



HUNZA PROPERTIES BERHAD
Company No: 461624 - X
(Incorporated in Malaysia)

**QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD FINANCIAL QUARTER ENDED 31 MARCH 2010**

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HUNZA PROPERTIES BERHAD
[Company No. 461624-X]

Condensed Consolidated Income Statement

	Note	Individual Quarter		Cumulative Quarter	
		Current Year Quarter Ended 31.03.2010 RM'000	Preceding Year Corresponding Quarter Ended 31.03.2009 RM'000	Current Year Period to date Ended 31.03.2010 RM'000	Preceding Year Corresponding Period to date Ended 31.03.2009 RM'000
Revenue		58,527	18,506	175,024	68,330
Cost of sales		(39,785)	(12,360)	(116,004)	(47,841)
Gross profit		18,742	6,146	59,020	20,489
Share of profit from project management	B9(a)	-	7,135	-	17,257
Other operating income		552	440	2,622	1,568
Other operating expenses		(4,534)	(4,261)	(11,585)	(11,584)
Profit from operations		14,760	9,460	50,057	27,730
Finance costs		(193)	(474)	(625)	(1,536)
Profit before taxation		14,567	8,986	49,432	26,194
Taxation	B5	(3,329)	(2,694)	(12,426)	(7,454)
Profit after taxation		11,238	6,292	37,006	18,740
Equity holders of the parent		11,298	5,786	37,003	18,163
Minority interests		(60)	506	3	577
Profit attributable to shareholders		11,238	6,292	37,006	18,740
Basic earnings per ordinary share (sen)	B14	7.08	4.01	24.64	12.54
Diluted earnings per ordinary share (sen)	B14	6.95	4.01	23.34	12.54

Certain figures have been restated to conform to the audited financial statements for financial year ended 30 June 2009

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2009 and the accompanying explanatory notes attached to the interim financial statements.

HUNZA PROPERTIES BERHAD
[Company No. 461624-X]

Condensed Consolidated Balance Sheet

		As at Current Period Ended 31.03.2010 RM'000	As at Preceding Financial Year Ended 30.06.2009 RM'000
	Note		
Non-Current Assets			
Property, plant and equipment	A10	109,871	101,441
Investment properties	A11	22,500	22,500
Land held for property development		119,326	118,802
Other investments	B7	6,173	7,992
Long-term receivables	B9	10,893	35,973
Deferred tax assets		1,965	602
		<u>270,728</u>	<u>287,310</u>
Current Assets			
Inventories		18,875	27,853
Property development costs		140,580	105,881
Other investments	B7	1,323	1,350
Trade receivables		24,658	33,959
Accrued billings		47,480	6,626
Other receivables and prepaid expenses	A14	8,114	2,359
Current tax assets		3,299	3,547
Deposits with licensed banks	B15	46,766	6,659
Cash and bank balances	B15	32,657	17,583
		<u>323,752</u>	<u>205,817</u>
TOTAL ASSETS		<u>594,480</u>	<u>493,127</u>
Current Liabilities			
Trade payables		24,505	14,065
Other payables and accrued expenses		32,432	14,276
Borrowings	B10	55,921	25,898
Current tax liabilities		8,136	2,256
		<u>120,994</u>	<u>56,495</u>
Non-Current Liabilities			
Long term borrowings	B10	46,221	84,608
Deferred tax liabilities		1,618	1,559
		<u>47,839</u>	<u>86,167</u>
TOTAL LIABILITIES		<u>168,833</u>	<u>142,662</u>
EQUITY			
Share capital		187,367	150,669
Reserves		222,670	183,658
Less: Treasury shares, at cost		(8,688)	(8,157)
Equity attributable to equity holders of the parent		<u>401,349</u>	<u>326,170</u>
Minority interests		24,298	24,295
TOTAL EQUITY		<u>425,647</u>	<u>350,465</u>
TOTAL LIABILITIES AND EQUITY		<u>594,480</u>	<u>493,127</u>
Net Assets Attributable to Equity Holders Per Share (RM)		2.12	2.24

Certain figures have been restated to conform to the audited financial statements for financial year ended 30 June 2009

The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2009 and the accompanying explanatory notes attached to the interim financial statements.

