



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

QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 2009

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HUNZA PROPERTIES BERHAD

[Company No. 461624-X]

Condensed Consolidated Income Statement

	Note	Individual Quarter		Cumulative Quarter	
		Current Year Quarter Ended 31.12.2009 RM'000	Preceding Year Corresponding Quarter Ended 31.12.2008 RM'000	Current Year Period to date Ended 31.12.2009 RM'000	Preceding Year Corresponding Period to date Ended 31.12.2008 RM'000
Revenue		59,404	24,613	116,497	49,824
Cost of sales		(39,573)	(17,586)	(76,219)	(35,481)
Gross profit		19,831	7,027	40,278	14,343
Share of profit from project management	B9(a)	-	6,133	-	10,122
Other operating income		1,253	787	2,070	1,128
Other operating expenses		(3,427)	(3,773)	(7,051)	(7,323)
Profit from operations		17,657	10,174	35,297	18,270
Finance costs		(185)	(494)	(432)	(1,062)
Profit before taxation		17,472	9,680	34,865	17,208
Taxation	B5	(4,527)	(2,617)	(9,097)	(4,760)
Profit after taxation		12,945	7,063	25,768	12,448
Equity holders of the parent		13,006	6,760	25,705	12,377
Minority interests		(61)	303	63	71
Profit attributable to shareholders		12,945	7,063	25,768	12,448
Basic earnings per ordinary share (sen)	B14	8.93	4.67	17.65	8.52
Diluted earnings per ordinary share (sen)	B14	-	-	-	-

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

	Note	As at Current Period Ended 31.12.2009 RM'000	As at Preceding Financial Year Ended 30.06.2009 RM'000
Non-Current Assets			
Property, plant and equipment	A10	104,482	101,441
Investment properties	A11	22,500	22,500
Property development costs		119,150	118,802
Other investments	B7	6,161	7,992
Long-term receivables	B9	10,893	35,973
Deferred tax assets		890	602
		264,076	287,310
Current Assets			
Inventories		20,434	27,853
Property development costs		137,219	105,881
Other investments	B7	1,985	1,350
Trade receivables		22,790	33,959
Accrued billings		48,136	6,626
Other receivables and prepaid expenses		8,298	2,359
Tax assets		3,326	3,547
Fixed deposits with licensed banks		6,662	6,659
Cash and bank balances	B15	28,132	17,583
		276,982	205,817
TOTAL ASSETS		541,058	493,127
Current Liabilities			
Trade payables		23,503	14,065
Other payables and accrued expenses		33,930	14,276
Borrowings	B10	56,888	25,898
Tax liabilities		7,845	2,256
		122,166	56,495
Non-Current Liabilities			
Long term borrowings	B10	49,319	84,608
Deferred tax liabilities		1,646	1,559
		50,965	86,167
TOTAL LIABILITIES		173,131	142,662
EQUITY			
Share capital		150,669	150,669
Reserves		201,210	183,658
Less: Treasury shares, at cost		(8,310)	(8,157)
Equity attributable to equity holders of the parent		343,569	326,170
Minority interests		24,358	24,295
TOTAL EQUITY		367,927	350,465
TOTAL LIABILITIES AND EQUITY		541,058	493,127
Net Assets Attributable to Equity Holders Per Share (RM)		2.36	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 →					Total	Minority Interest	Total Equity
	← Non-Distributable →		Distributable					
	Share Capital RM'000	Treasury Shares RM'000	Revaluation 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
Repurchase of treasury shares	-	(2,092)	-	-	-	(2,092)	-	(2,092)
Net profit for the period	-	-	-	-	12,377	12,377	71	12,448
Final dividend of RM0.055 per share	-	-	-	-	(7,934)	(7,934)	-	(7,934)
Balance as at 31 December 2008	147,327	(5,722)	436	31,084	135,253	308,378	23,869	332,247
Balance as at 1 July 2009	150,669	(8,157)	387	32,755	150,516	326,170	24,295	350,465
Repurchase of treasury shares	-	(153)	-	-	-	(153)	-	(153)
Net profit for the period	-	-	-	-	25,705	25,705	63	25,768
Final dividend of RM0.056 per share	-	-	-	-	(8,153)	(8,153)	-	(8,153)
Balance as at 30 December 2009	150,669	(8,310)	387	32,755	168,068	343,569	24,358	367,927

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.

