

HPI RESOURCES BERHAD

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

Interim Financial Report
2nd Quarter Ended
30 November 2009

HPI RESOURCES BERHAD

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

Condensed Consolidated Income Statements

For the period ended 30 November 2009

	Note	CURRENT QUARTER 3 MONTHS ENDED		CUMULATIVE QUARTER 6 MONTHS ENDED	
		30.11.09 RM'000	30.11.08 RM'000	30.11.09 RM'000	30.11.08 RM'000
Continuing Operations					
Revenue	4	88,110	91,487	176,448	191,589
Cost of sales		(71,428)	(79,126)	(143,834)	(165,332)
Gross Profit		16,682	12,361	32,614	26,257
Other Income		438	3,916	1,083	5,023
		17,120	16,277	33,697	31,280
Administrative expenses		(5,209)	(4,116)	(10,472)	(8,720)
Selling and marketing expenses		(2,705)	(3,085)	(5,649)	(6,436)
Other operating expenses		(442)	(432)	(642)	(524)
Finance costs		(1,229)	(2,005)	(2,448)	(3,741)
Interest income		19	12	29	66
Share of profit of associates		-	(138)	-	(96)
Profit before tax		7,554	6,513	14,515	11,829
Income tax expenses		(1,348)	(1,466)	(1,905)	(2,333)
Profit for the period		6,206	5,047	12,610	9,496
Attributable to:					
Equity holders of the parent		6,126	5,027	12,466	9,472
Minority interest		80	20	144	24
		6,206	5,047	12,610	9,496
Earnings per share attributable					
to equity holders of the parent:					
Basic, for profit for the period	27	11.51	9.44	23.42	17.79
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 2009 and the accompanying explanatory notes attached to the interim financial statements.

HPI RESOURCES BERHAD

(Company No. 376950-K)

(Incorporated in Malaysia)

Condensed Consolidated Balance Sheet

As at 30 November 2009

	Note	As At 30.11.2009 RM'000	(Restated) As At 31.5.2009 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		126,869	122,409
Investment properties		849	882
Prepaid lease payments		8,371	8,531
Intangible assets		2,280	2,280
Investments in associates		95	95
Other investment		155	155
Deferred tax benefit		645	780
		<u>139,264</u>	<u>135,132</u>
Current assets			
Inventories		45,133	38,299
Trade receivables		74,368	67,820
Other receivables		5,017	4,204
Tax recoverable		651	741
Fixed deposit		149	1,347
Cash and bank balances		27,690	13,901
		<u>153,008</u>	<u>126,312</u>
TOTAL ASSETS		<u>292,272</u>	<u>261,444</u>
EQUITY AND LIABILITIES			
Equity attributable			
Share capital		53,229	42,583
Share premium		-	6,881
Other reserves		(2,847)	(1,928)
Retained earnings		83,967	76,331
Equity attributable to equity holders of the parent		<u>134,349</u>	<u>123,867</u>
Minority Interest		613	540
Total equity		<u>134,962</u>	<u>124,407</u>
Non-current liabilities			
Borrowings	23	24,461	23,360
Deferred tax liabilities		4,035	4,233
		<u>28,496</u>	<u>27,593</u>
Current liabilities			
Borrowings	23	88,280	73,952
Trade payables		30,338	21,003
Other payables		9,210	14,391
Current tax payable		986	98
		<u>128,814</u>	<u>109,444</u>
Total liabilities		<u>157,310</u>	<u>137,037</u>
TOTAL EQUITY AND LIABILITIES		<u>292,272</u>	<u>261,444</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)			
		2.5240	2.3271

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 May 2009 and the accompanying explanatory notes attached to the interim financial statements.

