

# **HPI RESOURCES BERHAD**

(Company No. 376950-K)  
(Incorporated in Malaysia)

## **Interim Financial Report**

**3<sup>rd</sup> Quarter Ended  
28 Feb 2009**

# HPI RESOURCES BERHAD

(Company No. 376950-K)  
(Incorporated in Malaysia)

## Condensed Consolidated Income Statements

For the Nine-Months Period Ended 28 February 2009

	Note	CURRENT QUARTER		CUMULATIVE QUARTER	
		3 MONTHS ENDED		9 MONTHS ENDED	
		28.02.2009	28.02.2008	28.02.2009	28.02.2008
		RM'000	RM'000	RM'000	RM'000
<b>Continuing Operations</b>					
Revenue	4	77,143	83,462	268,683	238,990
Cost of sales		(65,762)	(68,886)	(227,884)	(198,427)
<b>Gross Profit</b>		<b>11,381</b>	<b>14,576</b>	<b>40,799</b>	<b>40,563</b>
Other Income		2,601	223	7,472	10,798
Administrative expenses		(5,977)	(4,551)	(14,696)	(22,031)
Selling and marketing expenses		(3,656)	(4,919)	(13,197)	(12,561)
Other expenses		220	(26)	(304)	(308)
Finance costs		(1,856)	(1,503)	(5,598)	(4,692)
Interest income		20	16	87	69
Share of profit of associates		-	(3)	-	(35)
<b>Profit before tax</b>		<b>2,733</b>	<b>3,813</b>	<b>14,563</b>	<b>11,803</b>
Income tax expense	19	(1,209)	(371)	(3,542)	(670)
<b>Profit for the period</b>		<b>1,524</b>	<b>3,442</b>	<b>11,021</b>	<b>11,133</b>
Attributable to:					
Equity holders of the parent		1,496	3,442	10,969	11,133
Minority interest		28	-	52	-
		<b>1,524</b>	<b>3,442</b>	<b>11,021</b>	<b>11,133</b>
<b>Earnings per share attributable</b>					
<b>to equity holders of the parent:</b>					
Basic, for profit for the period	27	3.51	8.08	25.76	26.14
Diluted, for profit for the period	27	Not applicable		Not applicable	

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 May 2008 and the accompanying explanatory notes attached to the interim financial statements.

# HPI RESOURCES BERHAD

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(Incorporated in Malaysia)

## Condensed Consolidated Balance Sheet

As at 28 February 2009

	Note	As At 28.02.2009 RM'000	As At 31.5.2008 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		118,404	66,545
Investment properties		884	889
Prepaid lease payments		7,020	6,762
Intangible assets		3,614	2,677
Investments in associates		183	1,622
Other investment		163	163
Deferred tax benefit		1,961	3,734
		<u>132,229</u>	<u>82,392</u>
<b>Current assets</b>			
Inventories		43,324	49,903
Trade receivables		75,748	83,410
Other receivables		6,610	9,937
Tax recoverable		600	404
Fixed deposit		177	177
Cash and bank balances		15,115	15,854
Non-current asset classified as held for sales		-	274
		<u>141,574</u>	<u>159,959</u>
<b>TOTAL ASSETS</b>		<u>273,803</u>	<u>242,351</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable</b>			
Share capital		42,583	42,583
Share premium		6,881	6,881
Other reserves		572	(4,565)
Retained earnings		68,425	57,456
<b>Equity attributable to equity holders of the parent</b>		<u>118,461</u>	<u>102,355</u>
Minority Interest		387	-
<b>Total equity</b>		<u>118,848</u>	<u>102,355</u>
<b>Non-current liabilities</b>			
Borrowings	23	25,854	24,933
Deferred tax liabilities		5,770	5,146
		<u>31,624</u>	<u>30,079</u>
<b>Current liabilities</b>			
Borrowings	23	94,404	89,337
Trade payables		19,553	14,647
Other payables		9,195	5,629
Current tax payable		179	304
		<u>123,331</u>	<u>109,917</u>
<b>Total liabilities</b>		<u>154,955</u>	<u>139,996</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>273,803</u>	<u>242,351</u>
<b>Net assets per share attributable to ordinary equity holders of the parent (RM)</b>			
		2.7819	2.4037

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 May 2008 and the accompanying explanatory notes attached to the interim financial statements.

