

HPI RESOURCES BERHAD

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

Interim Financial Report

**3rd Quarter Ended
28 February 2010**

HPI RESOURCES BERHAD

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

Condensed Consolidated Income Statements

For the period ended 28 February 2010

	Note	CURRENT QUARTER		CUMULATIVE QUARTER	
		3 MONTHS ENDED		9 MONTHS ENDED	
		28.02.10	28.02.09	28.02.10	28.02.09
		RM'000	RM'000	RM'000	RM'000
Continuing Operations					
Revenue	4	94,461	77,143	270,909	268,683
Cost of sales		(81,590)	(65,762)	(225,424)	(227,884)
Gross Profit		12,871	11,381	45,485	40,799
Other Income		220	2,601	1,303	7,472
		13,091	13,982	46,788	48,271
Administrative expenses		(5,435)	(5,977)	(15,907)	(14,696)
Selling and marketing expenses		(2,699)	(3,656)	(8,348)	(13,197)
Other operating expenses		(176)	220	(818)	(304)
Finance costs		(1,249)	(1,856)	(3,697)	(5,598)
Interest income		21	20	50	87
Share of profit of associates		-	-	-	-
Profit before tax		3,553	2,733	18,068	14,563
Income tax expenses		(385)	(1,209)	(2,290)	(3,542)
Profit for the period		3,168	1,524	15,778	11,021
Attributable to:					
Equity holders of the parent		3,132	1,496	15,598	10,997
Minority interest		36	28	180	24
		3,168	1,524	15,778	11,021
Earnings per share attributable					
to equity holders of the parent:					
Basic, for profit for the period	27	5.88	2.81	29.30	20.66
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 28 February 2010

	Note	As At 28.02.2010 RM'000	(Restated) As At 31.5.2009 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		125,048	122,409
Investment properties		877	882
Prepaid lease payments		8,342	8,531
Intangible assets		2,280	2,280
Investments in associates		95	95
Other investment		155	155
Deferred tax benefit		604	780
		<u>137,401</u>	<u>135,132</u>
Current assets			
Inventories		42,243	38,299
Trade receivables		84,856	67,820
Other receivables		5,947	4,204
Tax recoverable		1,057	741
Fixed deposit		14	1,347
Cash and bank balances		18,900	13,901
		<u>153,017</u>	<u>126,312</u>
TOTAL ASSETS		<u>290,418</u>	<u>261,444</u>
EQUITY AND LIABILITIES			
Equity attributable			
Share capital		53,229	42,583
Share premium		-	6,881
Other reserves		(2,426)	(1,928)
Retained earnings		87,099	76,331
Equity attributable to equity holders of the parent		<u>137,902</u>	<u>123,867</u>
Minority Interest		649	540
Total equity		<u>138,551</u>	<u>124,407</u>
Non-current liabilities			
Borrowings	23	20,487	23,360
Deferred tax liabilities		3,912	4,233
		<u>24,399</u>	<u>27,593</u>
Current liabilities			
Borrowings	23	86,258	73,952
Trade payables		31,649	21,003
Other payables		8,421	14,391
Current tax payable		1,140	98
		<u>127,468</u>	<u>109,444</u>
Total liabilities		<u>151,867</u>	<u>137,037</u>
TOTAL EQUITY AND LIABILITIES		<u>290,418</u>	<u>261,444</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)			
		2.5907	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.

HPI RESOURCES BERHAD

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

Condensed Consolidated Statement of Changes in Equity

For the period ended 28 February 2010

	Note	:----- Attributable to Equity Holders of the parent----- <---- Non-distributable -----> Distributable				Total RM000	Minority Interest RM000	Total Equity RM000
		Share Capital RM000	Share premium RM000	Reserves - RM000	Retained Earnings 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
		-	-	5,137	-	5,137	-	5,137
Profit for the period		-	-	-	10,969	10,969	387	11,356
Total recognised income and expenses for the period		-	-	5,137	10,969	16,106	387	16,493
At 28 Feb 2009		<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>
At 1 June 2009								
As previously stated		42,583	6,881	(1,928)	76,331	123,867	540	124,407
Foreign currency translation		-	-	(498)	-	(498)	-	(498)
Profit for the period		-	-	-	15,598	15,598	109	15,707
Total recognised income and expense for the period		-	-	(498)	15,598	15,100	109	15,209
Dividend paid					(1,065)	(1,065)		(1,065)
Bonus Issue		10,646	(6,881)		(3,765)	-		-
At 28 Feb 2010		<u>53,229</u>	<u>-</u>	<u>(2,426)</u>	<u>87,099</u>	<u>137,902</u>	<u>649</u>	<u>138,551</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

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

Condensed Consolidated Cash Flow Statement

For the period ended 28 February 2010

	9 months ended	
	28.02.2010	28.02.2009
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	18,068	14,563
Adjustment for:		
Depreciation and amortisation	8,662	8,081
Gain on disposal of fixed assets	(125)	(370)
Loss on disposal of associate	-	946
Dividend received	-	(1,121)
Interest expenses	3,697	5,598
Interest income	(49)	(87)
Property, plant and equipment written off		115
Operating profit before changes in working capital	30,253	27,725
Inventories	(3,946)	8,397
Trade and other receivables	(18,780)	15,748
Trade and other payables	4,676	(7,269)
Cash generated from operations	12,203	44,601
Tax paid	(1,708)	(1,458)
Net cash generated from operating activities	10,495	43,143
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash required	(600)	(6,991)
Acquisition of associate	-	(508)
Purchase of property, plant and equipment	(11,411)	(24,946)
Proceeds from disposal of property, plant and equipment	427	770
Proceeds from disposal of associate	-	1,108
Dividend received from associate	-	1,121
Interest received	49	87
Net cash used in investing activities	(11,535)	(29,359)