HUNZA PROPERTIES BERHAD

[Company No. 461624-X]

Condensed Consolidated Statement of Changes in Equity

	Attributable to shareholders of the Company						Minority Interest	Total Equity	
	Non-Distributable			Distributable					
	Share Capital RM'000	Treasury Shares RM'000	Revaluation Reserves RM'000	Warrant Reserves RM'000	Share Premium RM'000	Retained Earnings RM'000	Total RM'000	RM'000	RM'000
Balance as at 1 July 2008	147,327	(3,630)	436	-	31,084	130,810	306,027	23,798	329,825
Issue of ordinary shares									
pursuant to the exercise of warrants	3,342	-	-	-	1,671	-	5,013	-	5,013
Treasury shares acquired	-	(4,450)	-	-	-	-	(4,450)	-	(4,450)
Profit for the year	-	-	-	-	-	18,163	18,163	577	18,740
Final dividend of RM0.055 per share paid to shareholders	-	-	-	-	-	(7,934)	(7,934)	-	(7,934)
Balance as at 31 March 2009	150,669	(8,080)	436	-	32,755	141,039	316,819	24,375	341,194
Balance as at 1 July 2009	150,669	(8,157)	387	-	32,755	150,516	326,170	24,295	350,465
Treasury shares acquired	-	(531)	-	-	-	-	(531)	-	(531)
Issue of ordinary shares									
pursuant to the rights issue with warrants	43,679	-	-	-	4,368	-	48,047	-	48,047
pursuant to the exercise of ESOS	8	-	-	-	4	-	12	-	12
Allocation of value to warrant reserve *	(6,989)	-	-	11,357	(4,368)	-	-	-	-
Expenses for rights issue with warrants	-	-	-	-	(1,199)	-	(1,199)	-	(1,199)
Profit for the financial period	-	-	-	-	-	37,003	37,003	3	37,006
Final dividend of RM0.056 per share paid to shareholders	-	-	-	-	-	(8,153)	(8,153)	-	(8,153)
Balance as at 31 March 2010	187,367	(8,688)	387	11,357	31,560	179,366	401,349	24,298	425,647

* Fair values from the issuance of Warrants are credited to warrant reserves which is non-distributable. In arriving at the related fair values, the fair values of the Rights Shares and Warrants (which was computed based on ex-rights price as at 8 March 2010 of which Hunza Shares was quoted at RM1.20 and Warrant at RM0.37) were proportionately adjusted to the issue price of RM1.10 per Rights Share. When the Warrants are exercised or expired, the warrant reserve will be reversed.

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 30 June 2009 and the accompanying explanatory notes attached to the interim financial statements.

HUNZA PROPERTIES BERHAD

[Company No. 461624-X]

Condensed Consolidated Cash Flow Statement

	Note	9 Months Ended	
		31.03.2010	31.03.2009
		RM'000	RM'000
Operating Activities			
Profit before taxation		49,432	26,194
Adjustment for non-cash flow items:			
Depreciation		1,561	731
Property, plant and equipment written off		40	-
Allowance for diminution in value of investment		1,746	2,360
Loss on disposal of investment in quoted shares		72	-
Gain on disposal property, plant and equipment		(19)	(27)
Gross dividend income from other investments		(24)	-
Net interest (income) / expense		(365)	364
Operating profit before working capital changes		52,443	29,622
Changes in Working Capital			
Net change in inventories, receivables, accrued billings, deposits and prepaid expenses		(24,611)	13,234
Net change in payables and accruals		10,904	(11,582)
Changes in property development costs		6,508	(24,381)
Interest received		1,016	1,172
Tax paid		(8,304)	(11,340)
Net Cash generated from / (used in) operating activities		37,956	(3,275)
Investing Activities			
Acquisition of subsidiary, net of cash and cash equivalents acquired	A13	1,944	-
Proceeds from disposal of investment		124	-
Proceeds from disposal of property, plant and equipment		20	160
Dividends received from other investments		24	-
Payments for investment in quoted investments		(97)	-
Payments for purchase of property, plant and equipment		(1,547)	(3,440)
Payments for the construction of shopping mall		(8,133)	(5,841)
(Increase) / Decrease in long term receivables		(2,062)	4,919
Net cash used in investing activities		(9,727)	(4,202)
Financing Activities			
Interest paid		(2,538)	(7,475)
Dividend paid to equity holders of the parent		(8,128)	(7,934)
Repayment of long term borrowings		(8,978)	(8,331)
Payments for shares buy-back		(531)	(4,450)
Proceeds from long term borrowings		11,042	14,800
Proceeds from issue of shares pursuant to the exercise of warrants		-	5,013
Proceeds from issue of shares pursuant to the rights issue with warrant (*)		46,747	-
Proceeds from issue of shares pursuant to the exercise of ESOS		12	-
Decrease in short term borrowings		(9,625)	(1,816)
Increase in short-term deposit placed as security		(686)	(898)
Net cash generated from / (used in) financing activities		27,315	(11,091)
Net increase / (decrease) in cash and cash equivalents for the period		55,544	(18,568)
Cash and cash equivalents			
- at the beginning of the financial period		19,536	69,604
- at the end of the financial period	B15	75,080	51,036

* Rights Issue expenses of RM1.3 million had been off-set from the gross fund raised from Rights Issue of RM48.047 million.

