide a short-term breather to borrowers. The price correction will depend on various factors that include property type, location, and price range amongst others.

With buyers adopting "a wait and see" approach, developers are also seen to be offering more attractive incentives and deals such as more rebates, discounts, cashbacks, furnishing packages, freebies, zero down payment, zero interest during construction and zero booking fees to provide a boost to the housing market.

The Government of Malaysia and Bank Negara Malaysia have introduced fiscal and monetary intervention measures to contain the impact from the pandemic. Relief measures include the 6-month moratorium for loan and financing payments. As part of the country's short-term Economic Recovery Plan - PENJANA, several initiatives have been announced to help spur the property market. The revived Home Ownership Campaign ("HOC"), effective 1 June 2020 until 31 May 2021, will offer stamp duty exemption on instruments of transfer and on loan agreements for the purchase of residential homes priced from RM300,000 to RM2.5 million subject to at least 10% discount provided by the developer, and exemption of Real Property Gains Tax for the disposal of residential homes up to 3 units per individual from 1 June 2020 to 31 December 2021. During the HOC period, the current 70% margin of financing limit will also be uplifted for the third housing loan onwards for properties valued at RM600,000 and above.

The Group anticipates that its property projects in good strategic locations will still be in demand at the right price. Leveraging on this scenario, the Group intends to focus on strategically marketing its properties to the right target market segments and introduce attractive sales packages to encourage sales.

Given the prevailing economic conditions and global financial outlook, the Group will continue its efforts to conserve cash flow and ensure continuous profitable operations post-COVID-19. Nevertheless, the Board is optimistic that the long term prospects of the Group will be supported by the long term prospects of the construction and property markets in Malaysia.

7. APPROVALS REQUIRED AND CONDITIONALITY

The Proposed Joint Venture is subject to the approval from the non-interested shareholders of Ho Hup at an EGM to be convened for the Proposed Joint Venture.

The Proposed Joint Venture is not conditional upon any other proposals undertaken or to be undertaken by the Company.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

Save as disclosed below, none of the Directors, major shareholders and/or persons connected to them have any interest, either direct or indirect, in the Proposed Joint Venture:

(i) LCG is a major shareholder of Ho Hup.

(ii) Dato' Low Tuck Choy, the major shareholder of Ho Hup by virtue of his direct and indirect shareholdings in Ho Hup, is a major shareholder and Director of LCG. He is the husband of Datin Chan Bee Leng, parent of Low Kheng Lun and the brother of Low Lai Yoong.

(iii) Datin Chan Bee Leng, a Non-Independent Non-Executive Director of Ho Hup and major shareholder of Ho Hup by virtue of her direct and indirect shareholdings in Ho Hup, is also the wife of Dato' Low Tuck Choy, the mother of Low Kheng Lun and sister-in-law of Low Lai Yoong.

(iv) Low Kheng Lun, a Non-Independent Non-Executive Director of Ho Hup and major shareholder of Ho Hup by virtue of his direct and indirect shareholdings in Ho Hup, is a major shareholder and Director of LCG. He is also the son of Dato' Low Tuck Choy and Datin Chan Bee Leng and the nephew of Low Lai Yoong.

(v) Low Lai Yoong, a major shareholder of Ho Hup by virtue of her direct and indirect shareholdings in Ho Hup, is a major shareholder and Director of LCG. She is also the sister of Dato' Low Tuck Choy, sister-in-law of Datin Chan Bee Leng and aunt of Low Kheng Lun.

(vi) Concrete Paver Industries Sdn Bhd, a shareholder of Ho Hup, is also a person connected to Low Kheng Lun, Datin Chan Bee Leng and Dato' Low Tuck Choy.

LCG, Dato' Low Tuck Choy, Datin Chan Bee Leng, Low Kheng Lun and Low Lai Yoong are collectively referred to as the "Interested Major Shareholders". Concrete Paver Industries Sdn Bhd is referred to as the "Interested Shareholder".

Datin Chan Bee Leng and Low Kheng Lun are collectively referred to as the "Interested Directors".

The shareholdings of the Interested Major Shareholders, Interested Shareholder and Interested Directors as at the LPD in Ho Hup are as follows:

Interested Major Shareholders/ Interested Shareholder/ Interested Directors	**Direct**		**Indirect**	
	No. of Shares Held	**%**	**No. of Shares Held**	**%**
LCG	65,113,032	15.79	-	-
Dato' Low Tuck Choy	6,817,500	1.65	71,240,305 (1)	17.28
Datin Chan Bee Leng	47,700	0.01	77,958,722 (2)	18.90

Interested Major Shareholders/ Interested Shareholder/ Interested Directors	Direct		Indirect	
	No. of Shares Held	%	No. of Shares Held	%
Low Kheng Lun	51,383	0.01	65,113,032 (3)	15.79
Low Lai Yoong	1,362,500	0.33	65,113,032 (3)	15.79
Concrete Paver Industries Sdn Bhd	349,100	0.09	-	-

Notes:

(1) Deemed interest by virtue of his substantial shareholdings in LCG, Estate of Low Chee and Concrete Paver Industries Sdn Bhd pursuant to Section 8(4) of the Companies Act 2016 and his spouse, Datin Chan Bee Leng's and son, Low Kheng Lun's direct shareholdings in the Company.

(2) Deemed interest by virtue of her husband, Dato' Low Tuck Choy's substantial shareholdings in LCG, Estate of Low Chee and Concrete Paver Industries Sdn Bhd pursuant to Section 8(4) of the Companies Act 2016 and her husband's direct shareholdings in the Company.

(3) Deemed interest by virtue of his/her substantial shareholdings in LCG pursuant to Section 8(4) of the Companies Act 2016.

As such, the Interested Directors have abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings in respect of the Proposed Joint Venture.

In addition, the Interested Major Shareholders, Interested Shareholder and Interested Directors will also abstain from voting in respect of their direct and/or indirect shareholdings in Ho Hup, if any, on the resolution pertaining to the Proposed Joint Venture to be tabled at the EGM to be convened.

The abovementioned Interested Major Shareholders, Interested Shareholder and Interested Directors have also undertaken to ensure that persons connected to them shall abstain from voting in respect of their direct and/or in direct shareholdings in the Company, if any, on the relevant resolution pertaining to the Proposed Joint Venture at an EGM to be convened.

9. RELATED PARTY TRANSACTION

In view of the interests of Interested Major Shareholders, Interested Shareholder and Interested Directors as set out in Section 8 above, the Proposed Joint Venture is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements.

10. TRANSACTIONS WITH THE INTERESTED DIRECTORS, INTERESTED MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM FOR THE PRECEDING 12 MONTHS

Save for the Proposed Joint Venture, there were no other transactions entered into by the Company with the Interested Major Shareholders, Interested Shareholder and Interested Directors for the preceding 12 months from the LPD.

11. DIRECTORS' STATEMENT AND RECOMMENDATION

11.1 Directors' Statement

Having considered all aspects of the Proposed Joint Venture, the Directors (save for the Interested Directors) are of the opinion that the Proposed Joint Venture is fair, reasonable and on normal commercial terms and hence are not detrimental to the interest of the non-interested shareholders of Ho Hup and is in the best interest of Ho Hup.

Accordingly, the Board (save for the Interested Directors) recommends that you vote in favour of the resolution for the Proposed Joint Venture to be tabled at the forthcoming EGM.

11.2 Audit Committee's Statement

The Audit Committee of Ho Hup is of the opinion that the Proposed Joint Venture is in the best interest of Ho Hup and that the terms of the Proposed Joint Venture are fair, reasonable and on normal commercial term. Hence, the Proposed Joint Venture is not detrimental to the interest of the non-interested shareholders.

The views of the Audit Committee was arrived at after having considered, *inter-alia*, the terms and conditions of the JVA, the rationale for the Proposed Joint Venture, the prospects of the Ampang Dagang Jaya Project, the effects of the Proposed Joint Venture on the Group and the opinion from Malacca Securities, the Independent Adviser.

12. INDEPENDENT ADVICE LETTER

The IAL in relation to the Proposed Joint Venture, is set out in Part B of this Circular. You are advised to read the IAL together with the appendices of this Circular carefully before voting on the resolution pertaining to the Proposed Joint Venture to be tabled at the forthcoming EGM.

13. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable for the Proposed Joint Venture pursuant to Paragraph 10.02(g)(vii) of the Listing Requirements is approximately of 27.6%, being the total GDC of the Ampang Dagang Jaya Project compared to the total assets of Ho Hup Group.

14. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Board expects the JVA to be unconditional by the 1st quarter of 2021.

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15. OUTSTANDING CORPORATE EXERCISE ANNOUNCED BUT PENDING IMPLEMENTATION

Save for the Proposed Joint Venture and save as disclosed below, there is no other corporate exercise/scheme being undertaken by the Group which has been announced but is pending implementation as at the date of this Circular:

(i) The Company had on 20 November 2020 announced that it proposed to undertake a private placement of up to 20% of the total number of issued shares in Ho Hup to independent third party investor(s) to be identified at a later date ("Private Placement"). On 30 December 2020, it was announced that Bursa Securities had vide its letter dated 29 December 2020, resolved to approve the listing of and quotation for up to 82,476,700 new Shares ("Placement Shares") to be issued pursuant to the Private Placement.

The Company has not issued any Placement Shares at the LPD and as such the status of utilisation of proceeds is not available. The Company is expected to raise gross proceeds of up to RM30.10 million from the Private Placement based on the indicative issue price of RM0.365 per Placement Share.

The proceeds to be raised are expected to be utilised in the following manner:

Details	**RM'000**	**Timeframe of utilisation from the listing of the Placement Shares**
Working capital	20,104	Within 24 months
Repayment of borrowings	9,000	Within 3 months
Estimated expenses in relation to the Private Placement	1,000	Within 1 month
	30,104	

Additional details of utilisation are set out in the Company's announcement on the Private Placement dated 20 November 2020.

16. EGM

An EGM, the notice of which is enclosed together with this Circular, will be held on Wednesday, 24 February 2021 at 4.00 p.m., or any adjournment thereof, as a fully virtual meeting via live streaming broadcast from Redwood Meeting Room, Ho Hup Tower-Aurora Place, 2-09-01-Level 9, Plaza Bukit Jalil, No 1, Persiaran Jalil 1, Bandar Bukit Jalil, 57000 Kuala Lumpur, for the purpose of considering and, if thought fit, passing the resolution so as to give effect to the Proposed Joint Venture.

You are encouraged to attend, participate, speak (in the form of real time submission of typed texts) and vote remotely at the forthcoming EGM using the remote participation and electronic voting facilities. If you are unable to participate in the online EGM, you may appoint a proxy or proxies to participate and vote on your behalf. The Form of Proxy may be submitted by hand or by post to the Share Registrar's office of the Company, ShareWorks Sdn Bhd, 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, not later than 48 hours before the date and time fixed for the EGM or any adjournment thereof or, in the case of a poll, not less than 24 hours before the time appointed for taking of the poll. You may also submit the Form of Proxy electronically via the Portal at https://agm.omesti.com no later than on Tuesday, 23 February 2021 at 4.00 p.m. The lodging of the Form of Proxy will not, however, preclude you from attending the EGM and voting in person should you subsequently wish to do so.

17. FURTHER INFORMATION

You are advised to refer to the ensuing appendices set out in this Circular for further information.

Yours faithfully,
for and on behalf of the Board of Directors,
HO HUP CONSTRUCTION COMPANY BERHAD

DATO' WONG KIT-LEONG
Chief Executive Officer/Executive Director

PART B

INDEPENDENT ADVICE LETTER FROM MALACCA SECURITIES TO THE NON-INTERESTED SHAREHOLDERS IN RELATION TO THE PROPOSED JOINT VENTURE

EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meaning as the words and expressions provided in the "Definitions" section of this Circular and as defined in this IAL herein, except where the context herein requires otherwise or where otherwise defined herein. All references to "you" are references made to the non-interested shareholders of the Company, whilst references to "we", "us" or "our" are references to Malacca Securities, being the Independent Adviser for the Proposed Joint Venture.

Set out hereunder is an executive summary which serves to highlight some of the salient points arising from Malacca Securities' independent evaluation of the Proposed Joint Venture. The non-interested shareholders of the Company are advised to read and understand the contents of this IAL and the entire Part A of this Circular, including the appendices thereof, for more comprehensive information, evaluation and recommendation on the Proposed Joint Venture before voting on the resolution pertaining to the Proposed Joint Venture at the forthcoming EGM.

1. INTRODUCTION

On 26 November 2020, M&A Securities announced that the Company's wholly-owned subsidiary, HHDJ had entered into the JVA with LCG to undertake the development of the Development Land into the Ampang Dagang Jaya Project.

In view of the interests of the Interested Directors, Interested Major Shareholders and Interested Shareholder in the Proposed Joint Venture as set out in Section 8 of Part A of this Circular, the Proposed Joint Venture is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements.

Accordingly, on 24 November 2020, Malacca Securities had been appointed to act as the Independent Adviser to advise the non-interested directors and non-interested shareholders of the Company in respect of the Proposed Joint Venture with:

(a) comments as to whether the Proposed Joint Venture:

  (i) is fair and reasonable so far as the non-interested shareholders of the Company are concerned; and

  (ii) is to the detriment of the non-interested shareholders of the Company;

  and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;

(b) advise the non-interested shareholders of the Company on whether they should vote in favour of the Proposed Joint Venture; and

(c) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in (a) and (b) above.

The purpose of this IAL is to provide the non-interested shareholders of the Company with an independent evaluation on the fairness and reasonableness of the Proposed Joint Venture and whether the Proposed Joint Venture is detrimental to the non-interested shareholders of the Company together with our recommendation on whether the non-interested shareholders of the Company should vote in favour of the Proposed Joint Venture.

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2. EVALUATION OF THE PROPOSED JOINT VENTURE

In evaluating the Proposed Joint Venture, we have taken into consideration the following:

Section	Area of evaluation	Malacca Securities' comments
6.1	Rationale for the Proposed Joint Venture	• The Proposed Joint Venture, where Ho Hup will participate as a property developer, is in line with the ordinary course of business of Ho Hup Group. • The Proposed Joint Venture will provide the Group with a strategic opportunity to continue to sustain a healthy level of property development projects in its projects pipeline. The Ampang Dagang Jaya Project is expected to improve the revenue and profit contribution from the Property Development segment as well as the overall financial performance of the Group moving forward. • HHDJ shall commence the construction and development of the Ampang Dagang Jaya Project in the third quarter of 2021 and is expected to complete the development in 2024. The Development Land, of which the Ampang Dagang Jaya Project will be built on, is strategically located in the KL city north-east fringe (i.e. Ampang Jaya, Pandan Perdana, Setiawangsa, Cheras north) and is in close proximity to prominent locations of which prospective buyers are those who work at these areas and may want to live close by at a more affordable price. • The Group is expected to generate an estimated GDP from the Ampang Dagang Jaya Project of approximately RM81.25 million, after deducting the estimated GDC of RM360.50 million, the estimated LCG's Entitlement of approximately RM78.10 million and the estimated LCG's entitlement to half of the profits from the sale of the RSKU apartments of approximately RM0.45 million, but before tax. • Furthermore, the Proposed Joint Venture will allow the Group to conserve its current cash reserves to be utilised for the Group's operations considering that: (a) the Group will have access to the Ampang Dagang Jaya Project without the outright purchase of the Development Land; (b) LCG's Entitlement is payable progressively in stages as set out in paragraph 2.2 of Appendix I of this Circular (please refer to Section 6.3(2) of the IAL for our comments on LCG's Entitlement; and (c) as per the terms of the JVA and the registrable power of attorney to be executed by LCG in favour of HHDJ, HHDJ is allowed to charge the Development Land in the event HHDJ procures a loan or financing from a bank or financial institution. • Premised on the above, we are of the view that the rationale for the Proposed Joint Venture is **fair and reasonable.** • Please refer to Section 6.1 of this IAL for further details.

Section	Area of evaluation	Malacca Securities' comments
6.2	Basis and justification for LCG's Entitlement	• In our evaluation on the basis and justification for LCG's Entitlement, we have considered the following: **(a) <u>The financial feasibility study of the Ampang Dagang Jaya Project</u>** The financial feasibility study, which was prepared by the Management (as defined in Section 4 of this IAL), was conducted based on the IRR (as defined in Section 6.2 of this IAL) method. We have conducted a sensitivity analysis on the pre-tax IRR computation to assess the potential impact arising from the downward adjustment to the GDV (proposed selling prices of the apartment component of the Ampang Dagang Jaya Project) and upward adjustment to the GDC (should there be cost overrun). To assess the reasonableness of the IRR of the Ampang Dagang Jaya Project, we have further benchmarked the IRR of the Ampang Dagang Jaya Project against the estimated cost of equity of the Company. We noted that the low case pre-tax IRR for the Ampang Dagang Jaya Project as estimated by the Management of 17.29% is higher than the cost of equity of the Company of 4.84%. Hence, we are of the view that the IRR for the Proposed Joint Venture is therefore **<u>fair and reasonable</u>**. **(b) <u>The estimated GDV of the Ampang Dagang Jaya Project</u>** We noted that the Management has estimated the GDV for the Ampang Dagang Jaya Project at approximately RM520.30 million. The Management's estimated GDV has been independently assessed by the Market and Feasibility Study Report (as defined in Section 4 of this IAL) prepared by the Valuer (as defined in Section 4 of this IAL), appointed by the Company to assess the marketability and viability of the Ampang Dagang Jaya Project. We have relied on the Market and Feasibility Study Report, in providing our opinion on the fairness and reasonableness of the Management's estimated GDV. We are of the view that the basis and assumptions adopted in the Market and Feasibility Study Report in deriving the GDV are **<u>reasonable</u>**. We are also of the view that the Management's estimated GDV of RM520.30 million, representing 3.17% higher than the GDV appraised by the Valuer of RM504.32 million is **<u>fair and reasonable</u>** considering that we have relied on the Market and Feasibility Study Report and our evaluation on the pre-tax IRR as set out in Section 6.2(a) of this IAL as well as our view that the prospects of the Ampang Dagang Jaya Project as stated in Section 6.5 of this IAL despite the uncertainty of the property sector and economy as a whole.