# HPI RESOURCES BERHAD

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## Condensed Consolidated Statement of Changes in Equity For the Nine-Months Period Ended 28 February 2009

	Note	----- Attributable to Equity Holders of the parent-----				Total	Minority Interest	Total Equity
		Share Capital	Share premium	Foreign Exchange Reserves	Retained Earnings			
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>At 1 June 2007</b>								
As previously stated		42,583	6,881	(2,927)	40,218	86,755	-	86,755
Prior year adjustment	2	-	-	-	6,086	6,086	-	6,086
Foreign currency translation		42,583	6,881	(2,927)	46,304	92,841	-	92,841
		-	-	(2,093)	-	(2,093)	-	(2,093)
Profit for the period		-	-	-	11,133	11,133	-	11,133
Total recognised income and expenses for the period		-	-	(2,093)	11,133	9,040	-	9,040
<b>At 28 February 2008</b>		<u>42,583</u>	<u>6,881</u>	<u>(5,020)</u>	<u>57,437</u>	<u>101,881</u>	<u>-</u>	<u>101,881</u>
<b>At 1 June 2008</b>								
As previously stated		42,583	6,881	(4,565)	53,752	98,651	-	98,651
Prior year adjustment	2	-	-	-	3,704	3,704	-	3,704
		42,583	6,881	(4,565)	57,456	102,355	-	102,355
Foreign currency translation		-	-	5,137	-	5,137	-	5,137
Profit for the period		-	-	-	10,969	10,969	387	11,356
Total recognised income and expense for the period		-	-	5,137	10,969	16,106	387	16,493
<b>At 28 February 2009</b>		<u>42,583</u>	<u>6,881</u>	<u>572</u>	<u>68,425</u>	<u>118,461</u>	<u>387</u>	<u>118,848</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 May 2008 and the accompanying explanatory notes attached to the interim financial statements.

# HPI RESOURCES BERHAD

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## Condensed Consolidated Cash Flow Statement

For the Nine-Months Period Ended 28 February 2009

	9 months ended	
	28.02.2009	28.02.2008
	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	14,563	11,803
Adjustment for:		
Depreciation	8,081	7,310
Provision for impairment loss of investment	-	2
Fixed assets written off	115	4,924
Loss/(Gain) on disposal of fixed assets	(370)	93
Loss on disposal of associate	946	-
Interest expenses	5,598	4,692
Interest income	(87)	(68)
Dividend received from an associated company	(1,121)	-
Share of loss in associates	-	35
<b>Operating profit before changes in working capital</b>	<b>27,725</b>	<b>28,791</b>
Inventories	8,397	(19,658)
Trade and other receivables	15,748	(11,402)
Trade and other payables	(7,269)	438
<b>Cash generated from (used in) operations</b>	<b>44,601</b>	<b>(1,831)</b>
Tax paid	(1,458)	(690)
<b>Net cash generated from (used in) operating activities</b>	<b>43,143</b>	<b>(2,521)</b>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiaries, net of cash required	(6,991)	-
Acquisition of associate	(508)	-
Purchase of property, plant and equipment	(24,946)	(5,923)
Proceeds from disposal of property, plant and equipment	770	137
Proceeds from disposal of an associated company	1,108	-
Dividend received from an associated company	1,121	-
Interest received	87	68
<b>Net cash used in investing activities</b>	<b>(29,359)</b>	<b>(5,718)</b>

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## Condensed Consolidated Cash Flow Statement (Cont'd) For the Nine-Months Period Ended 28 February 2009

	9 months ended	
	28.02.2009	28.02.2008
	RM'000	RM'000
<b>Cash flows from financing activities</b>		
Decrease in pledged deposit with licensed banks	-	83
Proceeds from /(Repayment) of hire purchase liabilities	145	(2,370)
(Repayment of)/Proceeds from bank borrowings	(20,102)	13,308
Interest paid	(5,598)	(4,692)
Net cash (used in) generated from financing activities	<u>(25,555)</u>	<u>6,329</u>
Exchange differences on translation of the financial statement of foreign operations	<u>5,137</u>	<u>(2,093)</u>
Net decrease in cash and cash equivalents	(11,771)	(1,910)
Cash and cash equivalents at beginning of period	15,854	14,600
Foreign exchange differences on opening balance	<u>(2,852)</u>	<u>999</u>
Cash and cash equivalents at end of period	<u><u>6,368</u></u>	<u><u>11,596</u></u>

Cash and cash equivalents at the end of the financial period comprise the following:

	As at	As at
	28.02.2009	28.02.2008
	RM'000	RM'000
Cash and bank balances	15,115	11,596
Bank overdrafts	(8,747)	-
	<u><u>6,368</u></u>	<u><u>11,596</u></u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 May 2008 and the accompanying explanatory notes attached to the interim financial statements.