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2009 and the accompanying explanatory notes attached to the interim financial statements.

HUNZA PROPERTIES BERHAD

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Notes to the Interim Financial Statements:-

A. Explanatory Notes to the Interim Financial Statements as required by FRS134

A1. Basis of preparation

The interim financial report has been prepared in accordance with Financial Reporting Standard 134, Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of Hunza Properties Berhad Group ("the Group") for the year ended 30 June 2009. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions so as to give a true and fair view of the state of affairs of the Group as of 31 March 2010 and of its result and cash flow for the period then ended.

A2. Changes in Accounting Policies

The significant accounting policies and methods of computation adopted by the Group in the interim financial statements are consistent with those of the audited financial statements for the year ended 30 June 2009 except the adoption of:

- i) FRS 8, Operating Segments which replaces FRS 1142004, Segment Reporting which is effective for annual financial statements with periods commencing on or after 1 July 2009.

The Group determines and presents operating segments based on information that is internally provided to the Group Executive Chairman, who is the Group's chief operating decision maker. As the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per ordinary share.

- ii) Warrant Reserves

Fair values from the issuance of Warrants are credited to warrant reserve which is non-distributable. When the Warrants are exercised or expired, the warrant reserve will be transferred to another reserve accounts within equity.

A3. Declaration of audit qualification

The annual financial statements of the Group for the immediate preceding financial year ended 30 June 2009 were not subject to any qualification on the report of the auditors.

A4. Seasonal or cyclical factors

The business operations of the Group have not been significantly affected by seasonal or cyclical factors, except being primarily a property developer, it is highly correlated to the nation's economy.

A5. Unusual items due to their nature, size or incidence

There were no items affecting assets, liabilities, equity, net income or cash flows that were unusual because of their nature, size, or incidence for the financial period under review.

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Notes to the Interim Financial Statements:-

A6. Changes in estimates

There were no material changes in estimates for the financial period under review.

A7. Debt and equity securities

The number of treasury shares brought forward from the last financial year ended 30 June 2009 was 4,973,000 ordinary shares of RM1 each at total cost of RM8,156,996. During the period, HPB has bought back a further 425,100 ordinary shares at the average price of RM1.25 per share. All the above ordinary shares bought back were held as treasury shares in accordance with the requirements of Section 67A of the Companies Act, 1965 and the balance of treasury shares as at 31 March 2010 is accordingly 5,398,100. There were no share cancellations and resale of treasury shares during the period. Subsequent to 31 March 2010 (up to 23 April 2010), the Group has not further bought back any other ordinary shares.

As at 31 March 2010, a total of 4,220,775 ordinary shares had been allotted to employees of the Group under the Employee Share Option Scheme ("ESOS") since the inception of this scheme in November 2001. During the period, 8,000 ordinary shares were allotted to the employees of the Group arising from the exercise of the options under ESOS. As at 31 March 2010, a total of 15,875 options to subscribe for ordinary shares of RM1 each under ESOS remain unexercised. This figure is inclusive of adjustments made to the number of options as well as exercise prices following the rights issues completed on 11 March 2004 and 8 March 2010. The expiry date for the unexercised options is 26 November 2011. Subsequent to the quarter ended 31 March 2010, no ESOS has been exercised.

During the current quarter, the Group completed its rights issue with warrants exercise involving issuance of 43,679,467 rights issue shares and 43,679,467 warrants (as disclosed in Note B8). The warrants were granted by the Company to the subscribers of the rights shares. The warrants may be exercised at any time on or after the issue date but not later than 5.00 p.m. on 2 March 2015. During the period, no shares have been issued by virtue of exercise of warrants. Subsequent to 31 March 2010, no shares have been issued by virtue of the exercise of warrants.

A8. Dividend Paid

During the financial period under review ended 31 March 2010, the Company paid the following dividends:

A final single tier dividend of RM0.056 per ordinary share, in respect of the financial year ended 30 June 2009 was approved by the shareholders in the Annual General Meeting held on 15 December 2009. Accordingly, the dividend amounting to RM8.2 million was paid out on 28 January 2010.

Also, please see B13 for proposed dividend.