Section	Area of evaluation	Malacca Securities' comments
		(c) <u>The estimated GDC of the Ampang Dagang Jaya Project</u> The Management's estimated GDC of the Ampang Dagang Jaya Project of approximately RM360.50 million has been independently assessed by the appointed Quantity Surveyor in the Independent QS Report (as defined in Section 4 of this IAL). Based on the Independent QS Report, the Quantity Surveyor has estimated that the GDC for the Ampang Dagang Jaya Project is RM366.58 million. The Management's estimated GDC of approximately RM360.50 million is only 1.66% lower than the GDC appraised by the Quantity Surveyor of approximately RM366.58 million. We note that the parameters in the Independent QS Report are consistent with the parameters used in the financial feasibility study prepared by the Management (as an experienced contractor). Given that the parameters have been verified by an independent professional/expert in the field, we are of the view that the Management's GDC estimation is **<u>fair and reasonable</u>**. Additionally, in Section 6.2(a) of this IAL, we have also conducted a sensitivity analysis on the pre-tax IRR computation to assess the potential impact arising from the downward adjustment to the GDV (proposed selling prices of the apartment component of the Ampang Dagang Jaya Project) and upward adjustment to the GDC (should there be cost overrun). Such impact to the GDV and GDC will result in a lower GDP to be earned by HHDJ on the Ampang Dagang Jaya Project. We noted that the low case pre-tax IRR for the Ampang Dagang Jaya Project of 17.29% is higher than the cost of equity of the Company of 4.84%. As such, HHDJ's Entitlement which is based on the GDV after netting off the GDC is still **<u>fair and reasonable</u>** as the participation of HHDJ in the Proposed Joint Venture is expected to contribute positively to the Group's cash flows and financial performance. We are also of the view that it is **<u>fair and reasonable</u>** for the Management to assume a higher GDV and lower GDC (as compared to the amount estimated by the Valuer and Quantity Surveyor) for the purpose of illustration of HHDJ's Entitlement and LCG's Entitlement. Please refer to our evaluation in Section 6.2(c) of this IAL. **(d) <u>The landowner's entitlement</u>** We have conducted an analysis of precedent joint venture transactions announced on Bursa Securities for the past four years which are involved in the developments of apartments, residential condominiums, and mixed developments which included residential components.

Section	Area of evaluation	Malacca Securities' comments
		We noted that the payment to the landowners based on the GDV (landowner's entitlement) ranged from 12% to 22%. LCG's Entitlement, being 18% of the estimated GDV of the Ampang Dagang Jaya Project is **fair and reasonable** as it is within the range of landowner's entitlements in precedent joint venture transactions for the past four years of 12% to 22%. We note that the payment for LCG's Entitlement is on a deferred payment scheme. It is noted that RM66.28 million or 84.87% of LCG's Entitlement is only payable after the Development has been launched and commenced construction whereby HHDJ will be able to generate income based on the sales and development progress of the Ampang Dagang Jaya Project (i.e. 13th months from the date of Ho Hup Approvals (as defined in Section 6.3(1)(a)(i) of this IAL) onward). In contrast, should HHDJ outright acquire the Development Land, HHDJ would then require upfront funding for the cost of acquisition of the Land. Hence, we are of the opinion that the deferred payment scheme for LCG's Entitlement to be **fair and reasonable** and not detrimental to the non-interested shareholders of Ho Hup. We are of the opinion that the minimum guaranteed payment of RM55.0 million is **fair and reasonable** as PA International (as defined in Section 4 of this IAL), an independent valuer appointed by the management of HHDJ had ascribed the market value of RM55.0 million for the Development Land and assuming HHDJ had to borrow from financial institution(s) to acquire the Development Land, the Group would have to incur additional interest expense which will decrease the earnings of the Group. This may place an immediate constraint on the cash flows of the Group and may potentially affect the financial performance of the Group adversely. • Premised on our analysis, we are of the view that the basis and justification for LCG's Entitlement (including the minimum guarantee payment of RM55.0 million) are **fair and reasonable** and not detrimental to the non-interested shareholders of Ho Hup. • Please refer to Section 6.2 of this IAL for further details.
6.3	Salient terms of the JVA	• Based on our evaluation on the salient terms of the JVA, we are of the view that the salient terms of the JVA are **reasonable** and **not detrimental to the non-interested shareholders of Ho Hup**. • Please refer to Section 6.3 of this IAL for further details.

Section	Area of evaluation	Malacca Securities' comments
6.4	Financial effects of the Proposed Joint Venture	• The financial effects of the Proposed Joint Venture are as follows: (a) The Proposed Joint Venture will not have any effect on the share capital and the shareholdings of the substantial shareholders of Ho Hup as the Proposed Joint Venture does not involve any issuance of new Ho Hup Shares; (b) The Proposed Joint Venture is expected to contribute positively to the future earnings and EPS of Ho Hup arising from the undertaking of the Ampang Dagang Jaya Project. Any profit attributable would be realised in stages over the tenure of the Ampang Dagang Jaya Project based on its progress; and (c) The Proposed Joint Venture is not expected to have any immediate material effect on the NA and gearing of the Group. However, the effects on the future NA and/or gearing of the Group will depend on the manner of funding for the Ampang Dagang Jaya Project. The Proposed Joint Venture is expected to contribute positively towards the NA of the Group as and when the Ampang Dagang Jaya Project is completed and sold. The construction cost of the Ampang Dagang Jaya Project may be funded by Ho Hup Group through a combination of internally generated funds, bank borrowings and/or proceeds to be raised from the proposed private placement exercise announced on 20 November 2020, depending on the cost of funding and funding requirements of its other business operations. • Based on the above, we are of the view that the financial effects of the Proposed Joint Venture are **not detrimental to the interest of the non-interested shareholders of Ho Hup.** • Please refer to Section 6.4 of this IAL for further details.
6.5	Industry outlook and prospects of Ho Hup Group	• We are of the view that the prospects of Ho Hup Group will remain positive. Nonetheless, we wish to highlight that the property development business is subject to uncertainties which are not within the Board's control such as change in government policies, pandemic risk, fluctuation in construction cost and changes in financing conditions. The occurrence of any of such events may materially impact the property development business and may adversely affect Ho Hup's revenue to be derived from its property development business. • Please refer to Section 6.5 of this IAL for further details.
6.6	Risk factors in relation to the Proposed Joint Venture	• The risk factors in relation to the Proposed Joint Venture are set out in Section 4 of Part A of this Circular. • Considering that Ho Hup Group is already involved in property development, the risk factors associated with the Proposed Joint Venture are similar to those currently faced by the Group for its property development business. Accordingly, the business risk profile of the Group is not expected to change significantly pursuant to the Proposed Joint Venture.

Section	Area of evaluation	Malacca Securities' comments
		• The non-interested shareholders of the Company should take note of the impact of COVID-19 on the Group's business and operations. We noted that the Group was able to operate with minimal disruptions during the MCO, including the MCO currently in effect as at the LPD. The Group was able to operate as it has obtained the necessary approvals from the relevant authorities. However, there is no assurance that the COVID-19 outbreak and/or lockdown or similar measures will not have a material adverse impact on the industry in which the Group operates. • Please refer to Section 6.6 of this IAL for further details.

3. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Joint Venture and our evaluation is as set out in Section 6 of this IAL. Non-interested shareholders of the Company should take into account all the merits and demerits of the Proposed Joint Venture based on all relevant pertinent factors including those which are as set out in Part A of this Circular, the relevant appendices thereof, this IAL and other publicly available information.

After having considered all the various factors included in our evaluation for the Proposed Joint Venture, we are of the opinion that the Proposed Joint Venture is **FAIR AND REASONABLE** insofar as the non-interested shareholders of the Company are concerned and is not to the detriment of the non-interested shareholders of the Company.

Accordingly, we recommend the non-interested shareholders of the Company to **VOTE IN FAVOUR** of the resolution pertaining to the Proposed Joint Venture to be tabled at the Company's forthcoming EGM.

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MALACCA SECURITIES SDN BHD
Registration No: 197301002760 (16121-H)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Registered Office

No. 1, 3 & 5, Jalan PPM 9
Plaza Pandan Malim
(Business Park), Balai Panjang
75250 Melaka

9 February 2021

To: The non-interested shareholders of the Company

Dear Sir/Madam,

HO HUP CONSTRUCTION COMPANY BERHAD

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS IN RELATION TO THE PROPOSED JOINT VENTURE

This IAL is prepared for inclusion in Part B of this Circular to the shareholders of the Company. All definitions used in this IAL shall have the same meaning as the words and expressions provided in the "Definitions" section of this Circular, except where the context herein requires otherwise or where otherwise defined herein.

1. INTRODUCTION

On 26 November 2020, M&A Securities announced that the Company's wholly-owned subsidiary, HHDJ had entered into the JVA with LCG to undertake the Ampang Dagang Jaya Project on the Development Land.

In view of the interests of the Interested Directors, Interested Major Shareholders and Interested Shareholder in the Proposed Joint Venture as set out in Section 8 of Part A of this Circular, the Proposed Joint Venture is deemed as a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements.

Accordingly, on 24 November 2020, Malacca Securities had been appointed to act as the Independent Adviser to advise the non-interested directors and non-interested shareholders of the Company in respect of the Proposed Joint Venture with:

(a) comments as to whether the Proposed Joint Venture:

  (i) is fair and reasonable so far as the non-interested shareholders of the Company are concerned; and

  (ii) is to the detriment of the non-interested shareholders of the Company;

  and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;

(b) advise the non-interested shareholders of the Company on whether they should vote in favour of the Proposed Joint Venture; and

(c) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in (a) and (b) above.

The purpose of this IAL is to provide the non-interested shareholders of the Company with an independent evaluation on the fairness and reasonableness of the Proposed Joint Venture and whether the Proposed Joint Venture is detrimental to the non-interested shareholders of the Company together with our recommendation on whether the non-interested shareholders of the Company should vote in favour of the Proposed Joint Venture

Nonetheless, non-interested shareholders of the Company should rely on their own evaluation on the merits and demerits of the Proposed Joint Venture before deciding on the course of action to be taken at the Company's forthcoming EGM.

THIS IAL IS PREPARED SOLELY FOR THE USE OF THE NON-INTERESTED SHAREHOLDERS OF THE COMPANY FOR THE PURPOSE OF VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED JOINT VENTURE AT THE FORTHCOMING EGM AND SHOULD NOT BE USED OR RELIED UPON BY ANY OTHER PARTY FOR ANY OTHER PURPOSES WHATSOEVER.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY. YOU ARE ADVISED TO READ AND FULLY UNDERSTAND BOTH THIS IAL AND PART A OF THIS CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES THEREIN AND TO CONSIDER CAREFULLY OUR EVALUATION AND RECOMMENDATION BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED JOINT VENTURE TO BE TABLED AT THE FORTHCOMING EGM.

2. CREDENTIALS, EXPERIENCE AND EXPERTISE OF MALACCA SECURITIES

Malacca Securities is a participating organisation of Bursa Securities and provides a range of services including corporate finance advisory, stocks and futures broking and research. Malacca Securities was approved by the Securities Commission Malaysia on 10 August 2020, as a corporate finance adviser. Our corporate finance team provides a wide range of corporate finance advisory services including mergers, acquisitions and divestitures, equity fund raisings, corporate restructuring and independent advisory opinions.

The credentials, professional experience and expertise of Malacca Securities, where Malacca Securities had acted and was appointed as an independent adviser in the past two (2) years prior to the date of this IAL include, amongst others, the following:

(a) proposed exemption to Hextar Holdings Sdn Bhd ("**Hextar**") and the persons acting in concert with Hextar from the obligation to undertake a mandatory take-over offer for all the remaining shares in SCH Group Berhad ("**SCH**") not already held by them pursuant to Hextar's undertakings in relation to SCH's proposed rights issue, where the independent advice letter was issued and dated 4 February 2021.

(b) proposed exemption to Hor Lim Chee, Ng Choon Keat, Tan Song Chai, Lim Seat Hoe, Tan Ann Chee, RGT Equity Sdn Bhd and the person acting in concert with them from the obligation to undertake a mandatory take-over offer for all the remaining shares and warrants in RGT Berhad ("**RGTBHD**") not already held by them pursuant to the proposed acquisition by RGTBHD, where Malacca Securities was appointed on 18 September 2020; and

(c) unconditional mandatory take-over offer by AKK Capital Sdn Bhd ("**AKKCSB**") through Hong Leong Investment Bank Berhad to acquire all the remaining ordinary shares in Paragon Union Berhad ("**PUB Shares(s)**") not already owned by AKKCSB for a cash offer price of RM0.55 per PUB Share, where Malacca Securities was appointed on 26 January 2021;

As at the date of this IAL, in relation to the abovementioned corporate exercises (b) and (c), the respective independent advice letters have not been issued yet.

Prior to joining Malacca Securities, Tan Kok Tiam, Yap Siew Thee and Soon Wai Leong were attached to the Corporate Finance Department at Inter-Pacific Securities Sdn Bhd. Their credentials, professional experience and expertise where they had acted as an independent adviser while being attached to Inter-Pacific Securities Sdn Bhd in the past two (2) years prior to the date of this IAL include, amongst others, the following:

(a) proposed disposal by DC Offices Sdn Bhd, a wholly-owned subsidiary of Guocoland (Malaysia) Berhad, of an office building known as Menara Guoco to MTrustee Berhad, acting solely in its capacity as trustee for and on behalf of Tower Real Estate Investment Trust, for a cash consideration of RM242.1 million, where the independent advice letter was issued and dated 15 June 2020;

(b) conditional mandatory take-over offer by Divine Inventions Sdn Bhd ("**Divine**") through M&A Securities to acquire all the remaining ordinary shares and warrants in Chin Hin Group Property Berhad ("**CHGP Share(s)**") ("**CHGP Warrant(s)**") not already owned by Divine for a cash offer price of RM0.30 per CHGP Share and RM0.10 per CHGP Warrant respectively, where the independent advice circular was issued and dated 13 February 2020;

(c) proposed acquisitions of entire equity interests by GSB Group Berhad ("**GSB**") of Aeon Frontier Sdn Bhd, Kerjaya Prospek Property Sdn Bhd and Kerjaya Hotel Sdn Bhd, proposed subscription by GSB of 42,489,490 new ordinary shares in Desanda Property Sdn Bhd ("**DPSB**"), proposed subscription by the existing DPSB shareholders of 251,366,435 new ordinary shares in GSB ("**GSB Share(s)**") at an issue price of RM0.17 per GSB Share, proposed exemption under Paragraph 4.08(1)(a) of the Rules on Take-overs, Mergers and Compulsory Acquisitions to Javawana Sdn Bhd ("**Javawana**") from the obligation to undertake a mandatory take-over offer to acquire all the remaining GSB Shares not already owned by Javawana and the proposed amendments to the Constitution of GSB in order to facilitate the creation and issuance of redeemable convertible preference shares in GSB, where the independent advice letter was issued and dated 29 November 2019;

(d) proposed joint venture between Innoceria Sdn Bhd, a wholly-owned subsidiary of Grand-Flo Berhad and Pembinaan Maka Cemerlang Sdn Bhd to jointly develop 381 pieces of leasehold land, measuring in aggregate 13.23 acres located in Kampar, Perak into a mixed development project comprising 352 units of single-storey terrace house and 24 units of double-storey shop house, where the independent advice letter was issued and dated 21 November 2019;

(e) unconditional voluntary take-over offer by Tan Sri Dr Chen Lip Keong through UOB Kay Hian Securities (M) Sdn Bhd ("**UOBKH**") to acquire all the remaining ordinary shares and warrants in Karambunai Corp Bhd ("**KCB**") ("**KCB Share(s)**") ("**KCB Warrant(s)**") not already held by him, for a cash offer price of RM0.11 per KCB Share and RM0.03 per KCB Warrant respectively, where the independent advice circular was issued and dated 24 October 2019;

(f) unconditional mandatory take-over offer by Topspike Holding Sdn Bhd ("**Topspike**") and Asia New Venture Capital Holdings Sdn Bhd ("**ANVCHSB**") through AmInvestment Bank Berhad to acquire all the remaining ordinary shares of Milux Corporation Berhad not already owned by Datuk Wira Ling Kah Chok, Asia Capital Fund Limited, Topspike, ANVCHSB and their persons acting in concert ("**PACs**") ("**Milux Share(s)**") for a cash consideration of RM0.80 per Milux Share, whereby the independent advice circular was issued and dated 3 June 2019; and

(g) proposed disposals by GSB of the entire issued share capital of Banda Industries Sdn Bhd for a total consideration of RM16,580,493.70 and the entire issued share capital of GSB Hotel Sdn Bhd for a total consideration of RM2,195,615.86 to Bentong Makmur Holdings Sdn Bhd, where the independent advice letter was issued and dated 28 May 2019.