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Condensed Consolidated Cash Flow Statement

	Note	6 Months Ended	
		31.12.2009	31.12.2008
		RM'000	RM'000
Operating Activities			
Profit before taxation		34,865	17,208
Adjustment for non-cash flow items:			
Depreciation		1,021	410
Property, plant and equipment written off		30	-
Allowance for diminution in value of investment		1,169	1,595
Gain on disposal property, plant and equipment		(6)	(32)
Gross dividend income from other investments		(11)	-
Net interest (income) / expense		(292)	205
Operating profit before working capital changes		36,776	19,386
Changes in Working Capital			
Net change in inventories, receivables, accrued billings, deposits and prepaid expenses		(25,243)	16,597
Net change in payables and accruals		2,796	(6,959)
Changes in property development costs		9,771	(7,102)
Interest received		725	857
Tax paid		(4,188)	(6,674)
Net Cash generated from operating activities		20,637	16,105
Investing Activities			
Acquisition of subsidiary, net of cash and cash equivalents acquired	A13	1,944	-
Proceeds from disposal of investment		27	-
Proceeds from disposal of property, plant and equipment		10	143
Dividends received from other investments		11	-
Payments for purchase of property, plant and equipment		(3,744)	(6,531)
Increase in long term receivables		(1,588)	(12,767)
Net cash used in investing activities		(3,340)	(19,155)
Financing Activities			
Interest paid		(2,046)	(8,120)
Repayment of long term borrowings		(5,350)	(4,814)
Payments for shares buy-back		(154)	(2,092)
Proceeds from long term borrowings		3,968	14,800
Decrease in short term borrowings		(4,017)	(3,887)
Decrease in short-term deposit placed as security		(682)	(728)
Net cash used in financing activities		(8,281)	(4,841)
Net increase / (decrease) in cash and cash equivalents for the period		9,016	(7,891)
Cash and cash equivalents			
- at the beginning of the financial period		19,536	69,604
- at the end of the financial period	B15	28,552	61,713

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.

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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 December 2009 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 for the adoption of 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. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per ordinary share.

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 106,100 ordinary shares at the average price of RM1.45 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 December 2009 is accordingly 5,079,100. There were no share cancellations and resale of treasury shares during the period. Subsequent to 31 December 2009 (up to 1 February 2010), the Group has not bought back any other ordinary shares.

As at 31 December 2009, a total of 4,219,900 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. No shares were allotted to the employees of the Group arising from the exercise of the options under ESOS during the period. As at 31 December 2009, a total of 23,000 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 issue completed on 11 March 2004. The expiry date for the unexercised options is 26 November 2011. Subsequent to the quarter ended 31 December 2009, 8,000 share options were exercised.

A8. Dividend Paid

No dividend was paid during the period under review. However, 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.

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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 December								
External revenue	112,528	-	3,883	-	116,411	86		116,497
Inter-segment revenue	-	16,354	7,816	-	24,170	-	(24,170)	-
Segment profit / (loss)	37,051	818	1,289	(78)	39,080	5,360	(9,143)	35,297
Segment assets	382,988	16,257	6,655	117,087	522,987	18,071	-	541,058
Financial period ended 31 December 2008 (restated)								
External revenue	37,883	-	11,836	-	49,719	105	-	49,824
Inter-segment revenue	-	-	108	-	108	2,823	(2,931)	-
Segment profit / (loss)	19,499	-	104	(17)	19,586	(1,393)	77	18,270
Segment assets	374,838	-	9,655	102,648	487,141	56,336	-	543,477

The adoption of FRS 8 Operating Segments does not have 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.