# HPI RESOURCES BERHAD

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## PART A – EXPLANATORY NOTES PURSUANT TO FRS 134

### 1. BASIS OF PREPARATION

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 May 2008. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 May 2008.

### 2. CHANGES IN ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 May 2008 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) and Interpretations, where applicable effective for financial period beginning 1 June 2008.

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 137	Provision, Contingent Liabilities and Contingent Assets
FRS 139	Financial Instruments : Recognition and Measurement
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members’ Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS129, Financial Reporting in Hyperinflationary Economies.
IC Interpretation 8	Scope of FRS 2

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The initial application of the above mentioned Amendment and FRSs does not have any material impact on the financial statements of the Group and the Company except for adoption of the FRS 112 as the followings:

	Group	
	2008	2007
	RM'000	RM'000
Effect on retained profits:		
At 1 June, as previously stated	53,752	40,218
Effects of change in accounting policy FRS 112	3,704	6,086
As at 1 June, as restated	<u>57,456</u>	<u>46,304</u>
Effect on profit attributable to equity for the year :		
Profit attributable to equity before change in accounting policy	13,534	11,239
Effects of change in accounting policy FRS 112	(2,383)	(1,953)
Profit attributable to equity for the year	<u>11,151</u>	<u>9,286</u>

Comparative amount of the Company as at 31 May 2008 have been restated as follows:

	Previously Stated	Adjustment	Restated
	RM'000	RM'000	RM'000
Deferred tax liabilities	(5,116)	3,704	(1,412)

### 3. AUDITORS' REPORT ON PRECEEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 May 2008 was not qualified.



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## 4. SEGMENTAL INFORMATION

	3 months ended		9 months ended	
	28.02.2009	28.02.2008	28.02.2009	28.02.2008
	RM'000	RM'000	RM'000	RM'000
<b>Segment Revenue</b>				
Revenue from continuing operations:				
Paper Milling	10,846	-	28,631	-
Packaging	72,423	86,631	254,813	241,605
Transportation	1,320	1,627	4,923	5,098
Total revenue including inter-segment sales	84,589	88,258	288,367	246,703
Elimination of inter-segment sales	(7,446)	(4,796)	(19,684)	(7,713)
<b>Total</b>	<b>77,143</b>	<b>83,462</b>	<b>268,683</b>	<b>238,990</b>

## Segment Result

Results from continuing operations:				
Paper Milling	693	-	1,317	-
Packaging	2,077	3,788	13,460	11,635
Transportation	76	153	748	485
	2,846	3,941	15,525	12,120
Eliminations	(113)	(128)	(962)	(317)
<b>Total</b>	<b>2,733</b>	<b>3,813</b>	<b>14,563</b>	<b>11,803</b>

## By Geographical Location:-

### - Revenue

Malaysia	64,857	68,964	222,000	197,333
Cambodia	12,286	14,498	46,683	41,657
<b>Total</b>	<b>77,143</b>	<b>83,462</b>	<b>268,683</b>	<b>238,990</b>

### - Result

Malaysia	3,048	2,444	11,854	9,009
Cambodia	(315)	1,369	2,709	2,794
<b>Total</b>	<b>2,733</b>	<b>3,813</b>	<b>14,563</b>	<b>11,803</b>

## 5. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period ended 28 February 2009.

## 6. CHANGES IN ESTIMATES

There were no changes in estimates of amounts reported in the prior financial years that have a material effect in the current quarter.

## 7. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The business of the Group was not affected by any significant seasonal or cyclical factors in the current quarter.

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## 8. DIVIDENDS PAID

There were no dividend paid for the current quarter.

## 9. CARRYING AMOUNT OF REVALUED ASSETS

The valuations of property, plant and equipment have been brought forward without amendment from the financial statements for the year ended 31 May 2008.