Premised on the foregoing, the corporate finance personnel of Malacca Securities are capable and competent and have the relevant experience in carrying out its role and responsibilities as an independent adviser to advise the non-interested directors and non-interested shareholders of the Company in relation to the Proposed Joint Venture.

3. DECLARATION OF CONFLICT OF INTEREST

We confirm that there is no existing or potential conflict of interest situation for us to carry out our role as the Independent Adviser in connection with the Proposed Joint Venture and there was no professional relationship between us and Ho Hup in the past two (2) years prior to the date of this IAL.

4. SCOPE AND LIMITATIONS TO OUR EVALUATION OF THE PROPOSED JOINT VENTURE

Malacca Securities was not involved in the formulation and structuring of the Proposed Joint Venture and/or any deliberations and negotiations pertaining to the terms and conditions of the Proposed Joint Venture. Malacca Securities' scope of work as the Independent Adviser is limited to expressing an opinion on the fairness and reasonableness of the Proposed Joint Venture and whether the transaction is to the detriment of the non-interested shareholders of the Company, based on the following sources of information and documents:

(a) information contained in Part A of this Circular and the appendices enclosed therein;

(b) other relevant information, documents, confirmations and representations provided to us by the Board and management of Ho Hup ("**Management**");

(c) discussions and consultation with the Board and the Management;

(d) the JVA;

(e) independent quantity surveyor feasibility study report dated 3 December 2020 as prepared by Juru Kos ("**Quantity Surveyor**") for the purpose of estimating the cost necessary for the Ampang Dagang Jaya Project based on the architectural drawing ("**Independent QS Report**");

(f) the independent market and feasibility study of Ampang Dagang Jaya Project dated December 2020 as prepared by CH Williams Talhar & Wong Sdn Bhd ("**Valuer**") ("**Market and Feasibility Study Report**");

(g) the valuation report for the Development Land by PA International Property Consultants (KL) Sdn Bhd ("**PA International**"); and

(h) other publicly available information which we have considered relevant for our evaluation.

We have made all reasonable enquiries, performed reasonableness checks and corroborated relevant information with independent sources, where possible. We are also guided by the Best Practice Guide in relation to Independent Advice Letters issued by Bursa Securities. In addition, the Board and the Management had undertaken to exercise due care to ensure that all information, data, documents and representations provided to us to facilitate our evaluation are accurate, valid, complete, reasonable and free from any material omission in all material respects. Accordingly, Malacca Securities shall not assume any responsibility or liability whatsoever to any party for any inaccuracies, misstatements or omission of facts and information provided or represented by the Board and the Management.

The directors of the Company have collectively and individually accepted full responsibility for the accuracy, validity and completeness of the information, documents, data and statements provided to us and as contained herein in relation to the Proposed Joint Venture (save and except for opinion expressed by Malacca Securities which do not contain factual information provided by the Company and information procured or developed by Malacca Securities independently of the Company) and confirmed that, after having made all reasonable enquiries and to the best of their knowledge and belief, all relevant facts and information in relation to the Proposed Joint Venture that are necessary for our evaluation have been completely and accurately disclosed to us and there is no omission of any fact, the omission of which would render any such information provided to us false, incomplete, misleading and/or inaccurate.

We are satisfied with the information provided by the Board and the Management and are not aware of any facts or matters not disclosed which may render any such information untrue, inaccurate or misleading or the disclosure of which might reasonably affect our evaluation and opinion as set out in this IAL. After making all reasonable enquiries and to the best of our knowledge and belief, the information we used is reasonable, accurate, complete and free from material omission.

Non-interested shareholders of the Company should note that the views expressed by Malacca Securities herein are, amongst others, based on the current economic, market, industry, regulatory, monetary, social-political and other conditions prevailing up to the LPD. Such conditions may change over a short period of time which may adversely affect amongst others, the financial and operational conditions of the Group. Accordingly, our evaluation and opinion in this IAL do not take into account information, events and conditions arising or may occur after the LPD. Our advice should be considered in the context of the entirety of this IAL.

In rendering our advice, we had taken note of pertinent issues which we believe are necessary and of importance to an assessment of the implications of the Proposed Joint Venture and are of general concern to the non-interested shareholders of the Company. As such:

(a) our evaluation and recommendation contained herein are based on the assessment of the fairness and reasonableness of the Proposed Joint Venture. Comments or points of consideration which may be commercially oriented such as the rationale, financial effects, potential benefits and future prospects of the Proposed Joint Venture are included for our overall evaluation as we deem necessary for disclosure purposes to enable the non-interested shareholders of the Company to consider and form their views in a more holistic manner thereon. We do not express an opinion on legal, accounting and taxation issues relating to the Proposed Joint Venture;

(b) our views and advice as contained in this IAL only cater to the non-interested shareholders of the Company at large and not to any non-interested shareholder of the Company individually or any specific group of non-interested shareholders of the Company. Hence, in carrying out our evaluation, we have not given due consideration to the specific investment objectives, risk profiles, financials and tax situations and particular needs of any individual non-interested shareholder or any specific group of non-interested shareholders of the Company; and

(c) we advise that any individual non-interested shareholder or any group of non-interested shareholders of the Company who are in doubt as to the action to be taken or require advice in relation to the Proposed Joint Venture in the context of their individual investment objectives, risk profiles, financials and tax situations or particular needs, to consult their respective stockbrokers, bankers, solicitors, accountants or other professional advisers immediately.

5. DETAILS OF THE PROPOSED JOINT VENTURE

The details of the Proposed Joint Venture are set out in Section 2 of Part A of this Circular.

6. EVALUATION OF THE PROPOSED JOINT VENTURE

In our evaluation of the Proposed Joint Venture, we have taken into consideration the following factors in forming our opinion:

Factors	Section reference in this IAL
Rationale for the Proposed Joint Venture	6.1
Evaluation on the basis and justification for LCG's Entitlement	6.2
Salient terms of the JVA	6.3
Financial effects of the Proposed Joint Venture	6.4
Industry outlook and prospects of Ho Hup Group	6.5
Risk factors in relation to the Proposed Joint Venture	6.6

6.1 Rationale for the Proposed Joint Venture

We have taken note of the rationale for the Proposed Joint Venture as set out in Section 3 of Part A of this Circular and our comments are as follows:

Malacca Securities' comments

Ho Hup is principally involved in investment holding. The main business segments of the Group comprise the following:

(a) foundation and civil engineering, building contracting works and engineering, procurement, construction and commissioning of pipeline system ("**Construction**");

(b) development of residential and commercial properties ("**Property Development**");

(c) manufacturing and distribution of ready-mixed concrete and quarry operation ("**Building Materials**"); and

(d) trading services.

The revenue and profit before tax ("**PBT**")/loss before taxation ("**LBT**") of the business segments of Ho Hup Group for the financial year ended ("**FYE**") 31 December 2017 to FYE 31 December 2019 are as follows:

Revenue

Revenue	Audited FYE 31 December					
	2017		2018		2019	
	RM'000	%	RM'000	%	RM'000	%
Property Development	86,561	48.2	100,240	38.4	226,831	61.1
Construction	65,293	36.3	113,632	43.6	116,335	31.3
Building Materials	26,867	15.0	46,219	17.7	27,775	7.5
Trading services	956	0.5	724	0.3	427	0.1
Ho Hup Group	**179,677**	**100.0**	**260,815**	**100.0**	**371,368**	**100.0**

PBT/(LBT)

PBT/(LBT)	Audited FYE 31 December		
	2017	2018	2019
	RM'000	RM'000	RM'000
Property Development	35,410	43,767	93,622
Construction	14,017	2,967	3,856
Building Materials	(1,814)	(2,019)	(5,285)
Trading services	(3,499)	(1,749)	(4,738)
Adjustments and eliminations[(1)]	4,641	(3,651)	(11,372)
Ho Hup Group	**48,755**	**39,315**	**76,083**

(Source: Annual reports of Ho Hup Group for the FYE 31 December 2017 to FYE 31 December 2019)

Note:

(1) The inter-segment adjustments and eliminations are in respect of transactions between segments and are eliminated on consolidation.

As illustrated in the table above, the Property Development segment has been one of the main contributors to the Group's revenue for the past 3 financial years up to FYE 31 December 2019. For the FYE 31 December 2019, the Property Development segment contributed approximately 61.1% to the Group's total revenue. The Property Development segment is also the main contributor to the PBT of the Ho Hup Group for the past 3 financial years up to FYE 31 December 2019. The Proposed Joint Venture, where Ho Hup will participate as a property developer, is in line with the ordinary course of business of Ho Hup Group which is principally involved in Property Development, Construction and Building Materials.

The Group has completed a diverse range of property development projects including, among others, high-rise condominiums, landed residential houses and low-rise shop offices mostly within the geographical focus in Kuala Lumpur and Selangor. The property development projects currently undertaken by the Group are as follows:

Project(s)/ Name of project owner(s)	Description	Commencement date of construction	% of completion/ % sale as at LPD	Estimated completion	Estimated GDV/GDC (RM'million)
Laman Iskandaria/ Intact Corporate Approach Sdn Bhd	Residential project comprising 457 units of double storey terrace linked house	First quarter of 2021	- %/-%	Fourth quarter of 2022	168.3/124.1
The Crown Service Suits/ Golden Wave Sdn Bhd	Development of the Crown Project in Kota Kinabalu, comprising service suites and retail space	Third quarter of 2018	18.2%/-%	Second quarter of 2022	491.3/325.3

The Proposed Joint Venture will provide the Group with a strategic opportunity to continue to sustain a healthy level of property development projects in its projects pipeline. The Ampang Dagang Jaya Project is expected to improve the revenue and profit contribution from the Property Development segment as well as the overall financial performance of the Group moving forward.

The Ampang Dagang Jaya Project is a residential development project on the Development Land comprising 824 units of condominium and 353 units of RSKU apartments. After taking into consideration the current economic condition, HHDJ shall commence the construction and development of the Ampang Dagang Jaya Project in the third quarter of 2021 and is expected to complete the Development in 2024. HHDJ is required to obtain the approvals from Lembaga Perumahan dan Hartanah Selangor ("**LPHS**"), Majlis Perbandaran Ampang Jaya ("**MPAJ**") and Pejabat Tanah dan Galian Selangor. Upon the receipt from LPHS for the density approval of 100 units per acre, the Development Land, comprising Parcel A and Parcel B, shall be surrendered to the land office and amalgamated into a master land title. Please refer to Section 2.2 of Part A of the Circular for the status of the applications for the Development.

The Development Land, of which the Ampang Dagang Jaya Project will be built on, is strategically located in the KL city north-east fringe (i.e. Ampang Jaya, Pandan Perdana, Setiawangsa, Cheras north) and is in close proximity to prominent locations of which prospective buyers are those who work at these areas and may want to live close by at a more affordable price.

The Development Land is also accessible via major roads, highways, expressways and public amenities such as Jalan Ampang, Ampang-Kuala Lumpur Elevated Highway, Sungai Besi – Ulu Klang Elevated Expressway, Kuala Lumpur Middle Ring Road 2, East Klang Valley Expressway and the Ampang LRT Station, and is expected to bode well for the demand and marketability for the units under the Ampang Dagang Jaya Project. The Development Land is also located just a short drive away from Aeon Big, Ampang.

The Ampang Dagang Jaya Project has an estimated total net GDV of approximately RM520.30 million and the Group is expected to generate an estimated GDP from the Ampang Dagang Jaya Project of approximately RM81.25 million, after deducting the estimated GDC of RM360.50 million, the estimated LCG's Entitlement of approximately RM78.10 million and the estimated LCG's entitlement to half of the profits from the sale of the RSKU apartments of approximately RM0.45 million, but before tax. The estimated GDC of the Ampang Dagang Jaya Project is expected to be funded by a combination of internally generated funds, borrowings and part of the proceeds raised from the proposed private placement exercise announced on 20 November 2020.

Furthermore, the Proposed Joint Venture will allow the Group to conserve its current cash reserves to be utilised for the Group's operations considering that:

(a) the Group will have access to the Ampang Dagang Jaya Project without the outright purchase of the Development Land. For information purposes, the management of HHDJ had engaged PA International to carry out the valuation on the Development Land for submission to MPAJ purposes using the comparison approach of valuation. PA International has ascribed the market value of RM55.0 million for the Development Land;

(b) LCG's Entitlement is payable progressively in stages as set out in paragraph 2.2 of Appendix I of this Circular (please refer to Section 6.3(2) for our comments on LCG's Entitlement); and

(c) as per the terms of the JVA and the registrable power of attorney to be executed by LCG in favour of HHDJ, HHDJ is allowed to charge the Development Land in the event HHDJ procures a loan or financing from a bank or financial institution.

Premised on the above, we are of the view that the rationale for the Proposed Joint Venture is **fair and reasonable**.

6.2 Evaluation on the basis and justification for LCG's Entitlement

We note the basis and justifications for the LCG's Entitlement as set out in Section 2.7 of Part A of this Circular.

We note that the Board is of the view that LCG's Entitlement of 18.0% of the estimated GDV of the Ampang Dagang Jaya Project (excluding GDV for RSKU apartments) is deemed reasonable premised on the following:

(a) based on the Management's feasibility study, the Group is expected to derive an estimated GDP from the Ampang Dagang Jaya Project of approximately RM81.25 million (after deducting the estimated GDC, LCG's Entitlement, and LCG's entitlement to half of the profits from the sale of the RSKU apartments, but before tax);

(b) no significant upfront costs will be incurred to acquire the Development Land; and

(c) the rationale and prospects of the Ampang Dagang Jaya Project as stated in Sections 3 and 6 of Part A of this Circular, respectively.

Malacca Securities' comments

In our evaluation on the basis and justification for LCG's Entitlement, we have considered the following:

(a) the financial feasibility study of the Ampang Dagang Jaya Project;

(b) the estimated GDV of the Ampang Dagang Jaya Project;

(c) the estimated GDC of the Ampang Dagang Jaya Project; and

(d) the landowner's entitlement,

as set out below.

(a) The financial feasibility study of the Ampang Dagang Jaya Project

In consideration of undertaking the Ampang Dagang Jaya Project, the Management had conducted a financial feasibility study. In the preparation of the financial feasibility study, the Management had noted and made the following assumptions:

(i) pursuant to the terms of the JVA, HHDJ shall defray the entire GDC and shall make available all necessary finances for the Ampang Dagang Jaya Project;

(ii) LCG shall grant power of attorney to HHDJ for the Development Land;

(iii) the GDV of the Ampang Dagang Jaya Project is estimated at RM520.30 million;

(iv) the GDC of the Ampang Dagang Jaya Project is estimated at RM360.50 million;

(v) estimated development period of 3 years;

(vi) there will be no significant changes to the present government regulations or any other legislation that may have a material impact on the Proposed Joint Venture or the industry the Group operates in; and

(vii) the land conversion premium of RM3.44 million will be fully paid by LCG. For avoidance of doubt, the land conversion premium will be paid by HHDJ on behalf of LCG and shall be deducted from the LCG's Entitlement.

The financial feasibility study was conducted based on the internal rate of return ("**IRR**") method. The IRR represents the implied average annual rate of return that an investor can expect over the course of the project/investment if the investor invests a pre-determined sum for the project/investment. The IRR of an investment or project is the rate of return that makes the net present value of all cash flows from a particular investment equal to zero. The IRR can also be interpreted as the rate of return at which an investment will breakeven.

Based on the financial feasibility study prepared by the Management, we note that the pre-tax IRR for the Ampang Dagang Jaya Project is approximately 34.26%.

The IRR for the Ampang Dagang Jaya Project was computed based on the cash flow projections estimated by Ho Hup, which takes into account all the monthly cash inflows and outflows including the payments to be made to LCG pursuant to the LCG's Entitlement under the Proposed Joint Venture.

We have conducted a sensitivity analysis on the pre-tax IRR computation to assess the potential impact arising from the downward adjustment to the GDV (proposed selling prices of the apartment component of the Ampang Dagang Jaya Project) and upward adjustment to the GDC (should there be cost overrun) as follows:

		GDV sensitivity (Management's estimated GDV)	
		-5%[(1)]	**Base case**
GDC sensitivity (Management's estimated GDC)	**+5%[(2)]**	**17.29% (Low case)**	24.83%
	Base case	25.94%	**34.26% (High case)**

Based on the sensitivity analysis, the range of IRR for the Ampang Dagang Jaya Project ranges from 17.29% (low case) to 34.26% (high case).

Notes:

*(1) The 5% downward adjustment to the proposed selling prices of the 824 condominium units represents an estimated GDV of RM412.2 million after deducting for 30% bumiputera allocation at 7% discount ("**Bumiputera Discount**").*

The total GDV (for the 824 condominium units and 323 RSKU units) under this scenario is approximately RM498.6 million after deducting for the Bumiputera Discount.

(2) The total GDC under this scenario is approximately RM378.53 million based on a 5% upward adjustment to the Management's estimated GDC of RM360.5 million.

To assess the reasonableness of the IRR of the Ampang Dagang Jaya Project, we have further benchmarked the IRR of the Ampang Dagang Jaya Project against the estimated cost of equity of the Company. Generally, the cost of equity represents the return a company pays to its shareholders as compensation for the risk undertaken in their investment in the company.