A14. Contingent liabilities

There were no contingent liabilities as at 31 December 2009.

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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 RM59.4 million and profit before taxation of RM17.5 million for current quarter. The increase of 141% and 80% 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 RM26.1 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) Infinity and Gurney Paragon projects recorded substantially stronger sales during current quarter. Sales was negatively impacted by marked slowdown in world economy as well as local uncertainties last year.
- iii) During preceding year's corresponding quarter, the construction of Gurney Paragon has yet to reach the superstructure stage of the two residential tower blocks of the super-condominiums. Therefore, the recognition of revenue and attributable profits was lower then.

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

There is no material difference between 1st quarter and 2nd quarter's net profit.

B3. Prospects for the current financial year

As in previous quarter, the Board views the prospects for the current financial year to continue 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.

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Notes to the Interim Financial Statements:-

B5. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Quarter ended 31.12.2009 RM'000	Corresponding Quarter ended 31.12.2008 RM'000	Current Period to date ended 31.12.2009 RM'000	Corresponding Period to date ended 31.12.2008 RM'000
Current Year	(4,714)	(2,430)	(9,528)	(4,884)
Previous year underprovided	(31)	-	(31)	-
Deferred Tax (Expenses)/Income	218	(187)	462	124
	<u>(4,527)</u>	<u>(2,617)</u>	<u>(9,097)</u>	<u>(4,760)</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.

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 December 2009 are as follows:

	RM'000
At cost:	
Unit trust fund	5,017
Subordinated bonds	7,500
Quoted shares in Malaysia	<u>1,643</u>
	14,160
Less: Allowance for diminution in value	<u>(6,014)</u>
	8,146
Less: Non-current portion	<u>(6,161)</u>
	<u>1,985</u>
Market value:	
Unit trust fund	4,889
Quoted shares in Malaysia	1,144

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

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Notes to the Interim Financial Statements:-

B8. Status of corporate proposals

We are undertaking a renounceable rights issue of up to 45,207,697 rights shares on the basis of three (3) rights shares for every ten (10) existing ordinary shares of RM1.00 each held in HPB as at 5.00p.m. on 27 January 2010, at an issue price of RM1.10 per rights share together with up to 45,207,697 free detachable five (5)-year warrants on the basis of one (1) free warrant for every one (1) rights share subscribed (“the Exercise”). CIMB Investment Bank Berhad (“CIMB”) is the principal adviser engaged for this corporate exercise.

- a. Approval-in-principle from Bursa Securities for the admission of the Warrants to the Official List of Bursa Securities and the listing and quotation of the Rights Shares and Warrants to be issued under the Exercise, and new HPB Shares to be issued upon exercise of the Warrants on the Main Market of Bursa Securities was obtained on 20 November 2009 subject to, amongst others, the following conditions:
 - (i) HPB and its adviser must fully comply with the relevant provisions under the Listing Requirements of Bursa Securities pertaining to the implementation of the proposal;
 - (ii) HPB and its adviser to inform Bursa Securities upon the completion of the proposal;
 - (iii) HPB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities’ approval once the proposal is completed;
 - (iv) payment of additional listing fees (if any). In this respect, HPB is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed (pursuant to the exercise of Warrants or convertible securities) as at the end of each quarter together with a detailed computation of listing fees payable; and
 - (v) the approval from the Controller of Foreign Exchange (via Bank Negara Malaysia) for the issuance of Warrants to the non-resident shareholders, including renounees, if any.
- b. Approval from the Controller of Foreign Exchange (via BNM) for the issuance of up to 45,207,697 Warrants to shareholders of our Company who may be non-residents including renounees, if any, was obtained on 30 November 2009.
- c. On 15 December 2009, our shareholders approved the Exercise at an Extraordinary General Meeting.
- d. On 13 January 2010, CIMB announced on our behalf that the entitlement date has been fixed at 5.00 p.m. on 27 January 2010. The last date and time for acceptance and payment as well as the last date and time for excess application and payment has been fixed at 5.00 p.m. on 19 February 2010 or such later day and time as our Board of Directors may decide and announce not less than 2 market days before 5.00 p.m. on 19 February 2010. Rights shares and warrants are expected to be listed on Bursa Securities early March 2010.