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Condensed Consolidated Statement of Changes in Equity

For the period ended 30 November 2009

	Note	Share Capital RM000	Share premium RM000	Reserves - RM000	Retained Earnings RM000	Total RM000	RM000	RM000
At 1 June 2008								
As previously stated		42,583	6,881	(4,565)	53,752	98,651	-	98,651
Effects of FRS 112	2	-	-	-	3,704	3,704	-	3,704
Foreign currency translation		42,583	6,881	(4,565)	57,456	102,355	-	102,355
		-	-	4,191	-	4,191	-	4,191
Profit for the period		-	-	-	9,472	9,472	354	9,826
Total recognised income and expenses for the period		-	-	4,191	9,472	13,663	354	14,017
At 30 Nov 2008		<u>42,583</u>	<u>6,881</u>	<u>(374)</u>	<u>66,928</u>	<u>116,018</u>	<u>354</u>	<u>116,372</u>
At 1 June 2009								
As previously stated		42,583	6,881	(1,928)	76,331	123,867	540	124,407
Foreign currency translation		-	-	(919)	-	(919)	-	(919)
Profit for the period		-	-	-	12,466	12,466	73	12,539
Total recognised income and expense for the period		-	-	(919)	12,466	11,547	73	11,620
Dividend paid					(1,065)	(1,065)		(1,065)
Bonus Issue		10,646	(6,881)		(3,765)	-		-
At 30 Nov 2009		<u>53,229</u>	<u>-</u>	<u>(2,847)</u>	<u>83,967</u>	<u>134,349</u>	<u>613</u>	<u>134,962</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 2009 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 period ended 30 November 2009

	6 months ended	
	30.11.2009	30.11.2008
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	14,515	11,829
Adjustment for:		
Depreciation and amortisation	5,626	4,782
Provision for impairment loss of investment	-	(510)
Gain on disposal of fixed assets	(218)	(74)
Interest expenses	2,448	3,742
Interest income	(29)	(66)
Property, plant and equipment written off		95
Share of profit in associates	-	95
Operating profit before changes in working capital	<u>22,342</u>	<u>19,893</u>
Inventories	(6,836)	(6,643)
Trade and other receivables	(7,361)	(5,562)
Trade and other payables	4,154	(1,549)
Cash generated from (used in) operations	<u>12,299</u>	<u>6,139</u>
Tax paid	(989)	(812)
Net cash generated from operating activities	<u>11,310</u>	<u>5,327</u>
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash required	(600)	(6,566)
Purchase of property, plant and equipment	(10,022)	(14,772)
Proceeds from disposal of property, plant and equipment	227	245
Interest received	29	66
Net cash used in investing activities	<u>(10,366)</u>	<u>(21,027)</u>

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Condensed Consolidated Cash Flow Statement (Cont'd) For the period ended 30 November 2009

	6 months ended	
	30.11.2009 RM'000	30.11.2008 RM'000
Cash flows from financing activities		
Decrease in pledged deposit with licensed banks	1,198	1,115
Proceeds from hire purchase liabilities	1,748	181
Proceeds from bank borrowings	13,683	12,156
Dividends paid	(1,065)	-
Interest paid	(2,448)	(3,742)
Net cash generated from financing activities	<u>13,116</u>	<u>9,710</u>
Exchange differences on translation of the financial statement of foreign operations	<u>(919)</u>	<u>4,191</u>
Net increase(decrease) in cash and cash equivalents	14,061	(5,990)
Cash and cash equivalents at beginning of period	13,901	14,724
Foreign exchange differences on opening balance	647	(2,056)
Cash and cash equivalents at end of period	<u><u>27,690</u></u>	<u><u>10,869</u></u>

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

	As at	As at
	30.11.2009 RM'000	30.11.2008 RM'000
Cash and bank balances	<u><u>27,690</u></u>	<u><u>10,869</u></u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 May 2009 and the accompanying explanatory notes attached to the interim financial statements.

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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 2009. 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 2009.

2. CHANGES IN ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of the quarterly financial statements are consistent with those applied in the latest audited annual financial statements ended 31 May, 2009.

At the date of authorisation of these interim financial statements, the following Financial Reporting Standards (FRS) and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:-

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards
Amendments to FRS 2	Share-Based Payment: Vesting Conditions and Cancellations
Amendments to FRS 127	Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The above FRSs and IC Interpretations shall apply to annual periods beginning on or after 1 January 2010 except for FRS 8 which will be effective from 1 July 2009.

The adoptions of the above FRSs and Interpretations upon their effective dates are not expected to have any significant impact on the interim financial statements of the Group.

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3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 May 2009 was not qualified.