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Notes to the Interim Financial Statements:-

A9. Operating Segments

The Group has four reportable segments, as described below, which are the Group's strategic business units.

	Property development RM'000	Construction RM'000	Trading RM'000	Property investment RM'000	Total reportable segment RM'000	Others non-reportable segments RM'000	Elimination RM'000	Consolidated RM'000
Financial period ended 31 March 2010								
External revenue	167,375	170	7,379	-	174,924	100	-	175,024
Inter-segment revenue	-	29,843	13,473	-	43,316	-	(43,316)	-
Segment profit / (loss)	53,859	1,270	1,605	(146)	56,588	3,892	(10,423)	50,057
Segment assets	389,471	14,172	7,876	122,697	534,216	60,264	-	594,480
Financial period ended 31 March 2009 (restated)								
External revenue	48,762	-	19,432	40	68,234	96	-	68,330
Inter-segment revenue	-	-	147	-	147	-	(147)	-
Segment profit / (loss)	30,554	(152)	159	(61)	30,500	(2,934)	164	27,730
Segment assets	363,327	11,093	8,340	111,970	494,730	41,393	-	536,123

The adoption of FRS 8 Operating Segments does not have a major impact on the Group's disclosure. This is because the segments are basically the same, except with the identification of property investment as a separate segment. Additionally, the Group is required to identify segments assets for quarterly reporting purpose as well.

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Notes to the Interim Financial Statements:-

A10. Valuations of property, plant & equipment

The value of land and buildings, stated at 2005 valuation, has been brought forward after a revaluation exercise carried out on 15 May 2005 by an independent firm of professional valuers using "open market value with existing use" basis. This was in line with our policy that freehold office units and apartments and buildings (held for own use) stated at valuation are revalued at regular intervals of at least once in every five years.

Property, plant & equipment also comprise property that is being constructed and developed for future use as investment property. FRS 116, "Property, Plant & Equipment" applies to such property until development has been completed.

A11. Valuations of investment properties

The value of such lands are based upon a valuation exercise carried out on 22 June 2009 by an independent firm of professional valuers. The valuations were arrived at by reference to market evidence of transaction prices for similar properties. This was in line with our policy upon adoption of FRS 140, that investment properties stated at valuation are revalued at regular intervals of at least once every year.

A12. Material events subsequent to the interim reporting period

There are no material events subsequent to the end of the period reported on that have not been reflected in the financial statements for the said period.

A13. Changes in the composition of the Group

On 5 August 2009, HPB acquired 1,000,000 ordinary shares of RM1.00 each representing 100% of the total issued and paid-up capital of Diamaward (M) Sdn Bhd for a cash consideration of RM2,874,000. Following the acquisition, Diamaward (M) Sdn Bhd is now a wholly-owned subsidiary of HPB. Please refer to our public announcement dated 5 August 2009 in Bursa-Link or our website for details.

(i) Identifiable assets acquired and liabilities assumed

	Audited RM'000
Property, plant and equipment	352
Property development cost (*)	39,642
Receivables, deposits and prepayments	19,617
Cash and cash equivalents	4,818
Loans and borrowings	(245)
Payables and accruals	(60,812)
Deferred and current tax liabilities	(498)
Total net identifiable assets	<u>2,874</u>

* The fair value of property development cost had been determined based on projected cash flow to be generated from the construction of units sold as at date of acquisition.

Other than the above, there were no changes in the composition of the Group from the end of previous quarter until the announcement date of this report.

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Notes to the Interim Financial Statements:-

A14. Capital commitments

Capital commitments not provided for in the financial statement as at 31 March 2010 are as follow:

	Current Quarter ended 31.03.2010 RM'000	Preceding Year Corresponding Quarter ended 31.03.2009 RM'000
Contracted but not provided for:		
Construction contract on shopping mall	18,344	14
Purchase of development land (*)	77,966	-
	<u>96,310</u>	<u>14</u>

- * Included in "Other receivables and prepaid expenses" is an amount of RM4.13 million which was paid as a deposit for a piece of development land. The contract was entered by Hunza Properties Berhad on 30 December 2009 to purchase the land for RM82.1 million (refer to the Public Announcement reference no CP-091230-61926 dated 30 December 2009); it is expected to be completed latest by end of fiscal year 2012.

A15. Contingent liabilities

There were no contingent liabilities as at 31 March 2010.