## 10. DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current quarter and financial year to date.

## 11. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current quarter.

## 12. CAPITAL COMMITMENTS

There were no capital commitments to the end of the current quarter under review and at the date of this announcement.

## 13. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	28.02.2009	31.5.2008
	RM'000	RM'000
Corporate guarantee issued to financial institutions for credit facilities granted to subsidiaries	192,820	175,644
	=====	=====

Accordingly, the Company is contingently liable to the extent of the amount owed by the subsidiaries.

## 14. SUBSEQUENT EVENTS

There were no material events subsequent to the end of the current quarter.

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## PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

### 15. PERFORMANCE REVIEW

The Group's recorded a turnover of RM 77.1 million which is approximately 7.5% lower than RM 83.5 million of the preceding year corresponding period due to the adverse development in world and local economy which resulted in a drop of market demand. The performance of the Group has decreased from profit before taxation of RM3.8 million in the preceding year corresponding period to profit before taxation of RM 2.73 million in the third quarter ended 28 February 2009.

### 16. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

For the current quarter under review, the Group recorded a profit before taxation of RM 2.73 million and turnover of RM77.1 million as compared to a profit before taxation of RM5.0 million and turnover of RM 89.1 million in the immediate preceding quarter due to the global world wide and local economy adverse development.

### 17. COMMENTARY ON PROSPECTS

The Group will continue the strategy to maintain its market share and improve the production efficiency and productivity. Barring unforeseen circumstances, the Group expect satisfactory performance for the year ending 31 May 2009.

### 18. PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable to the Group as no profit forecast or profit guarantee was published.

### 19. INCOME TAX EXPENSE

	Current quarter 3 months ended		Cumulative quarter 9 months ended	
	28.02.2009	28.02.2008	28.02.2009	28.02.2008
	RM'000	RM'000	RM'000	RM'000
Current tax:				
Malaysian income tax	(44)	410	1,145	1,249
Deferred tax	1,253	(39)	2,397	(579)
Total income tax expense	<u>1,209</u>	<u>371</u>	<u>3,542</u>	<u>670</u>

The effective tax rate on the Group's profit is lower than the statutory tax rate principally due to certain subsidiaries brought forward of unabsorbed capital allowances and claims of reinvestment allowances.

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## 20. SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

There were no sales of unquoted investments and properties of the Group for the current quarter and financial year to-date.

## 21. QUOTED SECURITIES

There were no purchases and disposals of quoted securities for the current quarter and financial year-to-date.

## 22. CORPORATE PROPOSALS

### a) Status of Corporate Proposals

The Group does not have any corporate proposal which have not been completed as at the date of this announcement.

### b) Status of Utilisation of Proceeds

Not applicable.

## 23. GROUP BORROWINGS

	As at 28 Feb 09 RM'000	As at 31 May 08 RM'000
<b>Short term borrowings</b>		
Secured		
- Overdraft	8,747	-
- Bankers' acceptance	8,513	6,780
- Hire purchase creditors	1,219	929
- Term loan	4,488	3,632
Unsecured		
- Bankers' acceptance	67,947	74,333
- Term loan	3,490	3,663
	<hr/> 94,404	<hr/> 89,337
<b>Long term borrowings</b>		
Secured		
- Term loans	13,719	9,774
- Hire purchase creditors	157	276
Unsecured		
- Term loan	11,978	14,883
<b>Total</b>	<hr/> <hr/> 25,854	<hr/> <hr/> 24,933

## 24. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There are no off balance sheet financial instruments at the date of this quarterly report.

## 25. CHANGES IN MATERIAL LITIGATION

There are no pending material litigation at the date of this quarterly report.

## **HPI RESOURCES BERHAD**

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### **26. DIVIDEND PAYABLE**

No interim ordinary dividend has been declared for the financial year ended 31 May 2008 (31 May 2007: Nil).

### **27. EARNINGS PER SHARE**

#### **a Basic**

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares in issue of 42,583,128 during the reporting period.

#### **b Diluted**

There is no dilution in earnings per share as there was no dilutive potential ordinary shares as at 31 May 2008

### **28. Authorisation for Issue**

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the directors on 27<sup>th</sup> April , 2009.

By Order of the Board

**CHAN CHOR NGIAK**  
**MANAGING DIRECTOR**  
27<sup>th</sup> April, 2009