HPI RESOURCES BERHAD

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

Condensed Consolidated Cash Flow Statement (Cont'd) For the period ended 28 February 2010

	9 months ended	
	28.02.2010	28.02.2009
	RM'000	RM'000
Cash flows from financing activities		
Decrease in pledged deposit with licensed banks	1,333	-
Proceeds from hire purchase liabilities	1,675	145
Proceeds from (Repayment to) bank borrowings	7,758	(20,102)
Dividends paid	(1,065)	-
Interest paid	(3,697)	(5,598)
Net cash generated from (used in) financing activities	<u>6,004</u>	<u>(25,555)</u>
Exchange differences on translation of the financial statement of foreign operations	<u>(498)</u>	<u>5,137</u>
Net increase(decrease) in cash and cash equivalents	4,964	(11,771)
Cash and cash equivalents at beginning of period	13,901	15,854
Foreign exchange differences on opening balance	471	(2,852)
Cash and cash equivalents at end of period	<u><u>18,838</u></u>	<u><u>6,368</u></u>

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

	As at	As at
	28.02.2010	28.02.2009
	RM'000	RM'000
Cash and bank balances	18,900	15,115
Bank overdrafts	(62)	(8,747)
	<u><u>18,838</u></u>	<u><u>6,368</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.

HPI RESOURCES BERHAD

(Company No. 376950-K)

(Incorporated in Malaysia)

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.

HPI RESOURCES BERHAD

(Company No. 376950-K)

(Incorporated in Malaysia)

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		9 months ended	
	28.02.2010	28.02.2009	28.02.2010	28.02.2009
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Revenue from continuing operations:				
Paper Milling	18,021	10,846	47,137	28,631
Packaging	80,216	69,799	234,228	249,717
Transportation	1,732	1,320	5,056	4,923
Total revenue including inter-segment sales	99,969	81,965	286,421	283,271
Elimination of inter-segment sales	(5,508)	(4,822)	(15,512)	(14,588)
Total	94,461	77,143	270,909	268,683

Segment Result

Results from continuing operations:				
Paper Milling	909	693	4,573	1,317
Packaging	2,825	2,012	14,519	13,713
Transportation	135	332	477	672
	3,869	3,037	19,569	15,702
Eliminations	(316)	(304)	(1,501)	(1,139)
Total	3,553	2,733	18,068	14,563

By Geographical Location:-

- Revenue

Malaysia	80,758	64,857	230,553	222,000
Cambodia	13,703	12,286	40,356	46,683
Total	94,461	77,143	270,909	268,683

- Result

Malaysia	3,382	3,048	14,964	11,855
Cambodia	171	(315)	3,104	2,708
Total	3,553	2,733	18,068	14,563

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, 2010.

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.

HPI RESOURCES BERHAD

(Company No. 376950-K)

(Incorporated in Malaysia)

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

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 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

	28.02.2010	28.02.2009
	RM'000	RM'000
Corporate guarantee issued to financial institutions for credit facilities granted to subsidiaries	113,000	192,820
	=====	=====

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

14. SUBSEQUENT EVENTS

On 12 March, 2010, the company has invested an additional RM13,273,280.00 in its subsidiary, Trio Paper Mills Sdn Bhd. With the additional investment, the issued and paid up share capital of Trio is increased from RM6,726,720.00 to RM20,000,000.00 and the company's shareholding is increased from 96.06% to 98.67%.

HPI RESOURCES BERHAD

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

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 RM94.46 million which is approximately 22% higher than RM77.14 million of the preceding year corresponding period due to the increases of volume which results from the economy recovery. In line with the increase in turnover, the performance of the Group has increased from profit before taxation of RM2.73 million in the preceding year corresponding period to profit before taxation of RM3.55 million in the third quarter ended 28 February, 2010. The favourable result was due to higher turnover.

16. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

For the current quarter under review, the Group recorded a profit before taxation of RM3.55 million and turnover of RM94.46 million as compared to a profit before taxation of RM7.55 million and turnover of RM 88.11 million in the immediate preceding quarter. Despite increase turnover in the third quarter, the Group recorded lower profit mainly due to higher raw material prices 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 9 months ended	
	28.02.2010 RM'000	28.02.2009 RM'000	28.02.2010 RM'000	28.02.2009 RM'000
Current tax:				
Malaysian income tax	467	(44)	2,434	1,145
Deferred tax	(82)	1,253	(144)	2,397
Total income tax expense	<u>385</u>	<u>1,209</u>	<u>2,290</u>	<u>3,542</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.

HPI RESOURCES BERHAD

(Company No. 376950-K)

(Incorporated in Malaysia)

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 proposals which have not been completed as at the date of the announcement.

b) Status of Utilisation of Proceeds

Not applicable.

23. GROUP BORROWINGS

	As at 28 Feb 10 RM'000	As at 31 May 09 RM'000
Short term borrowings		
Secured		
- Overdraft	62	4,333
- Bankers' acceptance	15,029	6,787
- Hire purchase creditors	1,142	542
- Term loan	9,062	7,837
Unsecured		
- Bankers' acceptance	56,952	50,442
- Term loan	4,011	4,011
	<u>86,258</u>	<u>73,952</u>
Long term borrowings		
Secured		
- Hire purchase creditors	1,892	817
- Term loans	10,234	11,687
Unsecured		
- Term loans	8,361	10,856
Total	<u>20,487</u>	<u>23,360</u>

HPI RESOURCES BERHAD

(Company No. 376950-K)

(Incorporated in Malaysia)

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 28 February, 2010 (28 February, 2009: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 5 April, 2010.

By Order of the Board

CHAN CHOR NGIAK
MANAGING DIRECTOR
5 April, 2010