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Notes to the Interim Financial Statements:-

B. Additional information required by the listing requirements of Bursa Malaysia Securities Berhad

B1. Performance review of the Group

The Group achieved revenue of RM58.5 million and profit before taxation of RM14.6 million for current quarter. The increase of 214% and 62% respectively as compared to preceding year's corresponding quarter is mainly driven by:

- i) Diamaward (M) Sdn Bhd ("DSB") which was 100% acquired by the Group subsequent to previous fiscal year end has contributed RM18.9 million revenue in current quarter. However, the increase in profit before taxation is not substantially affected by this acquisition as the Group was previously entitled to share of 90% of DSB's profit pursuant to a Project Management agreement.
- ii) Construction works on the 2 residential towers of Gurney Paragon have been progressing well, contributing to higher revenue and attributable profit on percentage of work done.
- iii) As in previous quarter, sales are stronger this fiscal year as compared to corresponding quarter of previous fiscal year.

B2. Material changes in the quarterly results as compared with preceding quarter

There is no material difference between 2nd quarter and 3rd quarter's net profit.

B3. Prospects for the current financial year

As in previous quarters, the Board views the prospects for the current financial year to be positive, due to the improving market sentiment and pace of construction work.

B4. Variance of actual profit from forecast profit

Not applicable. The Group has not published any profit forecast nor profit guarantee for the period under review.

B5. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Quarter ended 31.03.2010 RM'000	Corresponding Quarter ended 31.03.2009 RM'000	Current Period to date ended 31.03.2010 RM'000	Corresponding Period to date ended 31.03.2009 RM'000
Current tax expenses				
- Current year	(4,443)	(2,623)	(13,971)	(7,507)
- Previous year	214	(125)	183	(125)
Deferred tax	900	54	1,362	178
	<u>(3,329)</u>	<u>(2,694)</u>	<u>(12,426)</u>	<u>(7,454)</u>

The effective tax rate of the Group for the current period to date is slightly higher than that of the statutory rate due to losses of certain companies which for income tax purposes cannot be set-off against profits of other companies and some expenses that are not deductible in determining taxable profit.

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Notes to the Interim Financial Statements:-

B6. Profits / (loss) on sale of unquoted investments and / or properties

There was no significant sale of unquoted investments and/or properties for the current financial period to date.

B7. Other Investments

Investments in marketable securities as at 31 March 2010 are as follows:

	RM'000
At cost:	
Unit trust fund	5,017
Subordinated bonds	7,500
Quoted shares in Malaysia	<u>1,471</u>
	13,988
Less: Allowance for diminution in value	<u>(6,492)</u>
	7,496
Less: Non-current portion	<u>(6,173)</u>
	<u>1,323</u>
Market value:	
Unit trust fund	4,947
Quoted shares in Malaysia	1,156

The subordinated bonds were issued by specially incorporated corporations, in conjunction with the collateralised loan obligations (see note B10).

B8. Status of corporate proposals

Save as below, there were no corporate proposals that have been announced but not yet completed during the period under review.

On 8 March 2010, CIMB Investment Bank Berhad announced on our behalf that 43,679,467 rights shares together with 43,679,467 warrants issued pursuant to rights issue exercise ("the Exercise") at an issue price of RM1.10 per Rights Share (thus raising gross proceed of RM48.047 million) were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad with effect from 9.00 a.m., Monday, 8 March 2010 marking the completion of the Exercise.

The details of the utilisation of the proceeds up to 31 March 2010 are as follows:

Purpose	Proposed	Actual	Intended	Deviation	
	Utilisation	Utilisation	Timeframe	RM'000	%
	RM'000	RM'000	for Utilisation		
Project development, Investment properties and/or working capital	46,747	4,073	by February 2011	42,674	91*
Expenses for the rights issue with warrants	<u>1,300</u>	<u>1,254</u>		46	4*
Total	<u>48,047</u>	<u>5,327</u>		<u>42,720</u>	

* Utilisation of proceeds is on track.

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Notes to the Interim Financial Statements:-

B9. Long-term receivables

Pursuant to paragraph 8.23 (1)(ii), (2)(e) and PN No.11/2001 of the Bursa Securities Listing Requirements, the Board of HPB wishes to announce the financial assistance provided by the Group during the period are as follows:

Nilai Arif Sdn Bhd (“NASB”)

A wholly-owned subsidiary of the Company, Hunza Properties (North) Sdn. Bhd. (“HPN”) has entered into an agreement with NASB whereby NASB has appointed HPN as project manager cum consultant to provide evaluation and advisory services on a mixed development project. HPN has agreed to provide a sum of RM10 million as security deposit to NASB for the mixed development project. HPN is entitled to a share of the profit generated from the said development.