We noted that Ho Hup intends to fund the Ampang Dagang Jaya Project through a combination of internally generated funds, bank borrowings and/or proceeds to be raised from the proposed private placement exercise announced on 20 November 2020. However, the exact quantum and the manner of funding for the Ampang Dagang Jaya Project have yet to be determined at this juncture.

As such, for illustration purposes, we have assumed that the Ampang Dagang Jaya Project will be funded entirely via internally generated funds (including cash flows generated from the Ampang Dagang Jaya Project) and/or fund raising by issuance of securities as the extreme scenario.

Pursuant thereto, we have adopted the Capital Asset Pricing Model ("**CAPM**"), which is an investment model commonly used to compute the required rate of return of a security after taking into consideration the rate of return on a risk-free investment, in order to estimate the cost of equity of the Company.

The cost of equity was estimated using the CAPM as follows:

CAPM input		Description
Risk-free rate of return ("**R_f**")	2.65%	The R_f represents the expected rate of return from a risk-free investment. The R_f adopted is the yield of 10-year Malaysian Government Securities as extracted from Bank Negara Malaysia website as at 25 November 2020, being the last trading date prior to the announcement of the Proposed Joint Venture dated 26 November 2020 ("**LTD**").
Expected market rate of return ("**R_m**")	4.39%	The R_m is the expected rate of return for investing in a portfolio consisting of a weighted sum of assets representing the entire equity market. The Rm adopted is based on the 10-year historical average market return for the FTSE Bursa Malaysia EMAS Index up to the LTD as extracted from Bloomberg.
Beta ("**β**")	1.26	The β is the sensitivity of an asset's return to the changes in market returns. It measures the correlation of systematic risk between the said asset and the market. A β of more than 1 signifies that the asset is riskier than the market and vice versa. The β adopted is based on the 5-year historical beta of the Company up to the LTD as extracted from Bloomberg.
Cost of equity ("**K_e**")	4.84%	Cost of equity represents the rate of return required by an investor on the cash flow streams generated by the business given the risks associated with the cash flows. In deriving the cost of equity for the Ampang Dagang Jaya Project, we have adopted the CAPM. The CAPM formula is as follows: $K_e = R_f + \beta (R_m - R_f)$

From the analysis above, we noted that the low case pre-tax IRR for the Ampang Dagang Jaya Project as estimated by the Management of 17.29% is higher than the cost of equity of the Company of 4.84%. Hence, we are of the view that the IRR for the Proposed Joint Venture is therefore **fair and reasonable**.

As such, the Proposed Joint Venture is expected to contribute positively to the Group's cash flows and financial performance upon the launch and sales of the Ampang Dagang Jaya Project.

(b) The estimated GDV of the Ampang Dagang Jaya Project

We noted that the Management has estimated the GDV for the Ampang Dagang Jaya Project at approximately RM520.30 million. The Management's estimated GDV has been independently assessed by the Market and Feasibility Study Report prepared by the Valuer, appointed by the Company to assess the marketability and viability of the Ampang Dagang Jaya Project.

In view of the above, we have relied on the Market and Feasibility Study Report, in providing our opinion on the fairness and reasonableness of the Management's estimated GDV.

We have noted the following comments from the Valuer's Market and Feasibility Study Report:

(i) In the second quarter of year 2020, there were almost 75,000 units launched and currently ongoing construction in Klang Valley, mostly non-landed properties, i.e. condominiums, serviced apartments and small office home office (SOHO). All these non-landed properties remained positive in overall take-up, i.e. more than 70% across different price range. Based on the price range of 25,500 launched units that are priced between RM400,000 and RM700,000, the average sales rate is 76%;

(ii) Current housing demand within the Development Land skews towards landed housings particularly, terrace houses rather than non-landed ones. However, lack of land available for new landed housings and the increase of density driven by improved road and rail connectivity may soon shift demand towards non-landed residential over the coming year;

(iii) Transactions of landed and non-landed housings in the surrounding vicinity of the Development Land were in the range of RM500,000 to RM700,000 and RM200,000 to RM500,000 respectively. Housing here consists of established terraced houses, apartments and low-cost housing and are observed to be well occupied by those from lower to mid-range income group;

(iv) The overall housing market within the vicinity of the Development Land is expected to remain stable in the coming years, mainly attributed by housing needs from the expanded local populations and infrastructure improvements/upgradation within the locality will continue to drive new development; and

(v) Attractive offerings by developers such as lower booking fees up to RM500, free legal fee on sales and purchase agreement, disbursement fee, legal fee on loan agreement, stamping fee on loan agreement are basic marketing packages from the development as well as early bird incentives are driving the sales momentum of the future housing supply.

We have reviewed the following key basis and assumptions adopted in the Market and Feasibility Study Report in deriving the GDV:

(i) Permissible land use and density

The Development comprises 824 units of condominium and 323 units of RSKU apartments (Type E) are subject to the approvals from the local authority (i.e. MPAJ and LPHS.

The proposed density of the Ampang Dagang Jaya Project is 100 units per acre. The Valuer had noted that this is subject to the approval by MPAJ.

The subject land is zoned as a residential development at a permissible density of 60 units per acre, as stated in Rancangan Tempatan Majlis Perbandaran Ampang Jaya 2020 and the Valuer's verbal enquiry with the planning officers in MPAJ.

The Valuer had also noted that several projects within the jurisdiction of MPAJ are noted to have approved density from 60 to 80 units per acre, with the exception of Datum Jelatek Phase 2 which was approved for 120 units per acre.

Nevertheless, under RSKU 2.0 by LPHS, a residential project can have a maximum density of up to 120 units per acre with the provision of RSKU, subject to the approval by the relevant authority.

The RSKU Type E is subject to the approval by LPHS. The total units provided is in line with the required per centum as per LPHS. The required RSKU types are Type A, B and C in equal share of 10% each type (capping selling price from RM42,000 to RM150,000), instead of the proposed Type E (capping selling price at RM250,000).

The assumption by the Management in relation to the proposed density of 100 units per acre to arrive at 824 units of condominium and 323 units of RSKU apartments (Type E) is subject to the approval of the MPAJ and LPHS but is within the permissible land use and density regulation as set out in RSKU 2.0.

(ii) Affordable housing provision

The selling price of the 323 units of RSKU apartments (Type E), whereby the prices are capped at RM250,000 per unit by LPHS.

The assumption is consistent with the selling prices for affordable housing as required under the RSKU 2.0 by LPHS.

(iii) Selling prices of the condominiums

The Valuer had derived the recommended selling prices for the 824 condominium units of the Ampang Dagang Jaya Project based on similar existing comparable developments and similar future comparable developments based on the Valuer's internal independent research as follows:

Types	Unit sizes (sqft)	Number of units	Recommended average net selling price (RM per square foot ("psf"))	Average unit selling price (RM)
Type B	853	412	555	473,000
Type C	1,102	412	505	556,000

We note that the Management's proposed selling prices for condominium units are as follows:

Types	Unit sizes (sqft)	Number of units	Proposed average net selling price (RM psf)	Average unit selling price (RM)
Type B	853	412	575	490,000
Type C	1,102	412	530	584,000

The Management's proposed average net selling price of RM575 psf for Type B units and RM530 psf for Type C units are above the Valuer's recommended average net selling price of RM555 psf for Type B units and RM505 for Type C units. However, the Management's proposed average net selling prices for most of the condominium units are within the range of the existing comparable high-rise residential developments transacted/asking price of RM427 psf to RM595 psf and the other developers' net selling price of future comparable high-rise residential development of RM460 psf to RM625 psf.

As Ho Hup intends to only launch Ampang Dagang Jaya Project in the 3rd quarter of 2021, the Valuer is of the opinion that the Management's proposed selling price for the condominium units from RM530 to RM575 psf is reasonable subject to the improvement in the market situation where recovery of the economy and favourable market expectation by year 2021 coupled with economic growth will create more job opportunities and certainty in job security as well as the incentives by the Government of Malaysia ("**Government**") to ease the process of a house purchase.

In the Market & Feasibility Study Report, we have also noted that the Valuer is of the view that the proposed unit selling price with the price band of RM450,000 to RM600,000 per unit or approximately equivalent to RM500 to RM575 per sqft is deemed reasonably priced and generally marketable to the target catchments of mainly lower-mid to upper-mid household income groups.

(iv) Other planning requirement

The minimum car park requirement of 2 car parks per unit and minimum unit size for condominium in Selangor is from 850 sqft.

All condominium and RSKU units will come with 2 car park units. The smallest unit of the Ampang Dagang Jaya Project being Type B has a unit size of 853 sqft and will be in compliance with the requirement as set out by MPAJ and relevant published planning guidelines.

(v) Bumiputera allocation and discount

The Management has assumed a 30% bumiputera allocation at 7% discount for the 824 condominium units and 30% bumiputera allocation at 0% discount for the RSKU units which are subject to the approval by MPAJ ("**Bumiputera Allocation and Discount**").

The Valuer has considered the Management's Bumiputera Allocation and Discount as general market practice as evidenced by MPAJ i.e. 30% bumiputera allocation at 7% discount for condominium residential units, whilst 30% bumiputera allocation at 0% discount for RSKU.

Premised on the above, we are of the view that the basis and assumptions adopted in the Market and Feasibility Study Report in deriving the GDV are **reasonable**.

We are also of the view that the Management's estimated GDV of RM520.30 million, representing 3.17% higher than the GDV appraised by the Valuer of RM504.32 million is **fair and reasonable** considering that we have relied on the Market and Feasibility Study Report and our evaluation on the pre-tax IRR as set out in Section 6.2(a) above as well as our view that the prospects of the Ampang Dagang Jaya Project as stated in Section 6.5 of this IAL despite the uncertainty of the property sector and economy as a whole.

(c) The estimated GDC of the Ampang Dagang Jaya Project

The Management's estimated GDC of the Ampang Dagang Jaya Project of approximately RM360.50 million has been independently assessed by the appointed Quantity Surveyor in the Independent QS Report.

Based on the Independent QS Report, the Quantity Surveyor has estimated that the GDC for the Ampang Dagang Jaya Project is RM366.58 million. In arriving at the estimated GDC, the Quantity Surveyor had independently derived the construction cost, authority and statutory charges, professional fees as well as sales and market expenses, whilst the office overhead and administration, and financing costs were derived based on the information furnished by the Management.

The comparison of the GDC components of the Ampang Dagang Jaya Project as extracted from the Independent QS Report and the Management's assessment of the estimated GDC are as follows:

Items	Note	Independent QS Report		Management's estimated GDC	
		Condominium units (RM'000)	RSKU apartments (RM'000)	Condominium units (RM'000)	RSKU apartments (RM'000)
Construction cost	(i)	209,508	74,683	205,014	73,760
Allow for contingency sum	(ii)	5,888	-	6,000	-
Development cost	(iii)	47,938	6,368	47,809	6,111
Financial cost	(iv)	16,478	5,713	16,142	5,661
Total construction and development costs for each component		**279,812**	**86,764**	**274,965**	**85,532**
Total construction and development costs for the project			**366,576**		**360,497**

The description of the GDC components of the Ampang Dagang Jaya Project are as follows:

(i) Construction cost

The estimated construction costs comprises various cost elements, namely earthworks, piling and pile cap works, building works, mechanical and electrical works, infrastructural works, prime costs and provisional sums, and preliminary costs.

(ii) Allow for contingency sum

This sum is an allowance for contingency which is set aside to cover unforeseen circumstances or unexpected cost due to unanticipated market conditions.

(iii) Development cost

The development costs, as estimated by both the Quantity Surveyor and the Management, comprises various cost elements such as authorities and statutory charges, supervision fees and professional fees, sales and services taxes ("**SST**") (6%), building/infrastructure fees, survey fees, strata titles survey fees, marketing, advertising and promotional fees.

The authorities and statutory charges, which comprises capital contribution, submission fees to authorities, soil investigation, legal fees, quit rent and assessment, Tenaga Nasional Berhad (TNB) electricity charges, water and sewerage charges, drainage charges, connectivity charges, title issuance fee and land amalgamation process fees.

The supervision fees and professional fees represent payments to landscape consultants, architects, quantity surveyors, project management consultant, lawyers and other consultants which are involved in the development process.

The marketing, advertising and promotional fees represent expenses to be incurred by the Group in relation to the marketing, advertising and promotion of the Ampang Dagang Jaya Project.

(iv) Financial cost

The financial costs represent the estimated interest expense to be incurred by the Group for the credit facilities to be obtained from a financial institution to finance the Ampang Dagang Jaya Project. The financial costs were estimated by the Quantity Surveyor and the Management of 30% of GDC, with 8.5% interest for 3 years.

The Management's estimated GDC of approximately RM360.50 million is only 1.66% lower than the GDC appraised by the Quantity Surveyor of approximately RM366.58 million. We note that the parameters in the Independent QS Report are consistent with the parameters used in the financial feasibility study prepared by the Management (as an experienced contractor). Given that the parameters have been verified by an independent professional/expert in the field, we are of the view that the Management's GDC estimation is **fair and reasonable**.

Additionally, in Section 6.2(a) of this IAL, we have also conducted a sensitivity analysis on the pre-tax IRR computation to assess the potential impact arising from the downward adjustment to the GDV (proposed selling prices of the apartment component of the Ampang Dagang Jaya Project) and upward adjustment to the GDC (should there be cost overrun). Such impact to the GDV and GDC will result in a lower GDP to be earned by HHDJ on the Ampang Dagang Jaya Project. We noted that the low case pre-tax IRR for the Ampang Dagang Jaya Project of 17.29% is higher than the cost of equity of the Company of 4.84%.

As such, HHDJ's Entitlement which is based on the GDV after netting off the GDC is still **fair and reasonable** as the participation of HHDJ in the Proposed Joint Venture is expected to contribute positively to the Group's cash flows and financial performance.

We also note that the Management has assumed a higher GDV and lower GDC (as compared to the value prescribed by the Valuer and Quantity Surveyor) in order to illustrate HHDJ's Entitlement and LCG's Entitlement. We are also of the view that it is **fair and reasonable** for the Management to assume a higher GDV and lower GDC (as compared to the value prescribed by the Valuer and Quantity Surveyor) for the purpose of illustration based on the following justifications:

(a) HHDJ has the absolute right and authority to look for prospective purchasers of the properties offered for sale in the Development and at such prices as HHDJ shall in its absolute discretion reasonably deem fit pursuant to the JVA;

(b) the Valuer is of the opinion that costings provided by the Management (as an experienced contractor) should be considered as main reference and deemed closer to the actual costs required for the Ampang Dagang Jaya Project;

(c) we have opined that the Management's Estimated GDV to be fair and reasonable as set out in Section 6.2(b) above. In addition, the Management's Estimated GDV represents a slight variance of 3.17% only and will not materially affect our evaluation on the Proposed Joint Venture; and

(d) we have opined that Management's Estimated GDC to be fair and reasonable as set out in Section 6.2(c) above. In addition, the Management's Estimated represents a slight variance of 1.66% only and will not materially affect our evaluation on the Proposed Joint Venture.

(d) The landowner's entitlement

We note that LCG's Entitlement will be 18.0% of the estimated GDV of the Ampang Dagang Jaya Project (excluding GDV for RSKU apartments) subject to a minimum guarantee payment of RM55.0 million.

(i) Analysis based on precedent joint venture transaction

As the Ampang Dagang Jaya Project is a development of high rise residential buildings, we have conducted an analysis of precedent joint venture transactions announced on Bursa Securities for the past four years which are involved in the developments of apartments, residential condominiums, and mixed developments which included residential components as follows:

Name of company	Date of announcement/ circular	Subject matter	Type of development	Landowner's entitlement to the GDV
MKH Berhad	19 August 2016	Joint venture agreement between Suria Villa Sdn Bhd, a wholly-owned subsidiary of MKH Berhad, and Sim See Hua Brothers Sdn Bhd	A development consisting of landed development, high rise development of residential units and townhouses.	(a) 30.0% for landed development; (b) 20.0% for high rise development of residential units; and (c) 22.5% for townhouse.
Paramount Corporation Berhad	22 December 2017	Joint development agreement between Aneka Sepakat Sdn Bhd, a wholly-owned subsidiary of Paramount Corporation Berhad, and Kumpulan Hartanah Selangor Berhad	A development comprising four (4) blocks of high-rise residential buildings consisting of approximately 1,600 units of residential properties, including 20% affordable units, on the land.	16.0%
Compugates Holdings Berhad	2 July 2018	Joint development agreement between Compugates Development and Mining Sdn Bhd, a wholly-owned subsidiary of Compugates Holdings Berhad, and Jade Classic Sdn Bhd	A mixed development comprising 500 units of houses, 1100 RSKU apartments and 4 blocks of 600 units of high rise mixed residential and commercial units.	20.0%

Name of company	Date of announcement/ circular	Subject matter	Type of development	Landowner's entitlement to the GDV
Luster Industries Bhd	13 August 2018	Joint venture agreement between Luster Hijauan Home Sdn Bhd, a wholly-owned subsidiary of Luster Industries Bhd, and Enrich Realty Sdn Bhd	A mixed development comprising residential and commercial properties consisting of (a) 1 block of 200 units (Block A) of 21-storey apartments including 7-storey car parking podium, 3 units of shops and facilities; (b) 1 block of 120 units (Block B) of 14-storey RSKU apartments and 1 block of 6-storey car parking podium, 2 units of shops and facilities; and (c) 1 block of 265 units (Block C) of 26-storey apartments including 6-storey car parking podium, 4 units of shops and facilities	22.0%
Tropicana Corporation Berhad	24 January 2019	Joint development agreement between Tropicana Corporation Berhad and: (a) Pantai Kok Resort Development Sdn Bhd; (b) Sinaran Ramah Sdn Bhd; (c) Suci Padu Sdn Bhd; and (d) Ibarat Indah Sdn Bhd.	Pantai Kok Land – villas, cluster houses, serviced apartments and retail components. Pulau Rebak Kechik Land – Hotel, serviced apartments and retail units. Pekan Nenas Collaboration Land – convert into industrial land or mixed development land with necessary infrastructure.	12.0%

From our analysis based on the table above, we noted that the payment to the landowners based on the GDV (landowner's entitlement) ranged from 12% to 22%. LCG's Entitlement, being 18% of the estimated GDV of the Ampang Dagang Jaya Project is **fair and reasonable** as it is within the range of landowner's entitlements in precedent joint venture transactions for the past four years of 12% to 22%.