4. SEGMENTAL INFORMATION

	3 months ended		6 months ended	
	30.11.2009	30.11.2008	30.11.2009	30.11.2008
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Revenue from continuing operations:				
Paper Milling	15,718	12,968	29,116	17,264
Packaging	77,002	82,854	154,013	178,914
Transportation	1,670	1,718	3,323	3,603
Total revenue including inter-segment sales	94,390	97,540	186,452	199,781
Elimination of inter-segment sales	(6,280)	(6,053)	(10,004)	(8,192)
Total	88,110	91,487	176,448	191,589

Segment Result

Results from continuing operations:				
Paper Milling	2,043	502	3,664	624
Packaging	6,086	6,164	11,684	11,319
Transportation	186	332	342	672
	8,315	6,998	15,690	12,615
Eliminations	(761)	(485)	(1,175)	(786)
Total	7,554	6,513	14,515	11,829

By Geographical Location:-

- Revenue

Malaysia	75,797	74,816	149,795	156,451
Cambodia	12,313	16,671	26,653	35,138
Total	88,110	91,487	176,448	191,589

- Result

Malaysia	5,737	4,880	11,582	8,807
Cambodia	1,817	1,633	2,933	3,022
Total	7,554	6,513	14,515	11,829

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 30 November, 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.

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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.

8. DIVIDENDS PAID

The Board has proposed a first and final dividend of 2.5 sen tax exempt per ordinary share of RM1.00 each for the financial year ended 31 May, 2009. This was approved by the shareholders in the Annual General Meeting held on 28 October, 2009 and the total net dividend of RM1,064,578 was paid on 16 November, 2009.

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 2009.

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

	30.11.2009	30.11.2008
	RM'000	RM'000
Corporate guarantee issued to financial institutions for credit facilities granted to subsidiaries	108,000	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 88.11 million which is approximately 3.7% lower than RM 91.49 million of the preceding year corresponding period due to the adverse development in world and local economy which resulted in the drop of market demand. The performance of the Group has increased from profit before taxation of RM6.51 million in the preceding year corresponding period to profit before taxation of RM7.55 million in the second quarter ended 30 November, 2009, mainly due to better cost management and higher productivity and efficiency.

16. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

For the current quarter under review, the Group recorded a profit before taxation of RM7.55 million and turnover of RM88.11 million as compared to a profit before taxation of RM7.0 million and turnover of RM 88.3 million in the immediate preceding quarter due to the contribution of subsidiary at Perak and the paper mill company during the reporting quarter.

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 2010.

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 6 months ended	
	30.11.2009 RM'000	30.11.2008 RM'000	30.11.2009 RM'000	30.11.2008 RM'000
Current tax:				
Malaysian income tax	1,421	794	1,967	4,876
Deferred tax	(73)	672	(62)	(2,543)
Total income tax expense	<u>1,348</u>	<u>1,466</u>	<u>1,905</u>	<u>2,333</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

During the financial quarter under review, the Company completed the implementation of the listing of and quotation for the 10,645,782 bonus shares on the BURSA.

Save for the above, there were no corporate proposals or utilisation of proceeds announced but not completed as at the date of the report.

b) Status of Utilisation of Proceeds

Not applicable.

23. GROUP BORROWINGS

	As at 30 Nov 09 RM'000	As at 31 May 08 RM'000
Short term borrowings		
Secured		
- Overdraft	-	4,333
- Bankers' acceptance	9,439	6,787
- Hire purchase creditors	893	542
- Term loan	8,953	7,837
Unsecured		
- Bankers' acceptance	65,386	50,442
- Term loan	3,609	4,011
	<u>88,280</u>	<u>73,952</u>
Long term borrowings		
Secured		
- Hire purchase creditors	2,214	817
- Term loans	13,016	11,687
Unsecured		
- Term loans	9,231	10,856
Total	<u>24,461</u>	<u>23,360</u>

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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.

26. DIVIDEND PAYABLE

No interim ordinary dividend has been declared for the financial period ended 30 November, 2009 (30 November, 2008: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 53,228,910 during the reporting period.

b Diluted

The Company has no convertible securities in issue and hence, computation of diluted earnings per share has not been presented.

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 20 January, 2010.

By Order of the Board

CHAN CHOR NGIAK
MANAGING DIRECTOR
20 January, 2010