As at 31 March 2010, the amount of security deposit provided by the subsidiary company to NASB is RM9.8 million. The security deposit shall be repaid to HPN before NASB is entitled to its share of profit.

No share of profit was recorded for the period ended 31 March 2010 under this agreement as the said project is still at a preliminary stage of development.

B10. Group borrowings

Details are as follows:

<u>Current</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
	Unsecured	Secured	Total
Bankers' acceptances	5,159	-	5,159
Revolving credit	-	9,000	9,000
Finance lease liabilities	-	1,169	1,169
Long-term borrowings due within one year	30,000	10,593	40,593
	<u>35,159</u>	<u>20,762</u>	<u>55,921</u>
<u>Non-current</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Finance lease liabilities due within 2 – 5 years	-	1,421	1,421
Long-term borrowings due within 2 – 5 years	-	42,950	42,950
Long-term borrowings later than 5 years	-	1,850	1,850
	<u>-</u>	<u>46,221</u>	<u>46,221</u>

All borrowings are denominated in *Ringgit Malaysia*. Those secured are by way of a fixed charge over one or a combination of land and other assets and by way of corporate guarantee.

The Group's and the Company's unsecured, long-term borrowing is a collateralised loan obligation (“CLO”) which is repayable on September 2010. This loan bears interest at fixed rate of 7.13% per annum. This unsecured long-term loan of the Group and of the Company is covered by negative undertakings to the effect that the Company shall not incur, assume, guarantee or permit to exist any indebtedness without the prior consents of all persons to whom the Company has then or hereafter provided a negative pledge.

As one of the conditions to the collateralised loan obligation, the Company has subscribed for subordinated bonds issued by specially incorporated corporations.

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Notes to the Interim Financial Statements:-

B10. Group borrowings (continued)

The loan shall be repayable by the Company in one lump sum on the last day of the tenor of the facility. In the event the rating assigned to the Group by Malaysian Rating Corporation Berhad (MARC) falls below "BBB" or has been suspended or withdrawn, the facility shall immediately be terminated, whereupon HPB shall be required forthwith on demand to prepay the loan together with the interest thereon.

The Group's secured long-term loans obtained from local licensed banks bear interest rates at 0.875% and 1% above the banks' cost of funds.

The Group's bankers' acceptances bear interest at rates 1.25% to 2% per annum, while revolving credit bear interest at rate of 1% above the lending banks' base lending rates and 2% above the banks' cost of funds.

Finance lease liabilities are subject to fixed interest rates ranging from 2.46% to 3.80% per annum.

B11. Off balance sheet financial instruments

The Group has no off balance sheet financial instrument.

B12. Changes in material litigation

(i) Civil suit between Hunza Parade Development Sdn. Bhd. ("HPD") and The Kwangtung and Tengchow Association Penang ("Kwangtung")

HPD, a 92.5% owned subsidiary, has filed a civil suit against the trustees of Kwangtung on the wrongful termination and repudiation of a joint venture agreements (the "JV Agreement") by Kwangtung which has the effect of preventing HPD from undertaking the development of a commercial block. The claims made by HPD against Kwangtung in the subject proceedings are, inter alia for :

- a. a sum of RM31.8 million for loss of profits consequential upon the wrongful termination and repudiation of the JV Agreements; and
- b. a sum of RM4.8 million being damages in respect of actual expenses incurred by HPD pursuant to the JV Agreements.

The court has fixed 17 May 2010 as pre-trial case management date.

The solicitors for HPD are of the opinion that HPD has a good chance of success against Kwangtung in its claims and has reasonable chance of claiming proper compensation for the wrongful termination

(ii) Arbitration between Hunza Properties (North) Sdn. Bhd. ("HPN") - Claimant and Wee Lian Construction Sdn. Bhd. ("WLC") - Respondent

HPN, a wholly-owned subsidiary company of Hunza Properties Bhd, delivered a Statement of Claim against WLC for a claim of RM3.0 million as well as interest and costs on 19 December 2007.

The arbitration proceedings initiated by HPN against WLC are premised on WLC'S wrongful termination of the contract and for the resolution of other disputes including those relating to WLC's substantial delays in the performance of the works and the value of their claims for interim payment in respect of earthworks and ancillary works for the development project by HPN.

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Notes to the Interim Financial Statements:-

B12. Changes in material litigation (continued)

The hearing dates which were tentatively fixed on 24-26 June and 7-10 July 2009 have been vacated to enable the parties to comply with the Arbitrator's directions. No hearing date for the arbitration has been fixed yet.

HPN's solicitors are of the opinion that HPN has a good arguable case against WLC.