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

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Notes to the Interim Financial Statements:-

B9. Long-term receivables (continued)

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 December 2009, 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 December 2009 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	5,269	-	5,269
Overdraft	-	1,902	1,902
Revolving credit	-	4,000	4,000
Bridging loan	-	3,054	3,054
Finance lease liabilities	-	1,441	1,441
Long-term borrowings due within one year	30,000	11,222	41,222
	<u>35,269</u>	<u>21,619</u>	<u>56,888</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	-	1,519	1,519
Long-term borrowings due within 2 – 5 years	-	45,025	45,025
Long-term borrowings later than 5 years	-	2,775	2,775
	<u>-</u>	<u>49,319</u>	<u>49,319</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.

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.

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Notes to the Interim Financial Statements:-

B10. Group borrowings (continued)

The Group's secured long-term loans and bridging loan obtained from local licensed banks bear interest rates at 0.875% and 1% above the banks' cost of funds and 1% per annum above the lending bank's base lending rate respectively.

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

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 cost and expenses incurred by HPD pursuant to the JV Agreements.

The court has fixed 11 March 2010 as pre-trial case management date.

The solicitors for HPD are of the opinion that HPD has a proper and valid case of action against Kwangtung with reasonable chances of succeeding in its claims against Kwangtung.

(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 ("Alila project").

As both the Claimant and Respondent are still in the midst of finalising the process of discovery and inspection of documents, the tentative hearing dates which were previously set to be on 24-26 June and 7-10 July 2009, have been vacated. New hearing dates will be scheduled.

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

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Notes to the Interim Financial Statements:-

B12. Changes in material litigation (continued)

(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.

The solicitors of HD, in the process of preparing for HD's defence, required more information to the above claims. The solicitors of HD has 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.

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Notes to the Interim Financial Statements:-

B12. Changes in material litigation (continued)

(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 yet to fix a hearing date for the Originating Summons.

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.

(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.

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.

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Notes to the Interim Financial Statements:-

B13. Proposed Dividend

The board of directors has not proposed any dividend for the financial period under review.

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 31.12.2009 RM'000	Corresponding quarter ended 31.12.2008 RM'000	Current period ended 31.12.2009 RM'000	Corresponding period ended 31.12.2008 RM'000
Net profit attributable to ordinary shareholders	13,006	6,760	25,705	12,377
Weighted average number of ordinary shares in issue (excluding treasury shares)	145,598	144,787	145,616	145,235
Basic earnings per ordinary share (sen)	8.93	4.67	17.65	8.52

(b) Diluted

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31.12.2009 RM'000	Corresponding quarter ended 31.12.2008 RM'000	Current period ended 31.12.2009 RM'000	Corresponding period ended 31.12.2008 RM'000
Net profit attributable to ordinary shareholders	13,006	6,760	25,705	12,377
Adjusted weighted average number of ordinary shares in issue (excluding treasury shares)	145,598	144,787	145,616	145,235
Diluted earnings per ordinary share (sen)	8.93	4.67	17.65	8.52

The diluted EPS is same as basic EPS as the unexercised ESOS is insignificant (refer note A7).

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Notes to the Interim Financial Statements:-

B15. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	Current Quarter ended 31.12.2009 RM'000	Preceding Year Corresponding Quarter ended 31.12.2008 RM'000
Cash and bank balances	28,132	28,334
Short-term deposits with licensed banks *	2,322	34,514
Bank overdrafts	(1,902)	(1,135)
	<u>28,552</u>	<u>61,713</u>

* Short-term deposits with licensed banks are net of sinking funds and service charges deposit placed on behalf of housebuyers and deposits placed as security.

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 2 February 2010.