However, we wish to highlight that there are no precedent joint venture development cases which may be considered identical to the Ampang Dagang Jaya Project in terms of type of development, location, land owner's entitlement, GDV, GDC, etc. Whilst we noted that the respective precedent cases may have differences when compared to the Ampang Dagang Jaya Project, we are of the view that the identified precedent cases are reasonable to be adopted for the purpose of determining the estimated range of landowner's entitlement for joint venture developments.

(ii) Analysis of the payment structure for LCG's Entitlement

Pursuant to the JVA and based on the estimated GDV of the Ampang Dagang Jaya Project (excluding GDV for RSKU apartments) of RM433.9 million, LCG's Entitlement which is fixed at 18% of the GDV subject to the minimum guarantee payment of RM55.0 million will be equivalent to RM78.1 million and is payable based on the following schedule:

No.	Schedule	RM'mil	%
(i)	A sum of RM6.00 million within 45 days from the date Ho Hup Approvals are obtained	6.0	7.68
(ii)	A monthly sum of RM0.36 million for a period of 35 months and a sum of RM0.40 million on the 36th month commencing from the date Ho Hup Approvals are obtained:		
	(a) Payment made for the period of the first 12 months	4.32	5.53
	(b) Payment made for the period between the 13th months and 24th months	4.32	5.53
	(c) Payment made for the period between the 25th months and 36th month	4.36	5.58
(iii)	A sum of RM1.50 million on the 6th month anniversary of the date Ho Hup Approvals are obtained	1.5	1.92
(iv)	RM2.00 million in property upon completion of the Development	2.0	2.56
(v)	Balance to be paid within 60 days from the issuance of Certificate of Completion and Compliance for the Development	55.6	71.20
Total		**78.1**	**100.00**

We note that the above payment schedule represents a deferred payment scheme to LCG in consideration of HHDJ being granted the sole and exclusive right and entitlement to develop the Development Land. In accordance with the JVA, Ho Hup is required to obtain the necessary approvals as may be necessary for the Development such as the approvals of the layout plans and the building plans within six (6) months from the unconditional date of the JVA (or such other date as may be mutually agreed upon between the parties). Thereafter, to commence physical works on the Development Land within six (6) months from the date of approval of the building plans.

As such, it is noted that only RM66.28 million or 84.87% of LCG's Entitlement is only payable after the Development has been launched and commenced construction whereby HHDJ will be able to generate income based on the sales and development progress of the Ampang Dagang Jaya Project (i.e. 13th months from the date of Ho Hup Approvals onward). In contrast, should HHDJ outright acquire the Development Land, HHDJ would then require upfront funding for the cost of acquisition of the Land.

Hence, we are of the opinion that the deferred payment scheme for LCG's Entitlement to be **fair and reasonable** and not detrimental to the non-interested shareholders of Ho Hup.

(iii) Analysis of the minimum guarantee payment of RM55.0 million to LCG

Pursuant to the JVA, we further noted that LCG's Entitlement is subject to a minimum guaranteed payment of RM55.0 million. We have considered the minimum guaranteed payment of RM55.0 million and are of the opinion it is **fair and reasonable** due to the following justifications:

(a) PA International, an independent valuer was appointed by the management of HHDJ, had ascribed the market value of RM55.0 million for the Development Land; and

(b) Assuming HHDJ had to borrow from financial institution(s) to acquire the Development Land, the Group would have to incur additional interest expense which will decrease the earnings of the Group. This may place an immediate constraint on the cash flows of the Group and may potentially affect the financial performance of the Group adversely.

Premised on our analysis above, we are of the view that the basis and justification for LCG's Entitlement (including the minimum guarantee payment of RM55.0 million) are **fair and reasonable** and not detrimental to the non-interested shareholders of Ho Hup.

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6.3 Salient terms of the JVA

The salient terms of the JVA are set out in Appendix I of Part A of this Circular.

Malacca Securities' comments

Our comments on the salient terms are as follows:

	Salient terms	Malacca Securities' comments
(1)	**Conditions precedent** (a) The JVA is conditional upon the following conditions precedent ("**Conditions Precedent**") being fulfilled within 6 months from the date of the JVA or such other date as may be mutually agreed upon between the Parties: (i) the approval of the board of directors and shareholders resolution of Ho Hup and HHDJ authorising the entering by HHDJ into the JVA in accordance with the terms and subject to the conditions of the JVA and authorising the execution of the JVA and all other relevant related documents ("**Ho Hup Approvals**"); and (ii) the execution of the Mutual Termination Agreement of the Joint Venture Agreement between LCG and Kay Development Sdn Bhd to terminate the previous joint venture agreement dated 20 May 2016 for the joint development of Parcel A. The termination of the said agreement was due to change of developer. (b) The JVA shall become unconditional on the date on which the last of the Conditions Precedent has been duly fulfilled in accordance with the provisions of this clause: (i) the date the Conditions Precedent relating to Ho Hup Approvals is deemed satisfied shall be the date on which LCG receives from HHDJ a certified copy of the Ho Hup Approvals.	The conditions precedent sets out the conditions to be fulfilled between the parties within 6 months from the date of the JVA or such other date as may be mutually agreed upon between the Parties. The Conditions Precedent represents necessary approvals/procedures to effect and facilitate the completion of the Proposed Joint Venture. As such, we are of the view that the Conditions Precedent are **fair** and **reasonable.**

	Salient terms	Malacca Securities' comments
(2)	**LCG's Entitlement** (a) In consideration of LCG entering into the JVA in accordance with the terms of the JVA, HHDJ shall pay to LCG a sum representing 18% of the GDV subject to a minimum guaranteed payment of RM55.0 million. (b) Subject to the fulfilment of the Conditions Precedent, LCG's Entitlement shall be paid in the following manner: (i) HHDJ shall pay or cause to pay to LCG or its nominee: (aa) a sum of RM6.00 million within 45 days from the date Ho Hup Approvals are obtained; (bb) a monthly sum of RM0.36 million for a period of 35 months and a sum of RM0.40 million on the 36th month commencing from the date Ho Hup Approvals are obtained; (cc) a sum of RM1.50 million on the 6th month anniversary of the date Ho Hup Approvals are obtained; and (dd) RM2.00 million in property* upon completion of the Development; *Note:* * *Represents such number of units of condominiums amounting to RM2.00 million in value.* (ii) HHDJ shall pay or cause to pay to LCG or its nominee the balance of LCG's Entitlement (less the sum paid pursuant to clause 2(b) above and the land conversion premium) within 60 days from the issuance of Certificate of Completion and Compliance for the Development. (iii) All such payments or monthly payments paid out to LCG shall be deemed to be payment of and towards the account of LCG's Entitlement.	This clause sets out LCG's Entitlement under the terms of the JVA. Please refer to Section 6.2 of this IAL for our evaluation on the basis and justification for LCG's Entitlement. This clause also sets out the terms for the manner of the payment of the entitlements to LCG by HHDJ under the Proposed Joint Venture. These clauses are favourable to HHDJ as payments to be made to LCG are progressively in stages and the balance shall only be paid to LCG upon issuance of Certificate of Completion and Compliance for the Development. Please refer to Section 6.2(d)(ii) of this IAL for our analysis of the payment structure for LCG's Entitlement. We note that the payments will only start from the date Ho Hup Approvals are obtained. As such, Ho Hup will be able to proceed with the progress of the Development once the Ho Hup approvals are obtained, including the necessary approvals as may be necessary for the Development such as the approvals of the layout plans and the building plans within six (6) months from the unconditional date of the JVA (or such other date as may be mutually agreed upon between the parties). Any delay in the commencement or completion of the Development as envisaged by the Board will be the prerogative of Ho Hup. However, it is stated in the JVA that Ho Hup shall commence physical works on the Development Land within six (6) months from the date of approval of the building plans and shall complete the Development within the development period of 60 months from the date of approval of the building plans (or such other period as mutually agreed between the parties in writing) Hence, we are of the view that the clauses which set out the LCG's Entitlement are **fair** and **reasonable**.

	Salient terms	Malacca Securities' comments
(3)	**Parties' share of entitlement in the development** (a) The Parties shall be entitled to the following entitlement in the Development to be distributed and paid in the manner and time as provided: LCG : 18% of the GDV (excluding GDV for RSKU apartments) HHDJ : Approximately RM80.8 million, which is 82% of the GDV of the Ampang Dagang Jaya Project (excluding GDV for RSKU apartments) after netting off development costs of approximately RM275.0 million. HHDJ is responsible for funding all the development costs. For the avoidance of doubt, the GDV of the Development shall exclude the development scheme under RSKU. (b) It is further agreed that the parties shall equally share the profits (if any) for the development scheme under RSKU between LCG and HHDJ.	This clause sets out each of the Parties' entitlement to the GDV of the Ampang Dagang Jaya Project. These terms are typical in joint development agreements whereby the Parties set out their respective entitlements of the GDV in the JVA. Our evaluation on LCG's Entitlement is set out in Section 6.2 of this IAL and we are of the view that it is **fair** and **reasonable**.
(4)	**Roles and responsibilities of HHDJ** (a) HHDJ agrees, covenants and undertakes with LCG as follows: (i) HHDJ shall contribute and bear the entire cost and expense of developing the Development Land, including but not limited to, the payment of all premiums, fees, costs and expenses for the surrender and amalgamation of the Development Land whereby the land conversion premium shall be paid by HHDJ on behalf of LCG to the relevant authorities before its due date and be deducted from the balance of the LCG's Entitlement; (ii) HHDJ shall as soon as reasonably practicable after the execution of the JVA, at its sole costs and expense apply to the relevant authorities for the approvals as may be necessary for the Development;	These responsibilities, obligations and covenants are given by HHDJ and LCG to each other. If any of these responsibilities, obligations and covenants are breached, the defaulting party shall indemnify the non-defaulting party in respect of any loss or damage that may be incurred for breach of the JVA. These clauses are typical and normal commercial terms in agreements whereby it clearly sets out the responsibilities, obligations and covenants of each party in business transactions or arrangements.

	Salient terms	Malacca Securities' comments
	(iii) As soon as reasonably practicable after obtaining the approval of the layout plan, HHDJ shall submit the building plans to the relevant authorities for approval and also to apply for the early commencement of works upon such submission; (iv) HHDJ shall obtain the approvals of the layout plans and the building plans within 6 months from the Unconditional Date of the JVA (or such other date as may be mutually agreed upon between the Parties); (v) HHDJ shall commence physical works on the Development Land within 6 months from the date of approval of the building plans and shall complete the Development within the development period; (vi) HHDJ shall at its own cost and expense construct all the relevant infrastructure in connection with the Development in accordance with the requirements and standards of the relevant authorities; (vii) HHDJ shall obtain and maintain such insurance policy(ies) as may be relevant or required in connection with the Development; (viii) HHDJ shall upon completion of the construction of the Development do all acts and things necessary to procure the issuance of the relevant Certificates of Completion and Compliance; (ix) HHDJ shall not charge the Development Land save and except as provided for in the JVA and for the purposes of obtaining the bridging finance and/or working capital facilities in respect of the Development provided always that LCG acknowledges that the end-purchasers of the units in the Development may charge the individual document of title upon issuance or assign their rights under the individual sale and purchase agreements as security for a loan; (x) HHDJ shall comply with the relevant provisions of the Housing Development Act in relation to the Development;	

	Salient terms	Malacca Securities' comments
	(xi) HHDJ shall open a Housing Developers Account in accordance with the Housing Development Act (and the regulations made thereunder) with a bank or financial institution in Malaysia for the purposes of depositing the payments towards the purchase price received from the end-purchasers of the units in the Development; (xii) HHDJ shall obtain all permissions and consents required and shall comply in all respect with all applicable laws rules orders and regulations for the time being in force relating to planning control and with any orders direction or notices made or given thereunder and in particular with the conditions imposed by any permission granted in relation to the Development Land and the Development and also with any other by-laws and regulations affecting the same and shall do all such works and things as shall be lawfully required thereby and pay and indemnify LCG against all fees charges penalties claims and expenses to be made or incurred there under; and (xiii) HHDJ shall construct and complete all units and the Development on the Development Land in a workmanlike manner and in accordance with generally accepted building standards and the plans and specification as approved by the relevant authorities and in compliance with the building by-laws in force for the time being provided always that HHDJ shall keep LCG fully indemnified against all claims arising out of or incidental to the construction works in the Development. (b) HHDJ shall fully indemnify and keep indemnified LCG in respect of any loss or damage that may be incurred by LCG as a result of the wilful neglect delay or refusal on the part of HHDJ to perform any of its obligations as expressed in the JVA.	

	Salient terms	Malacca Securities' comments
(5)	**Roles and responsibilities of LCG** (a) LCG agrees, covenants and undertakes with HHDJ as follows: (i) LCG shall not interfere with the Development or in any way hinder or obstruct the carrying out of any work(s) or act(s) or application(s) by HHDJ in connection with the Development under or pursuant to the terms and conditions of the JVA; (ii) LCG shall not encumber in any manner, sell, assign, transfer, charge and/or part with possession of the Development Land without the prior written consent of HHDJ, so as to defeat the purpose of the JVA; (iii) Within 14 days from the date of receipt of any notice by HHDJ, to charge the Development Land or any part(s) thereof and to execute all such documents as may be necessary for the creation or the charge in favour of HHDJ's financier; (iv) Where the provisions of the Housing Development Act are applicable, LCG shall so long as it is the registered owner of the Development Land: (aa) At all times during the development of the Development, adhere to and comply with the rules and regulations set out in the Housing Development Act on its part as the proprietor; (bb) Be in compliance with Rule 5(5)(a) of the Housing Development (Control and Licensing) Regulations 1989, by agreeing to the sale of the Units for the purpose of the Development; (cc) Be in compliance with Rules 10 and 11 of the Housing Development (Control and Licensing) Regulations 1989 by being a party to the sale and purchase agreements entered into with end-purchasers of the units in the Development which sale and purchase agreements shall be in the form prescribed by the Housing Development (Control and Licensing) Act 1966, where applicable; and	This clause sets out the responsibilities, obligations and covenants of LCG to HHDJ under the JVA to ensure smooth progress of the Ampang Dagang Jaya Project and to ensure LCG's compliance with the relevant laws and guidelines pertaining to the Ampang Dagang Jaya Project. We note that upon the full payment by HHDJ to LCG of the LCG's Entitlement, LCG agrees, covenants and undertakes that all or any of the units which are not sold at the completion of the Ampang Dagang Jaya Project (and that the Certificate of Completion and Compliance has been obtained) shall be transferred to HHDJ or its nominee(s) at HHDJ's own cost. This clause is typical in joint development agreements whereby it clearly sets out the responsibilities, obligations and covenants of LCG as the landowner in relation to the Ampang Dagang Jaya Project. Therefore, we are of the view that this clause which sets out LCG's obligations and undertakings under the JVA is **fair** and **reasonable**.

	Salient terms	Malacca Securities' comments
	(v) LCG shall not do or cause or permit to be done anything that may jeopardise LCG's unfettered rights as the registered proprietor of such remaining unsold portion of the Development Land including doing or causing or permitting LCG to be wound-up (voluntarily or otherwise) or permitting a receiver and/or manager to be appointed over the assets of LCG. (b) LCG agrees, covenants and undertakes to indemnify HHDJ in respect of any loss or damage that may be incurred by HHDJ as a result of the wilful neglect failure delay or refusal on the part of LCG to perform any of its obligations as expressed in the JVA. (c) LCG agrees, covenants and undertakes to remove any illegal and unapproved squatter's occupiers and settlers on the Development Land at its own cost and expense. (d) Provided that LCG's Entitlement has been fully settled, LCG agrees, covenants and undertakes that all or any of the units which are not sold at the completion of the Development (and that the Certificate of Completion and Compliance has been obtained) shall be transferred to HHDJ or its nominee(s) at HHDJ's cost and expense.	
(6)	**Risk of the parties** (a) In the event of the government or any other competent authority having power in that behalf acquiring the Development Land or any part or parts thereof for any purposes whatsoever between the date of the JVA and prior to the approval of the layout plan, then HHDJ shall have the option of either determining the JVA or completing the Development. In the event that HHDJ elects to determine the JVA, LCG shall within 14 days from the date of demand in writing made by HHDJ refund to HHDJ free of interest the deposit sum and all other monies received by LCG from HHDJ under or pursuant to the JVA and the JVA shall thereafter be of no further force or effect whatsoever save and except for antecedent breaches, if any. In the event HHDJ elects to complete the Development:	This clause sets out the rights of each party and also the procedure in the event the government or any other authority in that behalf acquiring the Development Land between the date of the JVA and prior to the approval of the layout plan. We note that HHDJ shall have the option to either determine the JVA or complete the Development and this will be in the favour of HHDJ. This clause also provides for events of Force Majeure where if either party is affected by Force Majeure which affects the performance of any of its obligations under the JVA, the respective party must notify the other party of its nature and extent and it shall not be deemed to be in breach of the JVA, or otherwise be liable to the other party.