(iii) Legal proceeding by Bong Ah Chin Machinery & Construction Sdn. Bhd. ("BACMC") against Hunza Properties (Kedah) Sdn. Bhd. ("HPK")

HPK, a 94% owned subsidiary company of Hunza Properties Bhd, was served a Writ of Summon on 29 April 2008 by BACMC for a claim of RM20.7 million as well as compensation, interest and other reliefs.

HPK's defence was filed on 9 July 2008 to the Alor Setar High Court.

HPK's application to strike out BACMC's suit was called up again on 29 April 2009 and after both parties submitted their submissions, the Judge dismissed the application to strike out the matter. HPK is appealing to the Court of Appeal, and had on 10 May 2009 through its solicitors filed a Notice of Appeal to the Court of Appeal.

HPK's solicitors are of the opinion that HPK have a good arguable case against BACMC.

(iv) Legal proceeding by Gergaji Development Sdn. Bhd. ("GDSB") against Hunza Distripark Sdn. Bhd. ("HD")

HD, a wholly-owned subsidiary company of Hunza Properties Bhd, has on January 13, 2009, received a Writ of Summon dated December 26, 2008 and Statement of Claim dated December 24, 2008 served by GDSB.

GDSB is the registered owner of a piece of land adjacent to HD's Land in Daerah Seberang Perai Tengah, Negeri Pulau Pinang. GDSB claims that HD's quarry activities and/or excavation or blasting works carried out by its agents or servants had extended beyond the common boundary between the HD's Land and GDSB's land, thereby trespassing and/or encroaching onto the GDSB's land without GDSB's permission, or otherwise constituted a nuisance affecting GDSB's enjoyment of its land. In addition, GDSB also claims that HD, its agents or servants have been negligent in carrying out such works into GDSB's land. GDSB further claims that HD has unjustly enriched itself from the proceeds of the quarry work on GDSB's land. GDSB had in their notice of demand dated November 17, 2008 demanded RM7.7 million as the remedial costs for the construction of a retaining wall along the affected area.

HD had sought preliminary views from its solicitors and had been advised that the plaintiff may not be entitled to the amount/damages as claimed. Further there would be no diminution in value as the plaintiff would have to level their land in order to proceed with any development etc.

It is also HD's position that HD is not liable directly as the said land has been leased/licensed to third party independent contractors since 1995 to carry out quarrying works for their own benefits. In the circumstances HD would be seeking to make the third party independent contractor liable for whatever damages that may be awarded against HD (which is denied). In the alternative HD would be seeking an indemnity from the said third party contractor for whatever orders that may be made against HD.

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Notes to the Interim Financial Statements:-

B12. Changes in material litigation (continued)

The solicitors of HD, in the process of preparing for HD's defence, required more information to the above claims. The solicitors of HD have made an application to the Court on 11 March 2009 for further and better particulars on the matters pleaded on the Statement of Claim. The solicitor of HD is expected to file the defence after the disposal of the said application.

(v) Arbitration & Litigation between Hunza Properties (Gurney) Sdn Bhd ("HPG"), Hunza Properties (Penang) Sdn Bhd ("HPP") and PLB-KH Bina Sdn Bhd ("PLB-KH")

On 3 September 2009, HPG and HPP, wholly-owned subsidiaries of the Company issued a Notice of Arbitration referring the disputes and differences between HPP and HPG, and PLB-KH under the contract dated 14 January 2008 entered among HPP, HPG and PLB-KH ("the Contract") to arbitration. The Contract was for the basement construction works of the Gurney Paragon Project. HPP's and HPG's claims are premised upon PLB-KH Bina Sdn Bhd's breaches of the Contract and for loss and damage as a result thereof. HPP and HPG are currently in the midst of assessing their loss and damage which will be claimed against PLB-KH in the arbitration.

HPP and HPG had also obtained an interim injunction order (Inter Partes) against PLB-KH vide Originating Summons, High Court of Malaya at Penang, and the order was served upon PLB-KH. The terms of the interim injunction order (Inter Partes) are as follows:-

- a. to restrain PLB-KH from entering and/or remaining and/or trespassing on the site situated at the site pending the final disposal of the Originating Summons filed therein;
- b. to restrain PLB-KH from preventing and/or obstructing the Plaintiffs and/or its sub-contractors/suppliers from progressing with the works for the Proposed Mixed Development project on the Site for HPP and HPG, including the completion of the remaining basement construction works, and developing the Site pending the final disposal of the Originating Summons filed therein; and
- c. that cost of the application to be borne by PLB-KH.