	Salient terms	Malacca Securities' comments
	(i) LCG shall immediately: (a) Notify the government or any acquiring authority of HHDJ's rights, title and interest in and to the Development Land and the terms of the JVA; and (b) Notify HHDJ of such proceedings whether pending or contemplated and do all documents acts and things so as to allow HHDJ ample opportunities to contest such proceedings or any payment of compensation or to appeal from any decision made in respect thereof. If any request is made thereof, HHDJ agrees to indemnify and keep indemnified LCG against all cost, expenses, loss or damage which may be incurred or suffered by LCG as a result of such request; and (ii) HHDJ shall remain liable to complete the Development at the time and in the manner herein agreed to provided always that all monies and or compensation, if any, paid or to be paid by the government or other authority in of such acquisition shall be treated as and deemed to be part of the GDV and shall belong to LCG and HHDJ in the ratio of proportion of the Parties' respective entitlement under the JVA and if received by LCG, HHDJ's portion or part thereof shall be and deemed to be held in trust by LCG for the use and benefit of HHDJ. (b) For the purposes of the JVA, "Force Majeure" means any circumstances beyond the reasonable control of any Party (including, without limitation, disease outbreak, pandemic, epidemic, any strike, lock out or other form of industrial action or governmental intervention, directives or policies). If any Party is affected by Force Majeure which affects the performance of any of its obligations under the JVA it shall forthwith notify the other Party of its nature and extent. No Party shall be deemed to be in breach of the JVA, or otherwise be liable to the other Party, by reason of any delay in performance, or the nonperformance, of any of its obligations hereunder, to the extent that the delay of nonperformance is due to any Force Majeure which it has notified to the other Party, and the time for performance of that obligation shall be extended accordingly.	This clause protects the interests of both parties and is **fair** and **reasonable**.

	Salient terms	Malacca Securities' comments
	(c) If the performance by any Party of any of its obligations under the JVA is affected by Force Majeure for a continuous period in excess of 6 months, the Parties shall enter into *bona fide* discussions with a view to alleviating its effects, or to agreeing upon such alternative arrangements as may be fair and reasonable.	
(7)	**Termination of the JVA by LCG** In the event that HHDJ shall commit any material breach of any terms of the JVA and HHDJ fails to remedy or take adequate steps to remedy such breach within 30 days after written notice thereof from LCG, then in such event, without prejudice to any rights and remedies it may possess against HHDJ for breach of contract, LCG may by notice in writing to HHDJ terminate the JVA and forfeit the deposit sum as agreed liquidated damages and subject to the distribution of the Parties' entitlement under clause 3 above for the completed units in the Development, the following provisions shall apply: (a) HHDJ shall immediately: (i) cease all operation on the works, remove all its personnel and workmen therefrom and yield up possession of the Development Land to LCG; and (ii) deliver to LCG all records, documents and information in whatever form relating to the Development; and (b) LCG may carry out and complete the works by itself or employ and pay a contractor or other persons to carry out and complete the Development and thereafter HHDJ shall have no claims whatsoever against LCG.	This clause safeguards the interest of LCG in the event of a material breach of any terms of the JVA committed by HHDJ, and HHDJ fails to remedy or take adequate steps to remedy such breach within 30 days after written notice thereof from LCG ("**Remedy Period**"). If HHDJ fails to remedy the relevant breach within the Remedy Period, LCG may by notice in writing to HHDJ terminate the JVA and forfeit the deposit sum as agreed liquidated damages and subject to the distribution of each of the Parties' entitlement under the JVA. As such, we are of the view that this termination clause of the JVA by LCG is **fair** and **reasonable**.
(8)	**Termination of the JVA by HHDJ** In the event that LCG shall commit any material breach of the JVA, HHDJ shall be entitled to the remedy of specific performance in addition to and/or in lieu of damages.	This clause safeguards the interest of HHDJ by providing the right for specific performance in addition to and/or in lieu of damages in the event that LCG commits any material breach of the JVA. Thus, we are of the view that this clause to safeguard the interests of HHDJ is **fair** and **reasonable**.

	Salient terms	Malacca Securities' comments
(9)	**Termination upon completion** The JVA shall terminate upon completion of the Development and compliance by LCG and HHDJ with the provisions of the Housing Development (Control and Licensing) Act 1966 (Act 118) including its subsequent amendments, the Housing Development (Control and Licensing) (Amendment) Regulations 2015, including its subsequent amendments, and the parties shall thereafter have no claims whatsoever and howsoever arising against each other save and except for antecedent breach.	This clause is typical in joint development agreements whereby it sets out that the Parties shall have no claims whatsoever and howsoever arising against each other, save and except for antecedent breach, where the JVA shall terminate upon completion of the Development.

Based on the above, we have evaluated the salient terms of the JVA and are of the view that the salient terms of the JVA are **reasonable** and **not detrimental to the non-interested shareholders of Ho Hup.**

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6.4 Financial effects of the Proposed Joint Venture

The financial effects of the Proposed Joint Venture are as set out in Section 5 of Part A of this Circular. Our comments on the financial effects of the Proposed Joint Venture are as follows:

Effects of the Proposed Joint Venture on:	Malacca Securities' comments
Share capital and substantial shareholders' shareholdings	The Proposed Joint Venture will not have any effect on the share capital and the shareholdings of the substantial shareholders of Ho Hup as the Proposed Joint Venture does not involve any issuance of new Ho Hup Shares.
EPS	The Proposed Joint Venture is expected to contribute positively to the future earnings and EPS of Ho Hup arising from the undertaking of the Ampang Dagang Jaya Project. Any profit attributable would be realised in stages over the tenure of the Ampang Dagang Jaya Project based on its progress. Based on Management's feasibility study, HHDJ is expected to derive an estimated GDP from the Ampang Dagang Jaya Project of approximately RM81.25 million (after deducting the estimated GDC, LCG's Entitlement and LCG's entitlement to half of the profits from the sale of the RSKU apartments, but before tax) or RM61.75 million (net of corporate tax of 24%), which would be realised in stages over the tenure of the Ampang Dagang Jaya Project based on the progress of the Ampang Dagang Jaya Project.
NA, NA per Share and gearing	The Proposed Joint Venture is not expected to have any immediate material effect on the NA and gearing of the Group. However, the effects on the future NA and/or gearing of the Group will depend on the manner of funding for the Ampang Dagang Jaya Project. The Proposed Joint Venture is expected to contribute positively towards the NA of the Group as and when the Ampang Dagang Jaya Project is completed and sold. The construction cost of the Ampang Dagang Jaya Project may be funded by Ho Hup Group through a combination of internally generated funds, bank borrowings and/or proceeds to be raised from the proposed private placement exercise announced on 20 November 2020, the exact quantum of which will be determined by the Board at a later stage, depending on the cost of funding and funding requirements of its other business operations. As per the terms of the JVA, HHDJ has the rights to use the Development Land as security to obtain financing for the Development.

Based on the above, we are of the view that the financial effects of the Proposed Joint Venture are **not detrimental to the interest of the non-interested shareholders of Ho Hup.**

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6.5 Industry outlook and prospects of Ho Hup Group

We note the outlook of the Malaysian economy, the overview of the property market in Malaysia and the prospects of Ho Hup Group as set out in Section 6 of Part A of this Circular and our comments are as set out below:

Malacca Securities' comments

In line with the reopening of the economy from earlier COVID-19 containment measures and improving external demand conditions, we note that the Malaysian economy recorded a smaller contraction of 2.7% in the third quarter of 2020 compared to -17.1% in the second quarter of 2020. The improvement largely reflected the reopening of the economy from COVID-19 pandemic containment measures and better external demand conditions. Improvements in growth were seen across most economic sectors, particularly in the manufacturing sector, which turned positive following strong electrical and electronics production activity. On the expenditure side, domestic demand contracted at a slower pace, while net exports rebounded. On a quarter-on-quarter seasonally-adjusted basis, the economy turned around to register an expansion of 18.2% compared to -16.5% in the second quarter of 2020.

Growth is expected to recover in 2021, benefitting from the improvement in global demand and a turnaround in public and private sector expenditure amid various policy support. This includes the Government's measures such as KITA PRIHATIN, the approved Budget 2021, specifically the Bantuan Prihatin Rakyat, targeted wage subsidies and public projects and the recently announced RM15.0 billion Perlindungan Ekonomi dan Rakyat Malaysia' (PERMAI) stimulus package on 19 January 2021. Additionally, the continued financial measures and low interest rate environment are also expected to lend further support economic activity.

In regard to the recent resurgence of COVID-19 pandemic cases and the targeted containment measures such as controlled Movement Control Order ("**MCO**") imposed by the Government could affect the momentum of the recovery in the final quarter of year 2020. We note that the Government has recently introduced the MCO 2.0 which had commenced on 13 January 2021, whereby the impact of MCO 2.0 on the financial performance of Ho Hup is still uncertain and will be dependent on the duration of the MCO 2.0. However, as most economic sectors have been allowed to continue to operate subject to compliance with standard operating procedures, the impact is expected to be less severe compared to the containment measures during previous periods.

We note that the Malaysian economy is expected to rebound in 2021, with the expectation of a synchronised global recovery. Domestic demand is projected to record a steady growth, supported by improvements in labour market conditions, low inflation and favourable financing conditions as well as the revival of major infrastructure projects. All sectors in the economy are expected to turnaround, with services and manufacturing sectors continuing to spearhead growth. Nevertheless, downside risks to the global outlook remain, arising from the resurgence of COVID-19 pandemic cases and duration of containment measures domestically and globally which may dampen the growth prospects for year 2021.

We note that the property market performance in Malaysia recorded a sharp decline in the first half ("**H1**") of 2020 compared to the H1 of 2019). A total of 115,476 transactions worth RM46.94 billion were recorded, showing a decrease of 27.9% in volume and 31.5% in value compared to the H1 of 2019, which recorded 160,165 transactions worth RM68.53 billion. The residential sub-sector led the overall property market, with 65.2% contribution in the H1 of 2020. There were 75,318 transactions worth RM25.61 billion recorded in the review period, decreased by 24.6% in volume and 26.1% in value compared to the same period last year.

Property industry performance across the states was not encouraging as all states recorded declines in market activity. By state, Selangor contributed the highest volume and value to the national market share, with 22.8% in volume (17,178 transactions) and 32.9% in value (RM8.44 billion). As for Wilayah Persekutuan Kuala Lumpur, though only 4,100 transactions were recorded, the transaction value was the third highest at RM3.11 billion.

In the primary market, the number of new launches in the first half-year were far behind those recorded in similar half of 2019. There were 13,294 units launched, down by 43.6% against 23,591 units in similar half year of 2019.

Against the preceding half, the launches were lower by 31.6% (H2 2019: 19,444 units). Sales performance was poor at 3.3%, way lower compared to H1 2019 (30.9%) and H2 2019 (28.4%). The lower new launches and poor sales performance was probably due to the total closure of almost all business and economic activities during the MCO period, which was imposed in March 2020.

The slow market absorption of the primary market led to the increase in residential overhang. There were 31,661 overhang units worth RM20.03 billion, increased by 3.3% in volume (H2 2019: 30,664 units) and 6.4% in value against the preceding half (H2 2019: RM18.82 billion). Meanwhile the unsold under construction recorded a marginal increase to 74,230 units, up by 2.1% whilst the unsold not constructed improved as the numbers dropped to 14,542 units, reduced by 13.3%.

Nevertheless, we have noted that the property market performance in Malaysia recorded an increase in the volume of transactions but a decrease in the value of transactions in the third quarter of 2020 ("**3Q**") compared to 3Q of 2019. A total of 89,245 transactions worth RM33.78 billion were recorded, showing an increase of 7.4% in volume and a decrease of 2.4% in value compared to 3Q of 2019. The residential sub-sector led the overall property market in 3Q of 2020, with 55,845 transactions (increase of 5.1% from 3Q of 2019) worth RM19.37 billion (increase of 6.9% from 3Q of 2019).

We also note that JPPH had reported that there were 65,552 overhang units worth RM50.17 billion as at Q3 of 2020 with 84.2% of the overhang units being residential and serviced apartment units. In terms of locality, these overhang residential and serviced apartment units were mainly located in Johor (20.4% of 30,926 overhang residential units and 67.1% of 24,267 overhang serviced apartment units), Selangor (15.2% of 30,926 overhang residential units) and Kuala Lumpur (10.1% of 30,926 overhang residential units and 18.3% of 24,267 overhang serviced apartment units).

To stimulate and improve the property market, the Government and Bank Negara Malaysia ("**BNM**") have introduced several measures as follows:

(a) **<u>Budget 2021 as announced by the Ministry of Finance on 6 November 2020.</u>**

(i) Full stamp duty exemption for sales and purchase agreements and loan agreements for house prices up to RM500,000.00 for first-time home buyers until the year 2025. The stamp duty exemption is also extended to sub-sale properties;

(ii) Extension of the Home Ownership Campaign ("**HOC**") to 31 May 2021 aiming at new launch properties;

(iii) Rent-to-own scheme for PR1MA homes; and

(iv) Stamp duty exemption for buyers of abandoned housing projects.

The Real Estate and Housing Developers' Association of Malaysia (REHDA) believes that Budget 2021, which contains various measures to increase home ownership and to boost the property sector "as one that is "comprehensive, inclusive and promising," as the stamp duty waivers will benefit a lot of Malaysians who find it hard-pressed to own a house, particularly those in B40 and M40 income groups.

(Source: theedgemarkets.com; 6 November 2020 (https://www.theedgemarkets.com/article/various-home-ownership-measures-developers-laud-budget-2021-comprehensive-inclusive-and)

(b) Pelan Jana Semula Ekonomi Negara – initiatives by BNM

During HOC period, the current 70% margin of financing limit will also be uplifted for the third housing loan onwards for properties valued at RM600,000 and above, subject, however, to the financial institution's internal risk management.

(Source: theedgemarkets.com; 26 June 2020 (https://www.theedgemarkets.com/article /property-players-welcome-penjana-initiatives)

In regards to the prospects of the Ampang Dagang Jaya Project, we note that the Development Land is strategically located in the KL city north-east fringe (i.e. Ampang Jaya, Pandan Perdana, Setiawangsa, Cheras north) and is close proximity to prominent locations of which prospective buyers are those who work at these areas and may want to live close by at a more affordable price. The Development Land is also accessible via major roads, highways, expressways and public amenities such as Jalan Ampang, Ampang-Kuala Lumpur Elevated Highway, Sungai Besi – Ulu Klang Elevated Expressway, Kuala Lumpur Middle Ring Road 2, East Klang Valley Expressway and the Ampang LRT Station, and is expected to bode well for the demand and marketability for the units under the Ampang Dagang Jaya Project. As the Development Land is well surrounded by established commercial clusters, schools and public amenities, the location of the Development Land within Dagang Jaya is offering reasonably-priced accommodation to home buyers, young families and also upgraders from the local neighbourhoods.

As such, the proposed residential units with unit sizes ranging between 853 sqft and 1,012 sqft with 3-bedrooms accommodation together with 2 car parks is deemed suited to the abovementioned targeted catchments. The proposed unit selling price within the price band of RM450,000 to RM600,000 per unit or approximate equivalent to RM500 to RM575 psf is deemed reasonably priced and generally marketable to the targeted catchments of mainly lower-mid to upper-mid household income groups.

Ho Hup Group anticipates that with the stimulus measures introduced by the Government and BNM to improve the property market, coupled with its property projects that are situated in good strategic locations, the Group's property projects will still be in demand at the right price. Leveraging on this scenario, the Group intends to focus on strategically marketing its properties to the right target market segments and introduce attractive sales packages to encourage sales.

Premised on the above, we are of the view that the prospects of Ho Hup Group moving forward is expected to be positive.

6.6 Risk factors in relation to the Proposed Joint Venture

In considering the Proposed Joint Venture, the non-interested shareholders of the Company are advised to give careful consideration to the risk factors as set out in Section 4 of Part A of this Circular.

Malacca Securities' comments

Considering that Ho Hup Group is already involved in property development, the risk factors associated with the Proposed Joint Venture are similar to those currently faced by the Group for its property development business. Accordingly, the business risk profile of the Group is not expected to change significantly pursuant to the Proposed Joint Venture.

Notwithstanding the above, the non-interested shareholders of the Company should take note of the impact of COVID-19 on the Group's business and operations. We noted that the Group was able to operate with minimal disruptions during the MCO, including the MCO currently in effect as at the LPD. The Group was able to operate as it has obtained the necessary approvals from the relevant authorities. However, there is no assurance that the COVID-19 outbreak and/or lockdown or similar measures will not have a material adverse impact on the industry in which the Group operates.