The Inter Partes application proceeding was heard before the Judge on 3 November 2009, on which date the Judge allowed HPG and HPP's application for the interim injunction order against PLB-KH pending the final disposal of the Originating Summons. The Court has now fixed the hearing of the Originating Summons on 26 May 2010, and has directed the parties to submit their respective Written Submissions to the Court on 4 May 2010.

In the Originating Summons, High Court of Malaya at Penang, HPP and HPG are seeking a declaration and an injunction order against PLB-KH. In essence, the declaration and the injunction would have the effect of restraining PLB-KH from entering, remaining or trespassing the Site or preventing or obstructing HPP and HPG from progressing with the Works at the Site.

Meanwhile, HPP and HPG have referred the disputes and differences between themselves and PLB-KH Bina Sdn Bhd under the Contract to arbitration. The Arbitrator appointed for the arbitration is Ar. Koh Beng Teck. The hearing of the arbitration has been set to commence on 7 September 2011. In the interim, the parties are required to comply with the pre-hearing directions ordered by the Arbitrator.

(vi) Writ action filed by HPG and HPP against PLB Engineering Bhd ("PLB Eng")

HPG and HPP have on 3 November 2009 jointly commenced a Writ Action against PLB Eng which is the holding company of PLB-KH pursuant to the Letter of Corporate Guarantee dated 20 August 2008 wherein PLB Eng guaranteed a sum of RM1.52 million amounting to 5% of the contract price of the Contract.

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Notes to the Interim Financial Statements:-

B12. Changes in material litigation (continued)

HPP and HPG claim against PLB Eng:

- a. The sum of RM1.52 million being the outstanding sum due and owing to HPP and HPG by PLB Eng pursuant to the Letter of Corporate Guarantee dated 20 August 2008;
- b. Costs;
- c. Interest at the rate of 8% per annum on the sum of RM1.52 million from 9 September 2009 to the date of settlement; and
- d. Such further or other relief which the Honourable Court deems fit and appropriate.

HPG and HPP's solicitors are of the opinion that HPG and HPP have a good arguable case against PLB-Eng.

HPG and HPP has filed an application for Summary Judgment for their claims made against PLB Eng. Further to the case management on 29 April 2010, there will be a further case management, pending exchange of affidavits.

B13. Proposed Dividend

To mark our 10th year celebration of continuous profitability and growth (HPB was listed on the Main Board of Bursa in March 2000), the board of directors hereby declared a special interim single tier dividend of RM0.025 per share for the financial year ending 30 June 2010. The entitlement date has been fixed to be 11 June 2010 and payment date will be on 28 June 2010.

B14. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period, excluding treasury shares held by the Company.

	Individual Quarter		Cumulative Quarter	
	Current quarter ended	Corresponding quarter ended	Current period ended	Corresponding period ended
	31.03.2010	31.03.2009	31.03.2010	31.03.2009
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to ordinary shareholders	11,298	5,786	37,003	18,163
Weighted average number of ordinary shares in issue (excluding treasury shares)	159,581	144,155	150,203	144,878
Basic earnings per ordinary share (sen)	7.08	4.01	24.64	12.54

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Notes to the Interim Financial Statements:-

B14. Earnings per share (continued)

(b) Diluted

For the purpose of calculating diluted earnings per share, the weighted average numbers of ordinary shares in issue during the period have been adjusted for the dilutive effects of all potential ordinary shares, i.e share options granted to employees under ESOS and shares exercisable under warrants.

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31.03.2010 RM'000	Corresponding quarter ended 31.03.2009 RM'000	Current period ended 31.03.2010 RM'000	Corresponding period ended 31.03.2009 RM'000
Net profit attributable to ordinary shareholders	11,434	5,786	37,138	18,163
Adjusted weighted average number of ordinary shares in issue (excluding treasury shares)	164,406	144,155	159,121	144,878
Diluted earnings per ordinary share (sen)	6.95	4.01*	23.34	12.54*

* The diluted EPS was same as basic EPS as the unexercised ESOS is insignificant and there was no unexercised warrant.

B15. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	Current Quarter ended 31.03.2010 RM'000	Preceding Year Corresponding Quarter ended 31.03.2009 RM'000
Cash and bank balances	32,657	25,486
Deposits with licensed banks	46,766	29,046
Bank overdrafts	-	(113)
	<u>79,423</u>	<u>54,419</u>
Less : Deposit pledged	(2,129)	(1,398)
Sinking fund and service charges		
deposit placed on behalf of housebuyers	(2,214)	(1,985)
	<u>75,080</u>	<u>51,036</u>

B16. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 3 May 2010.