We also noted that the Group does not foresee any disruptions resulting from the COVID-19 pandemic on the Ampang Dagang Jaya Project as it shall apply for the necessary approvals to commence constructions works in the event of any MCO. However, the take-up rate of the Ampang Dagang Jaya Project in the near term may be affected given the dampening effects of the COVID-19 pandemic on consumer spending and property investment.

7. CONCLUSION AND RECOMMENDATION

The non-interested shareholders of the Company should take into account all the merits and demerits of the Proposed Joint Venture based on all relevant pertinent factors including those which are set out in Part A of this Circular, the relevant appendices thereof, this IAL and other publicly available information.

In our evaluation of the Proposed Joint Venture and in arriving at our opinion, we have taken into consideration various factors which are summarised as follows:

(a) rationale for the Proposed Joint Venture;

(b) basis and justification of arriving at LCG's Entitlement;

(c) salient terms of the JVA;

(d) financial effects of the Proposed Joint Venture on the Group;

(e) industry outlook and prospects of Ho Hup Group; and

(f) the risk factors in relation with the Proposed Joint Venture.

After having considered all the various factors included in our evaluation for the Proposed Joint Venture and based on the information made available to us, we are of the opinion that the Proposed Joint Venture is **fair and reasonable** insofar as the non-interested shareholders of the Company are concerned and it is not to the detriment of the non-interested shareholders of Ho Hup.

Accordingly, we recommend the non-interested shareholders of Ho Hup to **vote in favour** of the ordinary resolution pertaining to the Proposed Joint Venture that is to be tabled at the Company's forthcoming EGM.

Yours faithfully,
For and on behalf of
MALACCA SECURITIES SDN. BHD.

TAN KOK TIAM
Head
Corporate Finance

YAP SIEW THEE
Vice President
Corporate Finance

SALIENT TERMS OF THE JVA

1. CONDITIONS PRECEDENT

1.1 The JVA is conditional upon the following conditions precedent ("Conditions Precedent") being fulfilled within 6 months from the date of the JVA or such other date as may be mutually agreed upon between the Parties:

(i) The approval of the Board of Directors' and shareholders resolution of Ho Hup and HHDJ authorising the entering by HHDJ into the JVA in accordance with the terms and subject to the conditions of the JVA and authorising the execution of the JVA and all other relevant related documents ("Ho Hup Approvals"); and

(ii) The execution of the Mutual Termination Agreement of the Joint Venture Agreement between LCG and Kay Development Sdn Bhd to terminate the previous joint venture agreement dated 20 May 2016 for the joint development of Parcel A. The termination of the said agreement was due to change of developer.

1.2 The JVA shall become unconditional on the date on which the last of the Conditions Precedent has been duly fulfilled in accordance with the provisions of this clause ("Unconditional Date"):

(i) The date the Conditions Precedent relating to Ho Hup Approvals is deemed satisfied shall be the date on which LCG receives from HHDJ a certified copy of the Ho Hup Approvals.

2. LCG'S ENTITLEMENT

2.1 In consideration of LCG entering into the JVA in accordance with the terms of the JVA, HHDJ shall pay to LCG a sum representing 18% of the GDV subject to a minimum guaranteed payment of RM55.0 million.

2.2 Subject to the fulfilment of the Conditions Precedent, LCG's Entitlement shall be paid in the following manner:

(i) HHDJ shall pay or cause to pay to LCG or its nominee:

(a) A sum of RM6.00 million within 45 days from the date Ho Hup Approvals are obtained;

(b) A monthly sum of RM0.36 million or a period of 35 months and a sum of RM0.40 million on the 36th month commencing from the date Ho Hup Approvals are obtained;

(c) A sum of RM1.50 million on the 6th month anniversary of the date Ho Hup Approvals are obtained; and

(d) RM2.00 million in property* upon completion of the Development;

Note:

* Represents such number of units of condominiums amounting to RM2.00 million in value.

(ii) HHDJ shall pay or cause to pay to LCG or its nominee the balance of LCG's Entitlement (less the sum paid pursuant to Section 2.2(i) and the land conversion premium) within 60 days from the issuance of Certificate of Completion and Compliance for the Development.

(iii) All such payments or monthly payments paid out to LCG shall be deemed to be payment of and towards the account of LCG's Entitlement.

3. PARTIES' SHARE OF ENTITLEMENT IN THE DEVELOPMENT

3.1 The Parties shall be entitled to the following entitlement in the Development to be distributed and paid in the manner and time as provided:

LCG : 18% of the GDV (excluding GDV for RSKU apartments)

HHDJ : Approximately RM80.8 million, which is 82% of the GDV of the Ampang Dagang Jaya Project (excluding GDV for RSKU apartments) after netting off development costs of approximately RM275.0 million. HHDJ is responsible for funding all the development costs.

For the avoidance of doubt, the GDV of the Development shall exclude the development scheme under RSKU.

3.2 It is further agreed that the parties shall equally share the profits (if any) for the development scheme under RSKU between LCG and HHDJ.

4. ROLES AND RESPONSIBILITIES OF HHDJ

4.1 HHDJ agrees, covenants and undertakes with LCG as follows:

(i) HHDJ shall contribute and bear the entire cost and expense of developing the Development Land, including but not limited to, the payment of all premiums, fees, costs and expenses for the surrender and amalgamation of the Development Land whereby the land conversion premium shall be paid by HHDJ on behalf of LCG to the relevant authorities before its due date and be deducted from the balance of the LCG's Entitlement;

(ii) HHDJ shall as soon as reasonably practicable after the execution of the JVA, at its sole costs and expense apply to the relevant authorities for the approvals as may be necessary for the Development;

(iii) As soon as reasonably practicable after obtaining the approval of the layout plan, HHDJ shall submit the building plans to the relevant authorities for approval and also to apply for the early commencement of works upon such submission;

(iv) HHDJ shall obtain the approvals of the layout plans and the building plans within 6 months from the Unconditional Date of the JVA (or such other date as may be mutually agreed upon between the Parties);

(v) HHDJ shall commence physical works on the Development Land within 6 months from the date of approval of the building plans and shall complete the Development within the development period;

(vi) HHDJ shall at its own cost and expense construct all the relevant infrastructure in connection with the Development in accordance with the requirements and standards of the relevant authorities;

(vii) HHDJ shall obtain and maintain such insurance policy(ies) as may be relevant or required in connection with the Development;

(viii) HHDJ shall upon completion of the construction of the Development do all acts and things necessary to procure the issuance of the relevant Certificates of Completion and Compliance;

(ix) HHDJ shall not charge the Development Land save and except as provided for in the JVA and for the purposes of obtaining the bridging finance and/or working capital facilities in respect of the Development provided always that LCG acknowledges that the end-purchasers of the units in the Development may charge the individual document of title upon issuance or assign their rights under the individual sale and purchase agreements as security for a loan;

(x) HHDJ shall comply with the relevant provisions of the Housing Development Act in relation to the Development;

(xi) HHDJ shall open a Housing Developers Account in accordance with the Housing Development Act (and the regulations made thereunder) with a bank or financial institution in Malaysia for the purposes of depositing the payments towards the purchase price received from the end-purchasers of the units in the Development;

(xii) HHDJ shall obtain all permissions and consents required and shall comply in all respect with all applicable laws rules orders and regulations for the time being in force relating to planning control and with any orders direction or notices made or given thereunder and in particular with the conditions imposed by any permission granted in relation to the Development Land and the Development and also with any other by-laws and regulations affecting the same and shall do all such works and things as shall be lawfully required thereby and pay and indemnify LCG against all fees charges penalties claims and expenses to be made or incurred there under; and

(xiii) HHDJ shall construct and complete all units and the Development on the Development Land in a workmanlike manner and in accordance with generally accepted building standards and the plans and specification as approved by the relevant authorities and in compliance with the building by-laws in force for the time being provided always that HHDJ shall keep LCG fully indemnified against all claims arising out of or incidental to the construction works in the Development.

4.2 HHDJ shall fully indemnify and keep indemnified LCG in respect of any loss or damage that may be incurred by LCG as a result of the willful neglect delay or refusal on the part of HHDJ to perform any of its obligations as expressed in the JVA.

5. ROLES AND RESPONSIBILITIES OF LCG

5.1 LCG agrees, covenants and undertakes with HHDJ as follows:

(i) LCG shall not interfere with the Development or in any way hinder or obstruct the carrying out of any work(s) or act(s) or application(s) by HHDJ in connection with the Development under or pursuant to the terms and conditions of the JVA;

(ii) LCG shall not encumber in any manner, sell, assign, transfer, charge and/or part with possession of the Development Land without the prior written consent of HHDJ, so as to defeat the purpose of the JVA;

(iii) Within 14 days from the date of receipt of any notice by HHDJ, to charge the Development Land or any part(s) thereof and to execute all such documents as may be necessary for the creation or the charge in favour of HHDJ's financier;

(iv) Where the provisions of the Housing Development Act are applicable, LCG shall so long as it is the registered owner of the Development Land:

(a) At all times during the development of the Development, adhere to and comply with the rules and regulations set out in the Housing Development Act on its part as the proprietor;

(b) Be in compliance with Rule 5(5)(a) of the Housing Development (Control and Licensing) Regulations 1989, by agreeing to the sale of the Units for the purpose of the Development;

(c) Be in compliance with Rules 10 and 11 of the Housing Development (Control and Licensing) Regulations 1989 by being a party to the sale and purchase agreements entered into with end-purchasers of the units in the Development which sale and purchase agreements shall be in the form prescribed by the Housing Development (Control and Licensing) Act 1966, where applicable; and

(v) LCG shall not do or cause or permit to be done anything that may jeopardise LCG's unfettered rights as the registered proprietor of such remaining unsold portion of the Development Land including doing or causing or permitting LCG to be wound-up (voluntarily or otherwise) or permitting a receiver and/or manager to be appointed over the assets of LCG.

5.2 LCG agrees, covenants and undertakes to indemnify HHDJ in respect of any loss or damage that may be incurred by HHDJ as a result of the willful neglect failure delay or refusal on the part of LCG to perform any of its obligations as expressed in the JVA.

5.3 LCG agrees, covenants and undertakes to remove any illegal and unapproved squatter's occupiers and settlers on the Development Land at its own cost and expense.

5.4 Provided that LCG's Entitlement has been fully settled, LCG agrees, covenants and undertakes that all or any of the units which are not sold at the completion of the Development (and that the Certificate of Completion and Compliance has been obtained) shall be transferred to HHDJ or its nominee(s) at HHDJ's cost and expense.

6. RISK OF THE PARTIES

6.1 In the event of the government or any other competent authority having power in that behalf acquiring the Development Land or any part or parts thereof for any purposes whatsoever between the date of the JVA and prior to the approval of the layout plan, then HHDJ shall have the option of either determining the JVA or completing the Development. In the event that HHDJ elects to determine the JVA, LCG shall within 14 days from the date of demand in writing made by HHDJ refund to HHDJ free of interest the deposit sum and all other monies received by LCG from HHDJ under or pursuant to the JVA and the JVA shall thereafter be of no further force or effect whatsoever save and except for antecedent breaches, if any.

In the event HHDJ elects to complete the Development:

(i) LCG shall immediately:

(a) Notify the government or any acquiring authority of HHDJ's rights, title and interest in and to the Development Land and the terms of the JVA; and

(b) Notify HHDJ of such proceedings whether pending or contemplated and do all documents acts and things so as to allow HHDJ ample opportunities to contest such proceedings or any payment of compensation or to appeal from any decision made in respect thereof. If any request is made thereof, HHDJ agrees to indemnify and keep indemnified LCG against all cost, expenses, loss or damage which may be incurred or suffered by LCG as a result of such request; and

(ii) HHDJ shall remain liable to complete the Development at the time and in the manner herein agreed to provided always that all monies and or compensation, if any, paid or to be paid by the government or other authority in of such acquisition shall be treated as and deemed to be part of the GDV and shall belong to LCG and HHDJ in the ratio of proportion of the Parties' respective entitlement under the JVA and if received by LCG, HHDJ's portion or part thereof shall be and deemed to be held in trust by LCG for the use and benefit of HHDJ.

6.2 For the purposes of the JVA, "Force Majeure" means any circumstances beyond the reasonable control of any Party (including, without limitation, disease outbreak, pandemic, epidemic, any strike, lock out or other form of industrial action or governmental intervention, directives or policies). If any Party is affected by Force Majeure which affects the performance of any of its obligations under the JVA it shall forthwith notify the other Party of its nature and extent. No Party shall be deemed to be in breach of the JVA, or otherwise be liable to the other Party, by reason of any delay in performance, or the nonperformance, of any of its obligations hereunder, to the extent that the delay of nonperformance is due to any Force Majeure which it has notified to the other Party, and the time for performance of that obligation shall be extended accordingly.

6.3 If the performance by any Party of any of its obligations under the JVA is affected by Force Majeure for a continuous period in excess of 6 months, the Parties shall enter into *bona fide* discussions with a view to alleviating its effects, or to agreeing upon such alternative arrangements as may be fair and reasonable.

7. TERMINATION OF THE JVA BY LCG

In the event that HHDJ shall commit any material breach of any terms of the JVA and HHDJ fails to remedy or take adequate steps to remedy such breach within 30 days after written notice thereof from LCG, then in such event, without prejudice to any rights and remedies it may possess against HHDJ for breach of contract, LCG may by notice in writing to HHDJ terminate the JVA and forfeit the deposit sum as agreed liquidated damages and subject to the distribution of the Parties' entitlement under Section 3 above for the completed units in the Development, the following provisions shall apply:

(i) HHDJ shall immediately:

(a) Cease all operation on the works, remove all its personnel and workmen therefrom and yield up possession of the Development Land to LCG;

(b) Deliver to LCG all records, documents and information in whatever form relating to the Development; and

(ii) LCG may carry out and complete the works by itself or employ and pay a contractor or other persons to carry out and complete the Development and thereafter HHDJ shall have no claims whatsoever against LCG.

8. TERMINATION OF THE JVA BY HHDJ

In the event that LCG shall commit any material breach of the JVA, HHDJ shall be entitled to the remedy of specific performance in addition to and/or in lieu of damages.

9. TERMINATION UPON COMPLETION

The JVA shall terminate upon completion of the Development and compliance by LCG and HHDJ with the provisions of the Housing Development (Control and Licensing) Act 1966 (Act 118) including its subsequent amendments, the Housing Development (Control and Licensing) (Amendment) Regulations 2015, including its subsequent amendments, and the parties shall thereafter have no claims whatsoever and howsoever arising against each other save and except for antecedent breach.

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FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and they individually and collectively accepts full responsibility for the accuracy of the information given in this Circular and confirm that, after making all reasonable enquiries to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

2. CONSENT AND DECLARATION

2.1 M&A Securities

Consent

M&A Securities, being the Principal Adviser has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

Conflict of interest

M&A Securities, the Principal Adviser, is a wholly-owned subsidiary of Insas Berhad ("Insas"). Dato' Sri Thong Kok Khee, the Non-Independent Non-Executive Director of the Company is the major shareholder of Insas.

Y.A.M. Tengku Puteri Seri Kemala Tengku Hajjah Aishah Binti Almarhum Sultan Haji Ahmad Shah, DK(II), SIMP and Dato' Wong Gian Kui, all whom are the Directors of Insas are also Directors of M&A Securities. Dato' Thong Kok Yoon, the brother of Dato' Sri Thong Kok Khee is an Executive Director of M&A Securities and a major shareholder of Insas.

Ho Hup is an associated company of Insas. Dato' Wong Gian Kui is an Executive Director of the Company. Dato' Wong Gian Kui is also the chairman of M&A Securities' risk management committee and nomination and remuneration committee. Y.A.M. Tengku Puteri Seri Kemala Tengku Hajjah Aishah Binti Almarhum Sultan Haji Ahmad Shah, DK(II), SIMP is a member of M&A Securities' risk management committee as well as nomination and remuneration committee.

Save for the aforementioned, M&A Securities is not aware of any circumstances that would give rise to a conflict of interest situation in their capacity as the Principal Adviser, in relation to the Proposed Joint Venture.

Notwithstanding the above, M&A Securities is of the view that there is no existing conflict of interest in M&A Securities' role as the Principal Adviser to Ho Hup in relation to the Proposed Joint Venture based on the following:

(i) M&A Securities is a stockbroking firm licenced to undertake the provision of corporate finance services and its appointment as the Principal Adviser is in its ordinary course of business;

(ii) The role of M&A Securities is governed by agreement with the Company, which clearly set out the rights, duties and responsibilities of M&A Securities in its capacity as the Principal Adviser in relation to the Proposed Joint Venture; and

(iii) There is no direct interest to be derived from M&A Securities' appointment as Principal Adviser for the Proposed Joint Venture and neither is M&A Securities interested nor affected by the outcome of the Proposed Joint Venture.

2.2 Independent Adviser

Consent

Malacca Securities, being the Independent Adviser to the non-interested Directors and non-interested Shareholders for the Proposed Joint Venture, has given and has not subsequently withdrawn its written consent for the inclusion in this Circular of its name, letter and all references thereto in the form and context in which they appear in this Circular.

Conflict of interest

Malacca Securities has confirmed that there is no conflict of interest that exists or is likely to exist in relation to its role as Independent Adviser to the non-interested Directors and non-interested Shareholders for the Proposed Joint Venture.

3. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

Save as disclosed below, as at the LPD, to the best knowledge of the Board, neither Ho Hup nor its subsidiaries are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which may have a material effect on the financial position or business of Ho Hup Group, and the Board is not aware of any proceedings, pending or threatened, or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the Ho Hup Group:

(i) High Court of Malaya at Kuala Lumpur Suit No. WA-22NCC-112-03/2019

By a letter of award dated 28 March 2014, Ho Hup had awarded a building contract to a joint venture between Hj Said Sdn Bhd and Seni Kenanga Sdn Bhd ("Contractors") for the construction and completion of Ho Hup's project located at Bandar Bukit Jalil, Kuala Lumpur ("Project").

On 6 March 2019, Malayan Banking Berhad ("Plaintiff" or "MBB") initiated a civil suit against Ho Hup for outstanding sums owing by the Contractors in relation to a letter of undertaking dated 25 September 2017 ("LU") issued by Ho Hup for a sum of RM10.0 million wherein Ho Hup's obligations under the LU was extinguished with the revocation of the LU on 29 December 2017. Notwithstanding that, Ho Hup had never executed any document with MBB for the loan undertaken by the Contractors.

By a Court Order dated 7 February 2020, the Contractors were subsequently added as 2nd and 3rd defendant respectively. Ho Hup then filed a counterclaim to recover liquidated ascertained damages ("LAD") amounting to RM54.2 million due by the Contractors to Ho Hup as of 31 March 2019 and a further claim of RM14.8 million due by the Contractors as of 31 December 2019 being back charges for work done by Ho Hup to complete the Project arising from the Contractors' failure to do so within the contracted time period together with cost and interest. The matter is fixed for trial from 21 to 23 June 2021.

The solicitors representing Ho Hup are of the opinion that Ho Hup possesses a complete defence and counterclaim because the MBB's claim is predicated on the financial facility given to the Contractors in which Ho Hup is not privy to. The Board is

of the opinion that MBB's civil suit will have no financial impact on the earnings and net assets of Ho Hup Group and no operational impact at this juncture.

(ii) High Court of Malaya at Kuala Lumpur Suit No. D-26NCC-42-2011
Court of Appeal of Malaysia Civil Appeal No. W-02(IM)(NCC)-1354-07/2019
Court of Appeal of Malaysia Civil Appeal No. W-02(IM)(NCC)-1389-07/2019
Court of Appeal of Malaysia Civil Appeal No. W-02(IM)(NCC)-1469-08/2019
Court of Appeal of Malaysia Civil Appeal No. W-02(IM)(NCC)-1639-08/2019
Court of Appeal of Malaysia Civil Appeal No. W-02(IM)(NCC)-1695-09/2019
Federal Court of Malaysia Civil Appeal No. 02(f)-140-12/2017

Zen Courts Sdn Bhd ("Zen Courts") had initiated a petition vide the High Court of Malaya at Kuala Lumpur ("KLHC") against the respondents, namely Bukit Jalil Development Sdn Bhd ("BJDSB"), Ho Hup and Ho Hup Equipment Rental Sdn Bhd ("HHERSB") alleging Ho Hup and HHERSB had oppressed its rights as a minority shareholder of BJDSB. The KLHC in finding that there was oppression, had ordered the Company to buy out the Zen Courts' shares in BJDSB. Such shares were to be valued by Ferrier Hodgson MH Sdn Bhd ("FHMH") who was, by consensus, appointed as the independent valuer on 19 June 2012.

Zen Courts was dissatisfied with the valuation report issued by FHMH on 31 December 2012 ("Valuation Report") and applied to KLHC for determination of the value of the shares ("Zen Court Application"). Ho Hup, on the other hand, filed an application to fix the value of the shares as recommended in the Valuation Report ("Ho Hup Application"). The KLHC dismissed Zen Court Application and allowed the Ho Hup Application. Zen Courts thereafter appealed to the Court of Appeal but the appeal was dismissed on 19 February 2014 ("Court of Appeal's Orders").

Zen Courts subsequently appealed to the Federal Court of Malaysia ("Federal Court") in relation to the Court of Appeal's Orders on the point of law and was granted leave on 5 May 2015 ("FC Appeals"). The Federal Court allowed the FC Appeals without answering the leave questions ("FC Order") on 26 April 2016. The effect of the FC Order is that the Zen Court Application is allowed and the valuation order is set aside. Both the Zen Court Application and Ho Hup Application have been remitted to the KLHC for determination of the value of the buy-out. The KLHC determined the value of the buy-out on 11 July 2019.

Meanwhile, Zen Courts had on 22 August 2016 filed a separate application to the KLHC to restore the previously existing state of affairs of them in BJDSB from Ho Hup pending the determination of the value of the buy-out pursuant to the FC Order ("Restoration Application"). The Restoration Application was dismissed with costs by the KLHC on 27 March 2017. Zen Courts subsequently appealed to the Court of Appeal on 18 April 2017 against such dismissal and the appeal had then been dismissed by the Court of Appeal with costs on 2 August 2017 ("COA Decision").

In view of the COA Decision, Zen Courts further filed an application in the Federal Court for leave to appeal against the COA Decision to which the same was granted on 4 December 2017. On 11 February 2019, the Federal Court has ordered, by consent of the parties, that the Restoration Application be remitted to the KLHC for hearing and disposal.

The parties had filed several appeals arising from the determination of the value of the buy-out on 11 July 2019 to challenge the valuation of the 30% shares, timing of payment, interest payable and amount payable to the experts determined by the Court. All of the appeals were discontinued pursuant to the consent order dated 24 July 2020 as a result of a settlement agreement dated 22 January 2020 and a supplemental settlement agreement dated 22 July 2020 entered into between the parties to finally resolve the dispute. Ho Hup has fulfilled its financial obligations in accordance with the settlement agreements as of to date. Meanwhile, the Restoration Application together with another application by Zen Courts to issue interrogatories in respect of Ho Hup's management affairs are fixed for case management on 3 March 2021 pending completion of the settlement.

(iii) High Court of Malaya at Kuala Lumpur Suit No. WA-22NCC-185-05/2020
High Court of Malaya at Ipoh Suit No. AA-22NCC-12-07/2020

The Jabatan Pengairan dan Saliran ("JPS") had on 30 November 2016 awarded a contract ("Main Contract") for the rehabilitation of Sungai Besut estuary at Daerah Besut, Terengganu ("Project") to DSE Construction Sdn Bhd ("DSE"). By a letter of award dated 9 January 2017, DSE had subcontracted the Project works to an unincorporated joint venture between DSE and Ho Hup known as DSE Construction Sdn Bhd - Ho Hup Construction Company Berhad JV ("DSE-HHC JV").

DSE-HHC JV subcontracted a portion of the Project works ("Subcontracted Works") to Ho Hup which in turn further subcontracted the Subcontracted Works to Kumpulan Liziz Sdn Bhd ("KLSB") for approximately RM170.6 million ("Contract Proceeds"). Following this arrangement, the Contract Proceeds was expected to flow from JPS to DSE, DSE to DSE-HHC JV, DSE-HHC JV to Ho Hup and finally from Ho Hup to KLSB.

KLSB had obtained, among others, a facility of RM36.0 million from Malayan Banking Berhad ("MBB") for the Subcontracted Works of which the securities included an assignment of the Contract Proceeds resulting in the flow of the Contract Proceeds to change from JPS to DSE and thence to KLSB's designated collection account with MBB.

Resultant from KLSB's default, MBB had on 1 April 2020 initiated a civil suit against KLSB, Liew Ah Kau and Ghazali bin Abdul Halim at Ipoh High Court to claim for an amount of RM148.9 million owing under the facilities it granted to KLSB, one part of which is for the financing of the Subcontracted Works. On 1 July 2020, KLSB issued third party proceeding against Ho Hup, seeking an indemnity for that part of MBB's claim concerning the financing of the Subcontracted Works amounting to RM25.3 million, which is unparticularized at present as to how it is computed ("Third Party Proceeding"). The case management is fixed on 15 January 2021. However, KLSB has been wound up by an order of the High Court of Kota Kinabalu on 18 November 2020.

MBB had also on 18 May 2020 initiated a civil suit against DSE and Ho Hup ("MBB suit") at Kuala Lumpur High Court for the following:

(a) RM30.0 million being the Contract Proceeds to be paid into the account of "Maybank-DSE Construction Sdn Bhd"; or alternatively, RM23.8 million being the Contract Proceeds to be paid into the account of "Maybank-Kumpulan Liziz Sdn Bhd";

(b) RM8.7 million being the retention sum and sinking fund from the Contract Proceeds to be paid into the account of "Maybank-Kumpulan Liziz Sdn Bhd"; and

(c) Interest, cost and such other relief as the Court deems fit.

The MBB suit is fixed for hearing of MBB's application for interrogatories against DSE and for case management on 26 February 2021. Ho Hup's solicitors are of the view that Ho Hup (whether in its individual capacity or as partner of the DSE-HHC JV) has a strong defence against both the Third Party Proceeding and the MBB suit because there is no contractual relationship between JPS and DSE-HHC JV / Ho Hup, therefore neither of which can direct the flow of the Contract Proceeds.

4. MATERIAL CONTRACTS

Save for the JVA, as at the LPD, the Ho Hup Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the 2 years immediately preceding the date of this Circular.

5. MATERIAL COMMITMENT

As at the LPD, the Board is not aware of any material capital commitment, incurred or known to be incurred by Ho Hup Group, which upon becoming due or enforceable, may have a material impact on the financial position or business of the Ho Hup Group.

6. CONTINGENT LIABILITIES

As at the LPD, save as disclosed below, the Board is not aware of any contingent liabilities, incurred or known to be incurred by Ho Hup Group, which upon becoming enforceable, may have a material impact on the ability on the financial position or business of the Ho Hup Group:

	Group	**Company**
	RM'000	**RM'000**
Corporate guarantees given to licenced banks for banking facilities granted to subsidiaries companies, namely Bukit Jalil Development Sdn Bhd, Golden Wave Sdn Bhd and Intact Corporate Approach Sdn Bhd		
- Limit of guarantee	-	811,067
- Amount utilised	-	439,009
Corporate guarantees given to a supplier of goods to subsidiaries companies, namely Bukit Jalil Development Sdn Bhd, Golden Wave Sdn Bhd and Intact Corporate Approach Sdn Bhd		
- Limit of guarantee	-	28,850
- Amount utilised	-	2,337
Guarantees issued by financial institutions in connection with performance bonds, security and tender deposits in favour of third parties for construction projects	19,164	19,164

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at Ho Hup Tower-Aurora Place, 2-07-01, Level 7, Plaza Bukit Jalil, No 1, Persiaran Jalil 1, Bandar Bukit Jalil, 57000 Kuala Lumpur during normal business hours (except public holidays) from the date of this Circular up to and including the date of the EGM:

(i) Constitution of the Company;

(ii) Audited consolidated financial statements of Ho Hup for the FYE 31 December 2018 and FYE 31 December 2019 and the unaudited quarterly report on consolidated results for the financial period ended 30 September 2020;

(iii) Letters of consent and declaration as referred to in Section 2 of this Appendix;

(iv) Relevant cause papers in respect of the material litigation as referred to in Section 3 of this Appendix;

(v) The material contracts referred to in Section 4 of this Appendix;

(vi) Independent QS Report referred to in Section 4(e) of the IAL;

(vii) Market and Feasibility Study Report referred to in Section 4(f) of the IAL; and

(viii) Independent Valuation Report dated 20 January 2021 by PA International Property Consultants (KL) Sdn Bhd

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HOHUP®

HO HUP CONSTRUCTION COMPANY BERHAD
(Registration No. 197301000497 (14034-W))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting ("EGM") of Ho Hup Construction Company Berhad ("Ho Hup" or the "Company") will be held on Wednesday, 24 February 2021 at 4.00 p.m., or any adjournment thereof, as a fully virtual meeting via live streaming broadcast from Redwood Meeting Room, Ho Hup Tower-Aurora Place, 2-09-01-Level 9, Plaza Bukit Jalil, No 1, Persiaran Jalil 1, Bandar Bukit Jalil, 57000 Kuala Lumpur, for the purpose of considering and, if thought fit, to pass the following resolution, with or without modifications:

ORDINARY RESOLUTION

PROPOSED JOINT VENTURE BETWEEN HO HUP DAGANG JAYA SDN BHD ("HHDJ"), A WHOLLY-OWNED SUBSIDIARY OF HO HUP CONSTRUCTION COMPANY BERHAD ("HO HUP") AND LOW CHEE GROUP SDN BHD ("LCG"), TO UNDERTAKE A RESIDENTIAL DEVELOPMENT ON 2 PARCELS OF LAND LOCATED IN TAMAN DAGANG JAYA, AMPANG MEASURING APPROXIMATELY 4.71 ACRES ("PARCEL A") AND 7.06 ACRES ("PARCEL B") INTO 824 UNITS OF CONDOMINIUM AND 353 UNITS OF RUMAH SELANGORKU APARTMENTS ("PROPOSED JOINT VENTURE")

"THAT subject to the approvals being obtained from the relevant authorities and/or parties as set out in the conditional Joint Venture Agreement dated 26 November 2020 entered into between HHDJ, a wholly-owned subsidiary of Ho Hup and LCG ("**JVA**"), approval be and is hereby given for HHDJ to undertake a residential development on two (2) parcels of lands located in Taman Dagang Jaya, Ampang measuring approximately 4.71 acres ("**Parcel A**") and 7.06 acres ("**Parcel B**") into 824 units of condominium and 353 units of Rumah Selangorku apartments ("**Proposed Joint Venture**"), upon the terms and conditions as stipulated in the JVA.

AND THAT the Board of Directors of the Company (save for the Interested Directors, namely, Datin Chan Bee Leng and Low Kheng Lun) and/or HHDJ, be and is/are hereby authorised and empowered to do all such acts, deeds and things and to execute, sign and deliver, on behalf of the Company and/or HHDJ, all such documents to give effect to the Proposed Joint Venture with full power to assent to any conditions, modifications, variations and/or amendments to the terms of the Proposed Joint Venture in any manner in the best interest of the Company and/or HHDJ or as may be required or imposed by the relevant authorities and/or parties and to take all such steps as it may consider necessary or expedient to implement, finalise and give full effect to the Proposed Joint Venture."

BY ORDER OF THE BOARD

Lim Shook Nyee (MAICSA 7007640) (SSM Practicing Certificate No. 201908003593)
Lee Heng Aun (MIA 10104) (SSM Practicing Certificate No. 202008001152)
Company Secretaries

Kuala Lumpur
9 February 2021

Notes:

(i) The broadcast venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016, which requires the Chairman of the meeting to be physically present at the main venue of the meeting.

Shareholders/proxies WILL NOT BE ALLOWED to attend this EGM in person at the broadcast venue on the day of the EGM. Therefore, shareholders are strongly advised to participate and vote remotely at the EGM through live streaming and online remote voting using the Remote Participation and Electronic Voting (RPEV) facilities.

Please read these Notes carefully and follow the Procedures in the Administrative Guide for the EGM in order to participate remotely.

(ii) A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies to attend and vote in his/her stead via RPEV facilities. 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 (in the form of real time submission of typed texts) at the General Meeting via RPEV facilities.

(iii) 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 1 proxy in respect of each securities account it holds which is credited with ordinary shares of the Company.

(iv) 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.

(v) 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.

(vi) The instrument appointing a proxy must be deposited at the office of the Registrar of the Company at ShareWorks Sdn Bhd, 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur or be submitted electronically via the Portal at https://agm.omesti.com not less than 48 hours before the time for holding the Meeting or any adjournment thereof or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll.

(vii) Only members whose names appear in the Record of Depositors on 17 February 2021 shall be entitled to attend, speak (in the form of real time submission of typed texts) and vote at the EGM or appoint proxy/proxies to attend and/or vote on his/her behalf via RPEV facilities.

(viii) The resolution set out in the Notice of EGM will be put to vote by poll in accordance with Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

HOHUP®

HO HUP CONSTRUCTION COMPANY BERHAD **FORM OF PROXY**
(Registration No. 197301000497 (14034-W))

CDS Account No.

No. of shares held

I/We _____ Tel: _____
[Full name in block, and as per NRIC/Passport/Company No.]

of _____

_____

being member(s) of Ho Hup Construction Company Berhad, hereby appoint:

Full Name (in Block and as per NRIC/Passport)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and

Full Name (in Block and as per NRIC/Passport)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairperson of the Meeting, as my/our proxy to vote for me/us and on my/our behalf at the Extraordinary General Meeting of our Company to be held on Wednesday, 24 February 2021 at 4.00 p.m. or any adjournment thereof, as a fully virtual meeting via live streaming broadcast from Redwood Meeting Room, Ho Hup Tower - Aurora Place, 2-09-01 - Level 9, Plaza Bukit Jalil, No 1, Persiaran Jalil 1, Bandar Bukit Jalil, 57000 Kuala Lumpur and to vote as indicated below:

No.	Resolution	For	Against
1.	Proposed Joint Venture		

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolution. In the absence of specific direction, your proxy will vote or abstain as he/she thinks fit.

Signed this _____day of _____ 2021

_____

Signature*

Member

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Fold this flap for sealing

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AFFIX
STAMP

THE REGISTRAR
HO HUP CONSTRUCTION COMPANY BERHAD
197301000497(14034-W)
ShareWorks Sdn Bhd
2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur

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